



Agenda Item #:

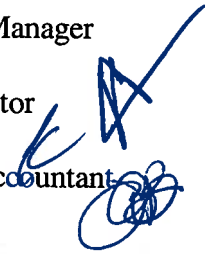


# Staff Report

## City of Manhattan Beach

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

**THROUGH:**  David N. Carmany, City Manager

**FROM:** Bruce Moe, Finance Director  
Henry Mitzner, Controller  
Jeanne O'Brien, Senior Accountant 

**DATE:** June 21, 2011

**SUBJECT:** Consideration of an Amendment to the City's Financial Policies Regarding Classification of Fund Balances for Governmental Funds in Order to Comply with Governmental Accounting Standards Board Statement 54 (GASB 54)

### RECOMMENDATION:

The Finance Subcommittee and City staff recommend that City Council adopt Resolution #6317 amending the City's Financial Policies adding a section regarding classification of fund balances for Governmental Funds to comply with GASB 54.

### FISCAL IMPLICATION:

GASB 54 will not affect the ending fund balance calculations, but will require these balances to be reclassified into five possible categories instead of the three allowed prior to its implementation. These are accounting definitions and in no way affect Council's authority to make appropriations.

### BACKGROUND:

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for the fiscal year ending June 30, 2011. This statement requires City Council to make certain policy decisions regarding the use of resources and classifications of ending fund balance in order for the annual financial reports to comply with generally accepted accounting principles (GAAP).

### DISCUSSION:

The goal of GASB 54 is to improve the usefulness of the amounts reported in the Comprehensive Annual Financial Report (CAFR) by providing ending fund balance classifications that can be more consistently applied across jurisdictions and to refine existing governmental fund category definitions. There have been no changes in fund types and no impact on Proprietary Funds (Water, Wastewater, Parking, etc.). The implementation of the Statement eliminates previous categories of Reserved, Designated and Unreserved for Governmental Fund balances and replaces them with five categories producing a hierarchy of constraints for which the funds may be spent. The following five classifications will affect the General Fund, Special Revenue Funds, Capital Projects Fund and

the Debt Service Fund balance classifications:

1. **Non-spendable Fund Balance**  
Amounts are inherently not spendable due to form. This category includes items that would not easily be converted to cash such as inventory, long-term loan and notes receivables, or amounts to be maintained intact legally or contractually; in general, non-working capital.
2. **Restricted Fund Balance**  
Amounts to be used for a specific purpose that are externally constrained due to debt service covenants, Special Revenue Funds, constitutional provision or enabling legislation are classified as Restricted.
3. **Committed Fund Balance**  
Amounts constrained for a specific purpose by a government at its highest level of decision-making authority is considered Committed. This would require a formal action by the City Council to commit the funds and the same formal action to remove the constraints placed on these resources (e.g. purchase orders greater than \$20,000). The action by the City Council to commit the resources must occur prior to the year-end; however the final amount can be determined in the subsequent period.
4. **Assigned Fund Balance**  
For the General Fund, these are amounts that represent intended use established by a governing body that has been authorized to assign the amounts for purchase orders less than \$20,000. The amount reported as Assigned should not result in a deficit in the Unassigned Fund Balance.
5. **Unassigned Fund Balance**  
Funds in this category are available for any purpose and are not classified as Non-spendable, Restricted, Committed or Assigned in the General Fund which is the only fund that would report a positive Unassigned balance. Deficit amounts for governmental funds other than the General Fund will be reported with a negative amount in the Unassigned classification of that fund. GASB 54 does not allow a positive Unassigned balance in governmental funds other than the General Fund.

The following list provides fund Definitions and a comparison of the past practice as well as the effects of the new requirement under GASB 54:

**General Fund**

- **Past Practice:** The General Fund is used to account for all financial resources not accounted for in another fund.
- **New Requirement:** Same as above.

