



Agenda Item #: _____



Staff Report

City of Manhattan Beach

TO: Honorable Mayor Tell and Members of the City Council

THROUGH:  David N. Carmany, City Manager

FROM: Bruce Moe, Director of Finance 

DATE: January 17, 2012

SUBJECT: Fiscal Year 2010-2011 Financial Audit Results and Comprehensive Annual Financial Report

RECOMMENDATION:

Staff recommends that the City Council receive and file this report.

FISCAL IMPLICATION:

There is no fiscal implication associated with the recommended action. The results of fiscal year (FY) 2010-2011 are summarized below, and are included in the attached "Comprehensive Annual Financial Report" (CAFR).

DISCUSSION:

Attached to this report is the City's CAFR for the year ended June 30, 2011. 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 2010-2011 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).

While last year (FY 2009-2010) we also received an unqualified opinion, the auditors identified a deficiency in internal control that they considered to be a "material weakness." A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable *possibility* that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. The deficiency was in the area of Grant Revenue recognition. We are pleased to report that last year's deficiency was corrected. No other deficiencies were reported as a result of the FY 2010-2011 audit.

The attached report contains detailed information about the City's financial results for FY 2010-2011. 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 2010-2011. 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 ***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, 2011.

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 as 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 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 2011 meeting. While there is not a formalized presentation of the audit results, the Auditor is available to answer questions at the Council meeting.

Summary of Results

General Fund

Overall, General Fund results were better than budgeted projections. Revenues exceeded expenditures by \$2,261,948. When considering net transfers to and from other funds, and sale of capital assets, General Fund balance increased by \$1,658,789 over the prior year. Transfers out, which totaled \$724,350, included \$542,684 to the Capital Improvement Project (CIP) Fund to facilitate the purchase of the City’s share of the City Manager’s home as well as other scheduled transfers (the list of transfers is detailed in the audit report in the MD&A).

By category, revenues exceeded the final (amended) budget by \$2,585,477 in the following classifications:

FY 2010-2011 General Fund Revenues - Actuals versus Budget

Fiscal Year 2010-2011 General Fund Revenue Category	Adjusted Budget	Actuals	Variance to Budget	% Variance
Property Tax	\$19,528,792	\$19,791,425	\$262,633	1.3%
Other Taxes & Assessments	14,491,925	15,834,382	1,342,457	9.3%
Licenses & Permits	1,020,450	1,281,400	260,950	25.6%
Fines	2,753,000	2,757,132	4,132	0.2%
Interest & Rents	2,510,720	2,569,397	58,677	2.3%
From Other Agencies	466,559	499,736	33,177	7.1%
Services	5,406,597	5,818,102	411,505	7.6%
Interfund Charges & Transfers	3,034,280	3,025,305	(8,975)	(0.3%)
Miscellaneous Revenues	230,000	450,921	220,921	96.1%
Total General Fund Revenues	\$49,442,323	\$52,027,800	\$2,585,477	5.2%

Positive variance indicates Actuals have exceeded the Adjusted Budget.

Expenditures came in under final (amended) budget by \$1,946,735. The results by classification are as follows:

FY 2010-2011 General Fund Expenditures - Actuals versus Budget

Fiscal Year 2010-2011 General Fund Expenditures by Class	Adjusted Budget	Actuals	Variance from Budget	% Variance
Personnel Services	\$34,945,022	\$34,245,893	\$699,129	2.0%
Operating Expenses	14,939,231	13,997,138	942,093	6.3%
Capital Outlay	9,700	-	9,700	100.0%
Debt Service	1,798,203	1,507,586	290,617	16.2%
Interfund Transfers	20,431	15,235	5,196	25.4%
Total General Fund Expenditures	\$51,712,587	\$49,765,852	\$1,946,735	3.8%

Positive variance indicates Actuals are under budget.

Fiscal Year 2010-2011 General Fund Expenditures by Subclass	Adjusted Budget	Actuals	Variance from Budget	% Variance
Salary & Wages	\$24,685,667	\$24,489,075	\$196,592	0.8%
Employee Benefits	10,259,355	9,756,818	502,537	4.9%
<i>Subtotal Personnel Services</i>	<i>\$34,945,022</i>	<i>\$34,245,893</i>	<i>\$699,129</i>	<i>2.0%</i>
Contract & Professional Services	\$5,343,493	\$5,350,808	(\$7,315)	(0.1%)
Materials & Services	3,014,627	2,212,696	801,931	26.6%
Utilities	882,555	874,544	8,011	0.9%
Internal Service Charges	5,698,556	5,559,090	139,466	2.4%
<i>Subtotal Operating Expenses</i>	<i>\$14,939,231</i>	<i>\$13,997,138</i>	<i>\$942,093</i>	<i>6.3%</i>
Property & Equipment	\$9,700	-	\$9,700	100.0%
<i>Subtotal Capital Outlay</i>	<i>\$9,700</i>	<i>-</i>	<i>\$9,700</i>	<i>100.0%</i>
Bond Debt	\$1,798,203	\$1,507,586	\$290,617	16.2%
<i>Subtotal Debt Services</i>	<i>\$1,798,203</i>	<i>\$1,507,586</i>	<i>\$290,617</i>	<i>16.2%</i>
Transfers Out	\$20,431	\$15,235	\$5,196	25.4%
<i>Subtotal Interfund Transfers</i>	<i>\$20,431</i>	<i>\$15,235</i>	<i>\$5,196</i>	<i>25.4%</i>
Total General Fund Expenditures	\$51,712,587	\$49,765,852	\$1,946,735	3.8%

Positive variance indicates Actuals are under budget.

Personnel costs and Debt Service were \$699,129 and \$290,617 below budget respectively. Operating Expenses came in \$942,093 under budget, and included Materials and Services (under by \$801,931)¹ and Internal Service Charges (under by \$139,466). Debt Service was under budget by \$290,617 because the variable rate debt utilized for Marine Avenue Sports Fields and

¹ The final budget included an appropriation (budget adjustment) for \$432,000 for the City Manager's home loan. However, the loan is not included in the actual expenditures because it is capitalized as a non-spendable long term note receivable.

the South Bay Regional Public Communications Authority requires that we budget payments tied to a certain bond index while the actual interest rate paid has been well below that threshold.

The total fund balance in the General Fund as of June 30, 2011 was \$19,904,622. Utilizing the recent governmental accounting standards classifications for governmental type funds (GASB 54), the fund balance is as follows:

Unassigned	\$18,270,832
Restricted	\$ 1,182,271
Non-Spendable	\$ 451,519

The Unassigned category includes the City Council financial policy reserve of 20% (\$9.9 million) and the Economic Uncertainty Reserve of \$4 million. Once all City Council established internal reserves and designations have been accounted for, the General Fund, had an available balance as of June 30, 2011 of \$4.4 million (please note that this amount does not reflect subsequent appropriations from the available fund balance including those in the fiscal year 2011-2012 budget).

Other Funds of Note

While most funds performed as expected, several are worth mentioning.

- The Water Fund showed improvement from prior years. Net income from operations totaled \$1,359,368, an improvement from the prior year which had a net operating loss of \$186,809. Revenue from sales increased by 21%, while operating expenses (labor, materials, services, etc.) rose by 1.4%. The new water rates, which became effective half way through fiscal year 2010-2011 contributed to the results which will be used to fund planned capital improvements to the utility’s infrastructure, estimated at \$27.3 million over the next five years.
- The Waste Water fund net operating income for FY 2010-2011 was \$1,000,284 versus \$209,160 in fiscal year 2009-2010 – a net increase of \$791,124. This improvement is primarily due to the new waste water rates implemented along with the water rates in January 2011. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system, estimated at \$11.3 million over the next five years.
- The Refuse Fund continued to operate at a deficit, realizing a net operating loss in FY 2011 of \$195,092. Operating expenses increased by 2.5% (\$104,664) while revenues rose by only \$79,279 (1.9%). The continued losses in this enterprise are due to insufficient rates to cover total operating costs. However, with the implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure, such losses are expected to be mitigated.
- The Street Lighting Fund continues to run deficits each year. For FY 2010-2011, expenditures exceeded revenues by \$172,666. Because there is no fund balance to draw upon, the General Fund contributed \$172,666 to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

CONCLUSION:

Staff is pleased to report that the fiscal year 2010-2011 financial audit resulted in the City once again receiving an unqualified opinion. The General Fund performed better than expected, with revenues exceeding expenditures by \$2.26 million, and fund balance increasing by \$1.66 million. City Council policy reserves remain fully funded.

The Water and Wastewater Funds are improving with the new rate structure which is needed to support capital projects. Due to new rates, the Refuse Fund is expected to improve, but may require further attention given a shortfall in operating cost recovery. The Street Lighting Fund continues to operate in a deficit manner, pending a future assessment vote.

The City Manager and Finance Director wish to recognize the dedication, hard work and attention to detail of all departments during the year that enables the City to achieve the unqualified opinion. Special recognition is in order for Finance staff, particularly Henry Mitzner, Jeanne O'Brien, Eden Serina, Eugene Wee and Julie Chan.

- Attachments:
- A. Comprehensive Annual Financial Report for FY 2010-2011
 - B. Management Letter
 - C. Audit Committee Letter

City of Manhattan Beach, California



Comprehensive Annual Financial Report

Year Ended June 30, 2011

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011



Prepared by the Finance Department

Bruce Moe, Finance Director



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CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introduction



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January 17, 2012

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Manhattan Beach for the Fiscal Year ended June 30, 2011. This report has been prepared in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

The City's financial policies require an external independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report (CAFR). Further, it states that the results be reviewed with the Finance Subcommittee, and presented to the City Council no later than February 1st of the following year. The Finance Subcommittee met with the auditor and discussed the results in December 2011.

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

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

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

goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with generally accepted accounting principles (GAAP).

The independent auditor's report is presented as the first component of the financial section of this report. Due to the amount of Federal grant funds the City received in FY 2010-2011, the City is not required to conduct a "single audit."

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

Profile of the Government

The City of Manhattan Beach is located in South Bay region of Los Angeles county. The current population¹ is 35,248. The City encompasses approximately four square miles.

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

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

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

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

¹ State of California Department of Finance, January 2011

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 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

The South Bay region is home to a number of industries including aerospace, entertainment, leisure and tourism, and manufacturing. Economists report that the South Bay area has strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area has fared better during the economic crisis than some other areas of the state. Case in point, the most recently available figures indicate that Manhattan Beach has a 4.7% unemployment rate, while the county and state are in the 11% range.

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 2011-2012), the forecast concluded that unassigned General Fund balances will continue to grow from an estimated \$15.6 million at the end of FY 2011-2012 to \$24.3 million in FY 2015-2016. It is important to note that those estimates assume no change in the existing salary and benefit levels (with the exception of certain contractual adjustments) over the term of the forecast. Labor contracts have been extended on the existing terms through December 2012 which provides some predictability in labor costs through mid FY 2012-2013. The City Council's Financial Policy to maintain a balance of 20% of General Fund expenditures will remain funded. The complete five year forecast can be found in the FY 2011-2012 budget document, available on line at www.citymb.info. It will be updated for the FY 2012-2013 budget to reflect FY 10-11 results as presented in this audit report.

Financial Policies

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

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

Major Initiatives

Library Improvements: During the year, the City continued with the County planning the construction of a new library in the location of the existing facility. This project, estimated to cost \$22.75 million, will be funded with the surplus property tax currently paid by Manhattan Beach property owners to the County Library District. The project includes expanding the library from its current 12,500 square feet to approximately 22,000 square feet. Construction is expected to begin in December 2012.

Water and Waste Water Systems: During FY 2009-2010, the City Council acted on the prior year's 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 were necessary in order to maintain the financial integrity of the utilities. A Proposition 218 protest vote was held in Fall 2009 which authorized the implementation of a five year tiered rate plan for these utilities. The first increase took effect in January 2010. Annual increases in water and sewer rates are scheduled until 2014, which will encourage conservation, and allow for cash funding of the majority of maintenance costs going forward, as well as the funding of increased reserves for the enterprises.

Centennial Celebration: The City will celebrate its 100th birthday in 2012. The City Council approved the formation of a 10-member resident Centennial Committee to guide the planning effort for the year of celebration. A separate non-profit Centennial Foundation was established for fund raising purposes, with many community events planned for the year leading up to the actual Centennial anniversary.

Open Government: The City remains committed to open, transparent and inclusive government. This is achieved by strengthening effective communication with the public, maximizing informed engagement, and encouraging a sense of common purpose. To that end, enhancements include improved transparency and accessibility to the City's public meetings, additional broadcast capability of public meetings, and improved opportunity for community input on issues. New technology to enable these improvements has been authorized and will be installed in the near term.

