



# Staff Report

## City of Manhattan Beach

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

**THROUGH:** Richard Thompson, Interim City Manager *RT*

**FROM:** Tim Lilligren, Treasurer  
Bruce Moe, Director of Finance  
Henry Mitzner, Controller *HM*

**DATE:** February 2, 2010

**SUBJECT:** Consideration of FY 2008-2009 Audit Results; Report on City's Investment Portfolio Performance; FY 2009-2010 Mid Year Budget Review and Preview of FY 2010-2011 Budget

### RECOMMENDATION:

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

- a) Audit results for FY 2008-2009;
- b) City's investment portfolio performance during the past year;
- c) FY 2009-2010 mid year budget review and FY 2010-2011 budget preview.

### FISCAL IMPLICATION:

Specific fiscal implications for each topic are addressed below within this report. However, it is clear that we continue to face financial challenges which will require us to adjust spending, enhance revenues and possibly use reserves in order to weather the downturn. Current budget projections indicate that we will finish FY 2009-2010 with a \$2.2 million deficit (larger than the \$1.5 million deficit at time of budget adoption), and may face a FY 2010-2011 shortfall of up to \$2.8 million. Additional fiscal challenges are discussed later in this report.

### DISCUSSION:

Tonight's report is segregated into three financial topics: a) FY 2008-2009 audit results; b) the City's investment portfolio; c) the City's budget by way of a review of FY 2009-2010 at mid year and a preview of the FY 2010-2011 budget.

### *FY 2008-2009 Audit*

Attached to this report is the City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009. This independent audit report is prepared by the City's auditor, Lance, Soll and Lunghard, the certified public accountancy firm whose contract was renewed by the Council in

FY 2008-2009. We would like to take this opportunity to acknowledge the auditor's professionalism and diligence in the completion of the FY 2008-2009 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 was one reportable condition, which has been included in the letter to management. Staff had accrued an existing receivable for \$20,000 that is the balance of a \$400,000 grant from Metropolitan Transit Authority for the widening/utility underground project along Rosecrans Avenue. Receipt of this balance is contingent upon Edison completing the work (which was held up by efforts to obtain easements from adjacent property owners). The auditors determined that because the grant was not going to be received within 90 days of the close of the fiscal year (June 30, 2009), the grant should not be accrued as a receivable.

The attached report contains detailed information about the City's financial results for FY 2008-2009. 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 FY 2008-2009. 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, 2009.

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 2009 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 Federal 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, even traditionally "safe" investments have been affected by the economic problems of the past 18 months. During that time, several major events occurred, that triggered a rapid downturn of the financial markets, which impacted the value of some of the City's investment holdings. These events included Lehman Holding company filing for bankruptcy; Bank of America buying Merrill Lynch so that Merrill could avoid insolvency; AIG being rescued by the U.S. government to avoid its failure; and Washington Mutual Inc. collapsing with \$307 billion in assets - one of the largest U.S. bank failures ever.

During the height of the financial crisis, the City held corporate bonds (i.e., debt of the corporation) in several at-risk institutions, including Bank of America, Citigroup, Wachovia and

Morgan Stanley. These instruments dropped in value as concern mounted that these institutions would fail. But by not panicking, carefully evaluating the situation, monitoring the data and remaining patient, the values recovered, and the City was able to sell select securities for a net gain once the markets stabilized, which allowed us to reduce overall risk.

Portfolio Comparison – Mid Year: 2008 Vs. 2009

After successfully navigating through the worst of the turbulence, the Finance Subcommittee took the approach of investing in the short-to-mid term, and ensuring that safety is the primary objective. We also held a larger portion of the portfolio in cash as we monitored developments in a number of areas. As a result, as notes matured, we invested mainly in the mid range (3-3.5 years until maturity), and avoided *uninsured* corporate notes<sup>1</sup>. We also carefully monitored the level of support the Federal Government was providing to the GSE's such as Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation) to ensure that those agencies, which had suffered large losses in the housing crisis, would still be viable and able to repay their debt.

As a result of this strategy, the following chart illustrates how the portfolio has developed over the past 12 months. Clearly, the decline in interest rates is evident, dropping our yield-to-maturity by 189 basis points in the last year. Also evident is the reduction in medium term notes from 20.4% of our portfolio to approximately 13% of the total as we moved to reduce exposure to the financial industry, which comprised many of our corporate holdings in the prior year (half of the current medium term note value is in TLGP notes). Federal Agencies remain on par with the prior year at 35% of the total. Liquid cash, which was primarily held in a money market fund at the end of December 2008 due to concerns over LAIF's safety (later determined to not be an issue), has also increased in terms of percentage of the portfolio, now representing almost half of the total. Short term notes combined with the cash has positioned us for opportunities to invest with greater yields, which we expect in the near future, without locking in for longer terms with depressed rates.

Portfolio Report Date

	12/31/2009		12/31/2008	
Yield to Maturity	1.70%		3.59%	
Par Value	\$ 46,300,000		\$ 46,503,360	
Value by Investment Type:	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
LAIF	\$ 22,300,000	48.16%	\$ -	0.00%
Gov't Money Market	\$ -	0.00%	\$ 17,503,360	37.64%
Medium Term (Corporate) Notes	\$ 6,000,000	12.96%	\$ 9,500,000	20.43%
Federal Agencies	\$ 16,000,000	34.56%	\$ 17,500,000	37.63%
United States Treasury Notes	\$ 2,000,000	4.32%	\$ 2,000,000	4.30%
Total	\$ 46,300,000		\$ 46,503,360	

<sup>1</sup> Corporate notes issued under the Federal Government's "Temporary Liquidity Guarantee Program" (TLGP) have been purchased due to the governmental backing.

Rates seemed to have stabilized at this point in time, and we do not anticipate any large downward movement. As a result, we are currently looking to invest in the 2-3 year range, and are reviewing our options for longer maturities.

Examples of current yields compared to one year ago include the following:

<u>Investment Category</u>	<u>Term</u>	<u>December Rates</u>		
		<u>2009</u>	<u>2008</u>	<u>Difference</u>
Local Agency Investment Fund (LAIF)	Liquid	0.569%	2.353%	-1.78%
United States Treasury Note	2 years	0.750%	0.875%	-0.13%
Federal Agency (Federal Home Loan Bank)	2 years	1.190%	1.200%	-0.01%
Corporate Notes (A1/AA Rated)	2.5 Years	1.090%	3.670%	-2.58%
FDIC Insured Corporate Notes (TLGP)	3 Years	1.860%	2.080%	-0.22%

The difference in corporate note rates can be traced to the spike in 2008 yields caused by the financial crisis in the last quarter. Rates settled after the Federal Government stepped in to stabilize the markets. But the charts clearly indicate that rates have continued to decline over the past year, which are impacting our interest earnings (discussed in more detail later in this report).

It is important to note that the City's portfolio represents the aggregate monies from all funds (i.e., General Fund, Water, Waste Water, Parking, etc.), and is not to be considered "spendable" or available for any purpose.

Safeguarding the City's assets remains a top priority.

## ***Budget***

### ***FY 2009-2010 Mid Year Budget Review***

As we review the mid year results, and begin the budgeting process for FY 2010-2011, we are faced with a continuation of the financial challenges from FY 2009-2010. The national and state economies continue to be hampered by the housing crisis, high unemployment and a lack of consumer spending. It remains clear that these factors are affecting many of our key revenue sources, and will continue to do so for an extended period of time. The good news is that our tradition of fiscal conservatism and proactive planning has provided 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 now showing the affects of the housing market correction. Sales tax has dropped precipitously due weak consumer spending. Transient Occupancy

Tax is also way down along with tourism and travel. And, of course, the housing market, and to some extent, the tightening of the credit markets, is affecting 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 \$1.5 million. However, we are also estimating that General Fund expenditures will come in \$1.16 million under budget. When coupled with existing deficit in the adjusted budget of \$1.85 million, the total imbalance of expenditures in excess of revenues is estimated to be \$2.19 million at year end.

Fortunately, we have sufficient unreserved fund balance available to accommodate this deficit this year, while also maintaining our policy reserve of 20% of General Fund expenditures (\$10.4 million) and our Economic Uncertainty reserve (\$4 million). However, by using these funds to completely cover the imbalance, we project that we will have an unreserved General Fund balance of \$1.7 million at fiscal year end. It is important to note that any operating shortfall in FY 2009-2010 will come from the unreserved General Fund balance and not from established reserves.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Difference</u>
FY 2009-2010 Adopted Budget	\$49,402,520	\$50,911,195	(\$1,508,675)
FY 09-10 Adjusted Budget <sup>2</sup>	\$49,520,050	\$51,372,717	(\$1,852,667)
Full Year Estimate	<u>\$48,022,808</u>	<u>\$50,216,198</u>	<u>(\$2,193,390)</u>
Positive/(Negative)	(\$1,497,242)	\$ 1,156,519	(\$340,723)

While we have been fortunate to have unreserved funds available this year to cover the deficit, that will not be the case this next year. Based on our early estimates, the FY 2010-2011 budget will have a \$2.5 million deficit, which will exhaust the remaining unreserved fund balance (\$1.7 million), and cause us to hit our Economic Uncertainty Reserve for approximately \$800,000. We can avoid this scenario by implementing further cost cuts and considering new revenues during the upcoming FY 2010-2011 budget deliberations. Please see the "Budget Preview" section later in this report for more details.

We continue to closely monitor our expenditures while maintaining service levels as we review our options for FY 2010-2011.

<sup>2</sup> The Adjusted Budget includes encumbrances carried forward from the prior year which are added to the budgeted expenditures in the new fiscal year. It also includes any Council-approved budget adjustments during the current year.

**General Fund Revenues**

The chart below illustrates our General Fund revenues for FY 2009-2010 through mid year, as well as projections for FY 2010-2011 (which is discussed in more detail later in this report):

Key Revenues	2010 Budget	2010 Estimated	Difference	2011 Estimate	Change from Budget	2010 Est.
Property Tax	\$ 20,043,000	\$ 19,779,879	\$ (263,121.00)	\$ 19,308,996	-3.7%	-2.4%
Sales & Use Tax	7,452,500	7,052,471	(400,029.00)	7,050,500	-5.4%	0.0%
Transient Occupancy Tax	2,885,000	2,400,000	(485,000.00)	2,400,000	-16.8%	0.0%
Business License Tax	2,550,000	2,490,400	(59,600.00)	2,500,000	-2.0%	0.4%
Building Permit Fees	600,000	600,000	-	600,000	0.0%	0.0%
Plan Check Fees	550,000	550,000	-	550,000	0.0%	0.0%
Interest Income	450,000	500,000	50,000.00	450,000	0.0%	-10.0%
Real Estate Transfer Tax	275,000	275,000	-	275,000	0.0%	0.0%
Other Revenues by Category						
Other Taxes	1,537,500	1,450,000	(87,500.00)	1,500,000	-2.4%	3.4%
Revenue from Permits	489,150	488,650	(500.00)	488,700	-0.1%	0.0%
Fines & Forfeitures	2,649,455	2,775,000	125,545.00	2,776,000	4.8%	0.0%
Use of Property & Money	2,134,948	1,926,948	(208,000.00)	1,923,880	-9.9%	-0.2%
Other Governments	371,700	371,100	(600.00)	306,000	-17.7%	-17.5%
Service Charges	4,073,487	3,948,650	(124,837.00)	3,868,650	-5.0%	-2.0%
Misc. Revenue/Transfers	3,458,310	3,414,710	(43,600.00)	3,474,000	0.5%	1.7%
<b>Total General Fund Estimated Revenue</b>	<b>\$ 49,520,050</b>	<b>\$ 48,022,808</b>	<b>\$ (1,497,242)</b>	<b>\$ 47,471,726</b>	<b>-4.1%</b>	<b>-1.1%</b>

**Property Tax**

Property tax is the General Fund's largest revenue source, accounting for 41% of General Fund revenues. We have forecast Property Tax to come in \$263,121 (1.3%) under budget. After several years of rapid growth (7%+ per year) the housing crisis of the past two years has just now started to affect our revenues in 2009-2010. We originally budgeted this revenue source just .5% above FY 2008-2009 actual revenue, however, our supplemental property tax portion of total property taxes has dropped from \$445,000 in FY 08-09 to a projected \$-0- for FY 09-10. Supplemental tax collections are based on *countywide* collections for properties that are sold after the tax lien date, and are generated when the sales price exceeds the current assessed value (a supplemental property tax bill is issued to the new property owner). Unfortunately, many properties across the county are now being sold for less than the existing assessed value, resulting in no supplemental taxes being collected. As a result, at mid year, we have not received any revenue from this source (one year prior we had received \$113,100 at this point, and \$445,000 for the full year), and have been advised by our property tax consultant that it may remain so for the balance of the year. Out of an abundance of caution, this possibility is factored into our full year estimate for FY 2009-2010, as well as our forecast for FY 2010-2011.

Regarding our FY 2010-2011 forecast, again in discussions with our consultant, we are expecting a decline in current year property tax revenues from the current year. The combination of property reassessments and lower sales prices are causing the drop in taxable values. Additionally, the annual Proposition 13 adjustment in taxable value, which is based on a maximum of 2% tied to the Consumer Price Index, is negative this year (-.237%), which will be reflected in the FY 2010-2011 assessed values and collections.

FY 2008 Actual Revenue:	\$18,567,451
FY 2009 Actual Revenue:	\$19,930,491
FY 2010 Budget:	\$20,043,000
FY 2010 Full Year Estimate:	\$19,779,879
FY 2011 Preliminary Budget Estimate:	\$19,308,996

Real Estate Transfer Tax

After a 29.6% drop off of single family residential sales volume in 2008, volume in 2009 has rebounded slightly, up 4.1%. In 2008, sales volume for single family residential properties was 293 units, with a median price of \$1,545,000. In 2009, the sales volume was 305 units, with a median price of \$1,326,000 (down 14.1%). The drop off in sales volume (which is approximately 50% of what it was in 2003), coupled with lower sale prices has impacted 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. We expect this revenue source to meet the budgetary estimate of \$275,000 for FY 2009-2010. In estimating the FY 2010-2011 budget, we believe that sales volume and median prices will approximate this current year's trends. As a result, the revenue is estimated to be flat with the FY 09-10 projections.

FY 2008 Actual Revenue:	\$450,299
FY 2009 Actual Revenue:	\$325,001
FY 2010 Budget:	\$275,000
FY 2010 Full Year Estimate:	\$275,000
FY 2010 Preliminary Budget Estimate:	\$275,000

Sales Tax

Sales tax is the city's second largest General Fund revenue source, accounting for 15% of total revenue. At mid-year, we are seeing revenue 10.4% (\$320,444) below the prior year, and are projecting the full year to be 5.4% (\$400,029) below budget estimates. 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 (although some reports indicate an increase in holiday spending from the prior year).

One contributing factor to the decline in sales tax this year is the Triple Flip<sup>3</sup> calculation by the State. In short, each year the State estimates sales tax growth in order to calculate the Triple Flip payment, which we receive twice a year (January and May). Last year, the State's estimate exceeded the actual sales tax collected (due to the dramatic drop in retail sales), and, as a result, they over-advanced cities the amount due. This was corrected at the end of FY 2009 with a \$295,000 reduction in our FY 2009-2010 estimated payments, which are now reflected in our estimates for the full year. In addition, out of an abundance of caution, the State may be under-advancing this year's Triple Flip amount. If so, we will see another correction (this time to the

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<sup>3</sup> The Triple Flip was created by the State in 2004 and, among other things, substitutes property taxes for 25% of our sales taxes. The growth is still tied to retail sales. This shift was enacted so that the State could issue bonds in order to correct the deficit at that time.



positive) at the end of the fiscal year.

The cumulative effect of the past two years on our sales tax has been a 14% decline. Forecasts for Sales Tax indicate that we should see a bottoming out in FY 2010-2011, with slow growth (1%-2%) returning in FY 2011-2012. As a result we are preliminarily estimating Sales Tax revenue with no growth for FY 2010-2011.

FY 2008 Actual Revenue	\$8,230,387
FY 2009 Actual Revenue:	\$7,480,516
FY 2010 Budget:	\$7,452,500
FY 2010 Full Year Estimate:	\$7,052,471
FY 2011 Preliminary Budget Estimate:	\$7,050,500

Transient Occupancy Tax (TOT)

Also known as the hotel bed tax, the TOT through the first half of the fiscal year is performing 19.5% (\$332,778) below last year. In estimating the full year for 2009-2010, we assume the current trends continue, with each month for the rest of the fiscal year performing 20% below the prior year actual receipts. As a result, we expect that our hotel bed tax (General Fund portion) will total \$2.4 million - \$485,000 below budgetary estimates. This will also affect our Capital Improvement Project Fund revenue by \$85,000 since 15% of the TOT is dedicated for Police & Fire Facility debt service<sup>4</sup> and future projects within that fund. For FY 2010-2011, we assumed that the entire fiscal year room sales and rates will remain at similar 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 Actual Revenue:	\$2,931,689	\$517,427	\$3,449,116
FY 2010 Budget:	\$2,885,000	\$510,000	\$3,395,000
FY 2010 Full Year Estimate:	\$2,400,000	\$425,000	\$2,825,000
FY 2011 Preliminary Budget Estimate:	\$2,400,000	\$425,000	\$2,825,000

Building Permit & Plan Check Fees

The housing and construction slowdown has clearly been reflected in the performance over the past two years of the Building Permits and Plan Check Fee revenues, down 26.5% and 27.9% respectively. However, we are seeing some signs of recovery in these activities. The number of permits issued<sup>5</sup> in the first half of FY 2009-2010 is up 17.5% (637 versus 542), while the associated valuation (which drives the revenue) is up 8.7% (\$25.2 million in 08-09 compared to \$27.4 million in 09-10). We are hopeful that we have seen the bottoming out of the decline, and that we will have stable activity, if not moderate growth. We expect to meet our budgetary estimates this year.

<sup>4</sup> Sufficient revenue remains dedicated to the CIP Fund to cover the annual debt service.

<sup>5</sup> Excludes permits that have no associated dollar valuation.

	<u>Building Permit</u>	<u>Plan Check</u>
FY 2008 Actual Revenue:	\$816,619	\$763,352
FY 2009 Actual Revenue:	\$626,346	\$605,565
FY 2010 Budget:	\$600,000	\$550,000
FY 2010 Full Year Estimate:	\$600,000	\$550,000
FY 2011 Preliminary Budget Estimate:	\$600,000	\$550,000

Business License Tax

Business license tax, which is generally calculated upon a business's gross receipts, is expected to decline from 2008-2009 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, as we know, retail sales (and therefore gross receipts) have declined over the past year. Because the majority of business licenses are based on gross receipts, and the tax is calculated on the prior year's tax returns (in this case 2009, which is assumed to be lower than 2008), we expect a decline in revenues. The precise decline will not be known until the license tax collections are substantially completed in April 2010. However, in anticipation of this decline, staff budgeted this revenue source 8% below the prior year actual collections.

FY 2008 Actual Revenue:	\$2,747,098
FY 2009 Actual Revenue:	\$2,767,070
FY 2010 Budget:	\$2,550,000
FY 2010 Full Year Estimate:	\$2,490,400
FY 2010 Preliminary Budget Estimate:	\$2,500,000

Interest Income

The City invests its idle cash in a number of instruments ranging from the state-run Local Agency Investment Fund (LAIF) and corporate debt, to U.S. Treasury notes and Governmental Agencies. During the recent recession and economic problems, interest rates declined dramatically, and remain at very low levels. Any of the City's maturing investments are being reinvested at these very low rates, resulting in a drop in portfolio yield. One year ago the City's portfolio yielded 3.59% while today, it is yielding 1.70%. 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 exceed budget estimates by \$50,000, but to decline further next year.

FY 2008 Actual Revenue:	\$1,389,331
FY 2009 Actual Revenue:	\$1,353,304
FY 2010 Budget:	\$ 450,000
FY 2010 Full Year Estimate:	\$ 500,000
FY 2011 Preliminary Budget Estimate:	\$ 450,000

*Other General Fund Revenues*

As we look at the entire General Fund, there are several other revenues that are worth mentioning:

- **Parking Citations** – Up 37% from the year prior due to increased activity and higher citation fines implemented in January 2009. We expect to exceed budget by 4.5% (\$106,545).
- **Marriott Hotel Rent** – Down 39% (\$176,568) from a year ago. This revenue is based on room, and food and beverage sales, and reflects the drop in tourism and travel. This is forecast to come in \$200,000 (25%) under budget by year end.
- **Business License Processing Fee** – Originally enacted in FY 2004-2005, this fee covers the cost of processing business license applications and renewals, and was estimated to generate \$45,000. A recent San Diego court case determined these fees to be improper. As a result, we have discontinued collecting these fees and will no longer include them in our revenue projections.

*General Fund Expenditures:*

General Fund expenditures through December 2009 are trending below budgetary levels. Half way through the year we have expended and encumbered \$23,513,558 or 45.77% of the total allocation. This compares favorably with expenditure patterns from the prior year (\$25,713,185 at mid year), indicating that we have reduced expenditures from one year ago by \$2.2 million thus far. This reduction was expected since large cuts were made in this year's budget, including the elimination of seven vacant positions. Other position vacancies have contributed approximately \$500,000 to the cost savings at mid year.

With the fiscal challenges before us, we are very aware of the implications of filling staff vacancies, and carefully evaluate each and every vacant position for criticality before proceeding with recruitment. Additionally, because we budget a staff vacancy factor (\$400,000), we further evaluate each vacancy for affordability.

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Vacancies and current spending patterns lead us to project overall General Fund expenditures of \$50,216,198 for the full year, resulting in savings compared to the budget on the order of \$1.16 million.

*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 \$102,000. Expenditures in the Capital Improvement Fund at mid-year are at 20.64% of budget. The most material costs in this fund are the debt service for the Police & Fire Facility (\$812,938) and the Energy Audit retrofits for which \$1 million has been budgeted. 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:**

Most 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. Several funds deserve special attention at mid year:

The **Proposition "A" Fund** supports our transportation activities such as Dial-A-Ride, senior and recreation bus trips, Ocean Express, Beach Cities Transit and taxi vouchers for seniors. The source of revenue in this fund is a half-cent sales tax in Los Angeles county, which generates an estimated \$520,000 in FY 09-10. However, like all retail sales based revenues, Proposition "A" revenues are performing below one year ago (19.8%), and are trending to \$423,000 for the full year - \$97,000 or 19% below budget. Further, expenditures are trending towards full budget (\$652,597). While there was \$184,159 in fund balance available at the beginning of the fiscal year, the estimated deficit of \$229,597 will result in a \$45,438 negative fund balance, which will need to be made up with other funds (Measure "R", General Fund, etc.). With the combination of increased expenditures and reduced revenues, decisions will need to be made during upcoming budget deliberations (if not before) on continued service levels, or the use of other revenues to continue programs.

The **Proposition "C" Fund** is used for street improvement and transportation related projects. Similarly to Proposition "A," the source of funds is a county sales tax (one half cent approved in 1990). Year-to-date, the Proposition "C" sales tax revenue is off 20.9% (\$50,578) compared to a year ago. At this rate, we project that the fund will fall short of budget by \$85,000 for a projected revenue total of \$394,590. Because this is a capital improvements fund, expenditures are based upon accumulated revenues, with projects being scheduled as funding permits. While the revenues are less than expected, it will not immediately impact service levels in the way it would with an operations fund like Proposition "A."

Because of the on-going budget crisis in Sacramento, **Gas Tax Fund** revenues have been deferred, and as a result, the year-to-date revenues appear to be trending well below typical mid year levels (17.7% versus 44% in 08-09). Monthly Gas Tax revenues from November through March will be paid in April 2010, while quarterly Proposition 42 (congestion relief) funds, which are also part of the Gas Tax Fund, will be paid in May 2010. These deferrals affect cash flow (and interest earnings within the fund), but we expect to receive our full allocation by year end.

***FY 2010-2011 Budget Preview***

While the budgeting process for FY 2010-2011 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 2010-2011 budget is presented for Council consideration in May 2010.**

The Council will recall the extensive vetting process we went through to develop the FY 2009-2010 budget. Line item detail was closely reviewed, and cuts were made in a number of areas in order to balance the budget. While last year's efforts resulted in trimming the original \$3 million

deficit at the start of the process to a \$1.5 million short fall this year, the situation for FY 2010-2011 appears even more severe. With our largest revenue source (property tax) estimated to decline; retail sales in a holding pattern, and hospitality (TOT) retreating to levels last seen in 2005-2006, it is very clear that we will need to cut spending further, consider raising revenues and perhaps rely on the use of reserves in order to balance this next year's budget. As it was in FY 09-10, our goal in developing the budget is to minimize the service level impacts to our residents.

For FY 2010-2011, we are projecting overall General Fund revenues to decline from the FY 2009-2010 adopted budget by \$1.93 million (4%), and to be \$551,082 (1.1%) below our year end estimates for 09-10. Expenditures are projected to decline by \$1.38 million compared to budget, and by \$225,070 (.4%) to year end 09-10 estimates. If these patterns hold true, this would result in a \$2.5 million shortfall in FY 2010-2011:

Estimated 2010-2011 General Fund Revenues	\$47,471,726
Estimated 2010-2011 General Fund Expenditures	\$49,991,128
Estimated 10-11 Deficit	<u>(\$ 2,519,402 )</u>

An analysis of the 10-11 budget expenditures indicates that salaries and benefits are increasing by a combined \$784,000 due to existing labor agreements in effect with the Police and Miscellaneous employee groups. No adjustments for Fire Department employees have been projected since their labor agreement expires July 31, 2010. There is also no increase for the unrepresented management group in our projections.

It is important to note that the expenditure estimate for 2010-2011 excludes any recurrence of the school district support from last year (\$1.3 million). It also eliminates the Chamber of Commerce contribution in FY 2009-2010 of \$50,000.

A full five year analysis and projection will be presented with the FY 2010-2011 budget. However, a high level projection has been developed with the current trends through FY 2013-2014, and it indicates that deficits will continue to grow over the coming years:

<u>General Fund</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
Revenues	\$ 48,022,808	\$ 47,471,726	\$ 48,421,161	\$ 49,389,584	\$ 50,377,375
Expenditures	\$ 50,216,198	\$ 49,991,128	\$ 51,990,951	\$ 53,030,770	\$ 54,091,385
Difference	\$ (2,193,390)	\$ (2,519,402)	\$ (3,569,790)	\$ (3,641,186)	\$ (3,714,010)

While the City has thus far avoided touching the General Fund reserves, it appears that we will need to tap into those resources unless further spending cuts are enacted, new revenue sources are developed, or a combination thereof.

Using the above projections, the fund balance and use of reserves estimates are as follows:

<b>Fund Balance Information</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>
Beginning Fund Balance (July 1)	\$ 18,329,769	\$ 16,063,822	\$ 13,471,863	\$ 9,829,517	\$ 6,115,776
Revenues	\$ 48,022,808	\$ 47,471,726	\$ 48,421,161	\$ 49,389,584	\$ 50,377,375
Expenditures	\$ (50,216,198)	\$ (49,991,128)	\$ (51,990,951)	\$ (53,030,770)	\$ (54,091,385)
Net Transfers	\$ (72,557)	\$ (72,557)	\$ (72,556)	\$ (72,555)	\$ (72,554)
Ending Fund Balance (June 30)	\$ 16,063,822	\$ 13,471,863	\$ 9,829,517	\$ 6,115,776	\$ 2,329,213
<b>Reserve Information</b>					
Financial Policy	\$ 10,182,239	\$ 9,998,226	\$ 9,672,031	\$ 5,958,290	\$ 2,171,727
Economic Uncertainty	\$ 4,000,000	\$ 3,316,151	\$ (0)	\$ 0	\$ (0)
Debt Service Reserve	\$ 157,486	\$ 157,486	\$ 157,486	\$ 157,486	\$ 157,486
Total Fund Reserves	\$ 14,339,725	\$ 13,471,863	\$ 9,829,517	\$ 6,115,776	\$ 2,329,213
<b>Unreserved Fund Balance</b>	\$ 1,724,097	\$ -	\$ -	\$ -	\$ -

Beginning in FY 2010-2011, we are projected to use \$683,849 of the Economic Uncertainty Reserve, but will maintain the 20% General Fund Policy Reserve. But in 2011-2012, we will have utilized the balance of the Economic Uncertainty Reserve and will then be utilizing the Financial Policy Reserve (and will not be meeting the Council reserve policy of 20% of expenditures). By 2013-2014, we will have only \$2.3 million in reserves and fund balance.

With any forecast, the outcome is only as good as the presumed data used to create it. In this case, we have used a straight line 2% growth in both revenues and expenditures each year (after the more well defined 09-10 and 10-11 years), with the exception of FY 2011-2012, which includes an extra \$1 million for projected pension costs – the estimated increase as a result of the FY 2008-2009 CalPERS investment losses. With the economy struggling to gain footing, it is difficult to project with much certainty.

What is clear is that changes in our financial structure (new revenues, cost cutting, etc.) will need to occur to avoid this scenario.

As we proceed with FY 2010-2011 budgeting, we will present the City Council with a spending plan using our best judgment and utilizing the tools we have available. We will also be prepared to provide alternatives for the Council to consider. Appropriate workshops will be scheduled for decision making purposes. Ultimately, it is up to the City Council to adopt a budget that you are comfortable with.