**Special Revenue Funds**

- **Past Practice:** Special Revenue Funds account for amounts of specific revenue sources that are legally restricted to expenditure for specific purposes.
- **New Requirement:** Special Revenue Funds are used to account for and report the proceeds

of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenue sources” establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

#### Capital Projects Funds

- Past Practice: Capital Projects funds account for financial resources to be used for the acquisition or construction of major capital facilities.
- New Requirement: Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Committed portion of the fund balance will be comprised of ongoing capital projects with the balance remaining assigned.

#### Debt Service Funds

- Past Practice: Debt Service Funds account for the accumulation of resources for, and payment of, general long-term debt principal and interest.
- New Requirement: Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*\*Note: The City of Manhattan Beach has no separate Debt Service Fund as debt service is accounted for within the General Fund and Capital Improvement Fund.*

Additionally, encumbrances will no longer be reported as a separate classification of fund balance on the face of the financial statements. If already Restricted, Committed (for purchase orders greater than \$20,000) or Assigned (for purchase orders less than \$20,000), no separate display of encumbered amounts is needed to be disclosed. Material amounts outstanding at year-end that are earmarked for use in the next fiscal year that have not met this criteria will be disclosed in the notes to the financial statements in conjunction with other significant commitments.

By way of Disclosures, the City is required to disclose information in the notes to the financial statements about amounts reported in fund balance as follows:

- The description of the authority and actions that lead to a Committed or Assigned fund balance must be included.
- The City must establish a policy regarding the order in which Restricted, Committed, Assigned or Unassigned amounts are to be spent.
- The notes must contain a description of formally adopted minimum fund balance policies.
- The purpose of each major Special Revenue Fund and each revenue source must be described.
- Disclosures regarding stabilization arrangements and minimum fund balance policies are required even if the constraint does not meet the criteria for Restricted or Committed.

The City of Manhattan Beach policy currently requires that the fund balance be allocated to Reserved, Unreserved or Designated classifications. In order to comply with GASB 54, staff is recommending through the revised Financial Policies that the order of use be established as follows when any of these amounts are available for expenditure: 1. Committed; 2. Assigned; and 3. Unassigned. All General Fund budget appropriations are derived from the Unassigned classification. See attachment.

The Finance Subcommittee reviewed and approved the revisions to the City's Financial Policies at their June 7, 2011 meeting. Staff recommends that the City Council adopt Resolution No, 6317 which formally amends the policies to incorporate the requirements of GASB 54. This must be accomplished prior to June 30, 2011 in order to comply with GASB requirements.

- Attachments:
- A. Resolution No. 6317
  - B. Revised Financial Policies
  - C. General Fund Format Comparison
  - D. Sample of New Reporting Model as it will appear in the CAFR

RESOLUTION NO. 6317

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH, CALIFORNIA, AMENDING THE CITY'S FINANCIAL POLICIES REGARDING CLASSIFICATION OF GOVERNMENTAL FUND BALANCES IN ORDER TO COMPLY WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT No. 54 (GASB 54)

SECTION 1. The City Council of the City of Manhattan Beach, California, hereby makes the following findings:

- A. That the Governmental Accounting Standards Board (GASB) is the rule making body for governmental accounting; and
- B. That GASB has enacted Statement No. 54 which requires the City Council to establish a policy for fund balance classifications and fund type definitions; and
- C. That the GASB 54 policy be adopted by government entities by June 30, 2011; and

SECTION 2. That the City shall implement the new Fund Balance Policy included in the revised City of Manhattan Beach Financial Policies document (attached to this resolution).

SECTION 3. That this resolution shall become effective as of, on and after the 21st day of June, 2011.

SECTION 4. That the City Clerk shall certify to the passage and adoption of this resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 21<sup>st</sup> day of June, 2011.