Executive Financial Overview

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

General Fund

The General Fund is the primary operating fund of the City of Manhattan Beach. In comparing year end 2011 to 2010, the total fund balance increased by \$1,658,789. This change was the result of General Fund revenues exceeding expenditures by \$2,261,948, and Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netting out to a negative \$603,159, this amount largely due to the transfer of funds from the General Fund to the CIP Fund (\$542,684) to effect the purchase the City's share of the City Manager's home. At the end of fiscal year 2011, the total General Fund balance equaled \$19.9 million. The unassigned fund balance is \$18.3 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$13.9 million, which is available for use at City Council's discretion.

General Fund transfers included:

- \$542,684 to the Capital Improvement Project (CIP) Fund to purchase the City's joint ownership share of the City Manager's home in Manhattan Beach
- \$172,666 to the Street Lighting Fund to relieve a deficit fund balance.
- \$115,362 of excess reserves from the County Lot Fund in line with the contract with the County of Los Angeles.
- \$9,000 to the Refuse Fund for increased frequency of Strand sweeping services

The City's General Fund revenues showed improvement from the prior year, particularly in Other Taxes (sales, transient occupancy, business license, etc.), Charges for Services (plan check fees, ambulance fees, parks and recreation fees, etc.) and Interest and Rents. This can be noted by the trends below:

General Fund Revenues by Category - Fiscal Year 2011

Revenue Category	2010 Actual	2011 Actual	Increase/ (Decrease)	%
Property Tax	\$20,006,557	\$19,791,425	(\$215,132)	(1.1%)
Other Taxes (Sales, Hotel, Business License)	14,648,932	15,834,382	\$1,185,450	8.1%
Licenses and Permits (Building, Construction, Film Permits)	1,196,714	1,281,400	\$84,686	7.1%
Fines (Parking Citations, Vehicle Code Fines)	2,871,972	2,757,132	(\$114,840)	(4.0%)
Interest and Rents (including Ground Leases)	2,250,729	2,569,397	\$318,668	14.2%
Received From Other Agencies (Vehicle License Fees, Grants)	430,453	499,736	\$69,283	16.1%
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	4,799,259	5,818,102	\$1,018,843	21.2%
Interfund Charges (Admin Service Charge)	3,035,600	3,025,305	(\$10,295)	(0.3%)
Miscellaneous	164,104	450,921	\$286,817	174.8%
Total	\$49,404,320	\$52,027,800	\$2,623,480	5.3%

Sales tax was up \$879,300 (12%) from the prior year's actual receipts, and came in above budgetary estimates by 9.4%. Interest earnings exceeded budget by 44% due to higher fund balances than projected during budget preparation. Plan Check fees exceeded budget by 70% and the prior year by 43% due to the adoption of increased building valuations used for fee setting, resulting in a year-over-year revenue increase of \$239,400. Similar results were achieved in Building Permits, up 15% from the prior year and 42% above budgetary estimates. Real Estate Transfer Tax revenue exceeded prior year by 33% and budget by 53% due to an improving real estate market. On an overall basis, General Fund revenues (\$52 million) were \$2.63 million (5.3%) ahead of last year and exceeded budget estimates by \$2.59 million (5.2%).

Other Funds

Capital Improvement Fund

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental infrastructure and facilities capital projects. In FY 2011, the CIP Fund had total revenues of \$1.21 million, and expenditures of \$1.64 million. At June 30, 2011 the total balance in the CIP Fund was \$5.6 million. Of this balance, \$3.2 million is committed for planned infrastructure projects, and \$817,075 is restricted for debt service for the Police & Fire facility. \$1.12 million is non-spendable due to a long term advance to the Parking Fund of \$1.07 million and \$42,744 for the City's Underground Assessment District Loan Program. Committed fund balance totals \$3,679,671. Committed funds for defined capital projects total \$3.2 million at year end, and include:

- \$1,982,000 for City facility renovations
- \$797,253 for the Safe Routes to School Program
- \$320,000 for the Strand Stairs Project
- \$115,000 for the Public Works Facility Yard Cover

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 Gas Tax, Proposition A & C, Grants, Measure R, Asset Forfeiture, etc. Among this group, several funds deserve attention.

The Water Fund showed improvement from prior years. Net income from operations totaled \$1,359,368, an improvement from the prior year which had net operating income of negative \$186,809. Revenue from sales increased by 21%, while operating expenses (labor, materials, services, etc.) rose by 1.4%. The new water rates, which became effective half way through fiscal year 2009-2010 contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure.

The Waste Water fund net operating income for FY 2010-2011 was \$1,000,284 versus \$209,160 in fiscal year 2009-2010 – a net increase of \$791,124. This improvement is primarily due to the new waste water rates implemented along with the water rates in January 2010. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.

The Refuse Fund continued to operate at a deficit, realizing a net operating loss in FY 2011 of \$195,092. Operating expenses increased by 2.5% (\$104,664) while revenues rose by only \$79,279 (1.9%). The continued losses in this enterprise are due to insufficient rates to cover total operating costs. However, with the implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure, such losses are expected to be mitigated.

The Street Lighting Fund, continues to run deficits each year. For FY 2010-2011, expenditures exceeded revenues by \$172,666. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

The Proposition A Fund also continues to run deficits and requires support through the purchase of additional Proposition A funds from other L.A. County based transportation agencies. For FY 2011, the City purchased \$247,200 in Proposition A funds utilizing \$173,040 of General Funds (seventy cents on the dollar). At year end, the Proposition A fund had a fund balance of \$80,284, providing some cushion. Continued purchases of Proposition A funds will be necessary to sustain current service levels.

Trust and Agency Funds

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) deferred compensation plans. All such plan funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs - dormant plans which were previously offered by the City. It is significant to note that this financial report does not include the value of trust holdings in the employees' 457 deferred compensation plan at June 30, 2011, thus recognizing enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of the undergrounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2011, will be used to pay bondholders in FY 2011-2012.

Please refer to the MD&A in the Financial Section that follows.

CURRENT TRENDS AND EVENTS

After several years of recessionary effects, there are signs the economy is improving. As expected, in fiscal year 2010-2011, the City's biggest General Fund revenue source, property tax, declined from prior year receipts by 2%, primarily due to a decline in prior year secured property tax collections. However, with real estate sales continuing to improve, and historically low interest rates spurring buyers, FY 2011-2012 property tax revenues are expected to grow 1%-2%.

Retail sales activity appears as be improving as well, with some stability in related revenues. Transient Occupancy Tax revenues also are expected to grow moderately as the economy improves and tourism and travel continue to rebound. Building related fees such as building permits and plan check fees, showed improvement in FY 2010-2011 from increased building activity and increased fees – a trend expected to continue in the next year.

As a service organization, labor accounts for majority of costs - approximately 70% in the General Fund. The previous long term labor agreements with the three bargaining units (Police, Fire and Miscellaneous) expired in mid 2011. Extensions of those agreements were approved, providing predictability in labor costs through December 2012. A new round of labor negotiations will commence in 2012, providing the opportunity to set the course for long term cost structure sustainability.

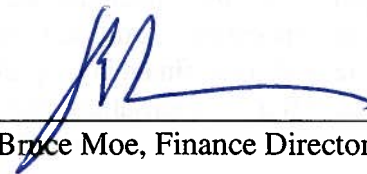
While the past few years have been challenging, Manhattan Beach has weathered the storm and remains in sound financial condition. Established reserves remain funded, and the City continues to operate efficiently and effectively, all while continuing to provide outstanding services for the community.

OTHER INFORMATION

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



David N. Carmany, City Manager



Bruce Moe, Finance Director

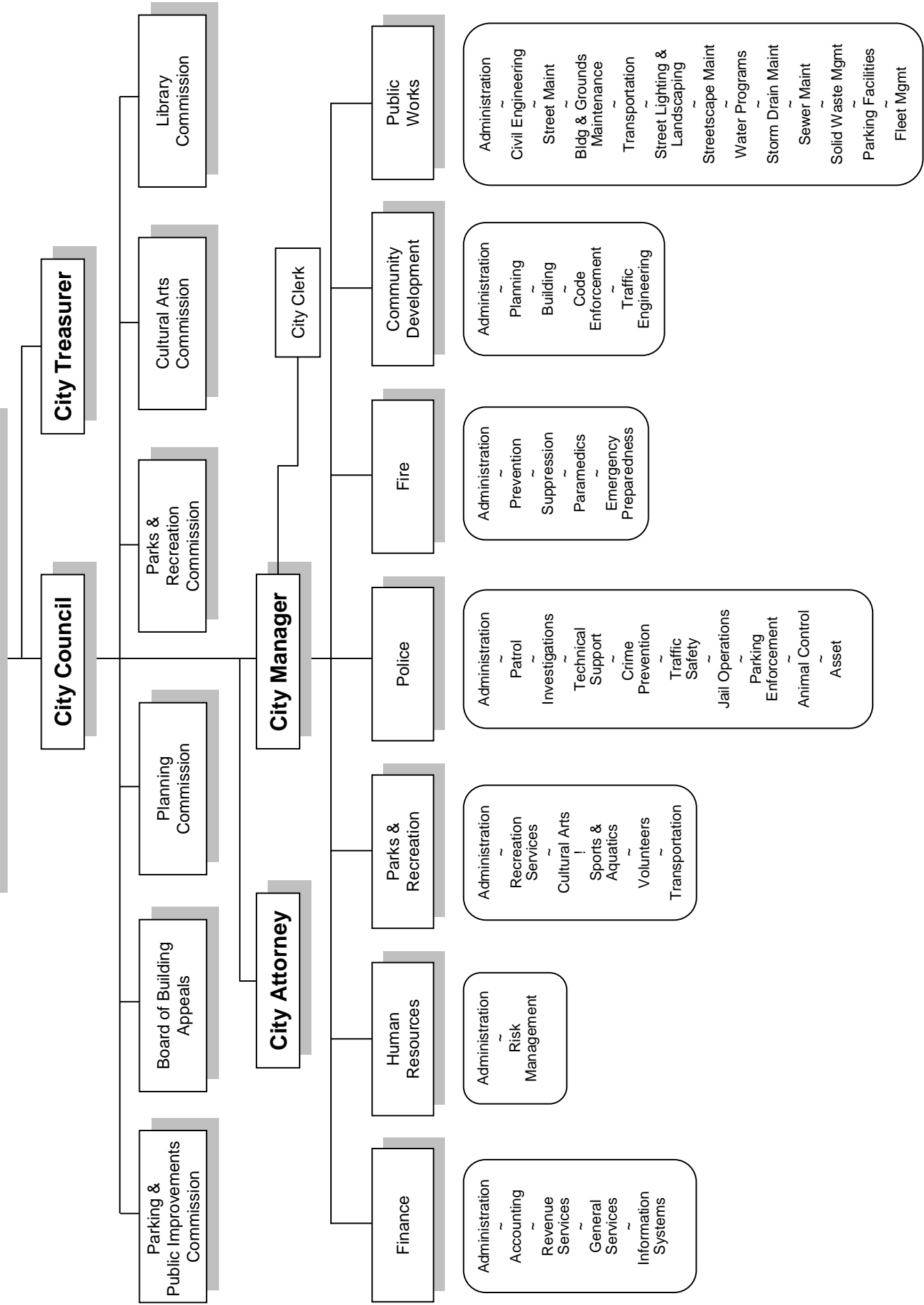
ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS		TERM ENDS
<i>Mayor</i>	Richard Montgomery	March 2013
<i>Mayor Pro-Tem</i>	Nicholas W. Tell, Jr.	March 2013
<i>City Councilmembers</i>	Wayne Powell	March 2013
	David Lesser	March 2015
	Amy Howorth	March 2015
<i>City Treasurer</i>	Tim Lilligren	March 2013

EXECUTIVE STAFF

<i>City Manager</i>	David N. Carmany
<i>City Clerk</i>	Liza Tamura
<i>Special Counsel</i>	Christi Hogin
<i>Director of Finance</i>	Bruce Moe
<i>Director of Human Resources</i>	Cathy Hanson
<i>Director of Parks & Recreation</i>	Richard Gill
<i>Chief of Police</i>	Eve R. Irvine
<i>Fire Chief</i>	Robert Espinosa
<i>Director of Community Development</i>	Richard Thompson
<i>Director of Public Works</i>	Jim Arndt

CITIZENS OF MANHATTAN BEACH



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Manhattan Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



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

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Manhattan Beach, California



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

Executive Director

A handwritten signature in black ink that reads 'Jeffrey R. Egan'.

Date August 25, 2011



Financial Section



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, 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
- Bryan S. Gruber, 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, (the City), as of and for the year ended June 30, 2011, 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'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 opinion.

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 as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, on our consideration of the City'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.