### ***Challenges – FY 2010-2011 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 2010-2011, unless we enhance revenues and/or cut expenditures. Some of the challenges we face include:

- **Revenues.** Our overall revenue outlook is lower, particularly in property tax, sales tax and hotel bed tax. 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. The Fire Association contract is up for renegotiation this year, while the Police and Miscellaneous contracts expire in 2011.
- *Safety staffing.* Last year, the City Council received a report explaining staffing needs within the Fire Department. While current fiscal restraints do not allow for an expansion of staffing at this time, if the Council ultimately 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.* CalPERS, who is the trustee for our employees' pensions, lost 23.4% of market value in FY 2008-2009. While they have reversed course in the current fiscal year, and have realized year-to-date gains of 7.86% (through October 2009), the City's pension contributions in FY 2011-2012 (which will be the first year in which the 08-09 losses will be reflected in PERS' rates) will increase by an estimated \$1 million. Rates beyond 2011-2012 will be determined by subsequent CalPERS rates of return on investment.
- *State Budget Crisis.* The State is in a perennial economic crisis. This year is no different. The current projected State deficit for this next year exceeds \$20 billion. Until structural changes are made to the State's finances, we can expect this to continue. The result is endless attempts to raid local government coffers to solve their problems. The protections of Prop 1A helped us avoid a \$1.7 million gift to the State in FY 2009-2010. A new initiative to further protect other local government revenues such as Gas Tax is in the works. Until those protections are in place, we will continue to be subject to State raids.
- *Subsidization of Other Funds by the General Fund.* As previously discussed, 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 zero fund balance and assessments are inadequate to fund operations or provide for future capital needs. As a result, the General Fund is subsidizing this fund by \$170,900 in FY 2009-2010. 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.

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, we are fortunate to have built reserves over the years, which will prove useful as we continue to 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 expires in July 2010 (Fire). The potential need to augment Fire Department staffing levels to provide fire, paramedic and emergency preparedness services, may also have cost impacts. Finally, given the losses 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, 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 14 years (at the same time costs have increased). Such revenue increases could eliminate the on-going General Fund subsidy of street lighting (\$170,900 in FY 2009-2010), and recover over \$400,000 in General Fund indirect support to the storm water enterprise.

While those assessments above would help stop the losses from services provided in excess of the associated service charges, it is clear that a new major revenue source in the General Fund 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, needs to be discussed in order to sustain our funding and service levels.

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Finally, the City Council has made it clear that supporting the school district is a priority, as evidenced by the \$1.8 million in cash contributions over the past two years. In order to continue such support, choices will need to be made to either raise revenues, cut other existing programs, or use reserves.

The FY 2010-2011 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(s), in which Council will review each department's budget. Input may also be received at the public hearing prior to adoption.

Staff appreciates this opportunity to provide this financial information, and looks forward to discussing these issues with the City Council.

Attachments: A. Comprehensive Annual Financial Report for FY 2008-2009



# **City of Manhattan Beach, California**



## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2009**

**CITY OF MANHATTAN BEACH**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2009**



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, 2009

TABLE OF CONTENTS

	<u>Page Number</u>
 INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Directory of City Officials .....	x
Organization Chart .....	xi
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xii
 FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	3
Government-Wide Financial Statements:	
Statement of Net Assets .....	17
Statement of Activities.....	18
Governmental Funds - Fund Financial Statements:	
Balance Sheet.....	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	24
Statement of Revenues, Expenditures and Changes in Fund Balances .....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
Budgetary Comparison Statements:	
General Fund.....	29
Gas Tax Fund .....	30
Proprietary Funds Financial Statements:	
Statement of Fund Net Assets .....	32
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	34
Statement of Cash Flows.....	36

CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page Number</u>
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets.....	39
Statement of Changes in Fiduciary Net Assets .....	40
Notes to Financial Statements.....	42
 SUPPLEMENTARY SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds .....	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	87
Budgetary Comparison Schedules - Special Revenue Funds:	
Street Lighting and Landscape .....	90
Asset Forfeiture .....	91
Public Safety Grants .....	92
Federal and State Grants.....	93
Proposition A.....	94
Proposition C.....	95
AB 2766 .....	96
Budgetary Comparison Schedules - Capital Projects Funds:	
Capital Improvement.....	97
Combining Statement of Fund Net Assets - Nonmajor Enterprise Funds.....	100
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds.....	101
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	102
Combining Statement of Fund Net Assets - Internal Service Funds.....	104
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds.....	106
Combining Statement of Cash Flows - Internal Service Funds.....	107
Combining Balance Sheet - All Agency Funds .....	110
Statement of Changes in Assets and Liabilities – All Agency Funds .....	111

CITY OF MANHATTAN BEACH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page Number</u>
<b>STATISTICAL SECTION</b>	
Net Assets by Component.....	115
Change in Net Assets.....	117
Program Revenues by Function/Program.....	119
Fund Balances, Government Funds.....	121
Change in Fund Balances, Governmental Funds.....	125
Tax Revenue by Source, Governmental Funds and Assessments.....	127
Assessed Value and Estimated Actual Value of Taxable Property.....	129
Direct and Overlapping Debt Property Tax Rates.....	131
Principal Taxpayers.....	133
Property Tax Levies and Collections.....	135
Taxable Sales by Category.....	137
Direct and Overlapping Sales Tax Rates.....	139
Principle Sales Tax Remitters.....	140
Ratios of Outstanding Debt by Type.....	143
Direct and Overlapping Governmental Activities Debt.....	145
Legal Debt Margin Information.....	147
Pledged-Revenue Coverage.....	149
Demographic and Economic Statistics.....	153
Principal Employers.....	154
Full-time Authorized City Employees by Function/Program.....	155
Schedule of Insurance in Force.....	157

CITY OF MANHATTAN BEACH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

Operating Indicators by Function/Program.....	159
Capital Asset Statistics by Function/Program .....	160
Demographic Statistical Data .....	161



# Introduction





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

*January 5, 2010*

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, 2009. 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 2009.

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

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

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

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)

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, 2009, are fairly presented in conformity with GAAP.

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 is located in South Bay region of Los Angeles county. The current population<sup>1</sup> is 36,718. The City encompasses approximately four square miles.

Incorporated in 1912 under the general laws of the State of California, the city operates under the Council-Manager form of government. The City Council is comprised of five members elected at-large for overlapping four-year terms. Each member 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	

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<sup>1</sup> State of California Department of Finance, January 2009

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

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

### *Budget Process*

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

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

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

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

## **Economic Condition**

### *Local Economy*

Manhattan Beach is located in the South Bay area of Los Angeles county. The region is home to a number of industries including aerospace, entertainment, leisure and tourism, and manufacturing. Economists report that the South Bay area has strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area has fared better during the economic crisis than some other areas of the state. Case in point, the most recently available figures indicate that Manhattan Beach has a 4.3% unemployment rate, while the county and state are in excess of 12%.

### *Long Term Planning*

Each year during the budget process, the City develops a five year forecast of General Fund revenues and expenditures. During the most recent budget cycle (FY 2009-2010), when the severe economic downturn was clearly evident, the forecast concluded that expenditures will exceed revenues for the next four years, gradually improving from a \$1.5 million deficit in FY 09-10 to a slight surplus by FY 2013-2014. However, the forecast also projects that reserves and designations will remain within policy, and that sufficient unreserved funds are available to weather the storm. The complete five year forecast can be found in the FY 2009-2010 budget document, available on line at [www.citymb.info](http://www.citymb.info).

### *Financial Policies*

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

During FY 2008-2009, the Cash and Investment Policies were of particular importance. The economic crisis of late calendar year 2008 caused a panic in the financial markets which had the effect of temporarily reducing the value of the City's investment holdings. Through the prudent policies in place, large losses were mitigated. The City's approach to the situation of taking a calm, measured approach, and further reducing exposure to particular sectors and firms as the markets stabilized, allowed the City to realize no net losses on investment liquidation.

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

### *Major Initiatives*

***Environmental Programs:*** In FY 2008-2009, the Council continued to focus on the environment and how the City can reduce carbon emissions, water and air pollution; conserve natural resources and, in general, become more "green." Previously, the Council signed on to the U.S. Mayors Climate Protection Agreement, and an assessment of the City's carbon footprint was developed. This 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.

Progress was made towards these goals in FY 2008-2009 through the passage of ordinances setting forth green building standards, eliminating fats, oils and greases from being released into the sanitary sewer system by restaurants, promoting water conservation, and requiring new clean air vehicle standards for taxis operating under the City's franchise agreements. Additionally, new tiered water rates were developed (which are being implemented in January 2010), and a new drug drop box was installed at City Hall to provide an alternative to the use of the sewer system to discard old and outdated drugs. Finally, an energy audit was performed which has identified a number of projects that may be funded in order to reduce carbon emissions, as well as save money in the future. Those projects will be reviewed for funding during FY 2009-2010.

***School District Support:*** Given the on-going State budget crisis, and its affects on the City's school district (a separate entity), the City Council took the initiative to provide a cash contribution to the district to help support its programs. For FY 2008-2009, this contribution totaled \$520,000. This is in addition to other in-kind services already provided by the City which total approximately \$1 million annually. This support was provided in recognition of the value the schools have to the community and the resulting boost to home values that the public education system in Manhattan Beach brings. A second cash contribution of \$1.3 million is included in the FY 2009-2010 budget to continue the support as additional cuts in education funding are enacted at the State level.

***Water and Waste Water Systems:*** During FY 2008-2009, the City Council authorized infrastructure and rate studies of the City's water and waste water (sewer) utilities. The studies were ordered to ensure funding for the timely maintenance and repair of these mission critical systems. Additionally, with the cost of imported water rising in response to drought conditions, adjustments in rates are necessary in order to maintain the financial integrity of the utilities. The studies were completed and presented to the City Council in early FY 2009-2010, with the appropriate tiered rate structures taking effect in January 2010. The rates will allow for cash funding of the majority of maintenance costs going forward, as well as the funding of increased reserves for the enterprises.

***Stimulus Funds:*** After the passage of the American Reinvestment and Recovery Act of 2009 (also known as the stimulus bill), the City aggressively pursued grant opportunities. While much of the funding came through after the close of the fiscal year, the City has been awarded over \$1.5 million in project funds, which will be utilized for street resurfacing projects, energy retrofits and a variety of public safety programs and projects. The City continues to actively seek stimulus and grant funding opportunities as they become available.

***Downtown Parking Management Plan:*** As a popular beachside community, with a vibrant downtown full of shopping and dining attractions, the availability and management of the parking inventory is of vital concern to the City. As a result, the City Council authorized the development of a plan to maximize the use of the existing parking resources. The plan included the creation of a new, low cost merchant parking program, a residential permit system for the neighborhoods adjacent to the downtown to alleviate merchant parking issues, and a rate adjustment to encourage long term parking in lower cost lots in order to provide convenient parking for business patrons. The study will be reviewed during FY 2009-2010 for effectiveness and modifications.

## **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 2009 to 2008, the total fund balance decreased by \$107,389. General Fund expenditures exceeded revenues by approximately \$99,672. Other financing sources including transfers-in, transfers-out and sale of capital assets resulted in a net decrease in fund balance of \$7,717. At the end of fiscal year 2009, the total General Fund balance equaled \$18.3 million. The unreserved fund

balance is \$16.7 million. Within the unreserved fund balance, City Council has established designations for financial policy and economic uncertainties of \$14.5 million leaving an unreserved and undesignated fund balance of \$2.2 million, which is available for use at City Council's discretion.

General Fund transfers included:

- \$170,953 to the Street Lighting and Landscape Fund to relieve a deficit fund balance
- \$110,230 in excess reserves from the County Lot Fund in accordance with the contract
- \$50,000 from the CIP Fund to the City Council Contingency account

The City's General Fund showed signs of the recession, particularly in Sales Tax, Interest and Rents, and construction related fees such as building permits and plan check fees. This can be noted by the trends below:

Revenue Category	2008 Actual	2009 Actual	Increase (Decrease)	%
Property Tax	\$ 18,567,451	\$ 19,930,492	\$ 1,363,041	7.3%
Other Taxes (Sales, Hotel, Business License)	\$ 16,278,198	\$ 15,044,017	\$ (1,234,181)	-7.6%
Licenses and Permits (Building, Construction, Film Permits)	\$ 1,408,697	\$ 1,136,934	\$ (271,763)	-19.3%
Fines (Parking Citations, Vehicle Code Fines)	\$ 2,047,187	\$ 2,472,306	\$ 425,119	20.8%
Interest and Rents (Including Ground Leases)	\$ 3,897,287	\$ 3,214,403	\$ (682,884)	-17.5%
Received From Other Agencies (Vehicle License Fees, Grants)	\$ 571,403	\$ 415,905	\$ (155,498)	-27.2%
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	\$ 4,638,335	\$ 4,590,854	\$ (47,481)	-1.0%
Interfund Charges (Admin. Svc. Charges)	\$ 2,829,644	\$ 2,928,910	\$ 99,266	3.5%
Miscellaneous	\$ 1,672,904	\$ 273,099	\$ (1,399,805)	-83.7%
<b>Totals</b>	<b><u>\$ 51,911,106</u></b>	<b><u>\$ 50,006,920</u></b>	<b><u>\$ (1,904,186)</u></b>	<b><u>-3.7%</u></b>

Sales tax was down approximately 9% from the prior year's actual receipts, and came in below budgetary estimates by 10.6%. Transient Occupancy Tax also showed declines compared to 2008, and fell below our budget projections by 21%. Building permits performed 23% below the prior year and 20% below budgetary estimates, while plan check fees were 18% below budget and 21% below

prior fiscal year levels. On an overall basis, General Fund revenues decreased by 3.7% from 2008 results, and came in 4% under our budget estimates.

It is clear that our Property Tax revenues reflect the peak values and growth of the real estate market before the real estate down turn, which commenced in earnest in late 2007, about the time the 2008-2009 property tax assessments were established. While FY 2008-2009 property tax collections grew by 7.3%, FY 2009-2010 revenues now reflect the effects of the housing market declines. As a result, property tax will grow approximately 1.5% in FY 09-10.

Despite the General Fund revenue drop of 3.7%, fund balance decreased by only \$107,389 due to the efforts in reducing expenditures during the year. Those efforts allowed us to realize \$3 million in expenditure savings compared to the final budget. Overall, expenditures came in 5.7% below final budget appropriations, and decreased from the prior year by 7.7% (this due to one time expenditures to pre-fund other post employment benefits in the prior year totaling \$5.7 million that were not repeated in FY 2008-2009). Staff vacancies and a selective hiring freeze contributed to these savings.

## **Other Funds**

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

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental capital projects. In FY 2009, the CIP Fund had revenues of \$1.26 million, and capital expenditures of \$2.12 million. A transfer-out of \$50,000 to the General Fund was made to augment the City Council Contingency account. At June 30, 2009 the total balance in the CIP Fund was \$5.4 million. Of this balance, \$994,196 is reserved for planned infrastructure projects, and \$817,178 is reserved for debt service for the Police & Fire facility. \$970,000 has also been designated for the City's Underground Assessment District Loan Program. Unreserved fund balance totals \$3.5 million, with \$2.5 million of that amount remaining unreserved and undesignated. Project reserves at year end include:

- \$320,000 for the Strand Stairs project
- \$280,000 for Live Oak and Manhattan Heights park fencing
- \$150,000 for the Energy Retrofit Audit
- \$100,000 for Artesia Blvd. improvements
- \$75,000 for Live Oak Park retaining wall and landscaping
- \$69,200 for City Hall and Library painting and landscaping

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

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

The Water Fund had negative net income from operations of \$318,590 in FY 2009. This is a continuation of the decline from FY 2008, albeit at a slower pace, when net operating income was negative \$489,873. This is the result of revenues not keeping pace with operating expenses (labor, purchased water costs, services, etc.) which have risen over the past few years (up 4.7% in FY

2009). City Council has already taken steps to address this issue. During FY 2008-2009, the Council initiated rate studies for both Water and Waste Water utilities, and implemented new tiered water rates that take effect in January 2010.

The Waste Water Fund also had negative net income from operations of \$548,446. This loss was primarily due to the expense associated with infrastructure and rate studies performed during the year in preparation for future capital improvements, as well as on-going operations. The studies resulted in the new rates to support operations.

The Storm Water Fund net operating income in FY 2009 was a negative \$203,072. This was the result of operating expenses increasing by 31.6% over 2008 levels to \$550,234, while revenues increased by 2.6% to \$347,162 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.

### ***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 \$13.35 million at June 30, 2009. 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 undergrounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2009, will be used to pay bondholders in FY 2009-2010.

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

## **CURRENT TRENDS AND EVENTS**

Early in Fiscal year 2008-2009, the economy turned dramatically. The integrity of the country's financial system came into question with major financial institutions failing, and the government stepping in to provide support. Home foreclosures continued to increase to record highs, brought on by questionable lending practices, further exacerbating a weak housing market. Unemployment rose to levels not seen in a generation. Retail sales nosedived as consumers suddenly began to save money in lieu of shopping and buying.

Now, one year later, we are feeling the full effects of the severe recession. While Manhattan Beach is often envied for our fiscal stability, and ability to weather the storms, there is no doubt that we have been, and continue to be affected by the economic problems. Our revenues tied to retail sales activity, such as sales tax, have declined. Our building related fees such as building permits and plan



check fees, have declined beyond last year's slide, and will be further impacted. Our hospitality industry has certainly felt the effects of recession as business and leisure travel drop off, which in turn has reduced our transient occupancy tax and sales tax.


The City's biggest General Fund revenue source, property tax, which had grown rapidly over recent years, is now in a low-to-no-growth pattern, rising approximately 1.5% in FY 2009-2010. As home values drop, many properties sold in the last 3-4 years are being reassessed as taxable values exceed market value. Additionally, we can expect FY 2010-2011 property tax revenues to remain muted due to a negative adjustment in the Consumer Price Index, which is factored into the future assessed values.

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 is evident that we face significant fiscal challenges in the coming years.

The good news is that Manhattan Beach has been preparing for times like these for many years. We have reserves established and funded, and we run a lean operation. We have the ability to weather this storm while continuing to provide 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, 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.

  
Richard Thompson, Interim City Manager

  
Bruce Moe, Finance Director

## ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS		TERM ENDS
• <i>Mayor</i>	Mitch Ward	March 2011
• <i>Mayor Pro-Tem</i>	Richard Montgomery	March 2013
• <i>City Council Members</i>	Nick Tell	March 2013
	Wayne Powell	March 2013
	Portia Cohen	March 2011
• <i>City Treasurer</i>	Tim Lilligren	March 2013

## EXECUTIVE STAFF

• <i>City Manager</i>	Richard Thompson (Interim)
• <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>	Laurie Jester (Acting)
• <i>Director of Public Works</i>	Jim Arndt

# CITIZENS OF MANHATTAN BEACH

**City Council**

**City Treasurer**

Parking &  
Public Improvements  
Commission

Board of Building  
Appeals

Planning  
Commission

Parks &  
Recreation  
Commission

Cultural Arts  
Commission

Library  
Commission

**City Attorney**

**City Manager**

City Clerk

Finance

Human  
Resources

Parks &  
Recreation

Police

Fire

Community  
Development

Public Works

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

- Administration
- 
- Risk Management

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

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

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

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

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Manhattan Beach  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



President

Executive Director



# **Financial Section**



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP
- A Professional Corporation*
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

## 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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Gas Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2010, on our consideration of the City of Manhattan Beach's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



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

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

*Lance, Solt & Luythard, LLP*

January 5, 2010

## CITY OF MANHATTAN BEACH

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to ix of this report.

#### FINANCIAL HIGHLIGHTS

##### *Government Wide Financial Basis*

- As of June 30, 2009, the City's total net assets citywide (including all governmental and business type activities) totaled \$171,082,327. This is a decrease from the prior fiscal year of \$36,440, or .02%.
  - Governmental net assets increased by \$582,323 (.4%) to \$131,642,388.
  - Business type activity net assets decreased by \$618,763 (1.5%).
- Unrestricted net assets, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$40,633,173. This is a decrease of \$927,999 (2.2%) from FY 2007-2008 levels. The decline is primarily due to the use of cash to fund water and wastewater infrastructure and rate studies.
- Citywide capital assets, net of depreciation, increased by \$266,853 from the prior year, the result of infrastructure and water enterprise capital expenditures.
- The City's debt decreased by \$2.0 million during FY 2008-2009. 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 decreased by \$255,713 primarily attributable to an improvement in the recent high level of workers compensation claims activity.

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

- As of June 30, 2009, the General Fund balance was \$18,329,769. Fund expenditures exceeded revenues by \$99,672. The imbalance was primarily caused by the planned contribution of \$520,000 in support of Manhattan Beach schools.
- Total Governmental Fund revenue totaled \$54,756,665, a decrease of 3.5% (\$1,967,683) from the prior year. Two notable revenues from the prior year that were not repeated this year include revenue from the City's Pension Fund transferred to the General Fund (\$1.1 million) to contribute to the retiree medical benefits pre-payment, and \$423,301 from the Insurance Fund to reimburse the General Fund for salary continuation payments for employees out on injuries (offset by improved experience in the Insurance Fund).
- Governmental Fund expenditures totaled \$55,302,359, down \$5,207,556 (8.6%) from FY 2007-2008. In the prior year, there was a one-time expenditure (\$4.72 million) to pre-fund post employment benefits which accounts for most of the decrease.
- General Fund transfers-out totaled \$170,953. The entire amount was transferred to the Street Lighting Fund to relieve a deficit from operations. General Fund transfers-in equaled \$160,230.



## USING THIS ANNUAL REPORT

### Overview of the Financial Statements

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

### Reporting on the City as a Whole

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

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

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

The government wide statement of activities has two components:

#### *Governmental Activities*

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

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

#### *Business Type Activities*

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

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

## Reporting on the City's Most Significant Funds

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 22 to 40 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 82 to 111 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 42 to 80 of this report.

### The City as Trustee

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

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Manhattan Beach, net assets totaled \$171,082,327 at June 30, 2009.

By far, the largest portion of the City's net assets (70.5%) 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	
	2009	2008	2009	2008	2009	2008
Current Assets	\$ 43,050,732	\$ 42,156,000	\$ 14,118,700	\$ 14,809,449	\$ 57,169,432	\$ 56,965,449
Non-Current Assets	\$ 131,223,353	\$ 132,435,624	\$ 42,655,030	\$ 42,861,242	173,878,383	175,296,866
<b>Total Assets</b>	<b>174,274,085</b>	<b>174,591,624</b>	<b>56,773,730</b>	<b>57,670,691</b>	<b>231,047,815</b>	<b>232,262,315</b>
Current Liabilities	\$ 11,537,169	\$ 11,183,912	\$ 2,029,199	\$ 1,900,163	13,566,368	13,084,075
Non-Current Liabilities	\$ 31,094,528	\$ 32,347,647	\$ 15,304,592	\$ 15,711,826	46,399,120	48,059,473
<b>Total Liabilities</b>	<b>42,631,697</b>	<b>43,531,559</b>	<b>17,333,791</b>	<b>17,611,989</b>	<b>59,965,488</b>	<b>61,143,548</b>
Invested in Capital Assets						
Net of Related Debt	\$ 95,603,960	\$ 94,464,084	\$ 24,967,604	\$ 24,736,570	120,571,564	119,200,654
Restricted	\$ 8,065,813	\$ 8,591,311	\$ 1,811,777	\$ 1,765,630	9,877,590	10,356,941
Unrestricted	\$ 27,972,615	\$ 28,004,670	\$ 12,660,558	\$ 13,556,502	40,633,173	41,561,172
<b>Total Net Assets</b>	<b>\$ 131,642,388</b>	<b>\$ 131,060,065</b>	<b>\$ 39,439,939</b>	<b>\$ 40,058,702</b>	<b>\$ 171,082,327</b>	<b>\$ 171,118,767</b>

Net assets of the City's *Governmental* activities amounted to \$131.64 million, an increase over the prior year of \$582,323. Of the \$131.64 million, \$95.6 million is invested in capital assets net of related debt such as land, buildings, machinery, infrastructure, equipment and other improvements; \$8.07 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 (\$27.97 million) is investment in economic resources available to the City. A significant portion of this remaining balance is subject to capital project designations and policy reserves displayed in financial Note 8.

Net assets of the City's *Business-type* activities totaled \$39.44 million. This represents a decrease from FY 2007-2008 of \$618,763. \$24.97 million is invested in capital assets (land, buildings, machinery, equipment, etc.) net of related debt, while \$1.81 million is reserved for debt service and for business improvement district use. \$12.66 million is investment in economic resources available to the City.

The City's total change in net assets amounts to a decrease of \$36,440. The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2008 and June 30, 2009:

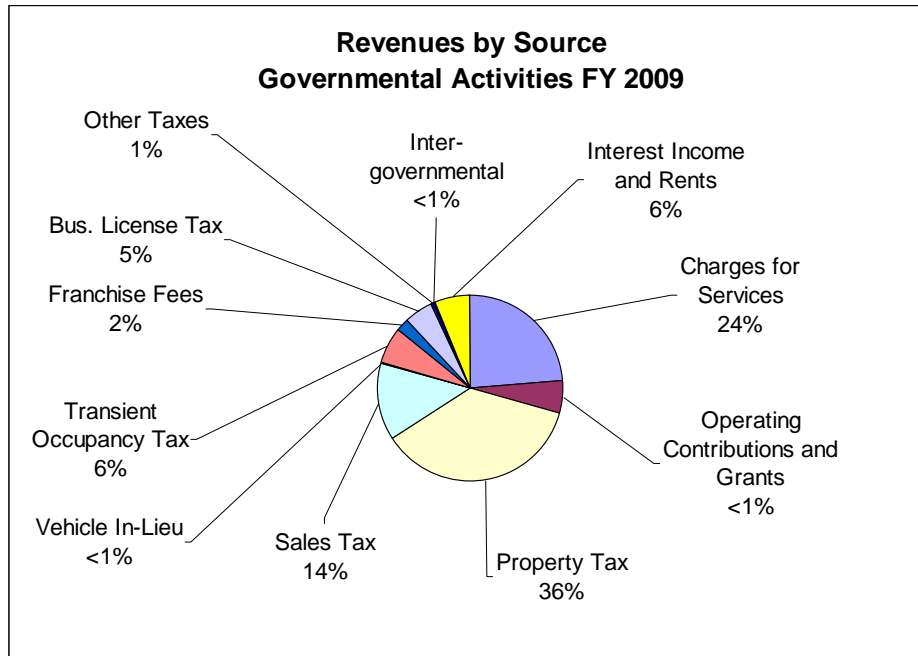
**City of Manhattan Beach Changes in Net Assets**

	Governmental Activities		Business -Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Program Revenues:</b>						
Charges for Services	\$ 13,122,543	\$ 13,491,412	\$ 15,680,170	\$ 14,357,640	\$ 28,802,713	\$ 27,849,052
Operating Contributions and Grants	2,078,062	2,250,606	-	90,853	2,078,062	2,341,459
Capital Contributions and Grants	1,105,439	679,865	-	900,000	1,105,439	1,579,865
<b>General Revenues:</b>						
Property Taxes	19,930,492	18,567,451	-	-	19,930,492	18,567,451
Other Taxes	15,222,164	16,580,383	-	-	15,222,164	16,580,383
Motor Vehicle in Lieu	105,883	157,143	-	-	105,883	157,143
Other	3,551,880	5,544,068	439,576	874,003	3,991,456	6,418,071
<b>Total Revenues</b>	<b>55,116,463</b>	<b>57,270,928</b>	<b>16,119,746</b>	<b>16,222,496</b>	<b>71,236,209</b>	<b>73,493,424</b>
<b>Expenses:</b>						
General Government	9,528,102	9,090,991	-	-	9,528,102	9,090,991
Public Safety	29,889,347	31,752,170	-	-	29,889,347	31,752,170
Public Works	8,460,078	8,675,214	-	-	8,460,078	8,675,214
Culture & Recreation	5,811,982	6,031,938	-	-	5,811,982	6,031,938
Interest on Long-Term debt	954,861	1,178,065	-	-	954,861	1,178,065
Water, Waste, Storm	-	-	10,333,273	9,198,028	10,333,273	9,198,028
Refuse	-	-	4,212,176	3,888,615	4,212,176	3,888,615
Parking	-	-	2,082,830	2,392,802	2,082,830	2,392,802
<b>Total Expenses</b>	<b>54,644,370</b>	<b>56,728,378</b>	<b>16,628,279</b>	<b>15,479,445</b>	<b>71,272,649</b>	<b>72,207,823</b>
<b>Revenues Over Expenses</b>	<b>472,093</b>	<b>542,550</b>	<b>(508,533)</b>	<b>743,051</b>	<b>(36,440)</b>	<b>1,285,601</b>
<b>Transfers In (Out)</b>	<b>110,230</b>	<b>(30,771)</b>	<b>(110,230)</b>	<b>30,771</b>	<b>0</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets</b>	<b>582,323</b>	<b>511,779</b>	<b>(618,763)</b>	<b>773,822</b>	<b>(36,440)</b>	<b>1,285,601</b>
<b>Net Assets - Beginning</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>Restatement</b>				<b>(220,264)</b>		<b>(220,264)</b>
<b>Net Assets - June 30 (Year End)</b>	<b>\$ 131,642,388</b>	<b>\$ 131,060,065</b>	<b>\$ 39,439,939</b>	<b>\$ 40,058,702</b>	<b>\$ 171,082,327</b>	<b>\$ 171,118,767</b>
<b>Total Change from Prior Year (Before restatement)</b>	<b>\$ 582,323</b>		<b>\$ (618,763)</b>		<b>\$ (36,440)</b>	

### Changes in Net Assets - Governmental Activities

The City's governmental activities in FY 2008-2009 increased net assets by \$582,323, which was a .4% increase from FY 2007-2008.