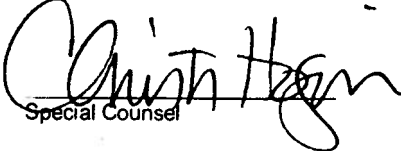
Ayes:  
Noes:  
Absent:  
Abstain:

\_\_\_\_\_  
Mayor, City of Manhattan Beach, California

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Special Counsel

"B"

***City of Manhattan Beach***

# **Financial Policies**

Revised/Adopted by City Council June 21, 2011 ~~May 17, 2005~~

## **Statement of Purpose**

The financial integrity of our City government is of utmost importance. To discuss, write, and adopt a set of financial policies is a key element to maintaining this integrity. Our City has evolved with a variety of financial policies that can be found in many different sources, including: City Council Resolutions; Budget documents; and Capital Improvement Programs. The set of policies within this document, adopted contemporaneously each year with our budget, serves as a central reference point of the most important of our policies, which are critical to the continued financial health of our local government.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the City, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the City. They will promote sound financial management and assist in the City's stability, efficiency and effectiveness.

The following policies are divided into eight (8) general categories for ease of reference. These categories include: **1) General Policies; 2) Accounting, Auditing, and Financial Reporting Policies; 3) General Fund Balance Reserve Policies; 4) Debt Policies; 5) Revenue Policies; 6) Capital Improvement Policies; 7) Capitalization & Depreciation Policies; 8) Cash Management Investment Policies; and 9) Operating Budget Policies.** Except as otherwise noted, all policies included in this document are currently adhered to.

## **ACCOUNTING, AUDITING, AND FINANCIAL REPORTING GENERAL POLICIES**

The City will:

- ❖ manage its financial assets in a sound and prudent manner;
- ❖ maintain and further develop programs to ensure its long term ability to pay all costs necessary to provide the level and quality of service required by its citizens;
- ❖ establish and maintain investment policies that are in accordance with State laws;



## **ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES**

### **FINANCIAL INFORMATION**

It is the policy of the City of Manhattan Beach to provide all financial information in a thorough, timely fashion, and in a format that is easy for Council, citizens, and City employees to understand and utilize.

### **ACCOUNTING STANDARDS**

The City's accounting of financial systems shall be maintained in accordance with Generally Accepted Accounting Principles (GAAP), standards of the Governmental Accounting Standards Board (GASB), and the Government Finance Officers Association (GFOA).

### **ANNUAL AUDIT**

An independent public accounting firm will perform an annual audit and its opinions will be included in the comprehensive annual financial report.

The independent audit firm will be selected through a competitive process at least once every five years. The contract will be for an initial period of three years with two additional one-year options at the City Council's discretion. The Finance Subcommittee, City Manager and Finance Director will review the qualifications of prospective firms and make a recommendation to the City Council. The audit contract, and any extensions, will be awarded by the City Council.

An Annual Financial Report shall be prepared within six months of the close of the previous fiscal year. It will be reviewed with the Finance Subcommittee, and presented to the City Council and community at a public meeting no later than February 1<sup>st</sup> of the following year.

It is the City's goal to maintain accounting records, processes and procedures in such a manner as to receive an unqualified audit opinion and to maintain a Certificate of Achievement for Excellence in Financial Reporting from the GFOA.

## **RESERVE POLICIES**

The City utilizes a variety of accounting funds for recording revenues and expenditures of the City. At each fiscal year-end, budgeted/appropriated expenditure authority lapses with the exception of capital project spending, and operating expenses that have been incurred but not paid (encumbered). The remaining dollars left in each fund that are ~~Unassigned designated and unencumbered~~ constitute available funds reserves of the City. The Unassigned fund balance shall include the City's Financial Policy components. The Council authorizes the City Manager or Director of Finance to make assignment of funds. Where Council has not established a formal policy the Governmental Accounting Standards Board Statement 54 will be operative.

~~It is appropriate that reserve policies for the City be established for each of the various funds, that the purpose of these reserves be designated, and that dollars available in excess of the reserve amounts be appropriately and effectively utilized.~~

### **GENERAL FUND**

The General Fund Unassigned Fund Balance reserve will be maintained in an amount equal to at least 20 percent of the annual General Fund expenditure budget. These funds are designed to be used in the event of significant financial emergency. Council may, at its discretion, set aside reserve additional funds above the 20% minimum. Such additional amounts reserves may be allocated set aside for specific purposes, such as capital projects or for known significant future cost items. Any residual balance shall be available for as general operational working capital uses reserves.