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



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 of Manhattan Beach, California's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Lingham, LLP

November 29, 2011

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, 2011. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to viii of this report.

FINANCIAL HIGHLIGHTS

Government Wide Financial Basis

- As of June 30, 2011, the City's total net assets citywide (including all governmental and business type activities) totaled \$177,010,773. This is an increase from the prior fiscal year of \$4,168,445, or 2.4%.
 - Governmental net assets increased by \$1,546,248 (1.2%) to \$134,788,251.
 - Business type activity net assets increased by \$2,622,196 (6.6%).
- Unrestricted net assets, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$44,899,195. This is an increase of \$2,598,684 (6.1%) from FY 2009-2010 levels. A General Fund year end surplus contributed to this increase.
- Citywide capital assets, net of depreciation, decreased by \$337,900 from the prior year. Governmental net capital assets decreased by \$1,539,199; net capital additions of \$2,094,114 were offset by accumulated depreciation of \$3,633,312. Business type net assets increased by \$1,201,301; additions were \$2,136,497 and accumulated depreciation was \$935,196.
- The City's bond and capital lease debt decreased by \$1,881,000 during FY 2010-2011. This decrease is attributable to the scheduled principal pay down of issued bonds and leases by both governmental activities (\$1,461,000) and business type activities (\$420,000).
- Long term insurance claim reserves increased by \$754,897 primarily attributable to new claims activity.

Fund Financial Basis – Governmental Funds

- As of June 30, 2011, the General Fund balance was \$19,904,622. Fund revenues exceeded expenditures by \$2,261,948.
- Total Governmental Fund revenue totaled \$56,452,978, an increase of \$2,160,882 (4%) from the prior year. An improving economic climate contributed to higher tax revenue. Increased building related fees and other service charges also added to total revenue.
- Governmental Fund expenditures totaled \$54,010,853, up \$298,735 (.6%) from FY 2010-2011. Decreases in personnel services of \$435,753 and capital outlay and debt of \$80,574 was offset by an increase in operating expenses of \$815,062.
- General Fund transfers out totaled \$724,350. This included transfers to the Capital Improvement Project (CIP) Fund of \$542,684, Street Lighting Fund of \$172,666, and \$9,000 to the Refuse Fund. General Fund transfers in equaled \$115,362 from the County Parking Fund.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

Reporting on the City as a Whole

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

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

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

The basic governmental fund financial statements can be found on pages 21 to 25 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 80 to 107 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 35 to 77 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 \$177,010,773 at June 30, 2011.

By far, the largest portion of the City's net assets (68%) 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	
	2011	2010	2011	2010	2011	2010
Current Assets	\$49,691,017	\$45,731,703	\$15,120,144	\$14,358,255	\$64,811,161	\$60,089,958
Non-Current Assets	125,415,271	128,073,533	43,591,279	42,731,876	169,006,550	170,805,409
Total Assets	\$175,106,288	\$173,805,236	\$58,711,423	\$57,090,131	\$233,817,711	\$230,895,367
Current Liabilities	\$12,281,082	\$11,186,200	\$2,039,248	\$2,600,992	\$14,320,330	\$13,787,192
Non-Current Liabilities	28,036,955	29,377,033	14,449,653	14,888,813	42,486,608	44,265,846
Total Liabilities	\$40,318,037	\$40,563,233	\$16,488,901	\$17,489,805	\$56,806,938	\$58,053,038
Invested in Capital Assets Net of Related Debt	\$93,795,303	\$94,713,693	\$27,111,091	\$25,485,791	\$120,906,394	\$120,199,484
Restricted	9,479,279	8,611,954	1,725,905	1,730,380	11,205,184	10,342,334
Unrestricted	31,513,669	29,916,356	13,385,526	12,384,155	44,899,195	42,300,511
Total Net Assets	\$134,788,251	\$133,242,003	\$42,222,522	\$39,600,326	\$177,010,773	\$172,842,329

Net assets of the City's *Governmental* activities amounted to \$134.8 million, an increase over the prior year of \$1.5 million. Of the \$134.8 million, \$93.8 million is invested in capital assets net of related debt such as land, buildings, machinery, infrastructure, equipment and other improvements; \$9.5 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 (\$31.5 million) is available to the City. A significant portion of this remaining balance is subject to internal policy reserves regarding working capital.

Net assets of the City's *Business-type* activities totaled \$42.2 million. This represents an increase from FY 2009-2010 of \$2.6 million. \$27.1 million is invested in capital assets (land, buildings, machinery, equipment, etc.) net of related debt, while \$1.7 million is reserved for debt service and for business improvement district use. \$13.4 million is unrestricted to the City.

The City's total change in net assets amounts to an increase of \$4,168,444. The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2010 and June 30, 2011:

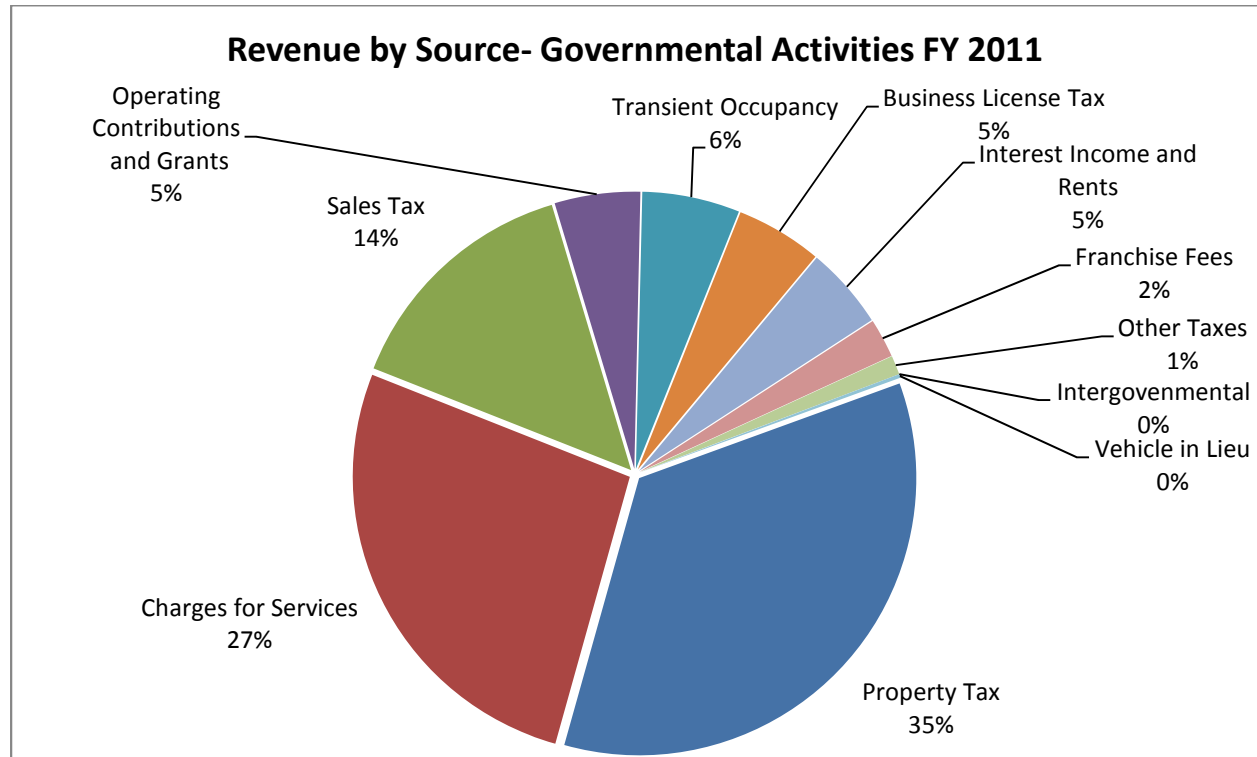
City of Manhattan Beach Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	\$15,119,489	\$13,751,699	\$19,723,833	\$16,724,758	\$34,843,322	\$30,476,457
Operating Contributions and Grants	1,322,867	2,224,949	19,638		1,342,505	2,224,949
Capital Contributions and Grants	1,504,759	1,399,366	-	57,398	1,504,759	1,456,764
General Revenues:						
Property Taxes	19,791,425	20,006,558			19,791,425	20,006,558
Other Taxes	16,133,746	15,180,607			16,133,746	15,180,607
Motor Vehicle in Lieu	118,296	108,815			118,296	108,815
Other	2,725,421	2,552,587	153,713	260,234	2,879,134	2,812,821
Total Revenues	\$56,716,003	\$55,224,581	\$19,897,184	\$17,042,390	\$76,613,187	\$72,266,971
Expenses:						
General Government	\$9,464,347	\$10,308,925			\$9,464,347	\$10,308,925
Public Safety	30,686,086	28,879,836			30,686,086	28,879,836
Public Works	8,338,105	7,906,172			8,338,105	7,906,172
Culture & Recreation	6,018,205	5,853,076			6,018,205	5,853,076
Interest on Long-Term Debt	769,374	811,710			769,374	811,710
Water, Waste, Storm	-	-	10,429,398	10,274,644	10,429,398	10,274,644
Refuse	-	-	4,386,842	4,282,026	4,386,842	4,282,026
Parking	-	-	2,352,386	2,190,580	2,352,386	2,190,580
Total Expenses	\$55,276,117	\$53,759,719	\$17,168,626	\$16,747,250	\$72,444,743	\$70,506,969
Revenues Over Expenses	1,439,886	1,464,862	2,728,558	295,140	4,168,444	1,760,002
Transfers In (Out)	106,362	134,753	(106,362)	(134,753)	-	-
Increase (Decrease) in Net Assets	\$1,546,248	\$1,599,615	\$2,622,196	\$160,387	\$4,168,444	\$1,760,002
Net Assets - Beginning	\$133,242,003	\$131,642,388	\$39,600,326	\$39,439,939	\$172,842,329	\$171,082,327
Net Assets - June 30 (Year End)	\$134,788,251	\$133,242,003	\$42,222,522	\$39,600,326	\$177,010,773	\$172,842,329

Changes in Net Assets - Governmental Activities

The City's governmental activities in FY 2010-2011 increased net assets by \$1,546,248, which was a 1.2% increase from FY 2009-2010.

Total governmental revenues of \$56,716,003 are broken out as follows:



Functional expenses (excluding interest on debt) for the years ending June 30, 2011 and 2010 were as follows:

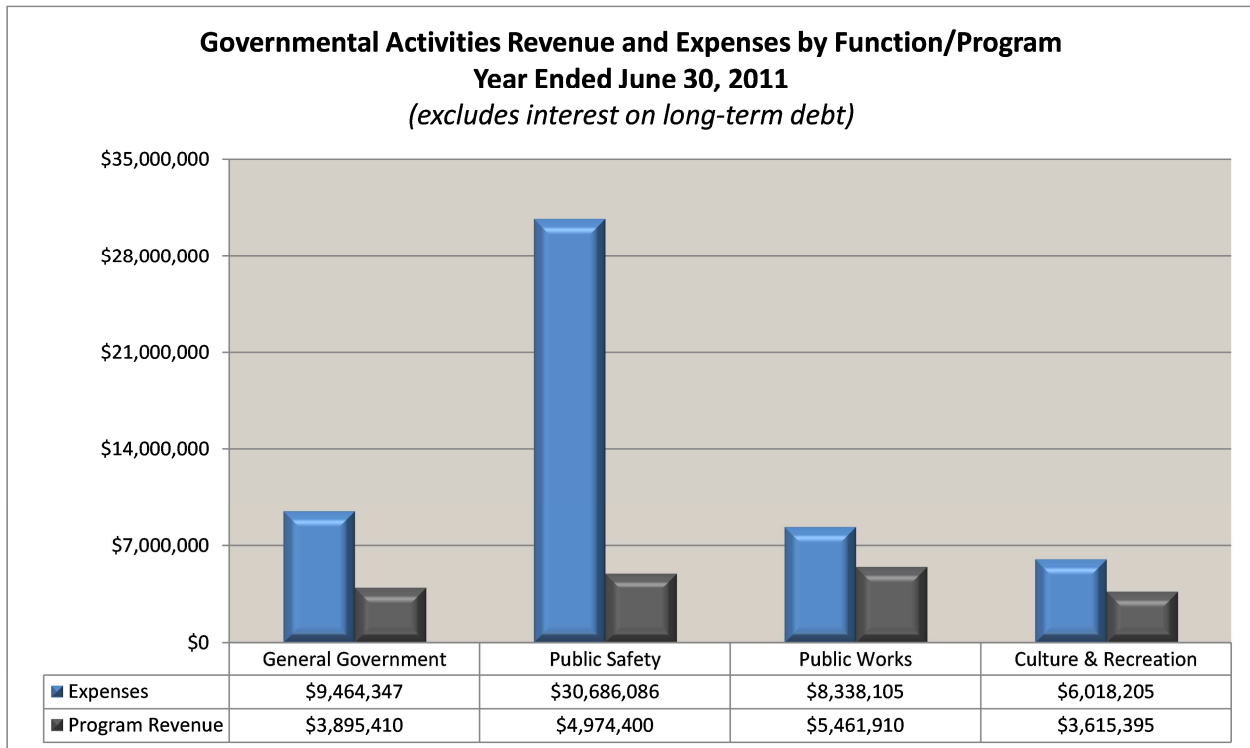
Governmental Activities - Cost of Services

Excludes Interest on Long-Term Debt

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government	9,464,347	10,308,925	(5,568,937)	(6,215,804)
Public Safety	30,686,086	28,879,836	(25,711,686)	(23,827,646)
Public Works	8,338,105	7,906,172	(2,876,195)	(2,963,407)
Culture and Recreation	6,018,205	5,853,076	(2,402,810)	(2,565,138)
Total	\$54,506,743	\$52,948,009	(\$36,559,628)	(\$35,571,995)

The total cost of services increased from the prior year by \$1,558,734 (2.9%), while the net cost of services increased by \$987,633, or 2.8% from the prior year. Public Safety net costs increased \$1,884,040 while General Government, Public Works, and Culture and Recreation net costs decreased by a combined \$896,407.