Total Governmental revenues of \$55,116,463 are broken-out as follows:

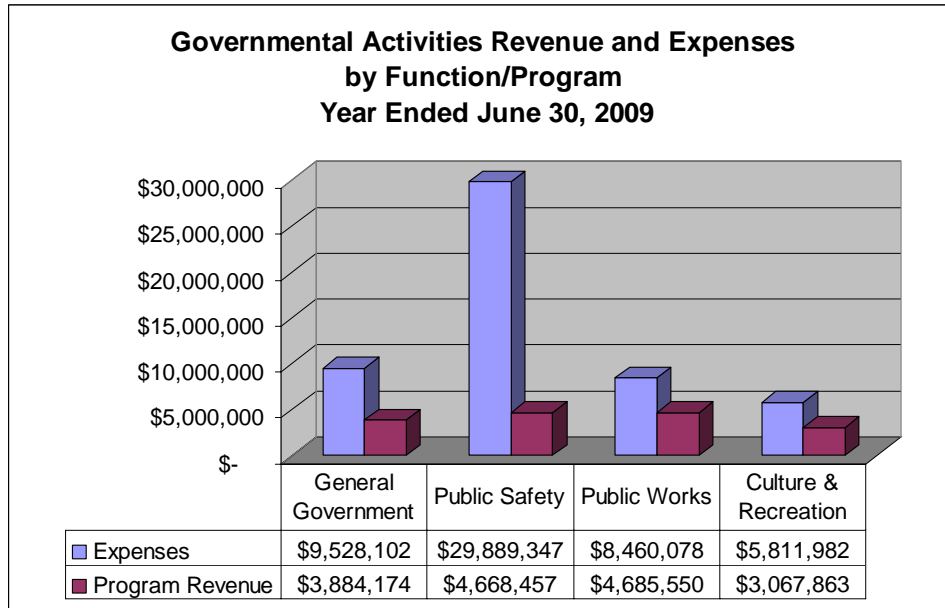


Functional expenses (excluding interest on debt) for the years ending June 30, 2009 and 2008 were as follows:

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General Government	\$ 9,528,102	\$ 9,090,991	\$ (5,643,928)	\$ (4,775,643)
Public Safety	29,889,347	31,752,170	(25,220,890)	(27,195,444)
Public Works	8,460,078	8,675,214	(3,774,528)	(4,191,138)
Culture and Recreation	5,811,982	6,031,938	(2,744,119)	(2,966,205)
<b>Total</b>	<b>\$ 53,689,509</b>	<b>\$ 55,550,313</b>	<b>\$ (37,383,465)</b>	<b>\$ (39,128,430)</b>

The total cost of services declined from the prior year by \$1.86 million (3.3%), while the net cost of services decreased by \$1.74 million, or 4.5% from the prior year. The main reason for the decline was a significant drop in Workers Compensation claims activity (\$1.8 million) compared to the prior year.

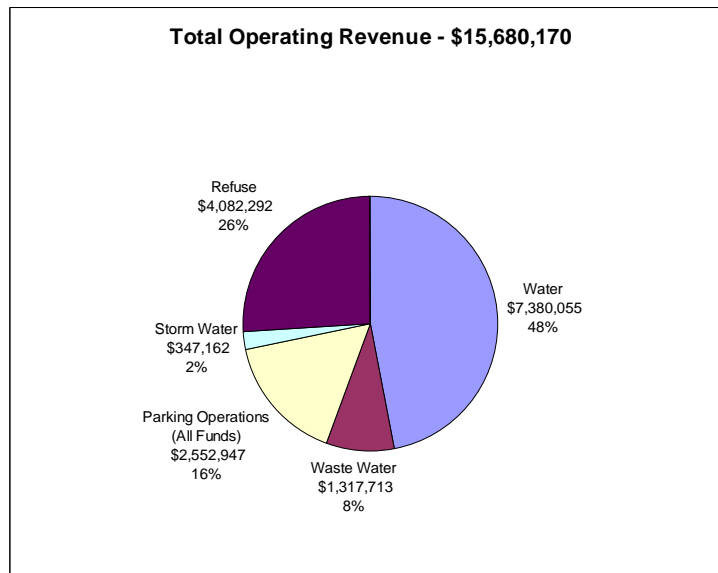
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2009.



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

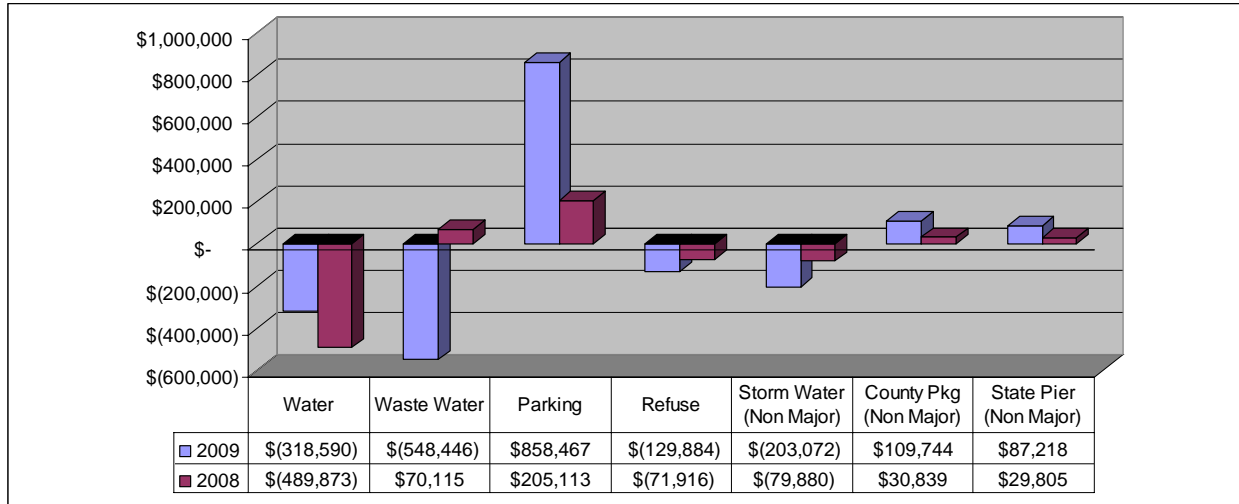
In fiscal year 2008-2009, total revenues for the City’s business type activities amounted to \$16,119,746. Operating revenues totaled \$15,680,170, while non-operating revenues (interest income) totaled \$439,576. Expenses totaled \$16,628,279, of which operating expenses equaled \$15,824,733, and non-operating expenses (debt interest expense) totaled \$803,546. Total income from operations was *negative* \$144,563, while net income before transfers was negative \$508,533. After transfers out totaling \$110,230, net assets decreased by \$618,763.

**Operating Revenues by Source - Business Type Activities FY 2009**



Operating Income varied across the business-type activities in FY 2009. 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 2008 & 2009**



**FUND FINANCIAL STATEMENTS**

**Governmental Funds**

As of the end of the 2009 fiscal year, the City’s governmental funds ending fund balances totaled \$30.11 million, a decrease of \$432,458 in comparison with the prior year.

Approximately 76% of the total Governmental Funds total, or \$23 million, constitutes unreserved fund balance. The remainder of the fund balance (\$7.13 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 million unreserved governmental fund balance noted above, \$15.4 million has been designated by City Council actions. Considering these designations, \$7.6 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 2008-2009 fiscal year, unreserved fund balance of the General Fund was \$16.71 million, while total fund balance was \$18.33 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 33.4% (4 months) of total General Fund expenditures, while total fund balance represents 36.6% (4.4 months) of that same.

During the year, General Fund expenditures exceeded revenues by approximately \$100,000. This imbalance is mainly the result of the planned use of available resources for the \$520,000 contribution to the School District.

Net transfer activity in this fund totaled negative \$10,723, and included the following transfers:

- The Street Lighting Fund received \$170,953 to relieve a deficit fund balance.
- \$110,230 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.
- \$50,000 was transferred from the CIP Fund to the General Fund to be added to the City Council Contingency account.

### **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 \$3.5 million, while total fund balance was \$5.4 million. A portion of the unreserved balance (\$969,572) has been specifically earmarked for the underground assessment district loan program, leaving \$2.5 million in undesignated fund balance at June 30, 2009 (please see Note 8 to these financial statements). Project reserves, which total \$994,200 at year-end include:

- \$320,000 for the Strand Stairs project
- \$280,000 for Live Oak and Manhattan Heights park fencing
- \$150,000 for the Energy Retrofit Audit
- \$100,000 for Artesia Blvd. improvements
- \$75,000 for Live Oak Park retaining wall and landscaping
- \$69,200 for City Hall and Library painting and landscaping

During Fiscal Year 2008-2009, the Capital Improvement Fund balance decreased by \$908,366. The decrease is the result of expenditures for a number of projects and purposes discussed later.

Dedicated revenues in this fund amounted to \$1.12 million in FY 2008-2009. 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 \$517,427 of revenue for the year. This is 19.7% below prior year levels marking a significant decrease 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 \$477,230 this fiscal year. This was down 11% from the prior year levels.

**Parking Citation Rates:** Four dollars of most parking citations is dedicated to the CIP fund. For FY 2008-2009, revenue of \$125,247 was realized; an increase of 2.5% over the prior year.

This fund realized \$137,401 in permits, interest and other revenue.



Capital Improvement Fund expenditures equaled \$2.12 million which included:

- \$1,065,383 for Polliwog Park playground equipment
- \$813,593 for Police & Fire facility debt service
- \$156,998 towards entryway signage at the City's borders

### **Gas Tax Fund**

Gas Tax expenditures totaled \$976,519, and primarily included sidewalk repair and street resurfacing projects. When balanced against the revenues received, the Gas Tax Fund balance increased by \$416,777. Changes in fund balances for this group can be expected to fluctuate as capital projects are expended over time.

### **Other Governmental Funds**

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

One fund in particular, the Street Lighting Fund, continues to run deficits each year. For FY 2008-2009, expenditures exceeded revenues by \$170,953. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

### **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.

#### *Enterprise Funds*

At year-end, total net assets of all enterprise funds amounted to \$39.44 million, of which \$12.7 million is unrestricted. Within the working capital of that amount, Council, by policy, has established certain designations for continuing CIP's and financial policy goals, which total \$6.4 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 negative \$508,533 before transfers. Net assets decreased for all funds by \$618,763. The difference between the decrease in assets and the negative net income was an operating transfer of \$110,230 from the County Lots enterprise fund to the General Fund.

Several enterprise funds are worth noting this year. In each of these cases, operating expenses exceeded revenues:

- Water Fund net income from operations was a negative \$318,590. This was a reduction from the prior year's net operating loss of \$489,873. Revenue from sales increased by 4.8%, and total revenues increased 7.6%, while operating expenses (labor, materials, services, etc.) rose by 4.7%. A major contributing factor to the negative net income was a dramatic decrease in interest rates, and therefore, interest income. This affected non operating income, which dropped by \$266,950 from the prior year.
- The Waste Water fund net operating income for FY 2008-2009 was negative \$548,446. This loss was primarily due to the expense associated with infrastructure and rate studies performed during the year in preparation for future capital improvements, as well as on-going operations. Like the Water fund, non operating income mainly derived from interest earnings, dropped by \$42,080 from the prior year.
- Storm Water Fund net operating income in FY 2009 was a negative \$203,072. This was the result of contractual operating expenses and maintenance increasing by 31.6% over 2008 levels to \$550,234, while revenues increased by 2.6% to \$347,162 from the prior year.

Subsequent to the end of FY 2008-2009, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds (the new rate structure becomes effective in January 2010). 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.

#### *Internal Service Funds*

Unrestricted net assets of the internal service funds at the end of the year amounted to \$2.62 million with a net assets total of \$5.72 million. Net assets increased by \$1,026,291 due to an unexpected improvement in claims cost in the Insurance Reserve Fund, primarily from Workers Compensation. FY 2008-2009 workers compensation and liability claims totaled \$2.34 million, down from \$3.5 million in 2008. 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 \$50,009,926, were under the original budget by \$2.06 million. Taxes and Assessments were \$1.1 million under budget. Licenses and Permits came in \$286,160 below estimates, while Fines exceeded budget estimates by \$226,006. Interest and Rents under performed the budget by \$271,018. Finally, Miscellaneous revenue came in \$251,401 below estimates, however, the majority of that shortfall was due to a reduction in reimbursement revenue from the Insurance Fund since the City experienced better than expected workers compensation claims activity.

### Appropriations

The final amended budget reflects an increase of \$786,170 over the adopted appropriations.

Significant budget adjustments included:

- \$459,705 in re-appropriations for open purchase orders from fiscal 2007-2008
- \$260,441 for reimbursable police and fire safety grants for equipment and programs
- \$50,000 earmarked for the Council Contingency account

### Capital Asset and Debt Administration

**Capital Assets:** Government wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2009 is \$158,492,515. This is an increase from the prior year of \$266,852, or .2%. 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 33,634,566	\$ 33,634,566	\$ 1,757,434	\$ 1,757,434	\$ 35,392,000	\$ 35,392,000
Buildings	38,871,767	39,733,862	16,159,177	16,141,008	55,030,944	55,874,870
Machinery & Equipment	2,256,865	2,397,549	324,964	354,113	2,581,829	2,751,662
Vehicles	3,299,067	2,920,572	-	-	3,299,067	2,920,572
Infrastructure	36,078,912	34,770,892	21,972,595	20,889,327	58,051,507	55,660,219
Invested in Joint Venture (RCC)	1,827,358	1,840,811			1,827,358	1,840,811
Work In Progress	1,931,376	2,175,840	378,434	1,609,688	2,309,810	3,785,528
Total	<u>\$117,899,911</u>	<u>\$117,474,092</u>	<u>\$40,592,604</u>	<u>\$40,751,570</u>	<u>\$158,492,515</u>	<u>\$158,225,662</u>

### Governmental

During the current fiscal year, governmental capital expenditures totaled \$4.1 million, including:

- \$1.42 million in street improvements
- \$1.23 million in park improvements
- \$978,662 in vehicle purchases
- \$367,300 of machinery and equipment purchases

These additions were offset by the sale of surplus vehicles and assets, and by scheduled depreciation. The net increase in assets was \$425,819, or .4%.

*Business Type*

During the current fiscal year, Business Type capital expenditures totaled \$712,064. These included \$462,000 in water system improvements and \$211,800 in Waste Water infrastructure improvements. These were offset by scheduled depreciation, resulting in a net decrease in assets of \$158,966.

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

**Liabilities:** Total long term liabilities citywide equal \$53,397,892, a decrease of \$1,959,746 from fiscal 2007-2008. Governmental liabilities decreased by \$1,565,416 (4%) while business type liabilities decreased by \$394,331 (2.5%). Please refer to footnote 6 for further information.

**City of Manhattan Beach Outstanding Liabilities**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Marine Avenue COP's	\$ 8,165,000	\$ 8,375,000	\$ -	\$ -	\$ 8,165,000	\$ 8,375,000
Capital Equipment Lease	215,949	390,008	-	-	\$ 215,949	390,008
Police & Fire Facility COP's	12,245,000	12,495,000	-	-	\$ 12,245,000	12,495,000
Accrued Employee Leave & Benefits	2,472,748	2,362,213	99,836	104,166	\$ 2,572,584	2,466,379
Supplemental Leave	15,879	27,058	-	-	\$ 15,879	27,058
Water and Wastewater COP's			3,605,000	3,715,000	\$ 3,605,000	3,715,000
Metlox Parking COP's			12,020,000	12,300,000	\$ 12,020,000	12,300,000
Pension Obligation Bonds	5,400,000	6,095,000			\$ 5,400,000	6,095,000
So. Bay Communications (RCC)	1,670,000	1,750,000			\$ 1,670,000	1,750,000
Insurance Claim Reserves	7,488,480	7,744,193	-	-	\$ 7,488,480	7,744,193
<b>Total Liabilities</b>	<b>\$ 37,673,056</b>	<b>\$ 39,238,472</b>	<b>\$ 15,724,836</b>	<b>\$ 16,119,166</b>	<b>\$ 53,397,892</b>	<b>55,357,638</b>
Current (due within one year)	<u>\$ 6,733,213</u>	<u>\$ 7,052,691</u>	<u>\$ 420,244</u>	<u>\$ 407,340</u>	<u>7,153,457</u>	<u>7,460,031</u>
Long Term Liabilities	<u>\$ 30,939,843</u>	<u>\$ 32,185,781</u>	<u>\$ 15,304,592</u>	<u>\$ 15,711,826</u>	<u>\$ 46,244,435</u>	<u>\$ 47,897,607</u>

\* Excludes unamortized bond premium of \$154,684

*Governmental*

Principal obligations for existing debt were reduced in accordance with existing debt service schedules. The total decrease in debt was \$1,409,059.

*Business Type*

Liabilities decreased as a result of the reduction in bond principal of \$390,000 (\$110,000 in Water/Waste Water bonds and \$280,000 in Metlox Public Improvement bonds). No new debt was issued in FY 2008-2009.

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 \$438,671,235.

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

The City Council adopted the FY 2009-2010 operating budget in June 2009. The budget, which included a planned use of available funds of \$1.3 million in order to provide fiscal support for the Manhattan Beach Unified School District, estimates General Fund revenues at \$49,402,520 and expenditures of \$50,911,195. The deficit (\$1.5 million) will be funded through the use of available, unreserved and undesignated funds.

The City's major General Fund revenue sources are clearly showing the affects of the recession, which officially began in December 2007. 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 much lower growth rates – the result of the decline in the housing market. As a result, the 2009-2010 budget projects property taxes to exceed 2008-2009 collections by .6% - 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 decrease by .4% from FY 2008-2009 results, while the Transient Occupancy Tax, which was already greatly affected in FY 2008-2009 by the decline in business travel and tourism, is projected to be 1.7% below last year's receipts. In keeping with the on-going housing slump, Building Permit and Plan Check Fees were budgeted below FY 2008-2009 actual levels by 4.2% and 9.2% respectively. Finally, Business License Tax revenue is expected to come in 7.8% below FY 2008-2009, further reflecting the economic slowdown.

In response to declining revenues, the City eliminated seven positions through the FY 2009-2010 budget. These included two each in the Police, Public Works and Community Development departments, as well as one in the Finance department. This saved approximately \$700,000. Other program cuts and belt-tightening resulted in savings totaling \$1.5 million, leaving the deficit at \$1.5 million – an amount that includes the discretionary contribution of \$1.3 million to the school district.

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 have given us a measure of predictability in our labor costs, which equal nearly 70% of the General Fund expenditures. On a related note, the City is experiencing increased retiree medical liabilities with the passage in 2006 of State Assembly bill AB 2544 (the bill took effect January 2008). This legislation requires the City, as a subscriber to the CalPERS medical plans, to provide certain minimum cash contributions towards retirees' medical premiums. Those liabilities, as well as other negotiated retiree medical benefits (valued at \$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. However, the dramatic losses in the equity markets, as well as other investment instruments, resulted in a loss of \$1,473,890 in this asset. But as of September 30, 2009, the asset has recouped \$847,329 in value as the financial markets improved during calendar year 2009. The City is currently in the process of obtaining a new valuation for these liabilities, as required every two years by GASB 45.

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

Overall, the General Fund budget anticipates revenues and expenditures to decrease 4.65% and 2.7% respectively over the prior year's budget. Excluding the one-time use of available General Fund moneys (\$1.3 million) to support the school district, expenditures decreased by 4.2%, more closely in line with the decrease in revenue.

### **Requests for Information**

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



# **Government-Wide Financial Statement**

CITY OF MANHATTAN BEACH

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 38,385,664	\$ 13,032,893	\$ 51,418,557
Receivables:			
Accounts	431,728	872,558	1,304,286
Taxes	2,680,785	-	2,680,785
Accrued interest	485,714	-	485,714
Prepaid costs	20,613	-	20,613
Prepaid post-retirement benefit obligation	434,920	28,081	463,001
Due from other governments	501,094	90,000	591,094
Inventories	110,214	95,168	205,382
<b>Total Current Assets</b>	<b>43,050,732</b>	<b>14,118,700</b>	<b>57,169,432</b>
Restricted assets:			
Cash with fiscal agent	2,867,293	1,496,341	4,363,634
Notes and loans receivable	32,674	-	32,674
Prepaid other post-employment benefits	4,149,564	267,945	4,417,509
Prepaid pension obligation	5,901,719	-	5,901,719
Unamortized debt issuance costs	372,192	298,140	670,332
Capital assets not being depreciated	35,565,942	2,135,867	37,701,809
Capital assets, net of depreciation	82,333,969	38,456,737	120,790,706
<b>Total Noncurrent Assets</b>	<b>131,223,353</b>	<b>42,655,030</b>	<b>173,878,383</b>
<b>Total Assets</b>	<b>174,274,085</b>	<b>56,773,730</b>	<b>231,047,815</b>
<b>Liabilities:</b>			
Accounts payable	1,728,888	1,157,013	2,885,901
Accrued liabilities	1,144,907	-	1,144,907
Accrued interest	414,266	351,676	765,942
Unearned revenue	835,803	-	835,803
Deposits payable	680,093	100,266	780,359
Long-term liabilities due within one year	6,733,213	420,244	7,153,457
<b>Total Current Liabilities</b>	<b>11,537,170</b>	<b>2,029,199</b>	<b>13,566,369</b>
Noncurrent liabilities:			
Long-term liabilities due in more than one year	31,094,527	15,304,592	46,399,119
<b>Total Liabilities</b>	<b>42,631,697</b>	<b>17,333,791</b>	<b>59,965,488</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	95,603,960	24,967,604	120,571,564
Restricted for:			
Business improvement districts	-	598,329	598,329
Debt service	2,062,149	1,213,448	3,275,597
Public works	4,760,219	-	4,760,219
Public safety	1,059,286	-	1,059,286
Recreation	184,159	-	184,159
Unrestricted	27,972,615	12,660,558	40,633,173
<b>Total Net Assets</b>	<b>\$ 131,642,388</b>	<b>\$ 39,439,939</b>	<b>\$ 171,082,327</b>

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 9,528,102	\$ 3,881,178	\$ 2,996	\$ -
Public safety	29,889,347	4,299,002	369,455	-
Culture and recreation	5,811,982	2,449,945	582,918	35,000
Public works	8,460,078	2,492,418	1,122,693	1,070,439
Interest on long-term debt	954,861	-	-	-
<b>Total Governmental Activities</b>	<b>54,644,370</b>	<b>13,122,543</b>	<b>2,078,062</b>	<b>1,105,439</b>
Business-Type Activities:				
Water	7,844,741	7,380,055	-	-
Stormwater	550,234	347,162	-	-
Wastewater	1,938,298	1,317,713	-	-
Refuse	4,212,176	4,082,292	-	-
Parking	1,462,583	1,735,739	-	-
County Parking Lot	349,025	458,769	-	-
State Pier and Parking Lot	271,222	358,440	-	-
<b>Total Business-Type Activities</b>	<b>16,628,279</b>	<b>15,680,170</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 71,272,649</b>	<b>\$ 28,802,713</b>	<b>\$ 2,078,062</b>	<b>\$ 1,105,439</b>
<b>Component Units:</b>				
CU1	\$ -	\$ -	\$ -	\$ -

**General Revenues:**

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business license taxes
- Other taxes

Intergovernmental, unrestricted:

- Motor vehicle in lieu
- Homeowner property tax

Investment earnings and rent

**Transfers**

**Total General Revenues, Contributions,  
Special Items and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

**Net Assets at End of Year**



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (5,643,928)	\$ -	\$ (5,643,928)
(25,220,890)	-	(25,220,890)
(2,744,119)	-	(2,744,119)
(3,774,528)	-	(3,774,528)
(954,861)	-	(954,861)
<b>(38,338,326)</b>	<b>-</b>	<b>(38,338,326)</b>
-	(464,686)	(464,686)
-	(203,072)	(203,072)
-	(620,585)	(620,585)
-	(129,884)	(129,884)
-	273,156	273,156
-	109,744	109,744
-	87,218	87,218
-	<b>(948,109)</b>	<b>(948,109)</b>
<b>(38,338,326)</b>	<b>(948,109)</b>	<b>(39,286,435)</b>
-	-	-
19,930,492	-	19,930,492
3,507,775	-	3,507,775
7,436,912	-	7,436,912
1,185,406	-	1,185,406
2,767,070	-	2,767,070
325,001	-	325,001
105,883	-	105,883
145,047	-	145,047
3,406,833	439,576	3,846,409
110,230	(110,230)	-
<b>38,920,649</b>	<b>329,346</b>	<b>39,249,995</b>
582,323	(618,763)	(36,440)
131,060,065	40,058,702	171,118,767
<b>\$ 131,642,388</b>	<b>\$ 39,439,939</b>	<b>\$ 171,082,327</b>

See Notes to Financial Statements



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# **Fund Financial Statements**



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CITY OF MANHATTAN BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	General	Special Revenue Funds	Capital Projects Funds
		Gas Tax	Capital Improvement
<b>Assets:</b>			
Pooled cash and investments	\$ 17,373,352	\$ 1,885,943	\$ 4,447,499
Receivables:			
Accounts	409,676	-	15,000
Taxes	2,639,318	-	41,467
Notes and loans	-	-	32,674
Accrued interest	485,714	-	-
Prepaid costs	20,613	-	-
Due from other governments	194,403	123,897	-
Due from other funds	72,478	-	-
Restricted assets:			
Cash and investments with fiscal agents	1,380,268	-	1,096,147
<b>Total Assets</b>	<b>\$ 22,575,822</b>	<b>\$ 2,009,840</b>	<b>\$ 5,632,787</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 853,183	\$ 59,725	\$ -
Accrued liabilities	1,144,906	-	-
Deferred revenues	602,060	-	-
Unearned revenues	835,803	-	-
Deposits payable	674,804	-	-
Due to other funds	-	-	-
Interest payable	135,297	-	278,969
<b>Total Liabilities</b>	<b>4,246,053</b>	<b>59,725</b>	<b>278,969</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	353,367	-	-
Reserved for prepaid costs	20,613	-	-
Reserved for notes and loans	-	-	32,674
Continuing projects	-	1,205,338	994,196
Debt service	1,244,971	-	817,178
Unreserved:			
Unreserved, reported in:			
General Fund	16,710,818	-	-
Special revenue funds	-	744,777	-
Capital projects funds	-	-	3,509,770
<b>Total Fund Balances</b>	<b>18,329,769</b>	<b>1,950,115</b>	<b>5,353,818</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,575,822</b>	<b>\$ 2,009,840</b>	<b>\$ 5,632,787</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>		
Pooled cash and investments	\$ 4,473,866	\$ 28,180,660
Receivables:		
Accounts	7,052	431,728
Taxes	-	2,680,785
Notes and loans	-	32,674
Accrued interest	-	485,714
Prepaid costs	-	20,613
Due from other governments	182,794	501,094
Due from other funds	-	72,478
Restricted assets:		
Cash and investments with fiscal agents	390,878	2,867,293
<b>Total Assets</b>	<b><u>\$ 5,054,590</u></b>	<b><u>\$ 35,273,039</u></b>
 <b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 425,272	\$ 1,338,180
Accrued liabilities	-	1,144,906
Deferred revenues	72,932	674,992
Unearned revenues	-	835,803
Deposits payable	5,289	680,093
Due to other funds	72,478	72,478
Interest payable	-	414,266
<b>Total Liabilities</b>	<b><u>575,971</u></b>	<b><u>5,160,718</u></b>
 <b>Fund Balances:</b>		
Reserved:		
Reserved for encumbrances	39,213	392,580
Reserved for prepaid costs	-	20,613
Reserved for notes and loans	-	32,674
Continuing projects	2,419,058	4,618,592
Debt service	-	2,062,149
Unreserved:		
Unreserved, reported in:		
General Fund	-	16,710,818
Special revenue funds	1,595,278	2,340,055
Capital projects funds	425,070	3,934,840
<b>Total Fund Balances</b>	<b><u>4,478,619</u></b>	<b><u>30,112,321</u></b>
 <b>Total Liabilities and Fund Balances</b>	<b><u>\$ 5,054,590</u></b>	<b><u>\$ 35,273,039</u></b>

CITY OF MANHATTAN BEACH

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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Fund balances of governmental funds	\$ 30,112,321
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.	114,600,845
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(29,751,121)
Revenues are reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	674,993
Prepaid pension benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	5,901,719
Prepaid other post-retirement benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	4,391,725
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>5,711,906</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 131,642,388</u></u></b>



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CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
		<u>Gas Tax</u>	<u>Capital Improvement</u>
<b>Revenues:</b>			
Taxes and assessments	\$ 34,974,508	\$ -	\$ 517,427
Licenses and permits	1,136,934	-	63,595
Intergovernmental	415,905	1,353,771	-
Charges for services	7,519,764	-	477,230
Use of money and property	3,214,404	39,525	38,806
Fines and forfeitures	2,472,306	-	125,247
Miscellaneous	273,099	-	35,000
<b>Total Revenues</b>	<b>50,006,920</b>	<b>1,393,296</b>	<b>1,257,305</b>
<b>Expenditures:</b>			
Current:			
General government	9,339,788	-	39,710
Public safety	29,935,621	-	813,592
Culture and recreation	5,421,585	-	1,186,336
Public works	5,409,598	976,519	76,033
<b>Total Expenditures</b>	<b>50,106,592</b>	<b>976,519</b>	<b>2,115,671</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,672)	416,777	(858,366)
<b>Other Financing Sources (Uses):</b>			
Transfers in	160,230	-	-
Transfers out	(170,953)	-	(50,000)
Proceeds from sale of capital asset	3,006	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(7,717)</b>	<b>-</b>	<b>(50,000)</b>
Net Change in Fund Balances	(107,389)	416,777	(908,366)
Fund Balances, Beginning of Year, as previously reported	18,437,158	1,533,338	6,262,184
Restatements	-	-	-
Fund Balances, Beginning of Year, as restated	18,437,158	1,533,338	6,262,184
<b>Fund Balances, End of Year</b>	<b>\$ 18,329,769</b>	<b>\$ 1,950,115</b>	<b>\$ 5,353,818</b>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>		
Taxes and assessments	\$ 1,347,536	\$ 36,839,471
Licenses and permits	-	1,200,529
Intergovernmental	302,984	2,072,660
Charges for services	8,816	8,005,810
Use of money and property	114,099	3,406,834
Fines and forfeitures	-	2,597,553
Miscellaneous	325,709	633,808
<b>Total Revenues</b>	<b>2,099,144</b>	<b>54,756,665</b>
<b>Expenditures:</b>		
Current:		
General government	-	9,379,498
Public safety	158,488	30,907,701
Culture and recreation	729,909	7,337,830
Public works	1,215,180	7,677,330
<b>Total Expenditures</b>	<b>2,103,577</b>	<b>55,302,359</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,433)	(545,694)
<b>Other Financing Sources (Uses):</b>		
Transfers in	170,953	331,183
Transfers out	-	(220,953)
Proceeds from sale of capital asset	-	3,006
<b>Total Other Financing Sources (Uses)</b>	<b>170,953</b>	<b>113,236</b>
Net Change in Fund Balances	166,520	(432,458)
Fund Balances, Beginning of Year, as previously reported	4,332,099	30,564,779
Restatements	(20,000)	(20,000)
Fund Balances, Beginning of Year, as restated	4,312,099	30,544,779
<b>Fund Balances, End of Year</b>	<b>\$ 4,478,619</b>	<b>\$ 30,112,321</b>