### **CITY COUNCIL CONTINGENCY ACCOUNT**

A contingency account one-half of one percent (0.5 percent) of the City's General Fund expenditure budget will be maintained annually in the City Council's budget. This account will be available for unanticipated, unbudgeted expenditures and will require City Council approval to spend. The purpose of this account is to provide some flexibility for unforeseen events without the necessity to appropriate additional funds from the City's Unassigned Fund Balance reserves.

### **ENTERPRISE FUNDS**

The City's Enterprise Funds will maintain reserves equal to four months of operating expenses.

### **FLEET MANAGEMENT FUND**

Through the use of the Fleet Management Fund, the City will annually budget sufficient funds to provide for the orderly maintenance, repair and replacement of the City's vehicles. This fund is supported by charges to user departments which are adjusted annually based on the department's proportionate share of estimated fleet management expenses. Sufficient working capital reserves will be maintained in the fund to provide for the scheduled replacement of fleet vehicles at the end of their useful lives.

## **INFORMATION SYSTEMS FUND**

Through the use of the Information Systems Fund, the City will annually budget sufficient funds to provide for the orderly maintenance, repair and replacement of the City's technology infrastructure. This fund is supported by charges to user departments which are adjusted annually based on departments' proportionate share of estimated expenses. Such share may be determined based upon the departments' number of devices supported by the IS Division. Sufficient reserves will be maintained in the fund to provide for the scheduled replacement of equipment at the end of their useful lives.

## **RISK MANAGEMENT FUND**

The City maintains a self-insurance fund for the purpose of property, liability, and workers' compensation expenses. This fund pays insurance premiums, benefit and settlement payments, and administrative and operating expenses. The Risk Management Fund is supported by charges to other City funds for the services it provides. These annual charges for service shall reflect historical experience and shall be established to approximately equal the annual expenses of the fund. Separate reserves shall be maintained for current and long term general liability and workers' compensation liability at a level which will adequately fund the City's potential loss exposure in each area as determined by historical loss data. The Risk Management Fund shall maintain an annual working capital balance of \$2 million.

## **TRUST AND AGENCY FUNDS**

The City maintains funds on a trustee basis for a number of purposes, including City-sponsored post employment benefits programs and trust accounts for such purposes as utility underground projects. These funds shall be segregated from the City's general funds.

The estimated cost of City-sponsored retirement programs will be actuarially valued biennially. Ongoing annual normal costs for such programs will be budgeted in the department receiving the benefit. Unfunded liabilities will be disclosed and accounted for in accordance with Generally Accepted Accounting Principles (GAAP).

## **DEBT POLICIES**

### **ISSUANCE OF DEBT**

The City will not use long-term debt to pay for current operations.

The use of bonds or certificates of participation will only be considered for significant capital and infrastructure improvements.

The term of the debt shall never extend beyond the useful life of the improvements to be financed.

### **CREDIT RATING**

It is the City's goal to maintain our AAA/Aaa credit rating from all three major rating agencies. The factors that contribute to our high rating include the City's strong financial management, low debt levels, budgetary and fiscal controls, and accountability. To support this policy, the City will continue to maintain its position of full financial disclosure and proactive fiscal planning.

### **LEASE-PURCHASE**

The City will lease-purchase equipment if necessary because of funding availability, or if lease rates are more favorable than the rate attained from investment return. Equipment may also be leased if the lease terms compare favorably when reviewing the total life cycle cost of the equipment. In no case shall the City lease-purchase equipment whose useful life is not greater than the term of the lease.