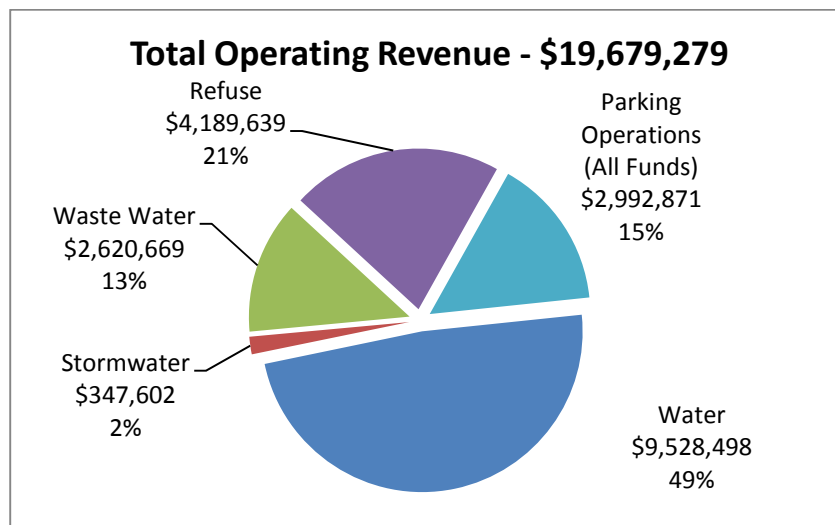
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2011.



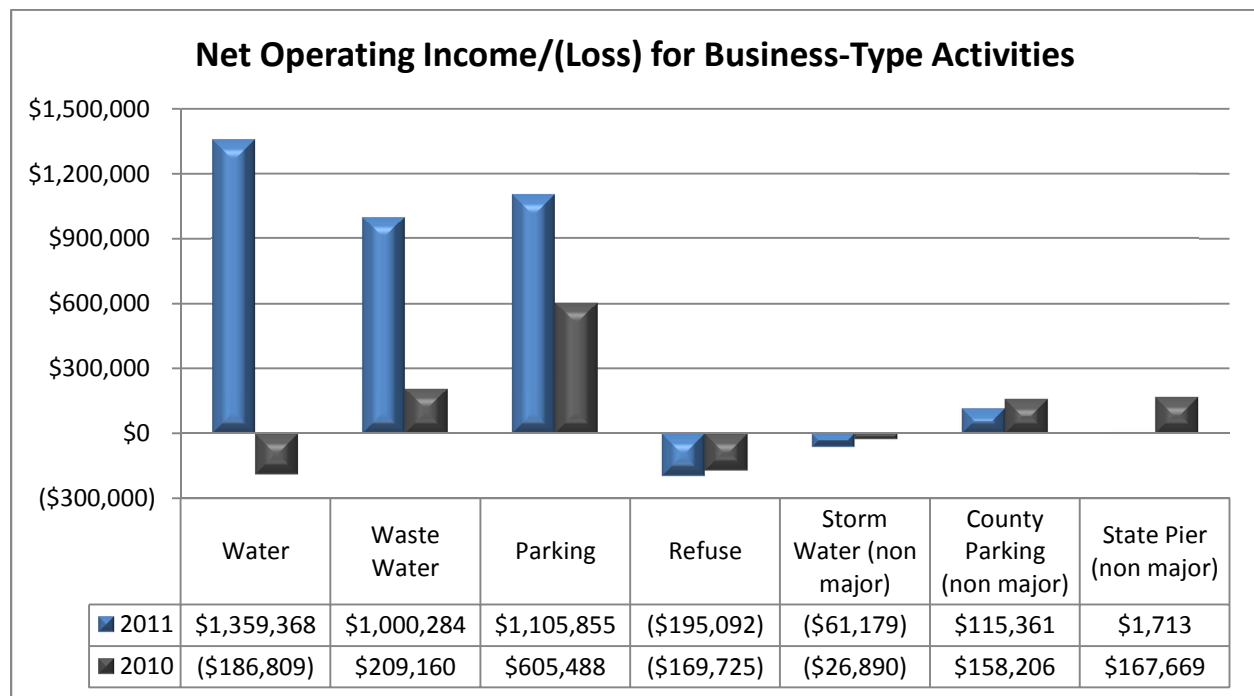
Change in Net Assets - Business Type Activities

In fiscal year 2010-2011, total revenues for the City's business type activities amounted to \$19,897,184. Operating revenues totaled \$19,679,279, while non-operating revenues (primarily interest income) totaled \$217,905. Expenses totaled \$17,168,626, of which operating expenses equaled \$16,352,969, and non-operating expenses (primarily debt interest expense) totaled \$815,657. Total income from operations was \$3,326,310, while net income before transfers was \$2,728,558. After net transfers out totaling \$106,362, net assets increased by \$2,622,196.

Operating Revenues by Source - Business Type Activities FY 2011



Operating Income varied across the business-type activities in FY 2011. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.



FUND FINANCIAL STATEMENTS

Governmental Funds

As of the end of the 2011 fiscal year, the City's governmental funds ending fund balances totaled \$33.4 million, an increase of \$2.6 million in comparison with the prior year.

Approximately \$18.2 million (55%) of the Governmental Funds total constitutes unassigned fund balance. The remainder of the fund balance (\$15.1 million) is non-spendable, restricted or committed to indicate that it is not available for new spending because it has already been committed for on-going capital projects, advanced to other funds, or for legally-required debt service reserves.

Notwithstanding Governmental Accounting Standards Board (GASB) pronouncements, the City Council has established earmarks within the unassigned category for working capital and budgetary capital planning initiatives. Of the \$18.2 million unassigned governmental fund balance noted above, \$13.9 million has been designated by City Council actions. Considering these designations, \$4.3 million in governmental fund balances (General, Capital Projects, and Special Revenue Funds) remain unassigned.

General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2010-2011 fiscal year, unassigned fund balance of the General Fund was \$18.27 million, while total fund balance was \$19.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.4 months of total General Fund expenditures, while total fund balance represents 4.8 months of General Fund expenditures.

During the year, General Fund revenues exceeded expenditures by \$2,261,948.

Net transfer activity in this fund totaled negative \$608,988, and included the following transfers:

- The Capital Improvement Project (CIP) Fund received \$542,684 to fund the City's share of the purchase of the City Manager's home
- The Street Lighting Fund received \$172,666 to relieve a deficit fund balance.
- \$115,362 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.
- \$9,000 was transferred to the Refuse Fund for increased Strand sweeping.

Please see Note #4 for more information.

Capital Improvement Fund

The Capital Improvement Fund serves to plan and manage the construction and maintenance of non-enterprise projects which are funded through dedicated revenue sources as well as General Fund surpluses which may arise from year to year. 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 fiscal year 2011, total fund balance of the Capital Improvement Fund was \$5,612,490. Of the total fund balance, \$1,115,744 includes non-spendable funds in the form of loans to other funds or outside parties for the City's Underground Loan Program, \$817,075 restricted for the debt service reserve and \$3,679,671 committed to capital projects (please see Note 8 to these financial statements).

Project commitments, which total \$3,679,671 at year-end include:

- \$1,982,000 for the renovation of City facilities
- \$797,253 for the Safe Routes to School program
- \$320,000 for the Strand stairs project
- \$115,000 for the City Yard fuel island cover
- \$465,418 for future capital projects

During Fiscal Year 2010-2011, the Capital Improvement Project Fund balance increased by \$104,677.

Total revenues to the Capital Improvement Fund totaled \$1,206,211. Certain dedicated revenues described below amounted to \$1,126,353 in FY 2010-2011. 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 \$475,400 in revenue for the year. This is \$7,494 (1.6%) above prior year levels.

Parking Meter Rates: A twenty-five cent per hour increment of on-street parking meter rates, dedicated to capital improvements, generated revenue of \$541,013 this fiscal year. This was up \$96,128 or 21.6% from the prior year levels.

Parking Citation Rates: Four dollars of most parking citations is dedicated to the CIP fund. For FY 2010-2011, revenue of \$109,940 was realized; a decrease of \$2,956 (2.6%) from the prior year.

This fund realized \$79,858 in permits, interest and other revenue.

Capital Improvement Fund expenditures equaled \$1,644,218 which included:

- \$542,092 for the City's share of the City Manager's Home
- \$813,511 for Police & Fire facility debt service
- \$137,263 for the Live Oak fencing project
- \$69,125 for the Strand Stairs project
- \$59,511 for Sand Dune restoration
- \$20,161 for the Safe Routes program
- \$2,555 for an energy improvement audit

Other Governmental Funds

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

The Street Lighting Fund, continues to run deficits each year. For FY 2010-2011, expenditures exceeded revenues by \$172,666. Because there is no fund balance to draw upon, the General Fund contributed \$172,666 to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

Proprietary Funds

The City's proprietary funds consist of enterprise funds and internal service funds. The enterprise funds include Water, Wastewater, Refuse and Parking Funds (major funds), as well as Storm Water, and both the County and State 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 \$42,222,522. \$13.4 million of the total is unrestricted. The remaining balance is invested in capital assets net of related debt (\$27.1 million), restricted for debt service (\$1.2 million) and restricted for business improvement district funds \$.5 million).

Overall, enterprise funds combined net income was \$2,728,558 before transfers. Net assets increased for all funds by \$2,622,196. This includes an operating transfer of \$115,362 from the County Lots enterprise fund to the General Fund.

Several enterprise funds are worth noting this year:

- The Water Fund showed improvement from prior years. Net income from operations totaled \$1,359,368, an improvement from the prior year which had a net operating loss of \$186,809. Revenue from sales increased by 21%, while operating expenses (labor, materials, services, etc.) rose by 1.4%. The new water rates, which became effective half way through fiscal year 2010-2011 contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$27.3 million over the next five years.

- The Waste Water fund net operating income for FY 2010-2011 was \$1,000,284 versus \$209,160 in fiscal year 2009-2010 – a net increase of \$791,124. This improvement is primarily due to the new waste water rates implemented along with the water rates in January 2011. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system, estimated at \$11.3 million over the next five years.
- The Refuse Fund continued to operate at a deficit, realizing a net operating loss in FY 2011 of \$195,092. Operating expenses increased by 2.5% (\$104,664) while revenues rose by only \$79,279 (1.9%). The continued losses in this enterprise are due to insufficient rates to cover total operating costs. However, with the implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure, such losses are expected to be mitigated.

During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds (the new rate structure became effective in January 2010 and provides for annual increases each January through 2014). A new refuse hauler contract was awarded in FY 2010-2011 with a corresponding rate adjustment effective June 2011.

Internal Service Funds

Unrestricted net assets of the internal service funds at the end of the year amounted to \$5.23 million with net assets total of \$7.53 million. Total net assets increased by \$338,300.

The Insurance Fund net assets declined by \$559,355 due to increased claims cost. FY 2010-2011 workers compensation and liability claims totaled \$3.59 million compared to \$1.69 million in FY 2009-2010, \$2.98 million in FY 2008-2009, and \$3.5 million in FY 2007-2008. The unpredictable nature of workers compensation and liability causes these fluctuations in claims expense from year to year. The City continually looks for ways to proactively manage risk and reduce these costs.

Net assets in the Fleet Fund increased by \$989,540 due to a reinstatement of departmental fleet rental charge-outs (revenue) which had been temporarily suspended for budgetary purposes in the two prior years.