**CITY OF MANHATTAN BEACH**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2009**

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Net change in fund balances - total governmental funds \$ (432,458)

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

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

Cost of assets capitalized	3,124,353
Depreciation expense and loss on disposal	(3,077,029)

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 is reported as deferred charges in the statement of net assets: Amortization for the current fiscal year	(46,441)
--	----------

Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds: Amortization for the current fiscal year	7,182
--	-------

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.	(99,356)
---	----------

Certain revenues are reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	9,325
--	-------

Amortization of long-term assets is reported only at the government-wide level: Prepaid PERS Prepaid police/fire side fund payoff Prepaid other post-employment benefits	(127,982) (649,898) (386,664)
---	-------------------------------------

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>1,026,291</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 582,323</u></b>
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CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 18,437,158	\$ 18,437,158	\$ 18,437,158	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Taxes and assessments	36,069,500	36,069,500	34,974,508	(1,094,992)
Licenses and permits	1,423,094	1,423,094	1,136,934	(286,160)
Intergovernmental	506,000	766,441	415,905	(350,536)
Charges for services	7,557,403	7,557,403	7,519,764	(37,639)
Use of money and property	3,485,422	3,485,422	3,214,404	(271,018)
Fines and forfeitures	2,246,300	2,246,300	2,472,306	226,006
Proceeds from sale of capital asset	1,000	1,000	3,006	2,006
Miscellaneous	524,500	524,500	273,099	(251,401)
Transfers in	74,503	124,503	160,230	35,727
<b>Amounts Available for Appropriation</b>	<b>70,324,880</b>	<b>70,635,321</b>	<b>68,607,314</b>	<b>(2,028,007)</b>
<b>Charges to Appropriation (Outflow):</b>				
<b>Departmental Appropriations:</b>				
General government	10,247,629	10,624,792	9,339,788	1,285,004
Public safety	30,501,783	30,817,454	29,935,621	881,833
Culture and recreation	5,776,491	5,838,506	5,421,585	416,921
Public works	5,795,580	5,826,901	5,409,598	417,303
Transfers out	175,390	175,390	170,953	4,437
<b>Total Charges to Appropriations</b>	<b>52,496,873</b>	<b>53,283,043</b>	<b>50,277,545</b>	<b>3,005,498</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 17,828,007</b>	<b>\$ 17,352,278</b>	<b>\$ 18,329,769</b>	<b>\$ 977,491</b>

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
YEAR ENDED JUNE 30, 2009**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 1,533,338	\$ 1,533,338	\$ 1,533,338	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,255,252	1,255,252	1,353,771	98,519
Use of money and property	43,897	43,897	39,525	(4,372)
<b>Amounts Available for Appropriation</b>	<b>2,832,487</b>	<b>2,832,487</b>	<b>2,926,634</b>	<b>94,147</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	574,700	2,472,319	976,519	1,495,800
<b>Total Charges to Appropriations</b>	<b>574,700</b>	<b>2,472,319</b>	<b>976,519</b>	<b>1,495,800</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,257,787</b>	<b>\$ 360,168</b>	<b>\$ 1,950,115</b>	<b>\$ 1,589,947</b>



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CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>Assets:</b>				
Current:				
Cash and investments	\$ 6,437,745	\$ 982,158	\$ 841,336	\$ 1,099,185
Receivables:				
Accounts	419,974	89,134	354,376	495
Due from other governments	-	-	-	90,000
Inventories	95,168	-	-	-
Prepaid OPEB - short-term	17,960	4,245	1,959	1,567
<b>Total Current Assets</b>	<b>6,970,847</b>	<b>1,075,537</b>	<b>1,197,671</b>	<b>1,191,247</b>
Noncurrent:				
Prepaid other post-employment benefits	171,360	40,502	18,695	14,955
Restricted:				
Cash with fiscal agent	229,372	112,577	-	1,154,392
Unamortized debt issuance costs	60,880	29,947	-	207,313
Capital assets - net of accumulated depreciation	13,416,848	5,286,577	-	17,935,842
<b>Total Noncurrent Assets</b>	<b>13,878,460</b>	<b>5,469,603</b>	<b>18,695</b>	<b>19,312,502</b>
<b>Total Assets</b>	<b>\$ 20,849,307</b>	<b>\$ 6,545,140</b>	<b>\$ 1,216,366</b>	<b>\$ 20,503,749</b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 428,477	\$ 56,141	\$ 297,140	\$ 24,996
Accrued interest	46,099	22,685	-	282,892
Deposits payable	1,775	-	-	83,334
Workers' compensation claims	-	-	-	-
Lease payable - current	-	-	-	-
Accrued compensated absences	20,244	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	77,086	37,914	-	285,000
<b>Total Current Liabilities</b>	<b>573,681</b>	<b>116,740</b>	<b>297,140</b>	<b>676,222</b>
Noncurrent:				
Accrued leave long-term	79,592	-	-	-
Workers' compensation claims	-	-	-	-
General liability claims	-	-	-	-
Lease payable	-	-	-	-
Bonds, notes, and capital leases	2,339,160	1,150,840	-	11,735,000
<b>Total Noncurrent Liabilities</b>	<b>2,418,752</b>	<b>1,150,840</b>	<b>-</b>	<b>11,735,000</b>
<b>Total Liabilities</b>	<b>2,992,433</b>	<b>1,267,580</b>	<b>297,140</b>	<b>12,411,222</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	11,000,602	4,097,823	-	5,915,842
Restricted for capital projects	-	-	-	-
Restricted for debt service	229,371	112,577	-	871,500
Restricted for business improvement district	-	-	-	598,329
Unrestricted	6,626,901	1,067,160	919,226	706,856
<b>Total Net Assets</b>	<b>17,856,874</b>	<b>5,277,560</b>	<b>919,226</b>	<b>8,092,527</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,849,307</b>	<b>\$ 6,545,140</b>	<b>\$ 1,216,366</b>	<b>\$ 20,503,749</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Assets:</b>			
Current:			
Cash and investments	\$ 3,672,469	\$ 13,032,893	\$ 10,205,004
Receivables:			
Accounts	8,579	872,558	-
Due from other governments	-	90,000	-
Inventories	-	95,168	110,215
Prepaid OPEB - short-term	2,350	28,081	18,287
<b>Total Current Assets</b>	<b>3,683,398</b>	<b>14,118,700</b>	<b>10,333,506</b>
Noncurrent:			
Prepaid other post-employment benefits	22,433	267,945	174,472
Restricted:			
Cash with fiscal agent	-	1,496,341	-
Unamortized debt issuance costs	-	298,140	-
Capital assets - net of accumulated depreciation	3,953,337	40,592,604	3,299,067
<b>Total Noncurrent Assets</b>	<b>3,975,770</b>	<b>42,655,030</b>	<b>3,473,539</b>
<b>Total Assets</b>	<b>\$ 7,659,168</b>	<b>\$ 56,773,730</b>	<b>\$ 13,807,045</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 350,259	\$ 1,157,013	\$ 390,708
Accrued interest	-	351,676	-
Deposits payable	15,157	100,266	-
Workers' compensation claims	-	-	3,868,922
Lease payable - current	-	-	180,142
Accrued compensated absences	-	20,244	-
Accrued claims and judgments	-	-	919,814
Bonds, notes, and capital leases	-	400,000	-
<b>Total Current Liabilities</b>	<b>365,416</b>	<b>2,029,199</b>	<b>5,359,586</b>
Noncurrent:			
Accrued leave long-term	-	79,592	-
Workers' compensation claims	-	-	2,274,728
General liability claims	-	-	425,016
Lease payable	-	-	35,807
Bonds, notes, and capital leases	-	15,225,000	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>15,304,592</b>	<b>2,735,551</b>
<b>Total Liabilities</b>	<b>365,416</b>	<b>17,333,791</b>	<b>8,095,137</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	3,953,337	24,967,604	3,083,118
Restricted for capital projects	-	-	10,074
Restricted for debt service	-	1,213,448	-
Restricted for business improvement district	-	598,329	-
Unrestricted	3,340,415	12,660,558	2,618,716
<b>Total Net Assets</b>	<b>7,293,752</b>	<b>39,439,939</b>	<b>5,711,908</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,659,168</b>	<b>\$ 56,773,730</b>	<b>\$ 13,807,045</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, 2009

	Business-Type Activities			
	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>Operating Revenues:</b>				
Sales and service charges	\$ 7,350,744	\$ 1,317,004	\$ 4,081,964	\$ 1,719,484
Miscellaneous	29,311	709	328	16,255
<b>Total Operating Revenues</b>	<b>7,380,055</b>	<b>1,317,713</b>	<b>4,082,292</b>	<b>1,735,739</b>
<b>Operating Expenses:</b>				
Administration and general	819,601	191,441	86,413	35,511
Employee benefits	367,289	66,343	30,224	18,050
Contract and professional services	3,434,910	53,923	3,537,670	236,104
Materials and services	1,065,602	687,815	161,806	192,696
Utilities	305,054	22,519	303	87,627
Administrative service charges	1,352,879	693,000	395,760	94,427
Leases and rents	-	-	-	-
Claims expense	-	-	-	-
Depreciation expense	353,310	151,118	-	212,857
<b>Total Operating Expenses</b>	<b>7,698,645</b>	<b>1,866,159</b>	<b>4,212,176</b>	<b>877,272</b>
Operating Income (Loss)	(318,590)	(548,446)	(129,884)	858,467
<b>Nonoperating Revenues (Expenses):</b>				
Interest revenue	178,675	41,440	24,625	105,371
Interest expense	(146,096)	(72,139)	-	(585,311)
Gain (loss) on disposal of capital assets	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>32,579</b>	<b>(30,699)</b>	<b>24,625</b>	<b>(479,940)</b>
Income (Loss) Before Transfers	(286,011)	(579,145)	(105,259)	378,527
Transfers out	-	-	-	-
Changes in Net Assets	(286,011)	(579,145)	(105,259)	378,527
<b>Net Assets:</b>				
Beginning of Year	18,142,885	5,856,705	1,024,485	7,714,000
<b>End of Fiscal Year</b>	<b>\$ 17,856,874</b>	<b>\$ 5,277,560</b>	<b>\$ 919,226</b>	<b>\$ 8,092,527</b>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Enterprise Funds		
	Other Enterprise Funds	Totals	
<b>Operating Revenues:</b>			
Sales and service charges	\$ 1,161,479	\$ 15,630,675	\$ 9,030,514
Miscellaneous	2,892	49,495	72,808
<b>Total Operating Revenues</b>	<b>1,164,371</b>	<b>15,680,170</b>	<b>9,103,322</b>
<b>Operating Expenses:</b>			
Administration and general	80,764	1,213,730	1,045,649
Employee benefits	33,821	515,727	423,198
Contract and professional services	495,527	7,758,134	806,672
Materials and services	78,302	2,186,221	1,944,954
Utilities	50,473	465,976	107,433
Administrative service charges	25,574	2,561,640	157,409
Leases and rents	252,275	252,275	6,014
Claims expense	-	-	2,980,492
Depreciation expense	153,745	871,030	600,167
<b>Total Operating Expenses</b>	<b>1,170,481</b>	<b>15,824,733</b>	<b>8,071,988</b>
Operating Income (Loss)	(6,110)	(144,563)	1,031,334
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	89,465	439,576	-
Interest expense	-	(803,546)	(10,689)
Gain (loss) on disposal of capital assets	-	-	5,646
<b>Total Nonoperating Revenues (Expenses)</b>	<b>89,465</b>	<b>(363,970)</b>	<b>(5,043)</b>
Income (Loss) Before Transfers	83,355	(508,533)	1,026,291
Transfers out	(110,230)	(110,230)	-
Changes in Net Assets	(26,875)	(618,763)	1,026,291
<b>Net Assets:</b>			
Beginning of Year	7,320,627	40,058,702	4,685,617
<b>End of Fiscal Year</b>	<b>\$ 7,293,752</b>	<b>\$ 39,439,939</b>	<b>\$ 5,711,908</b>

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 7,369,985	\$ 1,310,905	\$ 4,045,321	\$ 2,086,062
Cash received from/(paid to) interfund service provided	(1,829,823)	(771,497)	(482,955)	(72,350)
Cash paid to suppliers for goods and services	(4,749,400)	(649,725)	(3,570,859)	(495,166)
Cash paid to employees for services	(1,023,315)	(236,050)	(106,978)	(46,455)
Cash received from (payments to) others	-	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(232,553)</b>	<b>(346,367)</b>	<b>(115,471)</b>	<b>1,472,091</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out				
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(462,066)	(38,235)	-	(211,762)
Principal paid on capital debt	(73,727)	(36,273)	-	(290,000)
Interest paid on capital debt	(140,283)	(69,024)	-	(564,184)
Bond administration fee	(2,452)	(1,461)	-	(3,995)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(678,528)</b>	<b>(144,993)</b>	<b>-</b>	<b>(1,069,941)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	178,675	41,439	24,625	105,370
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>178,675</b>	<b>41,439</b>	<b>24,625</b>	<b>105,370</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(732,406)</b>	<b>(449,921)</b>	<b>(90,846)</b>	<b>507,520</b>
Cash and Cash Equivalents at Beginning of Year	7,399,523	1,544,656	932,182	1,746,057
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 6,667,117</b>	<b>\$ 1,094,735</b>	<b>\$ 841,336</b>	<b>\$ 2,253,577</b>

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED YEAR ENDED JUNE 30, 2009

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (318,590)	\$ (548,446)	\$ (129,884)	\$ 858,467
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	353,310	151,118	-	212,857
(Increase) decrease in accounts receivable	(24,540)	(6,099)	(36,633)	357,221
(Increase) decrease in prepaid expense	16,668	3,940	1,818	1,455
(Increase) decrease in inventory	(39,795)	-	-	-
Increase (decrease) in accounts payable	(216,133)	53,120	49,228	11,204
Increase (decrease) in deposits payable	860	-	-	30,887
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	(4,333)	-	-	-
<b>Total Adjustments</b>	<b>86,037</b>	<b>202,079</b>	<b>14,413</b>	<b>613,624</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (232,553)</b>	<b>\$ (346,367)</b>	<b>\$ (115,471)</b>	<b>\$ 1,472,091</b>

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED YEAR ENDED JUNE 30, 2009

	<b>Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities- Internal Service Funds</b>
	<b>Other Enterprise Funds</b>	<b>Totals</b>	
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 1,169,649	\$ 15,981,922	\$ 80,473
Cash received from/(paid to) interfund service provided	(41,413)	(3,198,038)	1,073,392
Cash paid to suppliers for goods and services	(675,233)	(10,140,383)	(5,659,145)
Cash paid to employees for services	(104,399)	(1,517,197)	(1,271,163)
Cash received from (payments to) others		-	7,501,257
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>348,604</b>	<b>1,126,304</b>	<b>1,724,814</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	(110,230)	(110,230)	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(110,230)</b>	<b>(110,230)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(712,063)	(978,662)
Principal paid on capital debt	-	(400,000)	(174,059)
Interest paid on capital debt	-	(773,491)	(10,688)
Bond administration fee		(7,908)	
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(1,893,462)</b>	<b>(1,163,409)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	89,465	439,574	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>89,465</b>	<b>439,574</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>327,839</b>	<b>(437,814)</b>	<b>561,405</b>
Cash and Cash Equivalents at Beginning of Year	3,344,630	14,967,048	9,643,599
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,672,469</b>	<b>\$ 14,529,234</b>	<b>\$ 10,205,004</b>

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED YEAR ENDED JUNE 30, 2009

	<b>Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities- Internal Service Funds</b>
	<b>Other Enterprise Funds</b>	<b>Totals</b>	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (6,109)	\$ (144,562)	\$1,036,980.00
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	153,745	871,030	600,167
(Increase) decrease in accounts receivable	5,646	295,595	-
(Increase) decrease in prepaid expense	2,182	26,063	16,972
(Increase) decrease in inventory		(39,795)	12,278
Increase (decrease) in accounts payable	193,140	90,559	314,130
Increase (decrease) in deposits payable	-	31,747	-
Increase (decrease) in claims and judgments		-	(255,713)
Increase (decrease) in compensated absences	-	(4,333)	-
<b>Total Adjustments</b>	<b>354,713</b>	<b>1,270,866</b>	<b>687,834</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 348,604</b>	<b>\$ 1,126,304</b>	<b>\$ 1,724,814</b>

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2009

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
<b>Assets:</b>		
Pooled cash and investments	\$ 1,028,075	\$ 560,499
Receivables:		
Accounts	29,721	39,201
Restricted assets:		
Cash and investments with fiscal agents	<u>2,446,093</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 3,503,889</u></b>	<b><u>\$ 599,700</u></b>
<b>Liabilities:</b>		
Accounts payable	\$ 19,244	\$ -
401 (a) plan deposits	1,360,663	-
Other deposits	92,592	-
Art development fees	251,639	-
Due to bondholders	<u>1,779,751</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>\$ 3,503,889</u></b>	<b><u>-</u></b>
<b>Net Assets:</b>		
Held in trust for pension benefits		<b><u>\$ 599,700</u></b>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

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	<b>Pension Trust Fund</b>
<b>Additions:</b>	
Refunds of contributions	\$ 39,201
Investment earnings	21,846
<b>Total Additions</b>	<b>61,047</b>
<b>Deductions</b>	
Benefits	116,004
<b>Total Deductions</b>	<b>116,004</b>
Change in Net Assets	<b>(54,957)</b>
Net Assets - Beginning of the Year	654,657
<b>Net Assets - End of the Year</b>	<b>\$ 599,700</b>





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# **Notes to Financial Statements**

**CITY OF MANHATTAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**a. Description of the Reporting Entity**

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

**Blended Component Unit**

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

**b. Accounting and Reporting Policies**

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

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

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

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

**c. Description of Funds**

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

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

**Governmental Fund Types**

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

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

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

**Proprietary Fund Types**

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

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

**Fiduciary Fund Types**

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

**Agency Funds:**

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

**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. Interfund services provided and used are not eliminated in the process of consolidation. Fiduciary activities of the City are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the benefit is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. 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

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

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.

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

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

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

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

The following funds are classified as major proprietary funds:

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

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

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

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

**e. Property Tax Calculator**

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

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



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

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

**f. Capital Assets**

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

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

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

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

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

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

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

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

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

City follows the practice of pooling cash and investments of all funds except for funds in its 401(a) plan; 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan. Investments - Investments are shown at fair value, in accordance with GASB Statement No. 31. Fair value is based upon quoted market prices.

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

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

**h. Interfund Transfers**

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

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

**i. Long-Term Obligations**

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

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

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

The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third party administrator. Reported short-term and long-term estimated losses and reserves of \$4,788,736 and \$2,699,744 respectively, are recorded in the Insurance Reserve Fund.

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

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

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

**j. Vacation and Sick Leave**

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

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

**k. Supplemental Leave Allowance**

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2009, the total accrued liability for this benefit amounted to \$15,879, 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.

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

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

**p. Reconciliation of Government-Wide and Fund Financial Statements**

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

The governmental fund balance sheet includes a reconciliation between fund balance – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.." The detail of the \$(29,751,121) long-term debt difference is as follows:

Long-term debt:	
COPs payable	\$ (20,410,000)
Pension obligation bonds payable	(5,400,000)
Revenue bonds	(1,670,000)
Supplemental leave allowance	(15,879)
Compensated absences	(2,472,749)
Unamortized bond premium	(154,684)
Unamortized bond issue costs	<u>372,191</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (29,751,121)</u></u>

**Note 2: Budgets and Budgetary Accounting**

**a. Budgetary Basis of Accounting**

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

**b. Excess Expenditures**

For the year ended June 30, 2009, the following funds had expenditures in excess of budget:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Police Grants			
Public Safety	\$ 129,210	\$ 125,710	\$ 3,500
Proposition A			
Culture and Recreation	729,909	715,411	14,498

**c. Deficit**

The Federal and State Grants Fund has a deficit of \$72,932. This deficit is due to Accounts Receivable (Due from Other Governments) offset by a deferred revenue liability. Revenues under modified accrual are recognized when "available" i.e. within 60 days of the end of the fiscal year.

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

**Note 3: Cash and Investments**

As of June 30, 2009, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 41,252,957
Business-type activities	14,529,234
Fiduciary funds	<u>4,034,667</u>
Total Cash and Investments	<u>\$ 59,816,858</u>

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

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

**a. Deposits**

At June 30, 2009, the carrying amount of the City's deposits was \$364,059 and the bank balance was \$1,536,890. The \$1,172,831 difference represents outstanding checks and other reconciling items.

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

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

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

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

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

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

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

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

**c. Investments Authorized by Debt Agreements**

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

**d. Investments in State Investment Pool**

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

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

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$35,350,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$35,396,123.

**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.

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

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

**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, 2009, was \$1,360,663.

**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, 2009, the fair value of investments exceeded the book value by \$187,433.

**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, 2009, the City's investment in medium-term notes consisted of investments with Bank of America, Citibank and, General Electric Capita. All MTN's were rated "A" or higher by Moody's at time of purchase. However, at June 30, 2009, Bank of America Corp was rated at less than "A". Nevertheless, 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, 2009, 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, 2009, none of the City's deposits or investments was exposed to custodial credit risk.

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

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

**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, 2009, 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, 2009, the percent of total of any one of the medium term note issues 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.

As of June 30, 2009, 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	\$ 35,396,123	\$ -	\$ -	\$ -	\$ 35,396,123
US Treasury and agency notes	1,006,820	4,121,030	6,046,620	-	11,174,470
Medium-term notes	-	-	3,025,260	3,044,950	6,070,210
	<u>\$ 36,402,943</u>	<u>\$ 4,121,030</u>	<u>\$ 9,071,880</u>	<u>\$ 3,044,950</u>	<u>\$ 52,640,803</u>
Investment with Fiscal Agents:					
Police & Fire Certificates of Participation					\$ 1,096,147
Utility Undergrounding					1,467,940
Metlox certificates of participation					1,154,392
Marine certificates of participation					153,188
Police & Fire pension bonds					1,016,427
Water/wastewater revenue bonds					341,949
SBRPCA revenue bonds					210,653
					<u>5,440,696</u>
Demand deposits					364,059
Other deposits					8,368
Petty cash					2,269
					<u>374,696</u>
Other Funds and Deposits:					
401(a) employee plan					1,360,663
					<u>1,360,663</u>
Grand Total					<u>\$ 59,816,858</u>



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

**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, 2009, are presented below:

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Transfers In Totals</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 170,953	\$ 170,953
Capital Improvement Fund	50,000	-	50,000
Nonmajor proprietary funds	110,230	-	110,230
Transfers Out Totals	<u>\$ 160,230</u>	<u>\$ 170,953</u>	<u>\$ 331,183</u>

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

- The County Parking Lot fund transferred \$110,230 to the General fund for recreation purposes.
- The General fund transferred \$170,953 to the Street Lighting fund to relieve a deficit fund balance.
- The Capital Improvement Fund transferred \$50,000 to the General Fund for the City Council Contingency Fund

Due To/From Other Funds

	<u>Due To Other Funds:</u>	
	<u>Federal and State Grants Fund</u>	<u>Total</u>
Due From Other Funds:		
General Fund	<u>\$ 72,478</u>	<u>\$ 72,478</u>

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

**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, 2009:

	Beginning Balance July 1, 2008	Adjustments (to beginning balance)	Adjusted Beginning Balance	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2009
Governmental Activities:							
Land	\$ 33,634,566	\$ -	\$ 33,634,566	\$ -	\$ -	\$ -	\$ 33,634,566
Construction-in-progress							
Street / Roadways	2,031,424	-	2,031,424	1,419,161	-	(1,519,209)	1,931,376
Recreation	144,416	-	144,416	1,230,118	-	(1,374,534)	-
	2,175,840	-	2,175,840	2,649,279	-	(2,893,743)	1,931,376
Total Capital Assets, Not Being Depreciated	35,810,406	-	35,810,406	2,649,279	-	(2,893,743)	35,565,942
Buildings and Structures	43,215,780	-	43,215,780	-	-	-	43,215,780
Machinery and Equipment	5,869,819	-	5,869,819	367,337	(62,503)	-	6,174,653
Vehicles	6,578,192	-	6,578,192	978,662	(192,038)	-	7,364,816
Infrastructure	-	-	-	-	-	-	-
Street / Roadways	45,295,832	-	45,295,832	-	-	1,519,209	46,815,041
Parks and Recreation	12,022,835	-	12,022,835	-	-	1,374,534	13,397,369
Investment in Joint Venture (RCC)	2,407,009	-	2,407,009	107,737	(56,236)	-	2,458,510
Total Capital Assets, Being Depreciated	115,389,467	-	115,389,467	1,453,736	(310,777)	2,893,743	119,426,169
Buildings and Structures	(3,481,918)	-	(3,481,918)	(862,095)	-	-	(4,344,013)
Machinery & equipment	(3,472,270)	-	(3,472,270)	(495,810)	50,292	-	(3,917,788)
Vehicles	(3,657,620)	-	(3,657,620)	(600,167)	192,038	-	(4,065,749)
Infrastructure							
Street / Roadways	(18,823,508)	-	(18,823,508)	(1,359,148)	-	-	(20,182,656)
Parks and Recreation	(3,724,267)	-	(3,724,267)	(226,575)	-	-	(3,950,842)
Investment in Joint Venture	(566,198)	-	(566,198)	(109,303)	44,349	-	(631,152)
Total Accumulated Depreciation	(33,725,781)	-	(33,725,781)	(3,653,098)	286,679	-	(37,092,200)
Total Capital Assets, Being Depreciated, Net	81,663,686	-	81,663,686	(2,199,362)	(24,098)	2,893,743	82,333,969
Governmental Activities Capital Assets, Net	\$ 117,474,092	\$ -	\$ 117,474,092	\$ 449,917	\$ (24,098)	\$ -	\$ 117,899,911

**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
Business-Type Activities:							
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	1,609,688	-	1,609,688	712,064	-	(1,943,318)	378,434
<b>Total Capital Assets, Not Being Depreciated</b>	<b>3,367,122</b>	<b>-</b>	<b>3,367,122</b>	<b>712,064</b>	<b>-</b>	<b>(1,943,318)</b>	<b>2,135,868</b>
Capital assets, being depreciated:							
Buildings and structures - parking	16,764,631	-	16,764,631	-	-	201,877	16,966,508
Machinery and equipment - parking	805,530	-	805,530	-	-	-	805,530
Water	20,274,953	-	20,274,953	-	-	1,741,441	22,016,394
Storm water	6,871,403	-	6,871,403	-	-	-	6,871,403
Wastewater	10,011,738	-	10,011,738	-	-	-	10,011,738
<b>Total Capital Assets, Being Depreciated</b>	<b>54,728,255</b>	<b>-</b>	<b>54,728,255</b>	<b>-</b>	<b>-</b>	<b>1,943,318</b>	<b>56,671,573</b>
Less Accumulated Depreciation:							
Buildings and structures - parking	(623,623)	-	(623,623)	(183,708)	-	-	(807,331)
Machinery and equipment - parking	(451,417)	-	(451,417)	(29,149)	-	-	(480,566)
Water	(8,617,974)	-	(8,617,974)	(353,310)	-	-	(8,971,284)
Storm water	(2,771,973)	-	(2,771,973)	(153,745)	-	-	(2,925,718)
Wastewater	(4,878,820)	-	(4,878,820)	(151,118)	-	-	(5,029,938)
<b>Total Accumulated Depreciation</b>	<b>(17,343,807)</b>	<b>-</b>	<b>(17,343,807)</b>	<b>(871,030)</b>	<b>-</b>	<b>-</b>	<b>(18,214,837)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>37,384,448</b>	<b>-</b>	<b>37,384,448</b>	<b>(871,030)</b>	<b>-</b>	<b>1,943,318</b>	<b>38,456,736</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 40,751,570</b>	<b>\$ -</b>	<b>\$ 40,751,570</b>	<b>\$ (158,966)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,592,604</b>

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

Governmental Activities:	
General government	\$ 237,409
Public safety	1,506,081
Public works	1,646,201
Culture and recreation	263,407
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 3,653,098</b>
Business-Type Activities:	
Water	\$ 353,310
Storm water	153,745
Wastewater	151,118
Parking	212,857
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 871,030</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, 2009:

Governmental Activities:	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due in One Year
Long-term Debt:					
Capital Lease	\$ 390,008	\$ -	\$ (174,059)	\$ 215,949	\$ 180,143
Marine Ave Park COP	8,375,000	-	(210,000)	8,165,000	220,000
Police Fire COP	12,495,000	-	(250,000)	12,245,000	255,000
2001 South Bay Revenue Bond	1,750,000	-	(80,000)	1,670,000	85,000
Pension Obligation Bonds	6,095,000	-	(695,000)	5,400,000	765,000
Other:					
Supplemental Leave Allowance	27,058	-	(11,179)	15,879	-
Compensated Absences	2,362,213	2,102,100	(1,991,565)	2,472,748	439,334
Workers Compensation Claims	6,258,066	462,804	(577,220)	6,143,650	3,868,922
General Liability Claims	1,486,127	60,638	(201,935)	1,344,830	919,814
Total governmental	<u>\$ 39,238,472</u>	<u>\$ 2,625,542</u>	<u>\$ (3,411,803)</u>	37,673,056	<u>\$ 6,733,213</u>
	Unamortized premium			154,684	
				<u>\$ 37,827,740</u>	
Business-Type Activities:					
Long-term Debt:					
Water Fund COP	\$ 2,489,974	\$ -	\$ (73,728)	\$ 2,416,246	\$ 77,079
Wastewater Fund COP	1,225,026	-	(36,272)	1,188,754	37,921
Metlox Parking COP	12,300,000	-	(280,000)	12,020,000	285,000
Other long term liabilities:					
Compensated Absences	104,166	-	(4,330)	99,836	20,244
Total business type	<u>\$ 16,119,166</u>	<u>\$ -</u>	<u>\$ (394,330)</u>	<u>\$ 15,724,836</u>	<u>\$ 420,244</u>

**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
2010	\$ 119,502	\$ 2,937	\$ 122,439	\$ 60,640	\$ 1,669	\$ 62,309
2011	20,319	87	20,406	15,488	89	15,577
Total	<u>\$ 139,821</u>	<u>\$ 3,024</u>	<u>\$ 142,845</u>	<u>\$ 76,128</u>	<u>\$ 1,758</u>	<u>\$ 77,886</u>

**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
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	255,000	288,484	543,484
2015-2019	1,410,000	1,275,180	2,685,180
2020-2024	1,685,000	957,127	2,642,127
2025-2029	2,005,000	577,515	2,582,515
2030-2033	1,880,000	140,813	2,020,813
Total	<u>\$ 8,165,000</u>	<u>\$ 4,492,539</u>	<u>\$ 12,657,539</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
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	295,000	522,075	817,075
2015-2019	1,640,000	2,433,756	4,073,756
2020-2024	2,005,000	2,070,944	4,075,944
2025-2029	2,505,000	1,567,750	4,072,750
2030--2034	3,205,000	875,000	4,080,000
2035-2036	1,515,000	114,500	1,629,500
Total	<u>\$ 12,245,000</u>	<u>\$ 9,765,976</u>	<u>\$ 22,010,976</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, 2009, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	50,000	56,207	106,207
2015-2019	295,000	247,005	542,005
2020-2024	375,000	179,152	554,152
2025-2029	460,000	94,326	554,326
2030-2031	215,000	9,829	224,829
Total	<u>\$ 1,670,000</u>	<u>\$ 835,514</u>	<u>\$ 2,505,514</u>

**e. 2007 Pension Obligation Bonds**

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

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

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

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2009, were as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,095,000	65,769	1,160,769
2015	765,000	19,168	784,168
Totals	<u>\$ 5,400,000</u>	<u>\$ 833,080</u>	<u>\$ 6,233,080</u>

**f. Compensated Absences**

At June 30, 2009, the total citywide accrued liability for compensated absences amounted to \$2,572,584 which is comprised of \$2,196,925 and \$375,659 of vested vacation and sick leave, respectively. \$2,472,748 of this compensated leave liability is related to general government services with the remaining \$99,836 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, 2009, 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 \$3,868,922. In addition, reserves of \$2,274,728 have been set aside for incurred but not reported claims.