## **CAPITAL IMPROVEMENT POLICIES**

### **DEDICATED CIP FUNDING SOURCES**

Most of the City's infrastructure has a designated revenue source to pay for its upgrade or replacement as appropriate. For example, water/wastewater rates fund utility infrastructure needs; gas tax revenues fund street needs; and storm drainage needs are paid for with related fees and assessments. However, our public buildings and our park system are the primary beneficiaries of the City's Capital Improvement Fund (CIP). Specific revenue sources have been designated to provide permanent funding in support of general operational infrastructure. In particular, the City has dedicated:

- ❖ 15% of annual hotel transient occupancy tax (1.5% of the 10% tax);
- ❖ Fifty cents of the per hour charge for all on-street city parking meter collections;
- ❖ \$4 of each parking citation (with the exception of expired meter cites).

Transfers into the CIP Fund will be processed by the Finance Department on a monthly basis and recorded as such in the annual adopted budget.

### **FIVE YEAR CAPITAL IMPROVEMENT PROGRAM (CIP)**

The City shall annually prepare a capital improvement spending program projecting capital needs for a five year period. This CIP shall address all of the City's funds.

The first year of the five year CIP will be consistent with, and adopted as a component of, the annual operating budget.

In the development of the Capital Improvement Program, the operating costs associated with the capital project will be projected and considered in conjunction with the CIP.

### **ENTERPRISE FUND CAPITAL IMPROVEMENTS**

Capital Improvements funded from the Enterprise Funds shall be paid for in combination of "pay-as-you-go" financing and the use of long-term debt. The City shall periodically review its enterprise capital needs and establish capital spending plans that are appropriate and reflect a combination of debt and "pay-as-you-go," while attempting to keep our rates competitive with those in the surrounding area.

## **CAPITALIZATION CAPITALIZATION & DEPRECIATION POLICIES**

Equipment - \$5,000 per unit  
Buildings & Facilities - \$100,000

Minor equipment that falls below the \$5,000 threshold, but is subject to shrinkage, such as cellular telephones and computers, shall have a non-numbered City of Manhattan Beach property tag affixed when placed into City service.

The City shall depreciate capital assets such as machinery, equipment, buildings and improvements, and infrastructure (roads, sidewalks, parks, etc.). Depreciation shall be performed on a straight line basis over the expected useful life of the asset and in accordance with Generally Accepted Accounting Principles (GAAP).

## **CASH MANAGEMENT INVESTMENT POLICIES**

The Finance Subcommittee & City Council shall annually review and update, or modify as appropriate, the City's investment policy. Reviews shall take place at public meetings and the policy shall be adopted by minute action of the City Council based upon the Finance Subcommittee's recommendations

Reports on the City's investment portfolio and cash position shall be developed and presented to the City Council monthly. Additionally, expenditure reporting showing \_\_year-to-date budgeted and actual expenditures shall be prepared monthly and distributed to all departments.

City funds will be managed in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order.

## **OPERATING BUDGET POLICIES**

It is the City's policy to adopt a balanced budget where operating revenues are equal to, or exceed, operating expenditures. In the event a balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one year, the planned use of reserves to balance the budget is permitted. In the event that a budget shortfall is expected to continue beyond one year, the planned use of reserves must be developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.

Any year end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and will be available for capital projects and/or "one-time only" General Fund expenditures.

### **BUDGET DOCUMENT**

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

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

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

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

## **BUDGET CONTROL AND ACCOUNTABILITY**

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

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

## **CAPITAL PLANT AND EQUIPMENT**

The annual budget will provide for adequate maintenance and replacement of capital assets.

## **ENTERPRISE FUNDS**

The Enterprise Funds shall be supported by their own rates and not subsidized by the General Fund.

The Enterprise Funds will pay their share of overhead services provided by the General Fund.