General Fund Budgetary Highlights

Estimated Revenues

Total revenues including the sale of capital assets totaled \$52,033,629, outperforming the final budget by \$2,591,306. Tax revenues were \$1,605,090 over budget. Charges for Services exceeded budget by \$402,530, while Licenses and Permits came in \$260,950 over estimates. Miscellaneous revenue came in \$222,421 above estimates.

Appropriations

The final amended budget reflects a net increase of \$2,458,360 over the adopted appropriations.

Significant budget adjustments included:

- \$1,255,630 for fleet rental allocations
- \$432,000 for the City Manager Home loan
- \$199,708 for re-appropriations for open purchase orders from fiscal year 2009-2010
- \$155,800 for the energy efficiency program
- \$140,000 for the purchase of Prop A funds
- \$120,435 for professional services for library improvements

Capital Asset and Debt Administration

Capital Assets: Government wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2011 is \$156,646,393. This is a decrease from the prior year of \$337,900 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		Total	
	2011	2010	2011	2010	2011	2010
Land	\$34,072,066	\$33,634,566	\$1,757,434	\$1,757,434	\$35,829,500	\$35,392,000
Buildings	37,340,548	38,009,707	15,798,471	15,983,766	53,139,019	53,993,473
Machinery & Equipment	1,570,324	1,884,788	588,626	295,321	2,158,950	2,180,109
Vehicles	2,297,864	2,685,860	-	-	2,297,864	2,685,860
Infrastructure	35,293,689	36,781,320	23,609,402	21,974,883	58,903,091	58,756,203
Invested in Joint Venture (RCC)	2,009,415	1,796,951	-	-	2,009,415	1,796,951
Work in Progress	2,146,397	1,476,310	162,158	703,386	2,308,555	2,179,696
Total	\$114,730,303	\$116,269,502	\$41,916,091	\$40,714,790	\$156,646,394	\$156,984,292

Governmental

During Fiscal Year 2010-2011, governmental capital expenditures included:

- \$743,792 for street and sidewalk improvements
- \$540,000 for the City's portion of the City Manager's home purchase
- \$137,263 for the Live Oak fencing project
- \$69,125 for the Strand Stairs project
- \$59,511 for Sand Dune restoration
- \$20,161 for the Safe Routes program

Business Type

During the current fiscal year, Business Type capitalized expenses totaled \$2,136,497. Major items were \$1,707,089 in water system improvements and \$331,736 in parking meters. These were offset by scheduled depreciation, resulting in a net decrease in assets of \$1,201,301.

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

Long-Term Liabilities: Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$49,726,661, a decrease of \$1,136,062 from fiscal 2009-2010. Governmental liabilities decreased by \$717,392 (2%) while business type liabilities decreased by \$418,670 (2.7%). The following table is a condensation of footnote 6.

City of Manhattan Beach Outstanding Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Marine Avenue COPs	\$7,715,000	\$7,945,000	-	-	\$7,715,000	\$7,945,000
Capital Equipment Lease	-	35,807	-	-	-	35,807
Police & Fire Facility COPs	11,725,000	11,990,000	-	-	11,725,000	11,990,000
Accrued Employee Leave & Benefits	2,533,972	2,533,778	109,226	\$107,896	2,643,198	2,641,674
Supplemental Leave	4,607	16,283	-	-	4,607	16,283
Water and Wastewater COPs	-	-	3,370,000	3,490,000	3,370,000	3,490,000
Metlox Parking COPs	-	-	11,435,000	11,735,000	11,435,000	11,735,000
Pension Obligation Bonds	3,795,000	4,635,000	-	-	3,795,000	4,635,000
So Bay Communications (RCC)	1,495,000	1,585,000	-	-	1,495,000	1,585,000
Insurance Claim Reserves	7,543,856	6,788,959	-	-	7,543,856	6,788,959
Total Liabilities	\$34,812,435	\$35,529,827	\$14,914,226	\$15,332,896	\$49,726,661	\$50,862,723
Current (due within one year)	6,915,605	6,300,228	464,573	444,083	7,380,178	6,744,311
Long Term Liabilities	\$27,896,830	\$29,229,599	\$14,449,653	\$14,888,813	\$42,346,483	\$44,118,412

Governmental

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. The total decrease in debt was \$1,460,807. No new debt was issued in FY 2010-2011.

Business Type

Liabilities decreased as a result of the reduction in bond principal of \$420,000 (\$120,000 in Water/Waste Water bonds and \$300,000 in Metlox Public Improvement bonds). No new debt was issued in FY 2010-2011.

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 \$439,410,087.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the FY 2011-2012 General Fund operating budget in June 2011. The original budget estimates General Fund revenues at \$51,170,408 and expenditures of \$50,657,495, resulting in a budgeted surplus of \$512,913.

The City's major General Fund revenue sources continue to improve after the affects of the recession. Property tax, the single biggest General Fund revenue source, which dramatically slowed with the housing market the past few years, is expected to increase in FY 2011-2012 by 1% to 2%. Sales tax is also projected to be up slightly from FY 2010-2011 due to an improved economy and retail sales environment. A pickup in building-related activity coupled with increased fees are expected to generate additional building permit and plan check revenues.

As a service organization, labor accounts for most of our costs - approximately 70% in the General Fund. The previous long term labor agreements with the three bargaining units (Police, Fire and Miscellaneous) expired in mid 2011. Extensions of those agreements were approved, providing predictability in labor costs through December 2012 while long term cost structure sustainability can be determined.

The City continues its focus on capital improvements. \$85.1 million has been allocated over the next five years for utility, street and facility projects. \$40.2 million of that amount is for water, wastewater,

stormwater and other utility projects. An additional \$38.5 million has been budgeted for street and roadway needs, and \$6.4 for general facilities. These projects will ensure continued functionality of vital systems, traffic flow and community facilities.

Requests for Information

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



Government-Wide Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 43,478,346	\$ 14,900,331	\$ 58,378,677
Receivables:			
Accounts	589,178	1,145,091	1,734,269
Taxes	3,259,449	-	3,259,449
Accrued interest	223,554	-	223,554
Internal balances	1,073,000	(1,073,000)	-
Prepaid costs	19,519	5,392	24,911
Prepaid other post-employment benefits	504,942	32,605	537,547
Due from other governments	410,163	-	410,163
Inventories	132,866	109,725	242,591
Total Current Assets	49,691,017	15,120,144	64,811,161
Restricted assets:			
Cash with fiscal agent	2,756,149	1,208,833	3,964,982
Notes and loans receivable	474,744	-	474,744
Prepaid other post-employment benefits	3,175,997	205,081	3,381,078
Prepaid pension obligation	3,986,846	-	3,986,846
Unamortized debt issuance costs	291,232	261,274	552,506
Capital assets not being depreciated	36,218,463	1,919,592	38,138,055
Capital assets, net of depreciation	78,511,840	39,996,499	118,508,339
Total Noncurrent Assets	125,415,271	43,591,279	169,006,550
Total Assets	175,106,288	58,711,423	233,817,711
Liabilities:			
Accounts payable	1,736,865	1,130,452	2,867,317
Accrued liabilities	1,566,975	-	1,566,975
Accrued interest	365,922	336,843	702,765
Unearned revenue	994,136	-	994,136
Deposits payable	701,579	107,380	808,959
Long-term liabilities due within one year	6,915,605	464,573	7,380,178
Total Current Liabilities	12,281,082	2,039,248	14,320,330
Noncurrent liabilities:			
Long-term liabilities due in more than one year	28,036,955	14,449,653	42,486,608
Total Liabilities	40,318,037	16,488,901	56,806,938
Net Assets:			
Invested in capital assets, net of related debt	93,795,303	27,111,091	120,906,394
Restricted for:			
Public safety	1,247,014	-	1,247,014
Parks and recreation	80,284	-	80,284
Public works	3,324,947	-	3,324,947
Capital projects	2,827,688	-	2,827,688
Debt service	1,999,346	1,208,833	3,208,179
Business improvement districts	-	517,072	517,072
Unrestricted	31,513,669	13,385,526	44,899,195
Total Net Assets	\$ 134,788,251	\$ 42,222,522	\$ 177,010,773

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 9,464,347	\$ 3,883,959	\$ 11,451	\$ -
Public safety	30,686,086	4,765,404	208,996	-
Culture and recreation	6,018,205	3,029,554	585,841	-
Public works	8,338,105	3,440,572	516,579	1,504,759
Interest on long-term debt	769,374	-	-	-
Total Governmental Activities	55,276,117	15,119,489	1,322,867	1,504,759
Business-Type Activities:				
Water	8,326,398	9,557,717	-	-
Stormwater	410,188	347,602	-	-
Wastewater	1,692,812	2,620,669	-	-
Refuse	4,386,842	4,189,639	19,638	-
Parking	1,570,246	2,110,118	-	-
County Parking Lot	348,397	463,195	-	-
State Pier and Parking Lot	433,743	434,893	-	-
Total Business-Type Activities	17,168,626	19,723,833	19,638	-
Total Primary Government	\$ 72,444,743	\$ 34,843,322	\$ 1,342,505	\$ 1,504,759

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Intergovernmental, unrestricted:

Motor vehicle in lieu

Homeowner property tax

Investment earnings and rent

Transfers

Total General Revenues 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		
Governmental Activities	Business-Type Activities	Total
\$ (5,568,937)	\$ -	\$ (5,568,937)
(25,711,686)	-	(25,711,686)
(2,402,810)	-	(2,402,810)
(2,876,195)	-	(2,876,195)
(769,374)	-	(769,374)
(37,329,002)	-	(37,329,002)
-	1,231,319	1,231,319
-	(62,586)	(62,586)
-	927,857	927,857
-	(177,565)	(177,565)
-	539,872	539,872
-	114,798	114,798
-	1,150	1,150
-	2,574,845	2,574,845
(37,329,002)	2,574,845	(34,754,157)
19,791,425	-	19,791,425
3,229,823	-	3,229,823
8,148,688	-	8,148,688
1,289,443	-	1,289,443
2,844,066	-	2,844,066
473,275	-	473,275
118,296	-	118,296
148,451	-	148,451
2,725,421	153,713	2,879,134
106,362	(106,362)	-
38,875,250	47,351	38,922,601
1,546,248	2,622,196	4,168,444
133,242,003	39,600,326	172,842,329
\$ 134,788,251	\$ 42,222,522	\$ 177,010,773

See Notes to Financial Statements





Fund Financial Statements

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Capital Projects Funds Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Pooled cash and investments	\$ 19,545,360	\$ 3,636,354	\$ 7,691,785	\$ 30,873,499
Receivables:				
Accounts	413,219	-	175,959	589,178
Taxes	3,215,761	43,688	-	3,259,449
Notes and loans	432,000	42,744	-	474,744
Accrued interest	223,554	-	-	223,554
Prepaid costs	19,519	-	-	19,519
Due from other governments	205,184	1,995	202,985	410,164
Due from other funds	22,488	-	-	22,488
Advances to other funds	-	1,073,000	-	1,073,000
Restricted assets:				
Cash and investments with fiscal agents	1,277,355	1,087,912	390,882	2,756,149
Total Assets	\$ 25,354,440	\$ 5,885,693	\$ 8,461,611	\$ 39,701,744
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,231,922	\$ 370	\$ 386,091	\$ 1,618,383
Accrued liabilities	1,566,975	-	-	1,566,975
Deferred revenues	1,025,021	-	22,488	1,047,509
Unearned revenues	830,978	1,995	161,163	994,136
Deposits payable	699,838	-	1,741	701,579
Due to other funds	-	-	22,488	22,488
Interest payable	95,084	270,838	-	365,922
Total Liabilities	5,449,818	273,203	593,971	6,316,992
Fund Balances:				
Nonspendable:				
Prepaid costs	19,519	-	-	19,519
Notes and loans	432,000	42,744	-	474,744
Advances to other funds	-	1,073,000	-	1,073,000
Restricted for:				
Public safety	-	-	1,247,014	1,247,014
Parks and recreation	-	-	80,284	80,284
Public works	-	-	3,324,947	3,324,947
Capital projects	-	-	2,827,688	2,827,688
Debt service	1,182,271	817,075	-	1,999,346
Committed to:				
Capital projects	-	3,679,671	410,195	4,089,866
Unassigned	18,270,832	-	(22,488)	18,248,344
Total Fund Balances	19,904,622	5,612,490	7,867,640	33,384,752
Total Liabilities and Fund Balances	\$ 25,354,440	\$ 5,885,693	\$ 8,461,611	\$ 39,701,744