**h. General Liability Claims**

As of June 30, 2009, 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 \$919,814. In addition, reserves of \$425,016 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, 2009:

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
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	97,186	117,096	214,282	47,814	57,610	105,424
2015-2019	586,467	492,431	1,078,898	288,533	242,268	530,801
2020-2024	790,893	295,883	1,086,776	389,107	145,570	534,677
2024-2027	606,575	54,133	660,708	298,425	26,632	325,057
Total	<u>\$ 2,416,246</u>	<u>\$ 1,477,515</u>	<u>\$ 3,893,761</u>	<u>\$ 1,188,754</u>	<u>\$ 726,914</u>	<u>\$ 1,915,668</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, 2009, annual debt service requirements to maturity for the Metlox Parking Facility (COP) are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	335,000	519,159	854,159
2015-2019	1,910,000	2,375,006	4,285,006
2020-2024	2,400,000	1,897,994	4,297,994
2025-2029	3,080,000	1,246,250	4,326,250
2030-2033	3,075,000	394,250	3,469,250
Total	<u>\$ 12,020,000</u>	<u>\$ 8,630,970</u>	<u>\$ 20,650,970</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 of Fund Balance and Enterprise Fund Net Assets**

The City's governmental funds reserves and designations at June 30, 2009, are presented below:

	General Fund	Capital Improvement Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
Total Fund Equity	\$ 18,329,769	\$ 5,353,818	\$ 1,950,115	\$ 4,478,619	\$ 30,112,321
Reserved:					
Encumbrances	\$ 353,367	\$ -	\$ -	\$ 39,213	\$ 392,580
Prepays	20,613	-	-	-	20,613
Notes & Loans	-	32,674	-	-	32,674
Debt Service	1,244,971	817,178	-	-	2,062,149
Continuing capital projects	-	994,196	1,205,338	2,419,058	4,618,592
Total Reserved	1,618,951	1,844,048	1,205,338	2,458,271	7,126,608
Unreserved	16,710,818	3,509,770	744,777	2,020,348	22,985,713
Designated:					
Financial policy	10,464,297	-	-	-	10,464,297
Economic uncertainty	4,000,000	-	-	-	4,000,000
Loan Program	-	969,572	-	-	969,572
Total Designated	14,464,297	969,572	-	-	15,433,869
Undesignated	\$ 2,246,521	\$ 2,540,198	\$ 744,777	\$ 2,020,348	\$ 7,551,844

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

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

The City's Enterprise Fund restrictions and City Council designations at June 30, 2009, are presented below:

	Water Fund	Waste Water Fund	Parking Fund	Refuse Fund	Nonmajor Enterprise Funds
Total Net Assets	<u>\$ 17,856,874</u>	<u>\$ 5,277,560</u>	<u>\$ 8,092,527</u>	<u>\$ 919,226</u>	<u>\$ 7,293,752</u>
Restricted:					
Debt service	\$ 229,371	\$ 112,577	\$ 871,500	\$ -	\$ -
BID	-	-	598,329	-	-
Total Restricted	<u>229,371</u>	<u>112,577</u>	<u>1,469,829</u>	<u>-</u>	<u>-</u>
Investment in Net Capital Assets	<u>11,000,602</u>	<u>4,097,823</u>	<u>5,915,842</u>	<u>-</u>	<u>3,953,337</u>
Unrestricted	<u>6,626,901</u>	<u>1,067,160</u>	<u>706,856</u>	<u>919,226</u>	<u>3,340,415</u>
Designations:					
Continuing CIPs	1,577,802	1,067,160	235,000	-	220,694
Financial policy	<u>2,722,747</u>	<u>-</u>	<u>3,807</u>	<u>-</u>	<u>102,691</u>
Total Designated	<u>4,300,549</u>	<u>1,067,160</u>	<u>238,807</u>	<u>-</u>	<u>323,385</u>
After Designations	<u>\$ 2,326,352</u>	<u>\$ -</u>	<u>\$ 468,049</u>	<u>\$ 919,226</u>	<u>\$ 3,017,030</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, 2006, determined the required employer contribution rate for fiscal year 2008-2009 to be 7.446% 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, 2006
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, 2007 and June 30, 2008, 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.

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		
6/30/2006	\$ 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%	115.9%	10,769,106	-2.2%
6/30/2008	54,106,445	53,970,770	135,675	99.7%	101.3%	11,537,732	1.2%

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, 2009, was as follows:

Three-Year Trend Information for PERS Miscellaneous Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 772,796	100%	\$ -
6/30/2008	832,511	100%	-
6/30/2009	865,919	100%	-

	<u>Miscellaneous</u>
Annual required contributions (ARC)	\$ 865,919
Interest on net pension obligation (NPO)	-
Amortization of net pension obligation	-
Annual pension cost	<u>865,919</u>
Actual contributions made in fiscal year	<u>865,919</u>
Increase (Decrease) in NPO	-
NPO at Beginning of Year	-
NPO at End of Year	<u><u>\$ -</u></u>

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

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

**Safety Employees Plan – Pooled Participation**

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, 2006, determined the required employer contribution rate for fiscal year 2008-2009 was, 21.189%, and 18.215% for police and fire employees, respectively. These rates are comparable to those of fiscal 2007-2008 (21.348 and 18.344) which initially were 33.511% and 28.554% respectively. The substantial reduction in rates in fiscal 2007-2008 is due to the payoff, in March 2007, of the then existing side funds. The side funds were the remaining unamortized accrued liabilities that existed prior to transfer into a pool. (See following Mandatory Police & Fire Risk Pooling) The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

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 at an imputed interest rate of 7.75%. Debt service requirements for these pension bonds are presented in footnote 6e.

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

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

Annual Pension Payments and Cost

For fiscal year 2008-2009, the City of Manhattan Beach's annual pension payments was \$3,037,626 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 - \$865,919, Fire - \$727,106, Police - \$1,444,601. The City also contributed \$1,786,907 for the 2008-2009 fiscal years on behalf of the employees. Employee payments by group are as follows: Miscellaneous – \$815,052, Fire - \$359,262, Police – \$613,592. The City's payroll for employees covered by the plans for the year ended June 30, 2009, was \$22,438,811. The total payroll for the year was \$26,564,161.

Annual Pension Cost and Net Pension Obligation Police Plan

The City of Manhattan Beach police plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2009, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2007	\$ 1,870,202	342.52%	\$ (2,388,841)
6/30/2008	1,702,272	74.79%	(2,138,524)
6/30/2009	1,936,777	74.59%	(4,048,899)

	<u>Police</u>
Annual required contributions (ARC)	\$ 1,444,601
Interest on net pension obligation	(324,376)
Amortization of net pension obligation	<u>816,552</u>
Annual pension cost	1,936,777
Actual contributions made in fiscal year	<u>1,444,601</u>
Increase (Decrease) in NPO	492,176
NPO at Beginning of Year	<u>(4,541,075)</u>
NPO at End of Year	<u><u>\$ (4,048,899)</u></u>

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach fire plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2009, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2007	\$ 1,087,358	342.52%	\$ (2,388,841)
6/30/2008	987,941	74.79%	(2,138,524)
6/30/2009	1,012,810	71.79%	(1,852,820)

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

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

	<u>Fire</u>
Annual required contributions (ARC)	\$ 727,106
Interest on net pension obligation (NPO)	(151,107)
Amortization of net pension obligation	<u>436,811</u>
Annual pension cost	1,012,810
Actual contributions made in fiscal year	<u>727,106</u>
Increase (Decrease) in NPO	285,704
NPO at Beginning of Year	<u>(2,138,524)</u>
NPO at End of Year	<u><u>\$ (1,852,820)</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.

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, 2009, was as follows:

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

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

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

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	
6/30/2009	175,571	189,506	13,935	N/A	N/A	
	Year Ended	Annual Actual Contribution	Percentage Contribution			
	6/30/2001	N/A	N/A			
	6/30/2002	N/A	N/A			
	6/30/2003	N/A	N/A			
	6/30/2004	N/A	N/A			
	6/30/2005	N/A	N/A			
	6/30/2006	N/A	N/A			
	6/30/2007	N/A	N/A			
	6/30/2008	N/A	N/A			
	6/30/2009	N/A	N/A			

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,



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

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

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

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

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

Retirees receiving benefits:	
Management Confidential	\$ 3
Police	5
	<u>\$ 8</u>

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

**Schedules of Funding Progress for 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
6/30/2009	424,128	432,935	8,807	N/A	N/A

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

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

<u>Year Ended</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contribution</u>
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A
6/30/2004	N/A	N/A
6/30/2005	N/A	N/A
6/30/2006	N/A	N/A
6/30/2007	N/A	N/A
6/30/2008	N/A	N/A
6/30/2009	N/A	N/A

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%

**Statement of Fiduciary Net Assets**

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

**Statement of Fiduciary Net Assets**

	<u>Supplemental</u>	<u>Single Highest Year</u>	<u>Total</u>
Assets			
Cash & Investments	\$ 175,571	\$ 384,928	\$ 560,499
Accounts receivable	-	39,201	39,201
<b>Total Assets</b>	<b><u>\$ 175,571</u></b>	<b><u>\$ 424,129</u></b>	<b><u>\$ 599,700</u></b>
Net Assets			
Held in trust for pension benefits	<u>\$ 175,571</u>	<u>\$ 424,129</u>	<u>\$ 599,700</u>

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

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

Statement of Changes in Fiduciary Net Assets

Plan Activity	Supplemental	Single Highest Year	Total
Additions:			
Refunds of Contributions	\$ -	\$ 39,201	\$ 39,201
Interest	6,430	15,416	21,846
Total Additions	6,430	54,617	61,047
Deductions:			
Benefits	24,486	91,518	116,004
Total Deductions	24,486	91,518	116,004
Changes in net assets	(18,056)	(36,901)	(54,957)
Net Assets Held in Trust for Pension Benefits:			
Opening balance July 1, 2008	193,627	461,030	654,657
Ending balance June 30, 2009	\$ 175,571	\$ 424,129	\$ 599,700

**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 2009, the City paid \$39,200 to retirees. The plan does not issue a separate report, but is included in the actuarial report that includes other post retirement benefits (OPEB) per MOU agreements and that mandated by the State of California. The plan does not issue a separate report. All activity is reported within the financial statements of the City of Manhattan Beach.

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 2009, the City paid \$61,182 for the medical benefit. Plan members receiving benefits paid \$435,532.

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.

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

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

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 resulting in an NPO of \$(5,310,209) as of June 30, 2008. The amortization period for the prepayment is ten years. The required contribution for an amortization period of ten years using an interest rate of 7.75% would have been \$841,241 plus normal cost of \$269,000 both due on June 30 of the fiscal year. The results of this actuarial report were used to determine the annual required contribution for fiscal year 2008-2009 which is just the normal cost.

The City of Manhattan Beach annual other post employment benefits cost and change in net pension obligation in fiscal year ending June 30, 2009, was as follows:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008-09 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Contribution</u>	<u>Net OPEB Obligation</u>
6/30/2007	N/A	N/A	N/A
6/30/2008	\$ 1,110,241	\$ 6,420,450	\$ (5,310,209)
6/30/2009	698,699	269,000	(4,880,510)

Annual required Contributions (ARC)	\$ 269,000
Interest on net pension obligation (NPO)	(411,542)
Amortization of pension obligation	<u>841,241</u>
Annual pension cost	698,699
Less: Annual contributions made	<u>269,000</u>
Increase (Decrease) in NPO	429,699
NPO at beginning of year	<u>(5,310,209)</u>
NPO at end of year	<u><u>\$ (4,880,510)</u></u>

**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. Therefore, the accrued liability and normal contribution as of valuation July 1, 2007, was used for July 1, 2008. There will be a new actuarial report as July 1, 2009 for fiscal year 2009-2010,

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

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	7/1/2007	\$ 5,709,000	\$ 6,420,450	\$ (711,450)	112.5%	N/A	N/A	7.75%
Estimated	7/1/2008	5,709,000	4,946,560	762,440	86.6%	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 assets are valued at fair value. The amortization method is level dollar over a closed period of ten years. The actuarial value of assets is equal to the amount reported by CERBT at June 30, 2009. 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)**

Retirement Plan for Part-Time, Seasonal and Temporary Employees

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

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

Total payroll for employees covered by this plan for the year was \$1,318,000. The amount of employee contribution was \$49,425, and employer contribution was \$49,425.

**Note 10: Risk Management**

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

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

For workers compensation, the City is self-insured for the first \$750,000 on each claim with excess coverage up to a limit of \$100,000,000. For general liability, the City is self-insured for the first \$500,000 on each claim against with excess coverage up to a limit of \$20,000,000. The City is insured for property losses with a deductible of \$10,000 all risk (fire and theft) and earthquake loss with a deductible of 5% or \$100,000, whichever is greater.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2009, the amount of these liabilities was \$7,488,480. The amount represents an estimate of \$4,788,736 for reported claims through June 30, 2009, and \$2,699,744 of estimated incurred but not reported claims. This liability is the City's best estimate based on available information. Changes in the reported liability at June 30, 2009, resulted from the following:

Year	Liability Beginning of Year	Current Year Claims and Increases in Estimates	Payments and Decreases In Estimates	Liability End of Year
2008	\$ 5,963,069	\$ 4,241,863	\$ (2,460,739)	\$ 7,744,193
2009	7,744,193	4,033,841	(4,289,554)	7,488,480

**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, 2009, 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, 2008, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2008\*, is presented below:

Statement of Net Assets

Assets	
Current assets	\$ 3,457,807
Capital assets	8,052,879
Total Assets	<u>11,510,686</u>
Liabilities	
Current liabilities	646,725
Noncurrent liabilities	228,097
Total Liabilities	<u>874,822</u>
Total Net Assets	<u>\$ 10,635,864</u>

Statement of Activities

Operating Revenues	\$ 7,775,123
Operating Expenses	<u>(7,228,826)</u>
Excess of Expenditures Over Revenues	<u>546,297</u>
Non operating revenues (expenses)	114,794
Net Assets - June 30, 2007	<u>9,974,773</u>
Net Assets - June 30, 2008	<u>\$ 10,635,864</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, 2008\*, is presented below:

Statement of Net Assets

Assets

Current assets	\$ 7,601,573
Capital assets	775,491
Totals Assets	<u>\$ 8,377,064</u>

Liabilities

Current liabilities	\$ 1,478,255
Noncurrent liabilities	<u>554,143</u>

Total liabilities	<u>2,032,398</u>
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Total Net Assets	<u>\$ 6,344,666</u>
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Statement of Activities

Revenues	\$ 7,687,432
Expenditures	<u>(5,536,094)</u>

Excess of Expenditures Over Revenues	2,151,338
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Net Assets - June 30, 2007	<u>4,193,328</u>
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Net Assets - June 30, 2008	<u>\$ 6,344,666</u>
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\*Most current information available. LA Impact has issued its own separate financial statements, which are available at 5700 S. Eastern Avenue, Commerce, California 90040.



**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, 2009, was \$1,360,663.

As of June 30, 2009, the following balances of assets and liabilities were present:

Market Value 401(a) Plan
<u>\$ 1,360,663</u>
<u><u>\$ 1,360,663</u></u>

**Note 13: Commitments and Contingencies**

Contingencies

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

**Note 14: Fund Balance and Net Assets Restatement**

Governmental Funds - Special Revenue Funds	
Federal and State Grants - Beginning net assets as originally stated	\$ -
Accounts Receivable (Due from other governments) accrued in previous years is not current available to the fund	<u>(20,000)</u>
Federal and State Grants - Beginning net assets as restated	<u><u>\$ (20,000)</u></u>

This amount is not shown as a restatement in the government-wide statement of activities as all deferred revenue amounts are reported as revenue regardless of the availability period.

**Note 15: Subsequent Event – Proposition 1A Securitization Program**

On July 24, 2009, the State Legislature approved the “borrowing” of up to 8 percent of the local property tax under Proposition 1A (2004). The City is a participant in the Proposition 1A Securitization Program offered by California Communities, a joint powers authority sponsored by the League of California Cities and California State Association of Counties. California Communities sold bonds on November 10, 2009, securitizing the future payments by the State and remitted the proceeds of the bonds to the local governments who opted to participate in the program. The purchase price paid on the sale of the City’s receivable is 100% or \$1,772,483. Participants of the Securitization program have no obligation on the bonds and no credit exposure to the State. Distribution of the proceeds to the participants is expected 50% on January 15, 2010 and 50% on May 3, 2010.



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# **Combining Financial Statements & Schedules**

## CITY OF MANHATTAN BEACH

JUNE 30, 2009

### NONMAJOR FUNDS

#### **Special Revenue Fund Description**

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

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

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

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

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

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

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

#### **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, 2009

	<b>Special Revenue Funds</b>		
	<b>Street Lighting and Landscape</b>	<b>Asset Forfeiture</b>	<b>Public Safety Grants</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 28,402	\$ 959,033	\$ 84,424
Receivables:			
Accounts	7,052	-	-
Due from other governments	-	-	25,000
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b>\$ 35,454</b>	<b>\$ 959,033</b>	<b>\$ 109,424</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 35,454	\$ 672	\$ 8,499
Deferred revenues	-	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
<b>Total Liabilities</b>	<b>35,454</b>	<b>672</b>	<b>8,499</b>
<b>Fund Balances:</b>			
Fund balances:			
Reserved for:			
Encumbrances	4,250	-	-
Continuing projects	-	-	-
Unreserved:			
Undesignated	(4,250)	958,361	100,925
<b>Total Fund Balances</b>	<b>-</b>	<b>958,361</b>	<b>100,925</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,454</b>	<b>\$ 959,033</b>	<b>\$ 109,424</b>

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

(Continued)

	<b>Special Revenue Funds</b>		
	<b>Federal and State Grants</b>	<b>Prop A</b>	<b>Prop C</b>
<b>Assets:</b>			
Pooled cash and investments	\$ -	\$ 182,444	\$ 2,915,072
Receivables:			
Accounts	-	-	-
Due from other governments	72,932	40,143	33,307
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b>\$ 72,932</b>	<b>\$ 222,587</b>	<b>\$ 2,948,379</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 454	\$ 38,428	\$ 338,889
Deferred revenues	72,932	-	-
Deposits payable	-	-	-
Due to other funds	72,478	-	-
<b>Total Liabilities</b>	<b>145,864</b>	<b>38,428</b>	<b>338,889</b>
<b>Fund Balances:</b>			
Fund balances:			
Reserved for:			
Encumbrances	-	34,963	-
Continuing projects	-	-	2,419,058
Unreserved:			
Undesignated	(72,932)	149,196	190,432
<b>Total Fund Balances</b>	<b>(72,932)</b>	<b>184,159</b>	<b>2,609,490</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 72,932</b>	<b>\$ 222,587</b>	<b>\$ 2,948,379</b>

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund Underground Assessment District</u>	<u>Total Governmental Funds</u>
	<u>AB 2766</u>		
<b>Assets:</b>			
Pooled cash and investments	\$ 262,134	\$ 42,357	\$ 4,473,866
Receivables:			
Accounts	-	-	7,052
Due from other governments	11,412	-	182,794
Restricted assets:			
Cash and investments with fiscal agents	-	390,878	390,878
<b>Total Assets</b>	<b><u>\$ 273,546</u></b>	<b><u>\$ 433,235</u></b>	<b><u>\$ 5,054,590</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 2,876	\$ 425,272
Deferred revenues	-	-	72,932
Deposits payable	-	5,289	5,289
Due to other funds	-	-	72,478
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>8,165</u></b>	<b><u>575,971</u></b>
<b>Fund Balances:</b>			
Fund balances:			
Reserved for:			
Encumbrances	-	-	39,213
Continuing projects	-	-	2,419,058
Unreserved:			
Undesignated	273,546	425,070	2,020,348
<b>Total Fund Balances</b>	<b><u>273,546</u></b>	<b><u>425,070</u></b>	<b><u>4,478,619</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 273,546</u></b>	<b><u>\$ 433,235</u></b>	<b><u>\$ 5,054,590</u></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, 2009

	<b>Special Revenue Funds</b>		
	<b>Street Lighting and Landscape</b>	<b>Asset Forfeiture</b>	<b>Public Safety Grants</b>
<b>Revenues:</b>			
Taxes and assessments	\$ 379,072	\$ -	\$ -
Intergovernmental	-	161,461	100,000
Charges for services	-	-	-
Use of money and property	-	22,458	2,411
Miscellaneous	19,673	-	-
<b>Total Revenues</b>	<b>398,745</b>	<b>183,919</b>	<b>102,411</b>
<b>Expenditures:</b>			
Current:			
Public safety	-	29,278	129,210
Culture and recreation	-	-	-
Public works	569,698	-	-
<b>Total Expenditures</b>	<b>569,698</b>	<b>29,278</b>	<b>129,210</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(170,953)	154,641	(26,799)
<b>Other Financing Sources (Uses):</b>			
Transfers in	170,953	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>170,953</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	154,641	(26,799)
Fund Balances, Beginning of Year	-	803,720	127,724
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	-	803,720	127,724
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 958,361</b>	<b>\$ 100,925</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

(Continued)

	<u>Special Revenue Funds</u>		
	<u>Federal and State Grants</u>	<u>Prop A</u>	<u>Prop C</u>
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ 527,537	\$ 440,927
Intergovernmental	-	-	-
Charges for services	-	8,816	-
Use of money and property	-	6,320	74,619
Miscellaneous	-	56,036	250,000
<b>Total Revenues</b>	<b>-</b>	<b>598,709</b>	<b>765,546</b>
<b>Expenditures:</b>			
Current:			
Public safety	-	-	-
Culture and recreation	-	729,909	-
Public works	52,932	11,286	465,030
<b>Total Expenditures</b>	<b>52,932</b>	<b>741,195</b>	<b>465,030</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,932)	(142,486)	300,516
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(52,932)	(142,486)	300,516
Fund Balances, Beginning of Year	-	326,645	2,308,974
Restatements	(20,000)	-	-
Fund Balances, Beginning of Year, as Restated	(20,000)	326,645	2,308,974
<b>Fund Balances, End of Year</b>	<b>\$ (72,932)</b>	<b>\$ 184,159</b>	<b>\$ 2,609,490</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
	<u>AB 2766</u>	<u>Underground Assessment District</u>	
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ -	\$ 1,347,536
Intergovernmental	41,523	-	302,984
Charges for services	-	-	8,816
Use of money and property	5,165	3,126	114,099
Miscellaneous	-	-	325,709
<b>Total Revenues</b>	<b>46,688</b>	<b>3,126</b>	<b>2,099,144</b>
<b>Expenditures:</b>			
Current:			
Public safety	-	-	158,488
Culture and recreation	-	-	729,909
Public works	8,300	107,934	1,215,180
<b>Total Expenditures</b>	<b>8,300</b>	<b>107,934</b>	<b>2,103,577</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,388	(104,808)	(4,433)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	170,953
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>170,953</b>
Net Change in Fund Balances	38,388	(104,808)	166,520
Fund Balances, Beginning of Year	235,158	529,878	4,332,099
Restatements	-	-	(20,000)
Fund Balances, Beginning of Year, as Restated	235,158	529,878	4,312,099
<b>Fund Balances, End of Year</b>	<b>\$ 273,546</b>	<b>\$ 425,070</b>	<b>\$ 4,478,619</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 STREET LIGHTING AND LANDSCAPE  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Taxes and assessments	380,500	380,500	379,072	(1,428)
Miscellaneous	19,030	19,030	19,673	643
Transfers in	175,390	175,390	170,953	(4,437)
<b>Amounts Available for Appropriation</b>	<b>574,920</b>	<b>574,920</b>	<b>569,698</b>	<b>(5,222)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	574,920	579,170	569,698	9,472
<b>Total Charges to Appropriations</b>	<b>574,920</b>	<b>579,170</b>	<b>569,698</b>	<b>9,472</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (4,250)</b>	<b>\$ -</b>	<b>\$ 4,250</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 ASSET FORFEITURE  
 YEAR ENDED JUNE 30, 2009

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 803,720	\$ 803,720	\$ 803,720	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	161,461	161,461
Use of money and property	32,664	32,664	22,458	(10,206)
<b>Amounts Available for Appropriation</b>	<b>836,384</b>	<b>836,384</b>	<b>987,639</b>	<b>151,255</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	79,369	79,369	29,278	50,091
<b>Total Charges to Appropriations</b>	<b>79,369</b>	<b>79,369</b>	<b>29,278</b>	<b>50,091</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 757,015</b>	<b>\$ 757,015</b>	<b>\$ 958,361</b>	<b>\$ 201,346</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC SAFETY GRANTS  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 127,724	\$ 127,724	\$ 127,724	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	100,000	100,000	-
Use of money and property	4,576	4,576	2,411	(2,165)
<b>Amounts Available for Appropriation</b>	<b>132,300</b>	<b>232,300</b>	<b>230,135</b>	<b>(2,165)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	125,710	129,210	(3,500)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>125,710</b>	<b>129,210</b>	<b>(3,500)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 132,300</b>	<b>\$ 106,590</b>	<b>\$ 100,925</b>	<b>\$ (5,665)</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 FEDERAL AND STATE GRANTS  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ -
<b>Charges to Appropriation (Outflow):</b>				
Public works	-	1,282,250	52,932	1,229,318
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>1,282,250</b>	<b>52,932</b>	<b>1,229,318</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (20,000)</b>	<b>\$ (1,302,250)</b>	<b>\$ (72,932)</b>	<b>\$ 1,229,318</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION A  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 326,645	\$ 326,645	\$ 326,645	\$ -
<b>Resources (Inflows):</b>				
Taxes and assessments	580,000	580,000	527,537	(52,463)
Charges for services	6,500	6,500	8,816	2,316
Use of money and property	15,671	15,671	6,320	(9,351)
Miscellaneous	-	-	56,036	56,036
<b>Amounts Available for Appropriation</b>	<b>928,816</b>	<b>928,816</b>	<b>925,354</b>	<b>(3,462)</b>
<b>Charges to Appropriation (Outflow):</b>				
Culture and recreation	704,586	715,411	729,909	(14,498)
Public works	25,000	25,000	11,286	13,714
<b>Total Charges to Appropriations</b>	<b>729,586</b>	<b>740,411</b>	<b>741,195</b>	<b>(784)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 199,230</b>	<b>\$ 188,405</b>	<b>\$ 184,159</b>	<b>\$ (4,246)</b>



CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$2,308,974	\$ 2,308,974	\$ 2,308,974	\$ -
<b>Resources (Inflows):</b>				
Taxes and assessments	480,000	480,000	440,927	(39,073)
Use of money and property	97,565	97,565	74,619	(22,946)
Miscellaneous	-	-	250,000	250,000
<b>Amounts Available for Appropriation</b>	<b>2,886,539</b>	<b>2,886,539</b>	<b>3,074,520</b>	<b>187,981</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	445,040	1,529,925	465,030	1,064,895
<b>Total Charges to Appropriations</b>	<b>445,040</b>	<b>1,529,925</b>	<b>465,030</b>	<b>1,064,895</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$2,441,499</b>	<b>\$ 1,356,614</b>	<b>\$ 2,609,490</b>	<b>\$ 1,252,876</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 235,158	\$ 235,158	\$ 235,158	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	44,000	44,000	41,523	(2,477)
Use of money and property	11,664	11,664	5,165	(6,499)
<b>Amounts Available for Appropriation</b>	<b>290,822</b>	<b>290,822</b>	<b>281,846</b>	<b>(8,976)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	2,000	8,300	8,300	-
<b>Total Charges to Appropriations</b>	<b>2,000</b>	<b>8,300</b>	<b>8,300</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 288,822</b>	<b>\$ 282,522</b>	<b>\$ 273,546</b>	<b>\$ (8,976)</b>

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT  
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,262,184	\$ 6,262,184	\$ 6,262,184	\$ -
<b>Resources (Inflows):</b>				
Taxes	650,000	650,000	517,427	(132,573)
Licenses and permits	31,000	31,000	63,595	32,595
Charges for services	550,000	550,000	477,230	(72,770)
Use of money and property	31,000	31,000	38,806	7,806
Fines and forfeitures	127,000	127,000	125,247	(1,753)
Miscellaneous	-	30,000	35,000	5,000
<b>Amounts Available for Appropriation</b>	<b>7,651,184</b>	<b>7,681,184</b>	<b>7,519,489</b>	<b>(161,695)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	15,000	148,881	39,710	109,171
Public safety	815,062	815,062	813,592	1,470
Culture and recreation	-	1,485,805	1,186,336	299,469
Public works	520,000	630,144	76,033	554,111
Transfers out	-	50,000	50,000	-
<b>Total Charges to Appropriations</b>	<b>1,350,062</b>	<b>3,129,892</b>	<b>2,165,671</b>	<b>964,221</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 6,301,122</b>	<b>\$ 4,551,292</b>	<b>\$ 5,353,818</b>	<b>\$ 802,526</b>



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**CITY OF MANHATTAN BEACH**

**JUNE 30, 2009**

**NONMAJOR ENTERPRISE FUNDS**

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET ASSETS  
 NON-MAJOR ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2009

	<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	\$ 1,481,412	\$ 157,457	\$ 2,033,600	\$ 3,672,469
Receivables:				
Accounts	8,579	-	-	8,579
Prepaid OPEB - short-term	1,306	522	522	2,350
<b>Total Current Assets</b>	<b><u>1,491,297</u></b>	<b><u>157,979</u></b>	<b><u>2,034,122</u></b>	<b><u>3,683,398</u></b>
Noncurrent:				
Prepaid other post-employment benefits	12,463	4,985	4,985	22,433
Capital assets - net of accumulated depreciation	3,953,337	-	-	3,953,337
<b>Total Noncurrent Assets</b>	<b><u>3,965,800</u></b>	<b><u>4,985</u></b>	<b><u>4,985</u></b>	<b><u>3,975,770</u></b>
<b>Total Assets</b>	<b><u>\$ 5,457,097</u></b>	<b><u>\$ 162,964</u></b>	<b><u>\$ 2,039,107</u></b>	<b><u>\$ 7,659,168</u></b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 173,107	\$ 156,910	\$ 20,242	\$ 350,259
Deposits payable	14,609	548	-	15,157
<b>Total Current Liabilities</b>	<b><u>187,716</u></b>	<b><u>157,458</u></b>	<b><u>20,242</u></b>	<b><u>365,416</u></b>
<b>Total Liabilities</b>	<b><u>187,716</u></b>	<b><u>157,458</u></b>	<b><u>20,242</u></b>	<b><u>365,416</u></b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	3,953,337	-	-	3,953,337
Unrestricted	1,316,044	5,506	2,018,865	3,340,415
<b>Total Net Assets</b>	<b><u>5,269,381</u></b>	<b><u>5,506</u></b>	<b><u>2,018,865</u></b>	<b><u>7,293,752</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 5,457,097</u></b>	<b><u>\$ 162,964</u></b>	<b><u>\$ 2,039,107</u></b>	<b><u>\$ 7,659,168</u></b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2009

	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
<b>Operating Revenues:</b>				
Sales and service charges	\$ 346,944	\$ 458,682	\$ 355,853	\$ 1,161,479
Miscellaneous	218	87	2,587	2,892
<b>Total Operating Revenues</b>	<b>347,162</b>	<b>458,769</b>	<b>358,440</b>	<b>1,164,371</b>
<b>Operating Expenses:</b>				
Salaries and wages	59,117	10,823	10,824	80,764
Employee benefits	22,404	5,709	5,708	33,821
Contract and professional services	274,735	50,100	170,692	495,527
Materials and services	29,352	14,402	34,548	78,302
Utilities	10,881	2,929	36,663	50,473
Administrative service charges	-	12,787	12,787	25,574
Leases and Rents	-	252,275	-	252,275
Depreciation expense	153,745	-	-	153,745
<b>Total Operating Expenses</b>	<b>550,234</b>	<b>349,025</b>	<b>271,222</b>	<b>1,170,481</b>
Operating Income (Loss)	(203,072)	109,744	87,218	(6,110)
<b>Nonoperating Revenues (Expenses):</b>				
Interest revenue	36,534	-	52,931	89,465
<b>Total Nonoperating Revenues (Expenses)</b>	<b>36,534</b>	<b>-</b>	<b>52,931</b>	<b>89,465</b>
Income (Loss) Before Transfers	(166,538)	109,744	140,149	83,355
Transfers out	-	(110,230)	-	(110,230)
Changes in Net Assets	(166,538)	(486)	140,149	(26,875)
<b>Net Assets:</b>				
Beginning of Year	5,435,919	5,992	1,878,716	7,320,627
<b>End of Fiscal Year</b>	<b>\$ 5,269,381</b>	<b>\$ 5,506</b>	<b>\$ 2,018,865</b>	<b>\$ 7,293,752</b>

## CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
 NON-MAJOR ENTERPRISE FUNDS  
 YEAR ENDED YEAR ENDED JUNE 30, 2009

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Stormwater</b>	<b>County Parking Lot</b>	<b>State Pier and Parking Lot</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 352,614	\$ 458,682	\$ 358,353	\$ 1,169,649
Cash received from/(paid to) interfund service provided	(7,410)	(13,169)	(20,834)	(41,413)
Cash paid to supplies for goods and services	(163,598)	(292,352)	(219,283)	(675,233)
Cash paid to employees for services	(75,802)	(14,298)	(14,299)	(104,399)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>105,804</b>	<b>138,863</b>	<b>103,937</b>	<b>348,604</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	(110,230)	-	(110,230)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>(110,230)</b>	<b>-</b>	<b>(110,230)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	36,534	-	52,931	89,465
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>36,534</b>	<b>-</b>	<b>52,931</b>	<b>89,465</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>142,338</b>	<b>28,633</b>	<b>156,868</b>	<b>327,839</b>
Cash and Cash Equivalents at Beginning of Year	1,339,074	128,824	1,876,732	3,344,630
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,481,412</b>	<b>\$ 157,457</b>	<b>\$ 2,033,600</b>	<b>\$ 3,672,469</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (203,071)	\$ 109,744	\$ 87,218	\$ (6,109)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	153,745	-	-	153,745
(Increase) decrease in accounts receivable	5,646	-	-	5,646
(Increase) decrease in prepaid expense	1,212	485	485	2,182
Increase (decrease) in accounts payable	148,272	28,634	16,234	193,140
<b>Total Adjustments</b>	<b>308,875</b>	<b>29,119</b>	<b>16,719</b>	<b>354,713</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 105,804</b>	<b>\$ 138,863</b>	<b>\$ 103,937</b>	<b>\$ 348,604</b>



**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 FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance and Operations</u>	<u>Totals</u>
<b>Assets:</b>					
Current:					
Cash and investments	\$ 7,830,028	\$ 749,042	\$ 1,568,815	\$ 57,119	\$ 10,205,004
Inventories	-	-	-	110,215	110,215
Prepaid OPEB - short-term	2,612	5,225	5,225	5,225	18,287
<b>Total Current Assets</b>	<b><u>7,832,640</u></b>	<b><u>754,267</u></b>	<b><u>1,574,040</u></b>	<b><u>172,559</u></b>	<b><u>10,333,506</u></b>
Noncurrent:					
Prepaid other post-employment benefits	24,925	49,849	49,849	49,849	174,472
Capital assets - net of accumulated depreciation	-	-	3,299,067	-	3,299,067
<b>Total Noncurrent Assets</b>	<b><u>24,925</u></b>	<b><u>49,849</u></b>	<b><u>3,348,916</u></b>	<b><u>49,849</u></b>	<b><u>3,473,539</u></b>
<b>Total Assets</b>	<b><u>\$ 7,857,565</u></b>	<b><u>\$ 804,116</u></b>	<b><u>\$ 4,922,956</u></b>	<b><u>\$ 222,408</u></b>	<b><u>\$ 13,807,045</u></b>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Current:					
Accounts payable	\$ 7,241	\$ 89,605	\$ 263,765	\$ 30,097	\$ 390,708
Workers' compensation claims	3,868,922	-	-	-	3,868,922
Lease payable - current	-	-	180,142	-	180,142
Accrued claims and judgments	919,814	-	-	-	919,814
<b>Total Current Liabilities</b>	<b><u>4,795,977</u></b>	<b><u>89,605</u></b>	<b><u>443,907</u></b>	<b><u>30,097</u></b>	<b><u>5,359,586</u></b>
Noncurrent:					
Workers' compensation claims	2,274,728	-	-	-	2,274,728
Accrued claims and judgments	425,016	-	-	-	425,016
Lease payable	-	-	35,807	-	35,807
<b>Total Noncurrent Liabilities</b>	<b><u>2,699,744</u></b>	<b><u>-</u></b>	<b><u>35,807</u></b>	<b><u>-</u></b>	<b><u>2,735,551</u></b>
<b>Total Liabilities</b>	<b><u>7,495,721</u></b>	<b><u>89,605</u></b>	<b><u>479,714</u></b>	<b><u>30,097</u></b>	<b><u>8,095,137</u></b>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	-	-	3,083,118	-	3,083,118
Restricted for capital projects	-	-	-	10,074	10,074
Unrestricted	361,844	714,511	1,360,124	182,237	2,618,716
<b>Total Net Assets</b>	<b><u>361,844</u></b>	<b><u>714,511</u></b>	<b><u>4,443,242</u></b>	<b><u>192,311</u></b>	<b><u>5,711,908</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,857,565</u></b>	<b><u>\$ 804,116</u></b>	<b><u>\$ 4,922,956</u></b>	<b><u>\$ 222,408</u></b>	<b><u>\$ 13,807,045</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, 2009**

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance and Operations</u>	<u>Totals</u>
<b>Operating Revenues:</b>					
Sales and service charges	\$ 4,488,060	\$ 1,397,269	\$ 1,977,758	\$ 1,167,427	\$ 9,030,514
Miscellaneous	46,800	873	24,263	872	72,808
<b>Total Operating Revenues</b>	<b><u>4,534,860</u></b>	<b><u>1,398,142</u></b>	<b><u>2,002,021</u></b>	<b><u>1,168,299</u></b>	<b><u>9,103,322</u></b>
<b>Operating Expenses:</b>					
Salaries and wages	168,434	432,214	199,459	245,542	1,045,649
Employee benefits	52,148	120,989	175,017	75,044	423,198
Contract and professional services	24,643	183,590	119,860	478,579	806,672
Materials and services	458,003	612,280	612,015	262,656	1,944,954
Utilities	9,263	2,223	-	95,947	107,433
Administrative service charges	71,119	-	57,027	29,263	157,409
Leases and rents	-	-	6,014	-	6,014
Claims expense	2,980,492	-	-	-	2,980,492
Depreciation expense	-	-	600,167	-	600,167
<b>Total Operating Expenses</b>	<b><u>3,764,102</u></b>	<b><u>1,351,296</u></b>	<b><u>1,769,559</u></b>	<b><u>1,187,031</u></b>	<b><u>8,071,988</u></b>
Operating Income (Loss)	<u>770,758</u>	<u>46,846</u>	<u>232,462</u>	<u>(18,732)</u>	<u>1,031,334</u>
<b>Nonoperating Revenues (Expenses):</b>					
Interest expense	-	-	(10,689)	-	(10,689)
Gain (loss) on disposal of capital assets	-	-	5,646	-	5,646
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(5,043)</u></b>	<b><u>-</u></b>	<b><u>(5,043)</u></b>
Income (Loss) Before Transfers	<u>770,758</u>	<u>46,846</u>	<u>227,419</u>	<u>(18,732)</u>	<u>1,026,291</u>
Changes in Net Assets	<u>770,758</u>	<u>46,846</u>	<u>227,419</u>	<u>(18,732)</u>	<u>1,026,291</u>
<b>Net Assets:</b>					
Beginning of Year	<u>(408,914)</u>	<u>667,665</u>	<u>4,215,823</u>	<u>211,043</u>	<u>4,685,617</u>
<b>End of Fiscal Year</b>	<b><u>\$ 361,844</u></b>	<b><u>\$ 714,511</u></b>	<b><u>\$ 4,443,242</u></b>	<b><u>\$ 192,311</u></b>	<b><u>\$ 5,711,908</u></b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 51,112	\$ 176	\$ 29,117	\$ 68	\$ 80,473
Cash received from/(paid to) interfund service provided	(222,712)	(30,352)	159,028	1,167,428	1,073,392
Cash paid to supplies for goods and services	(3,590,240)	(744,371)	(464,533)	(860,001)	(5,659,145)
Cash paid to employees for services	(204,629)	(519,660)	(251,474)	(295,400)	(1,271,163)
Cash received from (payments to) others	4,488,060	1,397,260	1,621,530	(5,593)	7,501,257
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>521,591</b>	<b>103,053</b>	<b>1,093,668</b>	<b>6,502</b>	<b>1,724,814</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	-	-	(978,662)	-	(978,662)
Principal paid on capital debt	-	-	(174,059)	-	(174,059)
Interest paid on capital debt	-	-	(10,688)	-	(10,688)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(1,163,409)</b>	<b>-</b>	<b>(1,163,409)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>521,591</b>	<b>103,053</b>	<b>(69,741)</b>	<b>6,502</b>	<b>561,405</b>
Cash and Cash Equivalents at Beginning of Year	7,308,437	645,989	1,638,556	50,617	9,643,599
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 7,830,028</b>	<b>\$ 749,042</b>	<b>\$ 1,568,815</b>	<b>\$ 57,119</b>	<b>\$ 10,205,004</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 770,758	\$ 46,846	\$ 238,107	\$ (18,731)	\$ 1,036,980
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Depreciation	-	-	600,167	-	600,167
(Increase) decrease in prepaid expense	2,425	4,849	4,849	4,849	16,972
(Increase) decrease in inventory	-	-	-	12,278	12,278
Increase (decrease) in accounts payable	4,121	51,358	250,545	8,106	314,130
Increase (decrease) in claims and judgments	(255,713)	-	-	-	(255,713)
<b>Total Adjustments</b>	<b>(249,167)</b>	<b>56,207</b>	<b>855,561</b>	<b>25,233</b>	<b>687,834</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 521,591</b>	<b>\$ 103,053</b>	<b>\$ 1,093,668</b>	<b>\$ 6,502</b>	<b>\$ 1,724,814</b>



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**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, 2009

	<u>Special Assessment Redemption</u>	<u>Special Deposits</u>	<u>Totals</u>
<b>Assets:</b>			
Pooled cash and investments	\$ 672,968	\$ 355,107	\$ 1,028,075
Receivables:			
Accounts	29,721	-	29,721
Restricted assets:			
Cash and investments with fiscal agents	1,077,062	1,369,031	2,446,093
<b>Total Assets</b>	<b><u>\$ 1,779,751</u></b>	<b><u>\$ 1,724,138</u></b>	<b><u>\$ 3,503,889</u></b>
Accounts payable	\$ -	\$ 19,244	\$ 19,244
401 (a) plan deposits	-	1,360,663	1,360,663
Other deposits	-	92,592	92,592
Art development fees	-	251,639	251,639
Due to bondholders	1,779,751	-	1,779,751
<b>Total Liabilities</b>	<b><u>\$ 1,779,751</u></b>	<b><u>\$ 1,724,138</u></b>	<b><u>\$ 3,503,889</u></b>



CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<b><u>Special Assessment Redemption</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 756,619	\$ 893,083	\$ 976,734	\$ 672,968
Receivables:				
Accounts	14,205	29,721	14,205	29,721
Restricted assets:				
Cash and investments with fiscal agents	998,183	1,062,787	983,908	1,077,062
<b>Total Assets</b>	<b><u>\$ 1,769,007</u></b>	<b><u>\$ 1,985,591</u></b>	<b><u>\$ 1,974,847</u></b>	<b><u>\$ 1,779,751</u></b>
<b>Liabilities:</b>				
Due to bondholders	\$ 1,769,009	\$ 1,985,589	\$ 1,974,847	\$ 1,779,751
<b>Total Liabilities</b>	<b><u>\$ 1,769,009</u></b>	<b><u>\$ 1,985,589</u></b>	<b><u>\$ 1,974,847</u></b>	<b><u>\$ 1,779,751</u></b>
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 356,740	\$ 379,446	\$ 381,079	\$ 355,107
Restricted assets:				
Cash and investments with fiscal agents	1,523,567	-	154,536	1,369,031
<b>Total Assets</b>	<b><u>\$ 1,880,307</u></b>	<b><u>\$ 379,446</u></b>	<b><u>\$ 535,615</u></b>	<b><u>\$ 1,724,138</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 10,000	\$ 120,525	\$ 111,281	\$ 19,244
401 (a) plan deposits	1,512,966	-	152,303	1,360,663
Other deposits	85,870	278,412	271,690	92,592
Art development fees	271,471	101,034	120,866	251,639
<b>Total Liabilities</b>	<b><u>\$ 1,880,307</u></b>	<b><u>\$ 499,971</u></b>	<b><u>\$ 656,140</u></b>	<b><u>\$ 1,724,138</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 1,113,359	\$ 1,272,529	\$ 1,357,813	\$ 1,028,075
Receivables:				
Accounts	14,205	29,721	14,205	29,721
Restricted assets:				
Cash and investments with fiscal agents	2,521,750	1,062,787	1,138,444	2,446,093
<b>Total Assets</b>	<b><u>\$ 3,649,314</u></b>	<b><u>\$ 2,365,037</u></b>	<b><u>\$ 2,510,462</u></b>	<b><u>\$ 3,503,889</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 10,000	\$ 120,525	\$ 111,281	\$ 19,244
401 (a) plan deposits	1,512,966	-	152,303	1,360,663
Other deposits	85,870	278,412	271,690	92,592
Art development fees	271,471	101,034	120,866	251,639
Due to bondholders	1,769,009	1,985,589	1,974,847	1,779,751
<b>Total Liabilities</b>	<b><u>\$ 3,649,316</u></b>	<b><u>\$ 2,485,560</u></b>	<b><u>\$ 2,630,987</u></b>	<b><u>\$ 3,503,889</u></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

#### **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.*

#### **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.*

#### **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.*

#### **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.*

#### **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.*

### Exhibits

**A-2 to A-5**

**A-6 to A-14**

**A-15 to A-18**

**A-19 to A-21**

**A-22 to A-25**

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



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## **Statistical Section**

### **Financial Trends**

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

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

**Exhibit A-2**

	<b>Fiscal Year Ending</b>			
	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2009</b></u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 87,848,227	\$ 93,644,407	\$ 94,464,084	\$ 95,603,960
Debt Service & Restricted Cash	10,676,274	2,801,554	3,255,752	2,062,149
Special Use Funds	5,659,610	5,209,486	5,291,992	6,003,666
Restricted	16,335,884	8,011,040	8,547,744	8,065,815
Unrestricted	<u>24,859,010</u>	<u>28,892,839</u>	<u>28,048,237</u>	<u>27,972,613</u>
<b>Total governmental activities net assets</b>	<u><b>\$ 129,043,121</b></u>	<u><b>\$ 130,548,286</b></u>	<u><b>\$ 131,060,065</b></u>	<u><b>\$ 131,642,388</b></u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 21,672,031	\$ 23,447,692	24,736,570	24,967,604
Business Improvement district	461,754	536,856	555,569	598,329
Debt Service & Restricted Cash	1,400,471	1,210,265	1,210,061	1,213,448
Special Use Funds	-	-	-	0
Restricted	\$1,862,225	\$1,747,121	\$1,765,630	\$1,811,777
Unrestricted	<u>14,888,040</u>	<u>14,310,331</u>	<u>13,556,502</u>	<u>12,660,558</u>
<b>Total business-type activities net assets</b>	<u><b>\$ 38,422,296</b></u>	<u><b>\$ 39,505,144</b></u>	<u><b>\$ 40,058,702</b></u>	<u><b>\$ 39,439,939</b></u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 109,520,258	\$ 117,092,099	\$ 119,200,654	\$ 120,571,564
Business Improvement district	461,754	536,856	555,569	598,329
Debt Service & Restricted Cash	12,076,745	4,011,819	4,465,813	3,275,597
Special Use Funds	5,659,610	5,209,486	5,291,992	6,003,666
Restricted	18,198,109	9,758,161	10,313,374	9,877,592
Unrestricted	<u>39,747,050</u>	<u>43,203,170</u>	<u>41,604,739</u>	<u>40,633,171</u>
<b>Total primary government net assets</b>	<u><b>\$ 167,465,417</b></u>	<u><b>\$ 170,053,430</b></u>	<u><b>\$ 171,118,767</b></u>	<u><b>\$ 171,082,327</b></u>



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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>			
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>Expenses</b>				
Governmental activities:				
General government	7,070,028	9,057,584	9,090,991	9,528,102
Public Safety	24,270,798	27,134,132	31,752,170	29,889,347
Culture and recreation	4,724,704	5,593,739	6,031,938	5,811,982
Public Works	10,380,032	19,721,241	8,675,214	8,460,078
Interest on long-term debt	875,519	990,298	1,178,065	954,861
<b>Total governmental activities expenses</b>	<b>47,321,081</b>	<b>62,496,994</b>	<b>56,728,378</b>	<b>54,644,370</b>
Business-type activities:				
Water	6,535,885	7,303,547	7,500,615	7,844,741
Stormwater	271,364	322,566	418,088	550,234
Wastewater	1,143,541	1,268,737	1,279,325	1,938,298
Refuse	3,692,611	3,858,401	3,888,615	4,212,176
Parking	1,623,963	1,973,300	2,392,802	2,082,830
<b>Total business-type activities expenses</b>	<b>13,267,364</b>	<b>14,726,551</b>	<b>15,479,445</b>	<b>16,628,279</b>
<b>Total primary government expenses</b>	<b>\$ 60,588,445</b>	<b>\$ 77,223,545</b>	<b>\$ 72,207,823</b>	<b>\$ 71,272,649</b>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General Government	5,425,563	4,535,955	4,265,277	3,881,178
Public Safety	2,925,278	3,433,570	4,206,318	4,299,002
Parks and recreation	1,965,118	2,261,707	2,336,374	2,449,945
Public works	1,168,167	2,673,037	2,683,443	2,492,418
Operating grants and contributions	2,767,865	1,933,403	2,250,606	2,078,062
Capital grants and contributions	5,598,244	10,923,007	679,865	1,105,439
<b>Total governmental activities program revenues</b>	<b>19,850,235</b>	<b>25,760,679</b>	<b>16,421,883</b>	<b>16,306,044</b>
Business-type activities:				
Charges for services:				
Water	6,976,473	7,227,008	6,860,563	7,380,055
Stormwater	345,327	353,929	338,208	347,162
Wastewater	1,310,622	1,333,639	1,275,553	1,317,713
Refuse	3,684,121	3,866,381	3,816,699	4,082,292
Parking	1,781,333	2,108,255	2,066,617	2,094,179
Operating grants and contributions	19,758	10,861	90,853	458,769
Capital grants and contributions	-	-	900,000	
<b>Total business-type activities program revenues</b>	<b>14,117,634</b>	<b>14,900,073</b>	<b>15,348,493</b>	<b>15,680,170</b>
<b>Total primary government program revenues</b>	<b>\$ 33,967,869</b>	<b>\$ 40,660,752</b>	<b>\$ 31,770,376</b>	<b>\$ 31,986,214</b>

Source: City of Manhattan Beach Finance Department

Source: City of Manhattan Beach Finance Department Historical CAFRs

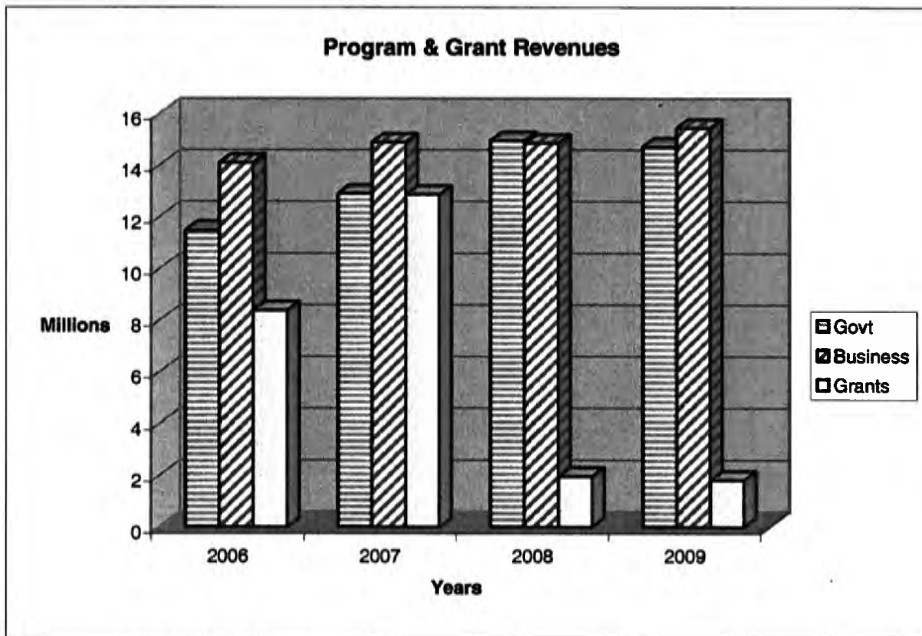


	<b>Fiscal Year Ending</b>			
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (27,470,846)	\$ (36,736,315)	\$ (40,306,495)	\$ (38,338,326)
Business-type activities	850,270	173,522	(130,952)	(948,109)
Total primary government net expense	<u>\$ (26,620,576)</u>	<u>\$ (36,562,793)</u>	<u>\$ (40,437,447)</u>	<u>\$ (39,286,435)</u>
<b>General Revenues and Other Changes</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 15,666,320	\$ 17,257,508	\$ 18,567,451	\$ 19,930,492
Sales taxes	8,072,906	8,104,778	8,230,387	7,436,912
Transient occupancy tax	3,186,359	3,665,741	3,995,411	3,507,775
Motor vehicle in lieu tax	835,709	245,008	157,143	105,883
Business license tax	2,501,180	2,464,239	2,747,098	2,767,070
Franchise taxes	1,149,740	1,200,503	1,168,383	1,185,406
Other taxes	1,001,386	788,348	439,104	325,001
Rental income	1,788,242	2,260,408	2,201,037	2,021,352
Investment earnings	835,352	2,075,875	2,088,549	1,385,481
Other	410,374	-	1,254,482	145,047
Transfers	(204,000)	26,000	(30,771)	110,230
Total governmental activities	<u>35,243,568</u>	<u>38,088,408</u>	<u>40,818,274</u>	<u>38,920,649</u>
Business-type activities:				
Investment earnings	546,197	935,323	874,003	439,576
Transfers	204,000	(26,000)	30,771	(110,230)
Other	-	-	-	-
Total business-type activities	<u>750,197</u>	<u>909,323</u>	<u>904,774</u>	<u>329,346</u>
Total primary government	<u>\$ 35,993,765</u>	<u>\$ 38,997,731</u>	<u>\$ 41,723,048</u>	<u>\$ 39,249,995</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 7,772,722	\$ 1,352,093	\$ 511,779	\$ 582,323
Business-type activities	<u>1,600,467</u>	<u>1,082,845</u>	<u>773,822</u>	<u>(618,763)</u>
Total primary government	<u>\$ 9,373,189</u>	<u>\$ 2,434,938</u>	<u>\$ 1,285,601</u>	<u>\$ (36,440)</u>

Source: City of Manhattan Beach Finance Department Historical CAFRs

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

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General Government	5,425,563	4,535,955	4,265,277	3,881,178
Public Safety	2,925,278	3,433,570	4,206,318	4,299,002
Culture and recreation	1,965,118	2,261,707	2,336,374	2,449,945
Public works	1,168,167	2,673,037	2,683,443	2,492,418
Operating grants and contributions	2,767,865	1,933,403	2,250,606	2,078,062
Capital grants and contributions	5,598,244	10,923,007	679,865	1,105,439
<b>Total governmental activities program revenues</b>	<b>19,850,235</b>	<b>25,760,679</b>	<b>16,421,883</b>	<b>16,306,044</b>
Business-type activities:				
Charges for services:				
Water	6,976,473	7,227,008	6,860,563	7,380,055
Stormwater	345,327	353,929	338,208	347,162
Wastewater	1,310,622	1,333,639	1,275,553	1,317,713
Parking	1,781,333	2,108,255	3,816,699	4,082,292
Refuse	3,684,121	3,866,381	2,066,617	2,094,179
Operating grants and contributions	19,758	10,861	90,853	458,769
Capital grants and contributions	-	-	900,000	-
<b>Total business-type activities program revenues</b>	<b>14,117,634</b>	<b>14,900,073</b>	<b>15,348,493</b>	<b>15,680,170</b>
<b>Total primary government program revenues</b>	<b>\$ 33,967,869</b>	<b>\$ 40,660,752</b>	<b>\$ 31,770,376</b>	<b>\$ 31,986,214</b>