Attachment C  
General Fund Format Comparison

The City of Manhattan Beach policy currently requires that the fund balance be allocated to Reserved, Unreserved or Designated classifications. The new fund classifications and a comparison with the old categories are as follows:

**Old Format**

**New Format**

**General Fund**

Reserve for Economic Uncertainty	Unassigned
Reserve for Financial Policy	Unassigned
Undesignated	Unassigned
Debt Service Reserves	Restricted
Private Party Loans	Nonspendable
Reserve for Prepaids	Nonspendable

**Capital Improvement Fund**

Undesignated	Assigned
Continuing CIPs	Committed
Debt Service Reserves	Restricted
Private Party Loans	Nonspendable

**Special Revenue Funds**

Continuing CIPs	Restricted
Undesignated	Restricted

Within these definitions, Council may wish to further define the use of these funds in the Note disclosures to the financial statements and Budget document or establish Financial Policy allocating the Unassigned amounts.

**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, 2010, are presented below:

	General Fund	Capital Improvement Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
Total Fund Equity	18,245,833	5,507,813	2,616,100	4,460,690	30,830,436
Non Spendable					
Prepays	\$ 14,230	\$ -	\$ -	-	\$ 14,230
Notes & Loans		34,362	-	-	34,362
Advances to Other Funds		250,000	-	-	250,000
<b>Total Non Spendable</b>	<b>14,230</b>	<b>284,362</b>	<b>-</b>	<b>-</b>	<b>298,592</b>
Restricted					
Debt Service Loan Program	1,143,587	817,075	-	-	1,960,662
Special Revenue unallocated			1,264,070	1,854,003	3,118,073
<b>Total Restricted</b>	<b>1,143,587</b>	<b>817,075</b>	<b>1,264,070</b>	<b>1,854,003</b>	<b>5,078,735</b>
Committed					
Continuing capital improvements		2,906,170	1,352,030	2,497,197	6,755,397
<b>Total Committed</b>		<b>2,906,170</b>	<b>1,352,030</b>	<b>2,497,197</b>	<b>6,755,397</b>
Assigned					
Purchase order contracts	199,708			109,490	309,198
Available for loan program		115,638			115,638
Unallocated		1,384,568			1,384,568
<b>Total Assigned</b>	<b>199,708</b>	<b>1,500,206</b>	<b>-</b>	<b>109,490</b>	<b>1,809,404</b>
Unassigned					
Financial policy	10,182,239				10,182,239
Economic uncertainty	4,000,000				4,000,000
Unallocated	2,706,069				2,706,069
<b>Total Unassigned:</b>	<b>\$16,888,308</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,888,308</b>

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

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**Note 7: Non-City Obligation**

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

The City's governmental funds reserves and designations at June 30, 2010, are presented below:

	General Fund	Capital Improvement Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
Total Fund Equity	\$ 18,245,829	\$ 5,507,813	\$ 2,616,099	\$ 4,460,691	\$ 30,830,432
Reserved:					
Encumbrances	\$ 199,708	\$ -	\$ -	\$ 109,491	\$ 309,199
Prepays	14,230	-	-	-	14,230
Notes & Loans	-	34,362	-	-	34,362
Advances to Other Funds	-	250,000	-	-	-
Debt Service	1,143,587	817,075	-	-	1,960,662
Continuing capital projects	-	2,906,170	1,352,030	2,497,197	6,755,397
Total Reserved	<u>1,357,525</u>	<u>4,007,607</u>	<u>1,352,030</u>	<u>2,606,688</u>	<u>9,323,850</u>
Unreserved	<u>16,888,304</u>	<u>1,500,206</u>	<u>1,264,069</u>	<u>1,854,003</u>	<u>21,506,582</u>
Designated:					
Financial policy	10,182,239	-	-	-	10,182,239
Economic uncertainty	4,000,000	-	-	-	4,000,000
Loan Program	-	115,638	-	-	115,638
Total Designated	<u>14,182,239</u>	<u>115,638</u>	<u>-</u>	<u>-</u>	<u>14,297,877</u>
Undesignated	<u>\$ 2,706,065</u>	<u>\$ 1,384,568</u>	<u>\$ 1,264,069</u>	<u>\$ 1,854,003</u>	<u>\$ 7,208,705</u>