CITY OF MANHATTAN BEACH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances of governmental funds	\$ 33,384,752
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.	112,432,439
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(27,117,472)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	1,047,508
Prepaid pension benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	3,986,846
Prepaid other post-retirement benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	3,526,172
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>7,528,006</u>
Net assets of governmental activities	<u><u>\$ 134,788,251</u></u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects Funds Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 35,625,807	\$ 475,400	\$ 1,596,430	\$ 37,697,637
Licenses and permits	1,281,400	7,783	-	1,289,183
Intergovernmental	499,736	17,951	1,231,695	1,749,382
Charges for services	8,843,407	541,013	12,186	9,396,606
Use of money and property	2,569,397	52,374	101,895	2,723,666
Fines and forfeitures	2,757,132	109,940	-	2,867,072
Miscellaneous	450,921	1,750	276,761	729,432
Total Revenues	52,027,800	1,206,211	3,218,967	56,452,978
Expenditures:				
Current:				
General government	8,658,773	2,092	-	8,660,865
Public safety	28,999,907	-	176,234	29,176,141
Parks and recreation	5,501,841	-	690,630	6,192,471
Public works	5,097,745	62,066	990,128	6,149,939
Capital outlay	-	766,550	743,791	1,510,341
Debt service:				
Principal retirement	1,160,000	265,000	-	1,425,000
Interest	347,586	548,510	-	896,096
Total Expenditures	49,765,852	1,644,218	2,600,783	54,010,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,261,948	(438,007)	618,184	2,442,125
Other Financing Sources (Uses):				
Transfers in	115,362	542,684	172,666	830,712
Transfers out	(724,350)	-	-	(724,350)
Proceeds from sale of capital asset	5,829	-	-	5,829
Total Other Financing Sources (Uses)	(603,159)	542,684	172,666	112,191
Net Change in Fund Balances	1,658,789	104,677	790,850	2,554,316
Fund Balances, Beginning of Year	18,245,833	5,507,813	7,076,790	30,830,436
Fund Balances, End of Year	\$ 19,904,622	\$ 5,612,490	\$ 7,867,640	\$ 33,384,752

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds \$ 2,554,316

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	1,866,615
Depreciation expense and loss on disposal	(3,017,818)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,425,000
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Unamortized of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(30,914)
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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.	11,482
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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.	(122,199)
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Amortization of long-term assets is reported only at the government-wide level:	
Prepaid PERS	(197,530)
Prepaid police/fire side fund payoff	(832,084)
Prepaid other post-employment benefits	(448,920)

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.	338,300
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Change in net assets of governmental activities	<u><u>\$ 1,546,248</u></u>
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CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 18,245,833	\$ 18,245,833	\$ 18,245,833	\$ -
Resources (Inflows):				
Taxes	34,020,717	34,020,717	35,625,807	1,605,090
Licenses and permits	1,020,450	1,020,450	1,281,400	260,950
Intergovernmental	298,259	466,559	499,736	33,177
Charges for services	8,440,877	8,440,877	8,843,407	402,530
Use of money and property	2,510,720	2,510,720	2,569,397	58,677
Fines and forfeitures	2,753,000	2,753,000	2,757,132	4,132
Miscellaneous	228,500	228,500	450,921	222,421
Transfers in	117,906	117,906	115,362	(2,544)
Proceeds from sale of capital asset	1,500	1,500	5,829	4,329
Amounts Available for Appropriation	67,637,762	67,806,062	70,394,824	2,588,762
Charges to Appropriation (Outflow):				
General government	8,754,521	9,624,809	8,658,773	966,036
Public safety	28,131,882	29,139,212	28,999,907	139,305
Parks and recreation	5,265,545	5,495,471	5,501,841	(6,370)
Public works	5,413,275	5,764,091	5,097,745	666,346
Debt service:				
Principal retirement	1,160,000	1,160,000	1,160,000	-
Interest and fiscal charges	529,003	529,003	347,586	181,417
Transfers out	144,700	696,384	724,350	(27,966)
Total Charges to Appropriations	49,398,926	52,408,970	50,490,202	1,918,768
Budgetary Fund Balance, June 30	\$ 18,238,836	\$ 15,397,092	\$ 19,904,622	\$ 4,507,530

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Refuse	Parking
Assets:				
Current:				
Cash and investments	\$ 5,735,506	\$ 1,779,371	\$ 573,234	\$ 2,775,444
Receivables:				
Accounts	596,342	187,486	344,319	975
Prepaid costs	5,392	-	-	-
Inventories	109,725	-	-	-
Prepaid OPEB - short-term	20,852	4,928	2,275	1,820
Total Current Assets	6,467,817	1,971,785	919,828	2,778,239
Noncurrent:				
Prepaid other post-employment benefits	131,156	31,000	14,309	11,446
Restricted:				
Cash with fiscal agent	226,097	111,236	-	871,500
Unamortized debt issuance costs	51,485	25,323	-	184,466
Capital assets - net of accumulated depreciation	15,033,459	5,406,849	-	17,828,913
Total Noncurrent Assets	15,442,197	5,574,408	14,309	18,896,325
Total Assets	\$ 21,910,014	\$ 7,546,193	\$ 934,137	\$ 21,674,564
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 493,709	\$ 40,229	\$ 333,676	\$ 37,126
Accrued interest	43,271	21,293	-	272,279
Deposits payable	2,315	-	-	105,065
Workers' compensation claims	-	-	-	-
Accrued compensated absences	24,573	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	87,140	42,860	-	310,000
Total Current Liabilities	651,008	104,382	333,676	724,470
Noncurrent:				
Advances from other funds	-	-	-	1,073,000
Accrued leave long-term	84,653	-	-	-
Workers' compensation claims	-	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	2,171,599	1,068,401	-	11,125,000
Total Noncurrent Liabilities	2,256,252	1,068,401	-	12,198,000
Total Liabilities	2,907,260	1,172,783	333,676	12,922,470
Net Assets:				
Invested in capital assets, net of related debt	12,774,720	4,295,588	-	6,393,913
Restricted for debt service	226,097	111,236	-	871,500
Restricted for business improvement district	-	-	-	517,072
Unrestricted	6,001,937	1,966,586	600,461	969,609
Total Net Assets	19,002,754	6,373,410	600,461	8,752,094
Total Liabilities and Net Assets	\$ 21,910,014	\$ 7,546,193	\$ 934,137	\$ 21,674,564

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 4,036,776	\$ 14,900,331	\$ 12,604,847
Receivables:			
Accounts	15,969	1,145,091	-
Prepaid costs	-	5,392	-
Inventories	-	109,725	132,866
Prepaid OPEB - short-term	2,730	32,605	21,231
Total Current Assets	4,055,475	16,193,144	12,758,944
Noncurrent:			
Prepaid other post-employment benefits	17,170	205,081	133,536
Restricted:			
Cash with fiscal agent	-	1,208,833	-
Unamortized debt issuance costs	-	261,274	-
Capital assets - net of accumulated depreciation	3,646,870	41,916,091	2,297,864
Total Noncurrent Assets	3,664,040	43,591,279	2,431,400
Total Assets	\$ 7,719,515	\$ 59,784,423	\$ 15,190,344
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 225,712	\$ 1,130,452	\$ 118,482
Accrued interest	-	336,843	-
Deposits payable	-	107,380	-
Workers' compensation claims	-	-	4,551,909
Accrued compensated absences	-	24,573	-
Accrued claims and judgments	-	-	390,431
Bonds, notes, and capital leases	-	440,000	-
Total Current Liabilities	225,712	2,039,248	5,060,822
Noncurrent:			
Advances from other funds	-	1,073,000	-
Accrued leave long-term	-	84,653	-
Workers' compensation claims	-	-	2,022,384
Accrued claims and judgments	-	-	579,132
Bonds, notes, and capital leases	-	14,365,000	-
Total Noncurrent Liabilities	-	15,522,653	2,601,516
Total Liabilities	225,712	17,561,901	7,662,338
Net Assets:			
Invested in capital assets, net of related debt	3,646,870	27,111,091	2,297,864
Restricted for debt service	-	1,208,833	-
Restricted for business improvement district	-	517,072	-
Unrestricted	3,846,933	13,385,526	5,230,142
Total Net Assets	7,493,803	42,222,522	7,528,006
Total Liabilities and Net Assets	\$ 7,719,515	\$ 59,784,423	\$ 15,190,344

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, 2011

	Business-Type Activities - Enterprise Funds			
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
Operating Revenues:				
Sales and service charges	\$ 9,528,498	\$ 2,604,946	\$ 4,069,414	\$ 2,092,113
Miscellaneous	-	15,723	120,225	2,670
Total Operating Revenues	<u>9,528,498</u>	<u>2,620,669</u>	<u>4,189,639</u>	<u>2,094,783</u>
Operating Expenses:				
Administration and general	900,163	219,629	116,607	41,457
Employee benefits	481,331	71,212	43,832	20,074
Contract and professional services	3,206,408	238,500	3,696,903	318,847
Materials and services	1,417,943	176,858	116,465	200,149
Utilities	372,627	23,582	344	83,236
Administrative service charges	1,403,640	718,980	410,580	101,439
Leases and rents	-	-	-	-
Claims expense	-	-	-	-
Depreciation expense	387,018	171,624	-	223,726
Total Operating Expenses	<u>8,169,130</u>	<u>1,620,385</u>	<u>4,384,731</u>	<u>988,928</u>
Operating Income (Loss)	<u>1,359,368</u>	<u>1,000,284</u>	<u>(195,092)</u>	<u>1,105,855</u>
Nonoperating Revenues (Expenses):				
Intergovernmental	-	-	19,638	-
Interest revenue	61,917	15,541	5,509	27,492
Interest expense	(130,544)	(64,226)	-	(550,184)
Bond administrative fees	(2,673)	(1,315)	-	(2,800)
Bond amortization	(4,699)	(2,312)	-	(11,448)
Miscellaneous	436	-	-	15,335
OPEB amortization	(19,352)	(4,574)	(2,111)	(1,689)
Interest on interfund loan	-	-	-	(15,197)
Gain (loss) on disposal of capital assets	28,783	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(66,132)</u>	<u>(56,886)</u>	<u>23,036</u>	<u>(538,491)</u>
Income (Loss) Before Capital Contributions and Transfers	1,293,236	943,398	(172,056)	567,364
Capital contributions	-	-	-	-
Transfers in	-	-	9,000	-
Transfers out	-	-	-	-
Changes in Net Assets	<u>1,293,236</u>	<u>943,398</u>	<u>(163,056)</u>	<u>567,364</u>
Net Assets:				
Beginning of Year	<u>17,709,518</u>	<u>5,430,012</u>	<u>763,517</u>	<u>8,184,730</u>
End of Fiscal Year	<u>\$ 19,002,754</u>	<u>\$ 6,373,410</u>	<u>\$ 600,461</u>	<u>\$ 8,752,094</u>

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, 2011

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales and service charges	\$ 1,245,543	\$ 19,540,514	\$ 8,399,704
Miscellaneous	147	138,765	87,523
Total Operating Revenues	1,245,690	19,679,279	8,487,227
Operating Expenses:			
Administration and general	101,351	1,379,207	1,156,417
Employee benefits	38,455	654,904	412,684
Contract and professional services	352,640	7,813,298	636,174
Materials and services	208,342	2,119,757	1,609,190
Utilities	51,654	531,443	109,376
Administrative service charges	29,766	2,664,405	152,321
Leases and rents	254,759	254,759	-
Claims expense	-	-	3,590,070
Depreciation expense	152,828	935,196	681,561
Total Operating Expenses	1,189,795	16,352,969	8,347,793
Operating Income (Loss)	55,895	3,326,310	139,434
Nonoperating Revenues (Expenses):			
Intergovernmental	-	19,638	-
Interest revenue	43,254	153,713	-
Interest expense	-	(744,954)	(176)
Bond administrative fees	-	(6,788)	-
Bond amortization	-	(18,459)	-
Miscellaneous	-	15,771	34
OPEB amortization	(2,533)	(30,259)	(19,705)
Interest on interfund loan	-	(15,197)	-
Gain (loss) on disposal of capital assets	-	28,783	15,104
Total Nonoperating Revenues (Expenses)	40,721	(597,752)	(4,743)
Income (Loss) Before Capital Contributions and Transfers	96,616	2,728,558	134,691
Capital contributions	-	-	203,609
Transfers in	-	9,000	-
Transfers out	(115,362)	(115,362)	-
Changes in Net Assets	(18,746)	2,622,196	338,300
Net Assets:			
Beginning of Year	7,512,549	39,600,326	7,189,706
End of Fiscal Year	\$ 7,493,803	\$ 42,222,522	\$ 7,528,006