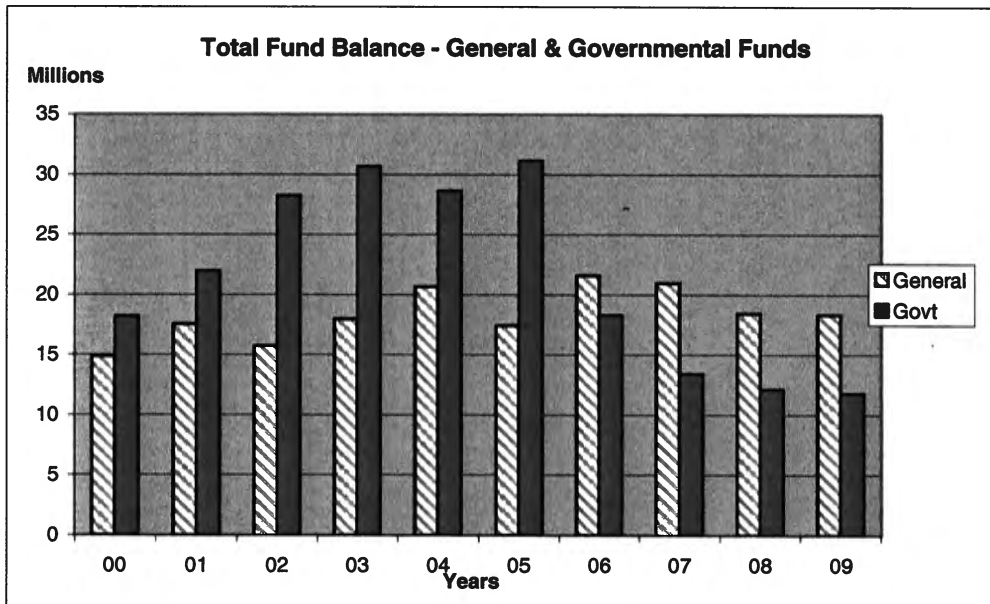
Source: City of Manhattan Beach Finance department historical CAFRs



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

	<b>Fiscal Year</b>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>General Fund</b>					
Reserved					
Debt service & restricted cash	\$ 445,325	\$ 743,571	\$ 279,585	\$ 178,062	\$ 62,496
Encumbrances & other items	1,603,081	368,294	679,057	648,740	373,242
Unreserved	12,813,755	16,429,638	14,762,895	17,143,116	20,231,796
<b>Total General fund</b>	<b>\$ 14,862,161</b>	<b>\$ 17,541,503</b>	<b>\$ 15,721,537</b>	<b>\$ 17,969,918</b>	<b>\$ 20,667,534</b>
<b>All Other Governmental Funds</b>					
Reserved					
Continuing Projects	\$3,783,741	\$3,348,585	\$3,543,850	\$2,429,186	\$3,894,588
Debt service & restricted cash			1,026,300	1,026,300	1,579,976
Encumbrances & other items	113,574	95,150	189,205	3,475	268,195
Unreserved, reported in:					
Special revenue funds	2,284,520	3,144,671	3,377,162	3,428,545	3,022,824
Capital projects funds	12,003,991	15,386,888	20,088,223	23,754,420	19,864,825
<b>Total all other governmental funds</b>	<b>\$ 18,185,826</b>	<b>\$ 21,975,294</b>	<b>\$ 28,224,740</b>	<b>\$ 30,641,926</b>	<b>\$ 28,630,408</b>
<b>Total all governmental funds</b>	<b>\$ 33,047,987</b>	<b>\$ 39,516,797</b>	<b>\$ 43,946,277</b>	<b>\$ 48,611,844</b>	<b>\$ 49,297,942</b>



Source: City of Manhattan Beach Finance department historical CAFRs

Exhibit A-5

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 49,300	\$ 404,204	\$ 972,422	\$ 1,355,530	\$ 1,244,971
1,025,189	646,111	507,096	\$ 495,646	\$ 373,980
16,365,761	20,528,738	19,499,495	16,585,982	16,710,818
<b>\$ 17,440,250</b>	<b>\$ 21,579,053</b>	<b>\$ 20,979,013</b>	<b>\$ 18,437,158</b>	<b>\$ 18,329,769</b>
\$7,795,003	\$9,916,842	\$6,094,070	\$4,642,305	\$4,618,592
19,170,120	935,696	817,081	817,076	817,178
8,148	218,926	9,427	40,925	71,887
2,438,704	2,111,598	2,842,097	2,748,609	2,340,055
1,715,536	5,115,277	3,657,446	3,878,706	3,934,840
<b>\$ 31,127,511</b>	<b>\$ 18,298,339</b>	<b>\$ 13,420,121</b>	<b>\$ 12,127,621</b>	<b>\$ 11,782,552</b>
<b>\$ 48,567,761</b>	<b>\$ 39,877,392</b>	<b>\$ 34,399,134</b>	<b>\$ 30,564,779</b>	<b>\$ 30,112,321</b>

Source: City of Manhattan Beach Finance department historical CAFRs



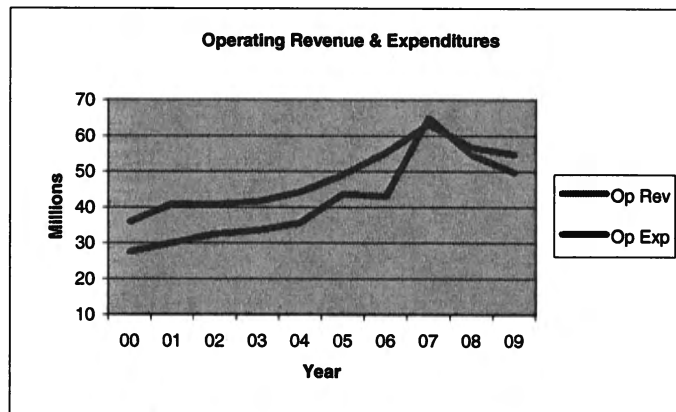
## **Statistical Section**

### **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)*

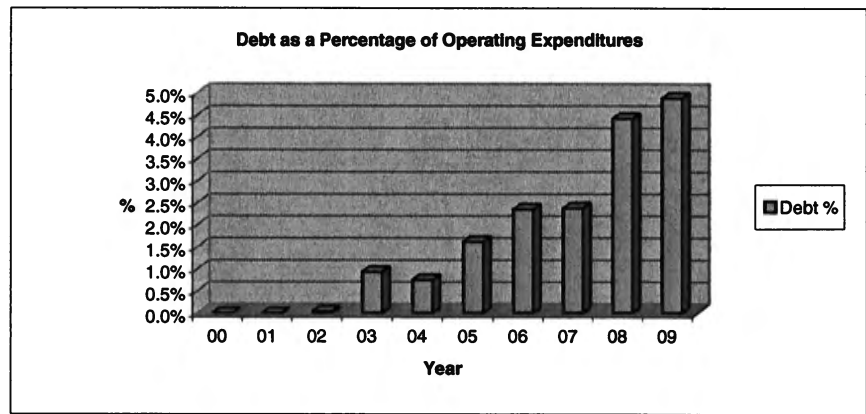
	Fiscal Year				
	2000	2001	2002	2003	2004
<b>Revenues</b>					
Tax and assessments	\$ 20,474,732	\$ 22,234,198	\$ 22,096,665	\$ 24,038,547	\$ 27,381,711
Licenses, fees, and permits	1,320,358	1,394,038	1,447,841	1,563,171	1,643,682
Fines and forfeitures	1,716,625	2,044,684	1,890,321	2,041,805	2,294,535
Charges for services	4,300,996	4,724,434	5,253,485	6,160,531	6,454,314
Contributions from property owner					-
Intergovernmental	4,933,577	5,219,620	4,248,036	4,144,954	3,639,236
Interest and Rents	3,206,052	3,973,287	3,677,986	3,389,920	3,094,363
Net change fair value investments	(360,836)	964,321	220,973	(287,140)	(671,517)
Other revenues	362,377	414,385	1,904,991	494,406	436,260
<b>Total revenues</b>	<b>35,953,881</b>	<b>40,968,967</b>	<b>40,740,298</b>	<b>41,546,194</b>	<b>44,272,584</b>
<b>Expenditures</b>					
General government	5,629,579	6,112,802	6,453,358	6,476,427	6,636,125
Public Safety	14,744,184	16,370,442	16,974,214	18,109,464	19,719,804
Culture and recreation	2,687,306	3,086,968	4,150,453	3,798,920	3,989,250
Public works	4,518,550	4,458,722	4,891,118	5,107,008	5,297,262
<b>Total operating expenditures</b>	<b>27,579,619</b>	<b>30,028,934</b>	<b>32,469,143</b>	<b>33,491,819</b>	<b>35,642,441</b>
<b>Excess of revenue over expenditures</b>	<b>8,374,262</b>	<b>10,940,033</b>	<b>8,271,155</b>	<b>8,054,375</b>	<b>8,630,143</b>
<b>Capital outlay</b>					
Capital outlay	8,989,370	5,949,461	2,045,689	4,749,294	7,751,990
<b>Debt service</b>					
Interest			12,565	112,622	87,055
Principal	-	-	-	200,000	180,000
<b>Total Non Operating expenditures</b>	<b>8,989,370</b>	<b>5,949,461</b>	<b>2,058,254</b>	<b>5,061,916</b>	<b>8,019,045</b>
<b>Excess of revenues over expenditures</b>	<b>(615,108)</b>	<b>4,990,572</b>	<b>6,212,901</b>	<b>2,992,459</b>	<b>611,098</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	-	-	-
Proceeds from sale of Capital Asset					
Transfers in	3,609,387	4,352,279	4,979,429	6,171,338	18,919,651
Transfers out	(3,308,612)	(5,212,928)	(6,473,740)	(4,498,230)	(18,844,651)
<b>Total other financing sources (uses)</b>	<b>7,682,887</b>	<b>1,478,238</b>	<b>(1,783,421)</b>	<b>1,673,108</b>	<b>75,000</b>
Prior Period Adjustment	264,818	-	-	-	-
<b>Net change in fund balances</b>	<b>7,332,597</b>	<b>6,468,810</b>	<b>4,429,480</b>	<b>4,665,567</b>	<b>686,098</b>
<b>Debt - % of Operating Expenditures</b>	0.0%	0.0%	0.0%	0.9%	0.7%



Source: City of Manhattan Beach Finance Department Historical CAFRs



<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 26,907,138	\$ 33,026,089	\$ 35,261,246	\$ 36,933,447	\$ 36,839,471
1,560,346	1,810,681	1,686,922	1,463,207	1,200,529
1,910,757	1,895,506	2,153,078	2,169,402	2,400,483
7,218,915	7,400,197	7,812,110	8,013,155	8,202,164
3,372,891	3,147,739	8,498,306	-	-
4,623,276	2,994,138	3,007,764	2,147,817	2,072,660
2,863,553	3,354,041	3,845,001	3,939,191	3,607,997
(30,777)	(192,026)	353,642	350,394	(201,163)
705,588	1,863,937	553,241	1,707,735	634,524
<b>49,131,687</b>	<b>55,300,302</b>	<b>63,171,310</b>	<b>56,724,348</b>	<b>54,756,665</b>
7,120,760	7,452,850	8,646,822	9,808,544	9,215,265
22,735,205	24,020,705	33,302,747	31,354,970	28,727,983
4,592,628	4,680,871	5,328,693	6,027,462	5,599,052
9,303,463	6,819,825	17,737,634	7,500,615	6,207,990
<b>43,752,056</b>	<b>42,974,251</b>	<b>65,015,896</b>	<b>54,691,591</b>	<b>49,750,290</b>
<b>5,379,631</b>	<b>12,326,051</b>	<b>(1,844,586)</b>	<b>2,032,757</b>	<b>5,006,375</b>
18,382,798	19,965,439	7,764,994	3,405,258	3,124,353
524,158	822,862	1,035,878	1,178,066	1,192,716
185,000	190,000	515,000	1,235,000	1,235,000
19,091,956	20,978,301	9,315,872	5,818,324	5,552,069
<b>(13,712,325)</b>	<b>(8,652,250)</b>	<b>(11,160,458)</b>	<b>(3,785,567)</b>	<b>(545,694)</b>
12,980,000	-	6,634,179	-	-
186,055	-	163,120	-	-
-	-	-	-	-
-	-	-	-	-
11,647,938	841,116	4,179,102	215,047	3,006
(12,554,938)	(1,045,116)	(5,497,006)	(263,835)	(220,953)
12,259,055	(204,000)	5,479,395	(48,788)	113,236
-	165,882	202,807	-	(20,000)
<b>(1,453,270)</b>	<b>(8,690,368)</b>	<b>(5,478,256)</b>	<b>(3,834,355)</b>	<b>(452,458)</b>
<b>1.6%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>4.4%</b>	<b>4.9%</b>



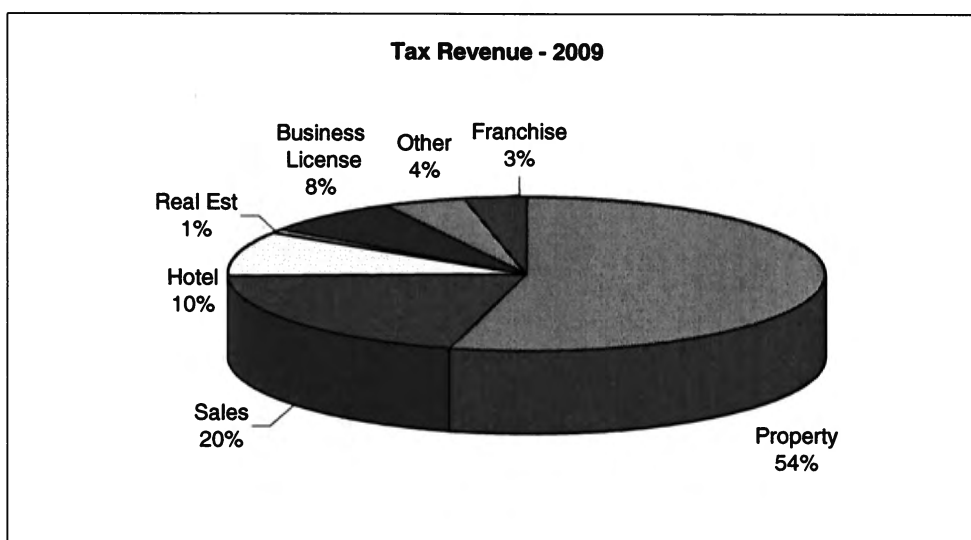
Source: City of Manhattan Beach Finance Department Historical CAFRs

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

**Exhibit A-7**

<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>
2009	\$ 19,930,492	\$ 7,480,516	\$ 3,507,774	\$ 1,185,406	\$ 325,001	\$ 2,767,070	\$ -	\$ 1,643,212	\$ 36,839,471
2008	18,567,451	8,230,387	3,995,411	1,168,383	450,299	2,747,098	-	1,774,418	36,933,447
2007	17,116,975	8,416,844	3,665,741	1,200,503	788,347	2,464,239	-	1,608,597	35,261,246
2006	15,523,154	8,557,986	3,186,359	1,149,740	668,242	2,468,067	-	1,472,541	33,026,089
2005	11,652,108	7,581,885	2,449,326	903,490	688,616	2,285,524	-	1,346,189	26,907,138
2004	11,090,838	7,550,378	2,183,163	929,251	721,502	2,134,588	140	2,771,851	27,381,711
2003	10,021,646	7,202,620	2,040,428	904,080	546,129	2,017,534	85,827	1,220,283	24,038,547
2002	9,092,325	7,215,913	2,101,610	882,273	467,499	1,876,833	78,815	381,397	22,096,665
2001	8,204,761	7,526,381	2,987,574	688,304	537,363	1,836,941	74,061	378,813	22,234,198
2000	7,399,040	7,272,728	2,522,885	626,769	410,726	1,781,098	73,024	388,462	20,474,732

<b>Change 00-09</b>	<b>169.4%</b>	<b>2.9%</b>	<b>39.0%</b>	<b>89.1%</b>	<b>-20.9%</b>	<b>55.4%</b>	<b>-100.0%</b>	<b>323.0%</b>	<b>79.9%</b>
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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>
2000	4,370,934,531	459,217,053	147,754,060	306,706,203	5,284,611,847
2001	4,817,895,155	473,521,383	186,077,631	328,847,955	5,806,342,124
2002	5,263,285,308	491,561,315	218,443,219	391,885,116	6,365,174,958
2003	5,738,636,117	547,721,638	245,153,830	391,829,851	6,923,341,436
2004	6,303,521,834	577,301,448	247,401,995	426,209,729	7,554,435,006
2005	6,906,891,506	631,502,660	260,299,961	418,106,396	8,216,800,523
2006	7,676,737,831	708,333,276	265,885,057	429,932,918	9,080,889,082
2007	8,574,425,369	739,118,781	219,928,225	391,992,459	9,925,464,834
2008	9,424,677,494	794,484,003	224,326,781	417,862,475	10,861,350,753
2009	10,133,650,383	845,148,439	280,998,547	438,102,231	11,697,899,600

Source: HDL Coren Cone

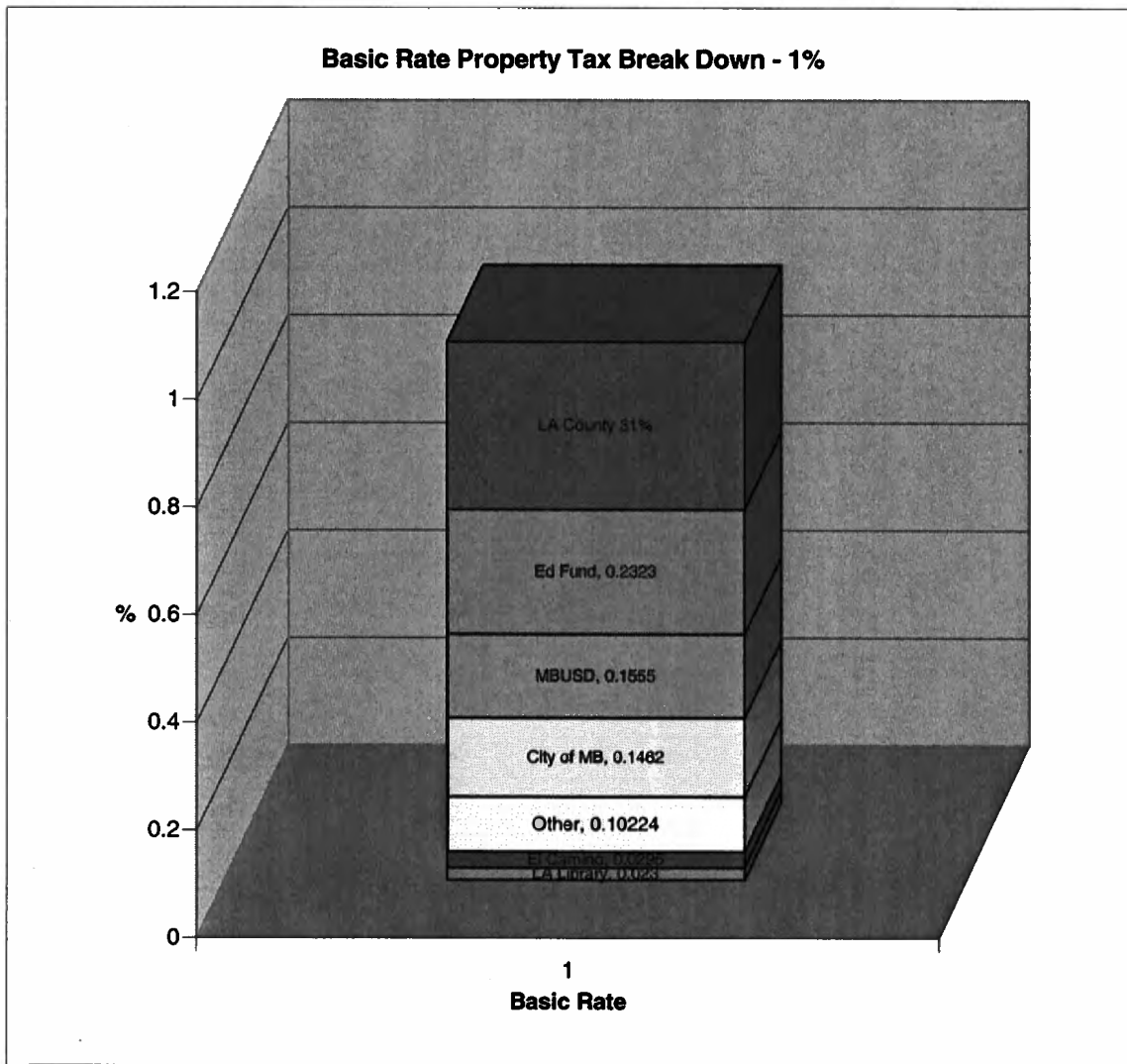
**Exhibit A-8**

<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>
305,080,384	0.14753%	5,284,611,847	100.000%
305,057,097	0.16559%	5,806,342,124	100.000%
305,057,097	0.16559%	6,365,174,958	100.000%
306,111,231	0.16597%	6,923,341,436	100.000%
305,420,714	0.16632%	7,554,435,006	100.000%
305,194,535	0.16664%	8,216,800,523	100.000%
305,194,535	0.16706%	9,080,889,082	100.000%
301,140,884	0.16733%	9,925,464,834	100.000%
301,140,740	0.16758%	10,861,350,753	100.000%
301,140,740	0.16779%	11,697,899,600	100.000%

**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		
2000	1.00000%	0.14753%	0.00142	0.02703	0.00890	0.00176	0.03911	1.00000	1.03911
2001	1.00000%	0.16559%	0.00131	0.02645	0.00880	0.00156	0.03812	1.00000	1.03812
2002	1.00000%	0.16559%	0.00113	0.04031	0.00770	0.00107	0.05021	1.00000	1.05021
2003	1.00000%	0.16597%	0.00103	0.04328	0.00670	0.00088	0.05189	1.00000	1.05189
2004	1.00000%	0.16632%	0.00099	0.05938	0.00610	0.00047	0.06694	1.00000	1.06694
2005	1.00000%	0.16664%	0.00092	0.05610	0.00580	0.00024	0.06306	1.00000	1.06306
2006	1.00000%	0.16706%	0.00080	0.05639	0.00520	0.00005	0.06244	1.00000	1.06244
2007	1.00000%	0.16733%	0.00066	0.07425	0.00470	0.00005	0.07966	1.00000	1.07966
2008	1.00000%	0.16758%	0.00000	0.05350	0.00450	0.00000	0.05800	1.00000	1.05800
2009	1.00000%	0.16779%	0.00000	0.11758	0.00430	0.00000	0.12188	1.00000	1.12188



Source: HDL Coren Cone



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

<b><u>Taxpayer</u></b>	<b>2009</b>	
	<b><u>Property Tax Revenue</u></b>	<b><u>Percentage of Total City Taxable Property Tax</u></b>
Northrop Grumman Space & Mission	\$ 328,654	1.94%
Reef America Reit II Corporation BBB	221,991	1.31%
CRP MB Studios LLC	221,380	1.31%
Wells Reit II Manhattan Towers LLC	146,068	0.86%
Parstem Realty Company Inc.	91,983	0.54%
Host Marriott Corporation Interstate	86,815	0.51%
Sketchers USA Inc.	49,286	0.29%
Sun Manhattan LLC	47,252	0.28%
St. Paul Properties Inc.	42,525	0.25%
Kinecta Federal Credit Union	34,077	0.20%
Top Ten Total	<u>\$ 1,270,031</u>	<u>7.52%</u>
City Total	<u>\$ 16,899,651</u>	



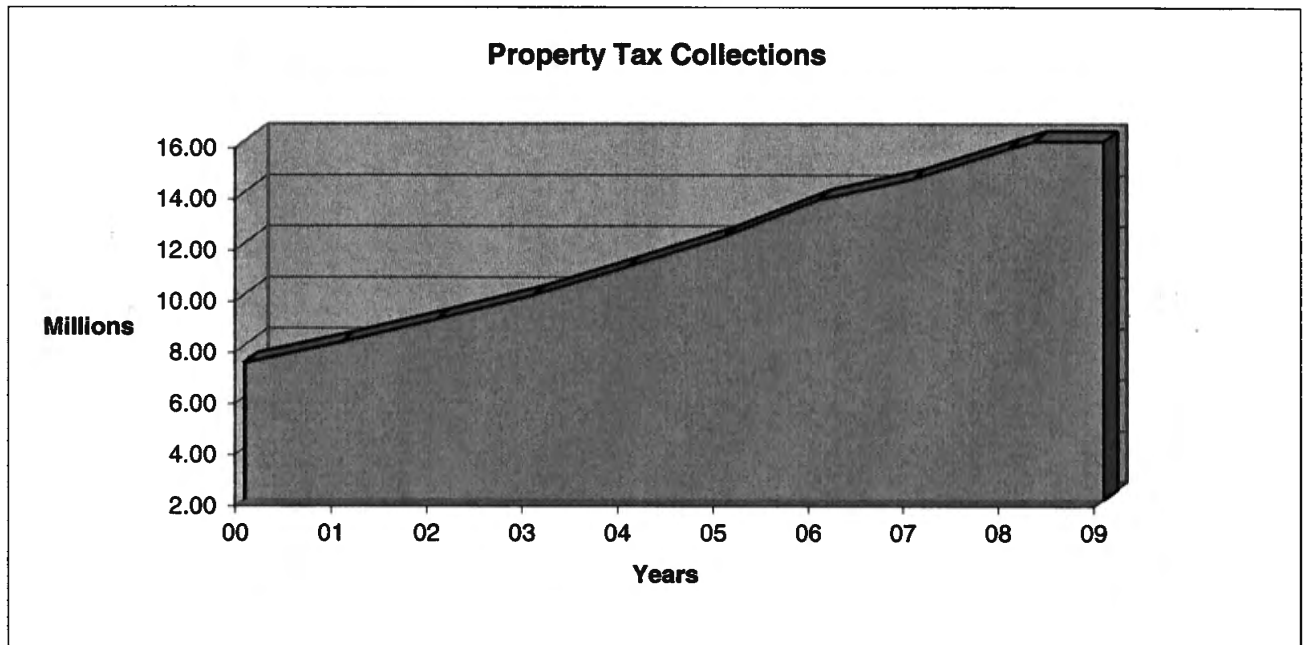
Exhibit A-10

<u>Taxpayer</u>	<u>2000</u>	
	<u>Property Tax Revenue</u>	<u>Percentage of Total City Taxable Property Tax</u>
TRW Inc.	\$ 302,610	3.88%
Manhattan Village LLC	116,936	1.50%
Shamrock MBS LLC	92,653	1.19%
USAA Income Properties III	66,814	0.86%
Shearson California Raddison	52,382	0.67%
Pastem Realty Company Inc.	42,877	0.55%
Sanko Nakayama International Inc.	38,979	0.50%
St. Paul Properties Inc.	36,387	0.47%
Hughes Aircraft Employees	23,957	0.31%
EMIF California Hotel Company	22,435	0.29%
	<u>\$ 796,030</u>	10.21%
	<u>\$ 7,796,385</u>	

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

**Exhibit A-11**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Prior Year</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2000	7,388,426	7,075,476	95.76%	255,960	7,331,436	99.23%
2001	8,160,264	7,962,043	97.57%	180,987	8,143,030	99.79%
2002	8,974,491	8,677,306	96.69%	350,666	9,027,972	100.60%
2003	9,795,290	9,503,645	97.02%	447,891	9,951,536	101.60%
2004	10,713,583	10,335,067	96.47%	750,974	11,086,041	103.48%
2005	11,677,784	11,336,153	97.07%	923,375	12,259,528	104.98%
2006	12,944,802	12,527,975	96.78%	1,176,979	13,704,954	105.87%
2007	14,197,925	13,311,119	93.75%	1,219,824	14,530,943	102.35%
2008	15,564,989	14,643,132	94.08%	1,065,305	15,708,437	100.92%
2009	16,795,932	15,888,783	94.60%	902,280	16,791,063	99.97%