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Refuse	Parking
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 9,514,409	\$ 2,595,590	\$ 4,145,036	\$ 2,271,942
Cash received from/(paid to) interfund service provided	(2,152,309)	(851,486)	(454,569)	(262,715)
Cash paid to suppliers for goods and services	(4,848,683)	(392,595)	(3,768,497)	(765,788)
Cash paid to employees for services	(1,124,007)	(271,294)	(149,926)	(54,487)
Net Cash Provided (Used) by Operating Activities	1,389,410	1,080,215	(227,956)	1,188,952
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	-	-
Cash transfers in	-	-	9,000	823,000
Nonoperating revenue	436	-	19,638	15,335
Nonoperating expenses	-	-	-	(15,197)
Net Cash Provided (Used) by Non-Capital Financing Activities	436	-	28,638	823,138
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(1,707,089)	(97,673)	-	(331,736)
Principal paid on capital debt	(80,430)	(39,570)	-	(300,000)
Interest paid on capital debt	(131,992)	(64,938)	-	(555,809)
Miscellaneous	-	-	-	-
Cash from sale of assets	28,783	-	-	-
Bond administration fee	(2,673)	(1,315)	-	(2,801)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,893,401)	(203,496)	-	(1,190,346)
Cash Flows from Investing Activities:				
Interest received	61,917	15,541	5,509	27,492
Net Cash Provided (Used) by Investing Activities	61,917	15,541	5,509	27,492
Net Increase (Decrease) in Cash and Cash Equivalents	(441,638)	892,260	(193,809)	849,236
Cash and Cash Equivalents at Beginning of Year	6,403,241	998,347	767,043	2,797,708
Cash and Cash Equivalents at End of Year	\$ 5,961,603	\$ 1,890,607	\$ 573,234	\$ 3,646,944
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 1,359,368	\$ 1,000,284	\$ (195,092)	\$ 1,105,855
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	387,018	171,624	-	223,726
(Increase) decrease in accounts receivable	(21,878)	(25,076)	(44,459)	(480)
(Increase) decrease in inventory	16,565	-	-	-
(Increase) decrease in prepaid expense	15,608	-	-	-
Increase (decrease) in accounts payable	(368,602)	(66,617)	11,595	(134,489)
Increase (decrease) in deposits payable	-	-	-	(5,660)
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	1,331	-	-	-
Total Adjustments	30,042	79,931	(32,864)	83,097
Net Cash Provided (Used) by Operating Activities	\$ 1,389,410	\$ 1,080,215	\$ (227,956)	\$ 1,188,952

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		
	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,257,887	\$ 19,784,864	\$ 93,625
Cash received from/(paid to) interfund service provided	(117,922)	(3,839,001)	7,465,928
Cash paid to suppliers for goods and services	(818,915)	(10,594,478)	(4,617,065)
Cash paid to employees for services	(129,209)	(1,728,923)	(1,419,784)
Net Cash Provided (Used) by Operating Activities	191,841	3,622,462	1,522,704
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(115,362)	(115,362)	-
Cash transfers in	-	832,000	-
Nonoperating revenue	-	35,409	-
Nonoperating expenses	-	(15,197)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(115,362)	736,850	-
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	(2,136,498)	(89,955)
Principal paid on capital debt	-	(420,000)	(35,807)
Interest paid on capital debt	-	(752,739)	(175)
Miscellaneous	-	-	33
Cash from sale of assets	-	28,783	15,103
Bond administration fee	-	(6,789)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(3,287,243)	(110,801)
Cash Flows from Investing Activities:			
Interest received	43,252	153,711	-
Net Cash Provided (Used) by Investing Activities	43,252	153,711	-
Net Increase (Decrease) in Cash and Cash Equivalents	119,731	1,225,780	1,411,903
Cash and Cash Equivalents at Beginning of Year	3,917,045	14,883,384	11,192,944
Cash and Cash Equivalents at End of Year	\$ 4,036,776	\$ 16,109,164	\$ 12,604,847
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 55,895	\$ 3,326,310	\$ 139,434
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	152,828	935,196	681,561
(Increase) decrease in accounts receivable	(6,206)	(98,099)	-
(Increase) decrease in inventory	-	16,565	(22,955)
(Increase) decrease in prepaid expense	-	15,608	-
Increase (decrease) in accounts payable	(10,676)	(568,789)	(30,233)
Increase (decrease) in deposits payable	-	(5,660)	-
Increase (decrease) in claims and judgments	-	-	754,897
Increase (decrease) in compensated absences	-	1,331	-
Total Adjustments	135,946	296,152	1,383,270
Net Cash Provided (Used) by Operating Activities	\$ 191,841	\$ 3,622,462	\$ 1,522,704

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
Assets:		
Pooled cash and investments	\$ 1,201,307	\$ 450,619
Receivables:		
Accounts	28,550	83,590
Restricted assets:		
Cash and investments with fiscal agents	<u>2,908,308</u>	<u>-</u>
Total Assets	<u>\$ 4,138,165</u>	<u>\$ 534,209</u>
Liabilities:		
Accounts payable	\$ 10,180	\$ -
401(a) plan deposits	1,916,946	-
Deposits payable	80,243	-
Due to other governments	295,972	-
Due to bondholders	<u>1,834,824</u>	<u>-</u>
Total Liabilities	<u>\$ 4,138,165</u>	<u>-</u>
Net Assets:		
Held in trust for pension benefits		<u>\$ 534,209</u>
Total Net Assets		
Total Liabilities and Net Assets		<u>\$ -</u>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Pension Trust Fund</u>
Additions	
Refunds of contributions	\$ 83,590
Investment earnings	25,055
Total Additions	<u>108,645</u>
Deductions	
Benefits	149,571
Total Deductions	<u>149,571</u>
Changes in Net Assets	(40,926)
Net Assets - Beginning of the Year	575,135
Net Assets - End of the Year	<u><u>\$ 534,209</u></u>



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Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Blended Component Unit

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

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

c. Description of Funds

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

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

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

Agency Funds:

- Special Assessment Redemption Fund – to account for special assessment collections for debt service for the underground assessment bonds that the City remits to the fiscal agent.
- Special Deposits Fund – to account for 401(a) plan deposits, utility development deposits, art development fees and other miscellaneous items.

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

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. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Government-wide financial statements do not provide information by fund; they simply distinguish between governmental and business activities. The City's Statement of Net 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.

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.

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, the 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.

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

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of 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.

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

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

due February 1. All taxes are delinquent, if unpaid, by December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

f. Capital Assets

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

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

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

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

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

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

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

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

g. Other Accounting Policies

Cash and Cash Equivalents - For purpose of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds in its 401(a) plan; 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan. Investments - Investments are shown at fair value, in accordance with GASB Statement No. 31. Fair value is based upon quoted market prices.

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

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.

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

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 \$4,942,340 and \$2,601,516 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.

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, 2011, the total accrued liability for this benefit amounted to \$4,607, based on accumulated hours for months in service during the time period from January 1, 1990 to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (see Note 6).

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

n. Estimates

The accompanying financial statements require management to make estimates and assumptions that affect certain 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.

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 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 \$(27,117,472) long-term debt difference is as follows:

Long-term debt:	
COPS payable	\$ (19,440,000)
Pension obligation bonds payable	(3,795,000)
Revenue bonds	(1,495,000)
Supplemental leave allowance	(4,607)
Compensated absences	(2,533,972)
Unamortized bond premium	(140,125)
Unamortized bond issuance costs	<u>291,232</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	 <u><u>\$ (27,117,472)</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. The legal level of control is the fund level. No appropriation budget was adopted for the Underground Assessment District Capital Projects Fund.

b. Deficit

The Federal and State Grants Fund has a deficit of \$22,488. This deficit is due to Accounts Receivable (Due from Other Governments) offset by a 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)
JUNE 30, 2011

Note 3: Cash and Investments

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 46,234,495
Business-type activities	16,109,164
Fiduciary funds	<u>4,560,234</u>
Total Cash and Investments	<u>\$ 66,903,893</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 a 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, 2011, the carrying amount of the City's deposits was \$1,185,570 and the bank balance was \$592,871. The \$592,699 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.

Note 3: Cash and Investments (Continued)

b. Authorized Investments

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

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

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

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

c. Investments Authorized by Debt Agreements

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

d. Investments in State Investment Pool

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

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

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$31,300,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$31,349,344.

Note 3: Cash and Investments (Continued)

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

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

f. Cash and Investments - 401 (a) Plan

The City contributes to a 401(a) plan for its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2011, was \$1,916,946.

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, 2011, the fair value of investments exceeded the book value by \$237,693.

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, 2011, the City's investment in medium-term notes consisted of investments with Bank of America, Citibank, General Electric Capital, and Wells Fargo. All MTN's were rated "A" or higher by Moody's at time of purchase. All securities were investment grade and were legal under state and city policies. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. In addition, the ratings on 126 Federal Deposit Insurance Corp.-guaranteed debt issues from 30 financial institutions under the

Note 3: Cash and Investments (Continued)

Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) have also been downgraded to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

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, 2011, none of the City's deposits or investments was exposed to custodial credit risk.

j. Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer for the following types of investments. With respect to concentration of credit risk, as of June 30, 2011, 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, 2011, no issuer is above 5%

k. Interest Rate Risk

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 3: Cash and Investments (Continued)

As of June 30, 2011, 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	\$ 31,349,344	\$ -	\$ -	\$ -	\$ 31,349,344
US Treasury and agency notes	-	-	4,230,360	18,690,920	22,921,280
Medium-term notes	2,014,990	-	3,150,640	-	5,165,630
	<u>\$ 33,364,334</u>	<u>\$ -</u>	<u>\$ 7,381,000</u>	<u>\$ 18,690,920</u>	<u>59,436,254</u>
Investment with Fiscal Agents:					
Invested in money market mutual funds					
Utility Undergrounding					1,376,551
Metlox certificates of participation					871,500
Marine certificates of participation					15,169
Police & Fire pension bonds					170,194
Water/wastewater revenue bonds					1,091,991
SBRPCA revenue bonds					337,334
Police & Fire Certificates of Participation:					-
Invested in money market mutual funds					252,250
Invested in investment agreement					835,663
					<u>4,950,652</u>
Demand deposits					592,871
Other deposits					5,692
Petty cash					1,478
					<u>600,041</u>
Other Funds and Deposits:					
401(a) employee plan					1,916,946
					<u>1,916,946</u>
Grand Total					<u>\$ 66,903,893</u>

Note 4: Interfund Transactions

Interfund Transfers

With City Council approval, resources may be transferred from one fund to another. Transfers between individual funds during the fiscal year ended June 30, 2011, are presented below:

	Transfers In				Transfers In Totals
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Refuse Fund	
<u>Transfers Out</u>					
General Fund	\$ -	\$ 542,684	\$ 172,666	\$ 9,000	\$ 724,350
Nonmajor Proprietary Funds	115,362	-	-	-	115,362
Transfers Out Totals	<u>\$ 115,362</u>	<u>\$ 542,684</u>	<u>\$ 172,666</u>	<u>\$ 9,000</u>	<u>\$ 839,712</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 4: Interfund Transactions (Continued)

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

- The County Parking Lot fund transferred \$115,362 to the General Fund for recreation purposes.
- The General Fund transferred \$172,666 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$9,000 to the Refuse Fund for increased street sweeping.
- The General Fund transferred \$542,684 to Capital Improvement Fund for City Share of purchase of City Manager residence.