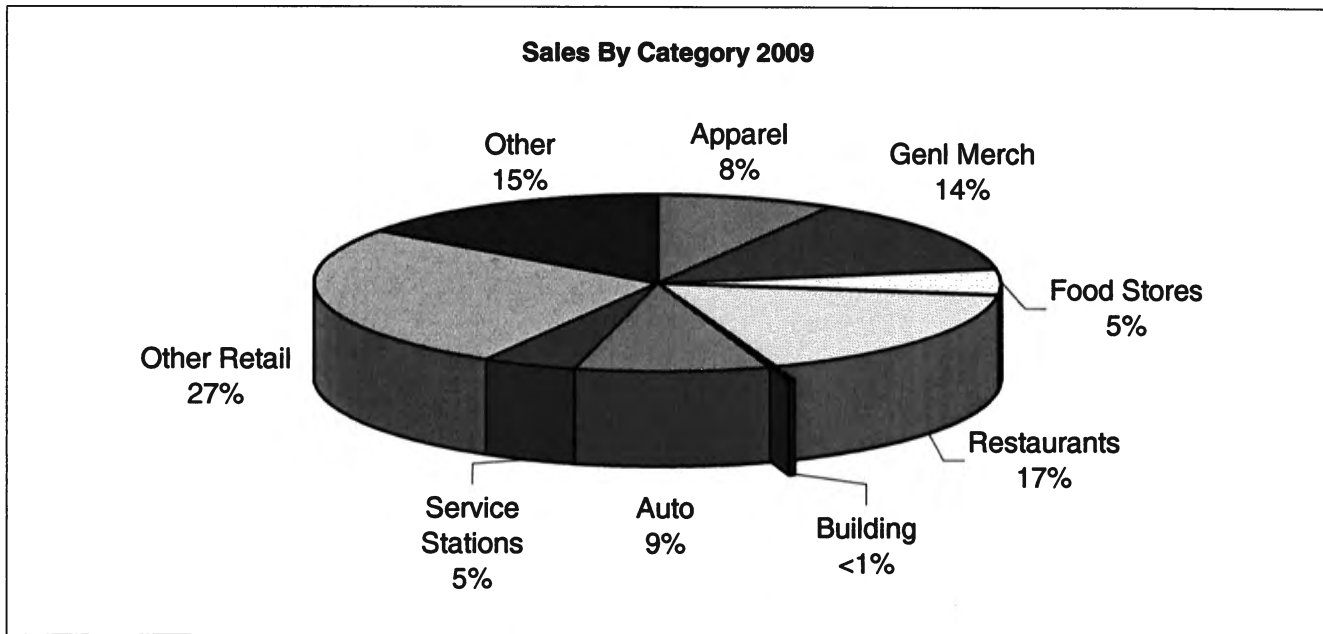
Source: Los Angeles County Assessor and City of Manhattan Beach Finance Department



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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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Apparel stores	\$ 31,705	\$ 42,225	\$ 42,616	\$ 44,378	\$ 58,438
General merchandise	98,855	104,352	104,565	101,509	105,376
Food stores	30,468	32,111	32,705	31,535	31,715
Eating and drinking establishments	89,620	101,402	105,032	104,187	112,692
Building materials and farm tools	2,639	2,933	2,796	2,789	2,849
Auto dealers and supplies	99,177	81,637	76,634	79,620	55,527
Service stations	19,590	22,566	22,529	20,929	24,684
Other retail stores	169,704	190,445	189,545	196,613	199,358
All other outlets	<u>128,419</u>	<u>136,243</u>	<u>145,350</u>	<u>125,637</u>	<u>115,550</u>
<b>Total</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>	<b><u>\$ 706,189</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

**Exhibit A-12**

<b>Calendar Year</b>				
<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
\$ 67,319	\$ 69,663	\$ 73,185	\$ 72,168	\$ 66,081
108,221	109,957	114,830	118,872	113,037
33,485	34,032	36,585	36,223	37,338
119,191	127,614	134,849	137,090	140,616
3,116	3,129	3,229	2,994	2,592
75,254	80,594	76,375	78,482	73,154
29,402	33,927	34,313	33,413	37,200
201,251	209,849	219,224	222,552	214,174
<u>126,613</u>	<u>134,114</u>	<u>123,804</u>	<u>124,982</u>	<u>120,664</u>
<b><u>\$ 763,852</u></b>	<b><u>\$ 802,879</u></b>	<b><u>\$ 816,394</u></b>	<b><u>\$ 826,776</u></b>	<b><u>\$ 804,856</u></b>
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**

**Exhibit A-13**

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

These numbers apply to local jurisdictions including the State of California and do not include voter approved incremental rates  
Source: State of California Board of Equalization

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

**Exhibit A-14**

**Tax Remitter**

**2008/2009**

Apple Computer  
Barnes & Noble  
California Pizza Kitchen  
Chevron  
CVS Pharmacy  
Fry's Electronics  
Frys Manhattan Chevron  
Houstons  
Kwik Gas  
Lam Enterprise  
Macys  
Manhattan Beach Marriott  
Manhattan Beach Toyota Scion  
Mobil Oil  
Office Depot  
Old Navy  
Olive Garden  
Ralphs  
REI  
Rock Fish  
Sephora  
Target  
Trader Joes  
Vons  
Williams Sonoma

**1999/2000**

Bristol Farms  
Champion Chevrolet  
Champion Chevrolet  
Eds Exxon  
Ford Credit Titling Trust  
Frys Electronics  
Gap  
Houstons  
Kettle  
Konica Business Technologies  
Macys  
Manhattan Beach Marriott  
Manhattan Ford  
Manhattan Toyota  
Office Depot  
Old Navy  
Olive Garden  
Ralphs  
REI  
Sav On  
Sketchers  
Target  
Trader Joes  
TRW Space & Electronics  
Vons

\* Listed Alphabetically



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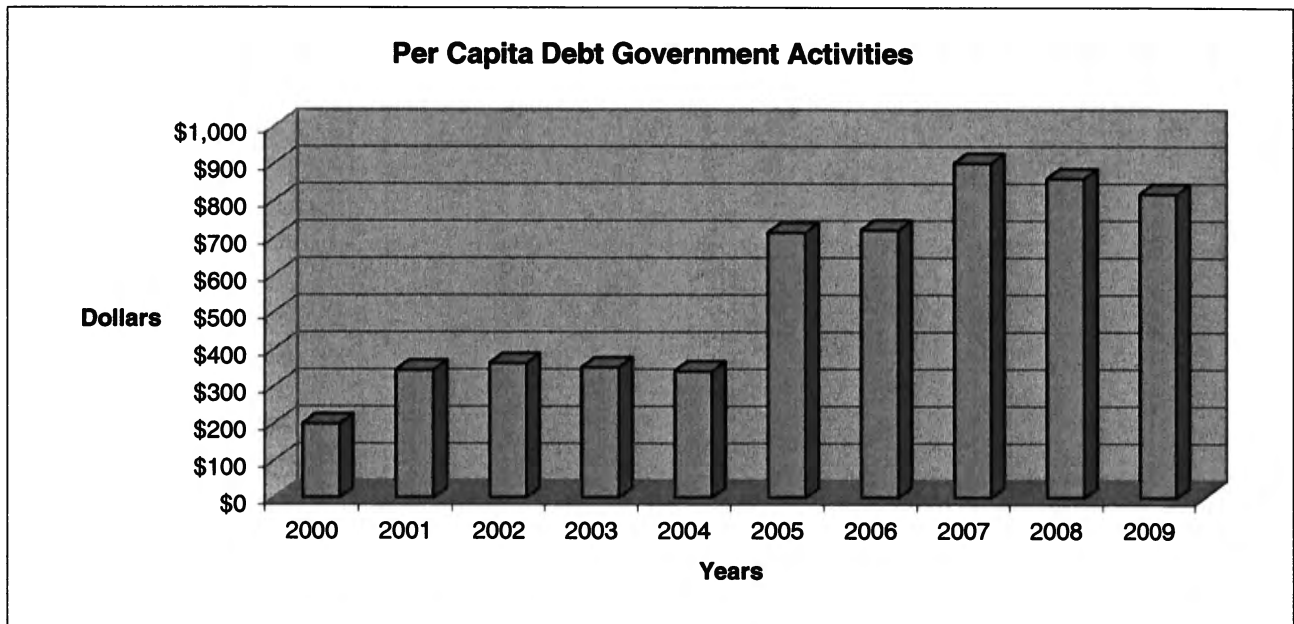
## **Statistical Section**

### **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.*

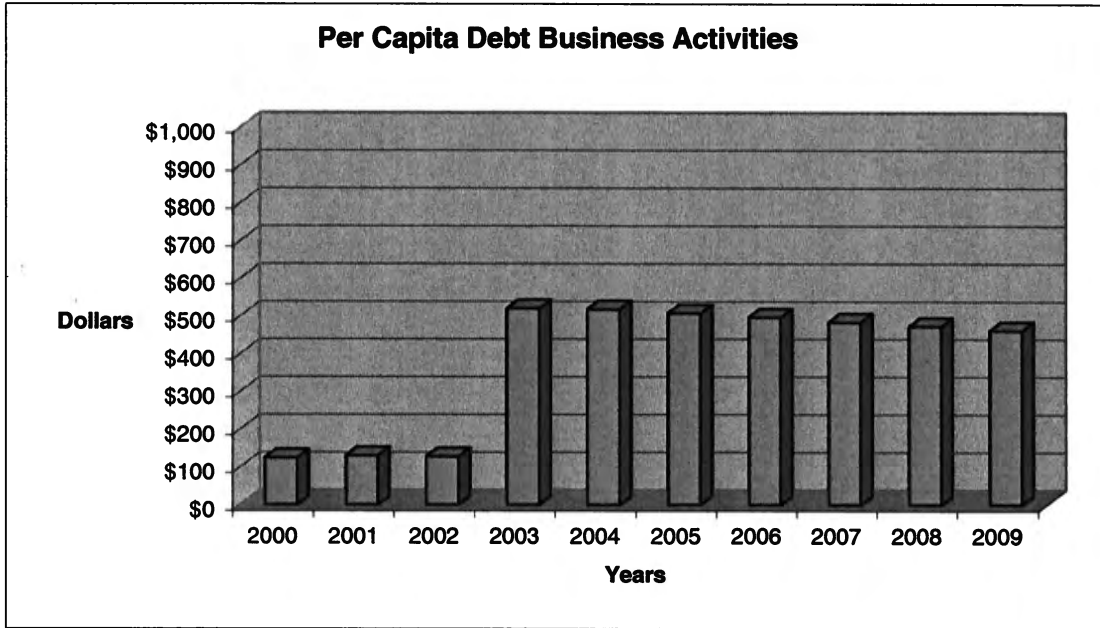
**City of Manhattan Beach  
Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities						Total Per Capita
	RCC Facility	Pension Obligation Bonds	Marine Certificates of Participation	Police/Fire Certificates of Participation	Capital Leases	Total Governmental	
2000	-	-	-	-	7,196,948	7,196,948	199
2001	2,180,000	-	-	-	9,458,804	11,638,804	344
2002	2,180,000	-	9,535,000	-	531,936	12,246,936	362
2003	2,115,000	-	9,335,000	-	430,413	11,880,413	351
2004	2,045,000	-	9,155,000	-	314,847	11,514,847	340
2005	1,975,000	-	8,970,000	12,980,000	252,352	24,177,352	714
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
2009	1,670,000	5,400,000	8,165,000	12,245,000	215,949	27,695,949	818



**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		
Utility Revenue Bonds	Metlox		Total Per Capita	Total Primary Government	Percentage of Personal Income	Total Per Capita
	Certificates of Participation	Total Business Type				
4,480,000	-	4,480,000	124	11,676,948	0.00%	323
4,410,000	-	4,410,000	130 *	16,048,804	0.74%	474
4,335,000	-	4,335,000	128 *	16,581,936	0.76%	490
4,255,000	13,350,000	17,605,000	520	29,485,413	1.32%	871
4,170,000	13,350,000	17,520,000	518	29,034,847	1.23%	858
4,080,000	13,095,000	17,175,000	507	41,352,352	1.70%	1,222
3,985,000	12,835,000	16,820,000	497	41,205,693	1.64%	1,217
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
3,605,000	12,020,000	15,625,000	462	43,320,949	1.60%	1,280



**City of Manhattan Beach  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2009**

**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	10,847,953	100.000%	10,847,953
Manhattan Beach UNIF DS 1998 SER B	5,883,486	100.000%	5,883,486
Manhattan Beach U.S.D. DS 99 SER C	3,812,782	100.000%	3,812,782
Manhattan Beach USD DS 2001 SER D	4,633,769	100.000%	4,633,769
Manhattan Beach USD DS 1995 SER-E	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 2000 SER-B	8,151,026	100.000%	8,151,026
Manhattan Beach USD DS 2004 REF BDS	17,070,000	100.000%	17,070,000
<b>Total Direct Debt</b>			<b><u>55,027,845</u></b>
<b>Overlapping Debt</b>			
Metropolitan Water District	137,096,151	1.357%	1,860,791
El Camino CCS DS 2002 S-2003A	8,175,000	14.761%	1,206,730
El Camino CCS DS 2005 REF BONDS	30,176,173	14.761%	4,454,370
El Camino CCS DS 2002 SER 2006B	142,150,000	14.761%	20,983,070
<b>Total Overlapping Debt</b>			<b><u>28,504,961</u></b>
<b>Total Direct and Overlapping Debt</b>			<b><u>\$ 83,532,806</u></b>

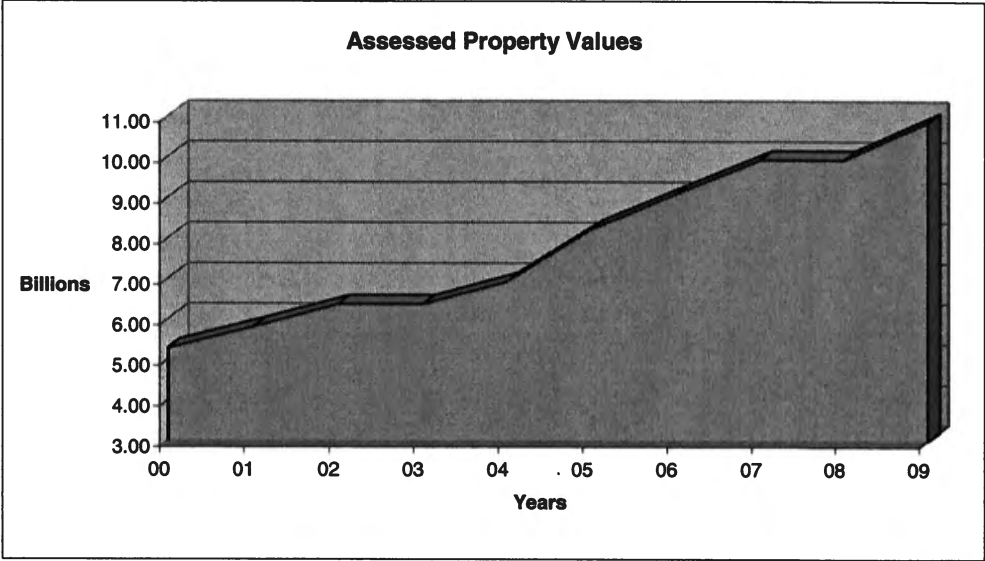
Source: HDL Coren Cone, LA County Assessor Rolls



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

	<b>Fiscal Year</b>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Assessed Value	\$ 5,284,611,847	\$ 5,806,342,124	\$ 6,365,174,958	\$ 6,923,341,436	\$ 7,554,435,006
Legal debt limit (3.75%)	198,172,944	217,737,830	238,694,061	259,625,304	283,291,313
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 198,172,944</u>	<u>\$ 217,737,830</u>	<u>\$ 238,694,061</u>	<u>\$ 259,625,304</u>	<u>\$ 283,291,313</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	19.20%	9.87%	9.62%	8.77%	9.12%

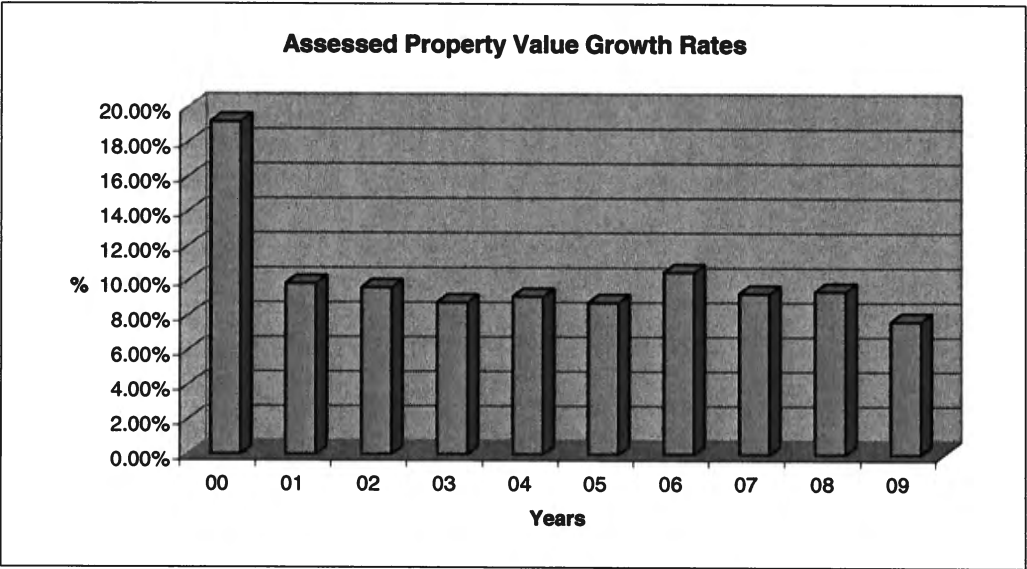


Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 8,216,800,523	\$ 9,080,889,082	\$ 9,925,464,834	\$ 10,861,350,753	\$ 11,697,899,600
308,130,020	\$ 340,533,341	\$ 372,204,931	\$ 407,300,653	\$ 438,671,235
-	-	-	-	-
<b>\$ 308,130,020</b>	<b>\$ 340,533,341</b>	<b>\$ 372,204,931</b>	<b>\$ 407,300,653</b>	<b>\$ 438,671,235</b>

0.00%	0.00%	0.00%	0.00%	0.00%
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8.77%	10.52%	9.30%	9.43%	7.70%
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Source: City of Manhattan Beach Finance Department Historical CAFRs

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

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

*(a) Operating Expense less depreciation expense*

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



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

Source: City of Manhattan Beach Finance Department and Historical CAFRs



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## **Statistical Section**

### **Demographic and Economic Information**

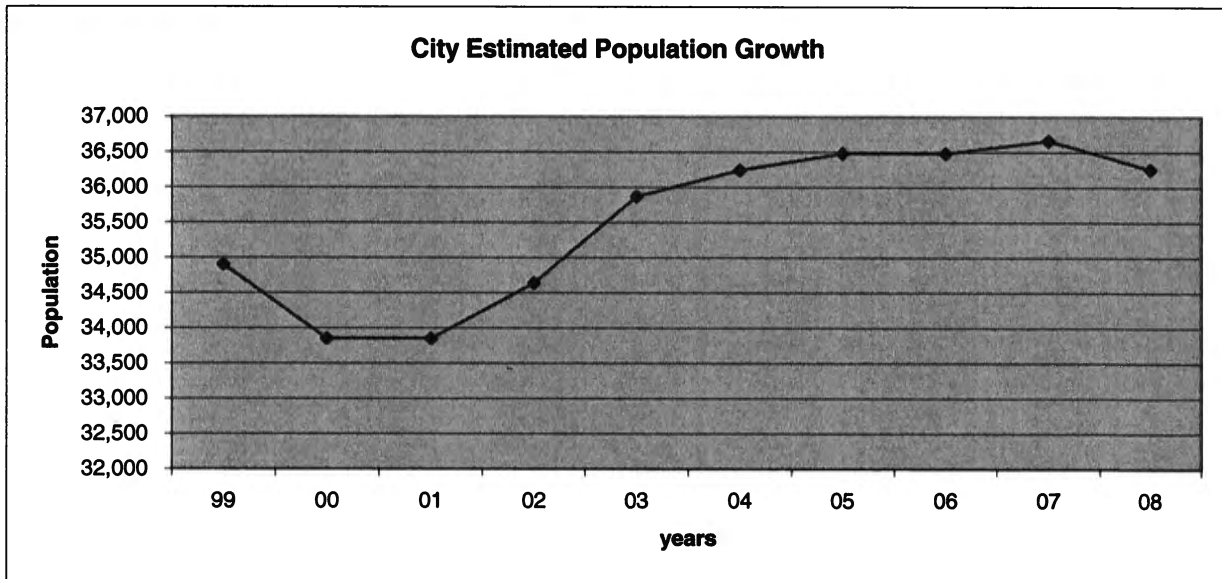
*These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.*

**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	36,254 *	2,995,160 *	268,063,383 *	27,264 *	82,616 *	3.9%	6,282

\* Estimates beyond census years and latest available economic data  
\*Latest date is for calendar year 2008.



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**

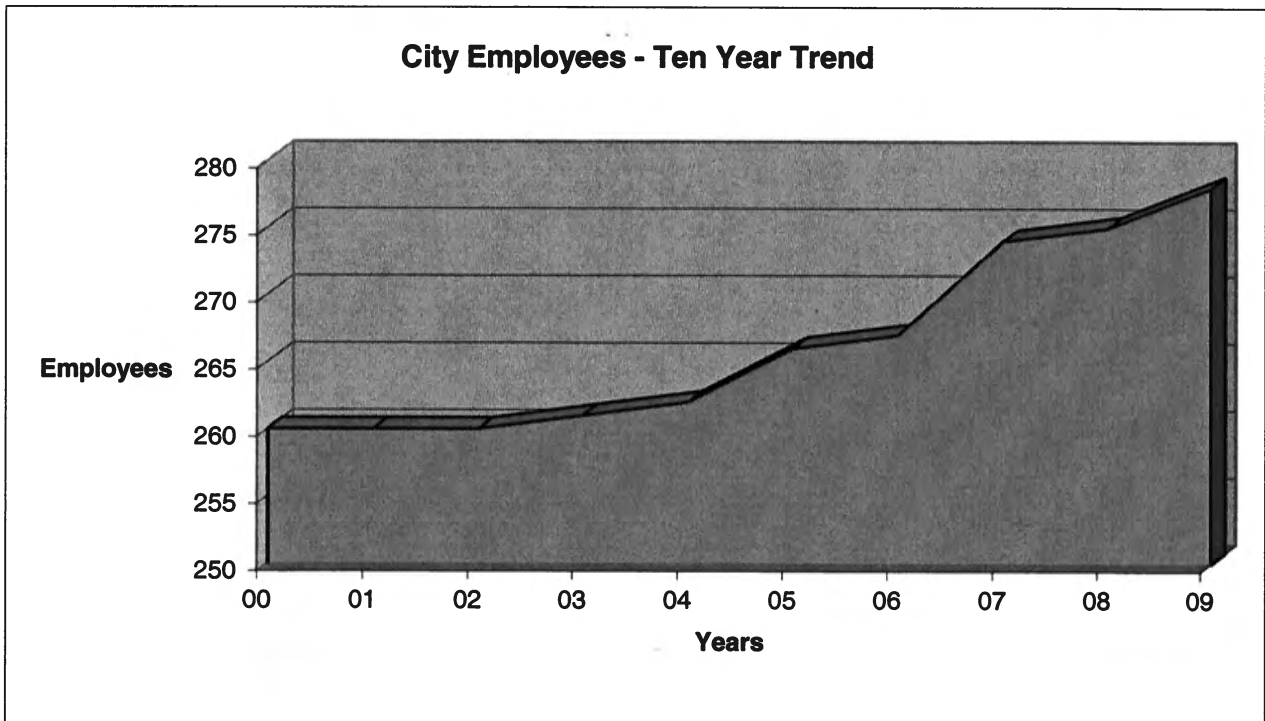
<u>Employer</u>	<u>2009</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Target Corporation	405	13.74%
Sketchers USA Inc.	362	12.28%
Kinecta Federal Credit Union	295	10.01%
City of Manhattan Beach	275	9.33%
Macy's West LLC	271	9.19%
Fry's Electronics Inc.	251	8.51%
Marriot-HMC Interstate	216	7.33%
Ralphs Grocery Co.	146	4.95%
Bristol Farms	130	4.41%
California Pizza Kitchen	111	3.77%
Houston's Restaurants Inc.	102	3.46%
Manhattan Beach Toyota	99	3.36%
Islands Restaurant	75	2.54%
Trader Joe's #106	73	2.48%
Old Navy LLC	71	2.41%
Recreational Equipment Inc.	66	2.24%
<b>Total</b>	<b><u>2,948</u></b>	<b><u>100.00%</u></b>

Source: City of Manhattan Beach

**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>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>	<u>2009</u>
<b>General government</b>										
Management services	13	13	13	13	13	13	13	13	14	14
Finance	20	20	20	20	20	20	20	21	21	21
Human Resources	7	7	7	7	7	7	7	7	7	7
Planning & Building	20	20	20	21	21	21	21	22	22	22
Parks and recreation	14	14	15	15	16	16	16	19	19	20
<b>Police</b>										
Officers	64	64	64	64	64	64	64	65	65	65
Civilians	34	34	33	33	33	35	35	35	35	35
<b>Fire</b>										
Firefighters & officers	30	30	30	30	30	30	30	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1
<b>Public works</b>										
Engineering	6	6	6	6	6	7	7	7	7	10
Water	11	11	11	11	11	12	12	13	13	13
Wastewater	3	3	3	3	3	3	4	4	4	4
Other	37	37	37	37	37	37	37	37	37	36
<b>Total</b>	<u>260</u>	<u>260</u>	<u>260</u>	<u>261</u>	<u>262</u>	<u>266</u>	<u>267</u>	<u>274</u>	<u>275</u>	<u>278</u>



Source: City of Manhattan Beach Finance Department



**CITY OF MANHATTAN BEACH**  
**SCHEDULE OF INSURANCE IN FORCE**  
**June 30, 2009**

<b>TYPE OF COVERAGE</b>	<b>POLICY NUMBER</b>	<b>FROM</b>
<b>Liability</b>		
Self-Insured	-	7/1/08
<b>Excess Liability</b>		
Independent Cities Risk Management		
ICRMA (Pool)	ICAPL 1014	7/1/08
Lexington Insurance Company	652018	7/1/08
<b>Building &amp; Property (All City excluding public safety building)</b>		
Lexington-Primary	8758186	7/1/08
Other Carriers	Various	7/1/08
<b>Building &amp; Property Public Safety Building</b>		
Mt. Hawley - Public Safety Bldg	MQE0101877	7/1/08
Other Carriers-Public Safet Bldg	Various	7/1/08
<b>Workers' Comp.</b>		
Self-Insured	-	7/1/08
<b>Excess Workers' Comp.</b>		
ICRMA (Pool)	ICRMA2009-1WC	7/1/08
National Union Fire	4772031	7/1/08
<b>Public Officials, Faithful Performance &amp; Fidelity Bonds</b>		
Hartford	72BPEAG8698	12/12/08



**CITY OF MANHATTAN BEACH**  
**SCHEDULE OF INSURANCE IN FORCE**  
**June 30, 2009**

<b>TO</b>	<b>LIMITS OF COVERAGE</b>	<b>ANNUAL PREMIUM</b>
6/30/09	\$500,000 per occurrence	-
6/30/09	\$2,000,000 excess of \$500,000	\$271,300
6/30/09	\$20,000,000 excess of \$2,000,000	
6/30/09	\$25,000 All Risk	
6/30/09	\$65M earthquake & flood shared proportionally	\$424,373
6/30/09	\$5M Primary Layer	
6/30/09	\$21,923,085 Excess Layer	
6/30/09	\$750,000 per occurrence	-
6/30/09	\$5M xs \$750,000	\$180,452
6/30/09	\$100,000,000	
12/12/09	\$500,000 each employee	\$1,748

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>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>2009</b>
<b>General government</b>										
Building permits issued	3,540	3,503	3,348	3,667	3,539	3,269	3,829	3,477	1,142	1,077
Building inspections conducted	22,336	20,972	19,670	19,167	18,338	16,564	18,170	18,021	14,634	11,401
<b>Police</b>										
Arrests	1,210	1,393	1,092	1,018	926	1,081	1,179	1,359	1,247	1,242
Parking citations	63,286	68,912	63,010	66,407	66,718	54,091	54,214	57,807	57,356	71,810
Traffic citations	8,045	8,947	5,680	6,126	6,417	5,340	5,774	6,461	6,726	6,674
<b>Fire</b>										
Emergency responses	2,752	2,690	2,671	2,610	2,693	2,719	2,469	2,831	2,958	3,158
Fires extinguished	57	90	85	97	114	98	75	103	126	124
Inspections	903	910	908	921	920	923	900	975	995	1,155
<b>Refuse collection</b>										
Refuse collected (tons per day)	-	-	-	85.4	84.1	73.7	77.8	63.0	58.7	58.09
Recyclables collected (tons per day)	-	-	-	22.1	28.5	34.6	28.6	61.0	52.2	39.22
<b>Other public works</b>										
Street resurfacing (miles)	-	-	-	1.3	1.0	2.3	0.4	1.2	1.2	0.117
<b>Parks and recreation</b>										
Athletic field permits issued	5,731	4,716	4,784	2,555	4,092	4,083	3,460	2,949	4,464	4,246
Community center admissions	132,305	224,911	137,690	100,228	93,495	125,554	166,910	150,041	153,628	143,441
<b>Water</b>										
Water main breaks	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	4,819
Peak daily consumption (thousands of gallons)	-	-	-	7,200	7,360	7,300	N/A	7,265	7,168	5,783
<b>Transporation</b>										
Total route miles	44,122	42,072	43,004	43,004	31,469	31,936	31,849	32,940	46,749	43,406
Passengers	12,289	10,873	10,789	10,789	9,742	9,654	9,142	9,785	11,911	12,842

Source: City of Manhattan Beach Departments

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

**Exhibit A-24**

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>									
	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	22	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
<b>Other public works</b>										
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
<b>Parks and recreation</b>										
Acreage	74.88	74.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	10	10	13	13	13	13	13	13	13	13
Soccer/football fields	12	12	15	15	15	15	15	15	15	15
Community centers	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	-	-	-	-	-	-	110.0	110.0	110.0	110.0
Fire hydrants	-	-	-	-	-	-	667	669	670	671
Storage capacity (1000s Gallons)	-	-	-	-	-	-	9,830	9,830	9,830	9,830
<b>Wastewater</b>										
Sanitary sewers (miles)	-	-	-	-	-	-	110.0	110.0	110.0	110.0
Storm sewers (miles)	-	-	-	-	-	-	118.0	118.0	118.0	118.0
Treatment capacity (1000s Gallons)										
Transportation—minibuses	3	3	3	3	4	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>

Source: U.S. Census Bureau