Due To/From Other Funds

	Due To Other Funds
	Federal and State Grants Fund
<u>Due From Other Funds</u>	
General Fund	\$ 22,488

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

Advances to Other Funds

	Advance to Other Funds
	Capital Improvement Fund
<u>Advances From Other Funds</u>	
Parking Fund	\$ 1,073,000

The advance is a loan from the Capital Improvement Fund to the Parking Fund for the purchase of parking meters.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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, 2011:

	Beginning Balance July 1, 2010	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2011
Governmental Activities:					
Land	\$ 33,634,566	\$ 437,500	\$ -	\$ -	\$ 34,072,066
Construction-in-progress					
Street / Roadways	1,382,444	743,792	-	-	2,126,236
Recreation	-	226,549	-	(206,388)	20,161
Buildings	93,866	-	-	(93,866)	-
Total Capital Assets, Not Being Depreciated	35,110,876	1,407,841	-	(300,254)	36,218,463
Buildings and Structures	43,215,780	102,500	-	93,866	43,412,146
Machinery and Equipment	6,230,778	99,192	(48,051)	-	6,281,919
Vehicles	7,336,518	293,564	(66,066)	-	7,564,016
Infrastructure					
Street / Roadways	49,175,678	-	-	-	49,175,678
Parks and Recreation	13,397,369	-	-	206,388	13,603,757
Investment in Joint Venture (RCC)	2,511,722	328,117	(22,983)	-	2,816,856
Total Capital Assets, Being Depreciated	121,867,845	823,373	(137,100)	300,254	122,854,372
Buildings and Structures	(5,206,073)	(865,525)	-	-	(6,071,598)
Machinery & equipment	(4,345,990)	(407,020)	41,415	-	(4,711,595)
Vehicles	(4,650,658)	(681,561)	66,067	-	(5,266,152)
Infrastructure					
Street / Roadways	(21,601,941)	(1,454,198)	-	-	(23,056,139)
Parks and Recreation	(4,189,786)	(239,821)	-	-	(4,429,607)
Investment in Joint Venture	(714,771)	(109,458)	16,788	-	(807,441)
Total Accumulated Depreciation	(40,709,219)	(3,757,583)	124,270	-	(44,342,532)
Total Capital Assets, Being Depreciated, Net	81,158,626	(2,934,210)	(12,830)	300,254	78,511,840
Governmental Activities Capital Assets, Net	\$ 116,269,502	\$ (1,526,369)	\$ (12,830)	\$ -	\$ 114,730,303

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 5: Capital Assets and Depreciation (Continued)

	Beginning Balance July 1, 2010	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2011
Business-Type Activities:					
Capital assets, not being depreciated:					
Land - water	\$ 307,967	\$ -	\$ -	\$ -	\$ 307,967
Land - storm water	7,650	-	-	-	7,650
Land - parking	1,441,817	-	-	-	1,441,817
Construction-in-progress	703,386	2,136,497	-	(2,677,725)	162,158
Total Capital Assets, Not Being Depreciated	2,460,820	2,136,497	-	(2,677,725)	1,919,592
Capital assets, being depreciated:					
Buildings and structures - parking	16,976,393	-	-	-	16,976,393
Machinery and equipment - parking	805,530	-	-	331,736	1,137,266
Water	22,058,406	-	-	2,345,989	24,404,395
Storm water	6,871,403	-	-	-	6,871,403
Wastewater	10,662,030	-	-	-	10,662,030
Total Capital Assets, Being Depreciated	57,373,762	-	-	2,677,725	60,051,487
Less Accumulated Depreciation:					
Buildings and structures - parking	(992,627)	(185,295)	-	-	(1,177,922)
Machinery and equipment - parking	(510,209)	(38,431)	-	-	(548,640)
Water	(9,356,371)	(387,018)	-	-	(9,743,389)
Storm water	(3,079,355)	(152,828)	-	-	(3,232,183)
Wastewater	(5,181,230)	(171,624)	-	-	(5,352,854)
Total Accumulated Depreciation	(19,119,792)	(935,196)	-	-	(20,054,988)
Total Capital Assets, Being Depreciated, Net	38,253,970	(935,196)	-	2,677,725	39,996,499
Business-Type Activities Capital Assets, Net	\$ 40,714,790	\$ 1,201,301	\$ -	\$ -	\$ 41,916,091

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

Governmental Activities:	
General government	\$ 168,484
Public safety	1,624,096
Public works	1,690,544
Culture and recreation	274,459
Total Depreciation Expense - Governmental Activities	\$ 3,757,583
Business-Type Activities:	
Water	\$ 387,018
Storm water	152,828
Wastewater	171,624
Parking	223,726
Total Depreciation Expense - Business-Type Activities	\$ 935,196

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 6: Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

Governmental Activities:	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due in One Year
Long-term Debt:					
Capital Lease	\$ 35,807	\$ -	\$ (35,807)	\$ -	\$ -
Marine Ave Park COP	7,945,000	-	(230,000)	7,715,000	235,000
Police Fire COP	11,990,000	-	(265,000)	11,725,000	275,000
2001 South Bay Revenue Bond	1,585,000	-	(90,000)	1,495,000	50,000
Pension Obligation Bonds	4,635,000	-	(840,000)	3,795,000	925,000
Other:					
Supplemental Leave Allowance	16,283	-	(11,676)	4,607	-
Compensated Absences	2,533,778	1,985,629	(1,985,435)	2,533,972	488,265
Workers Compensation Claims	6,298,980	3,028,897	(2,753,584)	6,574,293	4,551,909
General Liability Claims	489,979	806,415	(326,831)	969,563	390,431
Total Governmental	\$ 35,529,827	\$ 5,820,941	\$ (6,538,333)	34,812,435	\$ 6,915,605
Unamortized premium				140,125	
				\$ 34,952,560	
Business-Type Activities:					
Long-term Debt:					
Water Fund COP	\$ 2,339,160	\$ -	\$ (80,421)	\$ 2,258,739	\$ 87,132
Wastewater Fund COP	1,150,840	-	(39,579)	1,111,261	42,868
Metlox Parking COP	11,735,000	-	(300,000)	11,435,000	310,000
Other long term liabilities:					
Compensated Absences	107,896	86,861	(85,531)	109,226	24,573
Total Business Type	\$ 15,332,896	\$ 86,861	\$ (505,531)	\$ 14,914,226	\$ 464,573

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 \$256,666 and services the City's Wastewater enterprise operation. Both vehicles were authorized for purchase in the FY 2005-2006 budget. The two capital leases were paid in full as of June 30, 2011.

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Liabilities (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 235,000	\$ 309,226	\$ 544,226
2013	245,000	298,384	543,384
2014	255,000	288,484	543,484
2015	265,000	277,758	542,758
2016	270,000	267,231	537,231
2017-2021	1,515,000	1,154,338	2,669,338
2022-2026	1,805,000	813,051	2,618,051
2027-2031	2,150,000	406,601	2,556,601
2032-2033	975,000	31,655	1,006,655
Total	<u>\$ 7,715,000</u>	<u>\$ 3,846,728</u>	<u>\$ 11,561,728</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.

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
2012	\$ 275,000	\$ 541,675	\$ 816,675
2013	285,000	532,050	817,050
2014	295,000	522,075	817,075
2015	305,000	511,381	816,381
2016	315,000	499,944	814,944
2017-2021	1,775,000	2,300,256	4,075,256
2022-2026	2,180,000	1,892,869	4,072,869
2027-2031	2,765,000	1,311,000	4,076,000
2032-2036	3,530,000	546,500	4,076,500
Total	<u>\$ 11,725,000</u>	<u>\$ 8,657,750</u>	<u>\$ 20,382,750</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 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,

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Liabilities (Continued)

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, 2011, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 50,000	\$ 60,392	\$ 110,392
2013	50,000	58,152	108,152
2014	50,000	56,207	106,207
2015	55,000	54,083	109,083
2016	55,000	51,919	106,919
2017-2021	325,000	221,715	546,715
2022-2026	410,000	147,281	557,281
2027-2031	500,000	55,315	555,315
Total	<u>\$ 1,495,000</u>	<u>\$ 705,064</u>	<u>\$ 2,200,064</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%.

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2011, were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 925,000	\$ 166,922	\$ 1,091,922
2013	1,010,000	118,510	1,128,510
2014	1,095,000	65,769	1,160,769
2015	765,000	19,167	784,167
Totals	<u>\$ 3,795,000</u>	<u>\$ 370,368</u>	<u>\$ 4,165,368</u>

f. Compensated Absences

At June 30, 2011, the total citywide accrued liability for compensated absences amounted to \$2,643,198 which is comprised of \$2,279,574 and \$363,624 of vested vacation and sick leave, respectively. \$2,533,972 of this compensated leave liability is related to general government services with the remaining \$109,226 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Liabilities (Continued)

g. Workers' Compensation Claims

As of June 30, 2011, reserves for open workers compensation claims have been established in accordance with analysis by a third party claims administrator. The value of these claims is \$4,551,909. In addition, reserves of \$2,022,384 have been set aside for incurred but not reported claims. Total reserves are \$6,574,293.

h. General Liability Claims

As of June 30, 2011, 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 \$390,431. In addition, reserves of \$579,132 have set aside for incurred but not reported claims. Total reserves are \$969,563.

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.

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2011:

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 87,132	\$ 127,370	\$ 214,502	\$ 42,868	\$ 62,664	\$ 105,532
2013	90,484	122,374	212,858	44,516	60,206	104,722
2014	97,186	117,096	214,282	47,814	57,610	105,424
2015	103,888	111,441	215,329	51,112	54,827	105,939
2016	110,591	105,409	216,000	54,409	51,859	106,268
2017-2021	660,195	421,021	1,081,216	324,805	207,135	531,940
2022-2026	894,782	198,357	1,093,139	440,218	97,588	537,806
2027	214,481	6,220	220,701	105,519	3,060	108,579
Total	<u>\$ 2,258,739</u>	<u>\$ 1,209,288</u>	<u>\$ 3,468,027</u>	<u>\$ 1,111,261</u>	<u>\$ 594,949</u>	<u>\$ 1,706,210</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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Long-Term Liabilities (Continued)

As of June 30, 2011, annual debt service requirements to maturity for the Metlox Parking Facility (COP) are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 310,000	\$ 544,559	\$ 854,559
2013	325,000	532,159	857,159
2014	335,000	519,159	854,159
2015	350,000	505,759	855,759
2016	365,000	491,759	856,759
2017-2021	2,085,000	2,202,433	4,287,433
2022-2026	2,650,000	1,660,800	4,310,800
2027-2031	3,400,000	930,500	4,330,500
2032-2033	1,615,000	122,250	1,737,250
Total	<u>\$ 11,435,000</u>	<u>\$ 7,509,378</u>	<u>\$ 18,944,378</u>

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

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through Council resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or Unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

The City's governmental funds fund balance classifications at June 30, 2011, are presented below:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Equity	\$ 19,904,622	\$ 5,612,490	\$ 7,867,640	\$ 33,384,752
Nonspendable:				
Prepaid costs	19,519	-	-	19,519
Notes and loans	432,000	42,744	-	474,744
Advances to other funds	-	1,073,000	-	1,073,000
Restricted:				
Public safety	-	-	1,247,014	1,247,014
Parks and recreation	-	-	80,284	80,284
Public works	-	-	3,324,947	3,324,947
Capital projects	-	-	2,827,688	2,827,688
Debt service	1,182,271	817,075	-	1,999,346
Committed:				
Capital projects	-	3,679,671	410,195	4,089,866
Unassigned	<u>18,270,832</u>	<u>-</u>	<u>(22,488)</u>	<u>18,248,344</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 2011, are presented below:

	Water Fund	Waste Water Fund	Refuse Fund	Parking Fund	Nonmajor Enterprise Funds
Total Net Assets	\$ 19,002,754	\$ 6,373,410	\$ 600,461	\$ 8,752,094	\$ 7,493,803
Restricted:					
Debt service	226,097	111,236	-	871,500	-
BID	-	-	-	517,072	-
Total Restricted	226,097	111,236	-	1,388,572	-
Investment in Net Capital Assets	12,774,720	4,295,588	-	6,393,913	3,646,870
Unrestricted	6,001,937	1,966,586	600,461	969,609	3,846,933

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.

Miscellaneous Employees Plan

Plan Description

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

Plan Benefits

Standard Service Retirement

The basic benefit formula is number of years of service times single highest year compensation times 2% @ age 55 increasing to 2.418% @ age 63. The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

Funding Policy

Active plan members in the Miscellaneous Plans are required to contribute 7% of their annual covered salary. The City of Manhattan Beach is required to contribute the actuarially determined additional percentage of payroll amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time miscellaneous employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2008, determined the required employer contribution rate for fiscal year 2010-2011 to be 7.6880% for miscellaneous employees. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

Assumptions

A summary of principal assumptions and methods used to determine the ARC is as follows for the agent multiple employer plan.

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	23 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.

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

The Net Pension Obligation at the beginning of the fiscal year was \$0. Actual contributions were equal to the annual required contributions resulting in a Net Pension Obligation of \$0 at the end of the fiscal year.

Schedule of Funding Progress for PERS
 Miscellaneous Plan
 Most Recent Available

Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	Unfunded Liability as % of Payroll
				(AV/AL)	Market Value		
6/30/2008	\$ 54,106,445	\$ 53,970,770	\$ 135,675	99.7%	10.1.3%	\$ 11,537,732	1.2%
6/30/2009	60,196,409	56,968,601	3,227,808	94.6%	69.10%	11,565,779	27.9%
6/30/2010	64,076,720	59,824,270	4,252,450	93.4%	73.10%	11,728,887	36.3%

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, 2011, was as follows:

Three-Year Trend Information for PERS Miscellaneous Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 865,919	100%	\$ -
6/30/2010	907,739	100%	-
6/30/2011	1,018,107	100%	-

Safety Employees Plan – Pooled Participation

Plan Description.

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

Plan Benefits.

Standard Service Retirement.

Police - The basic benefit formula is number of years of service times single highest year compensation times 3% @ age 50 and up.

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

Fire - The basic benefit formula is number of years of service times single highest year compensation times 3% @ age 55 and up.

The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

Mandatory Police & Fire Risk Pooling

Background

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

Funding Policy

Active plan members in the Safety Plan are required to contribute 9% of their annual covered salary. The City of Manhattan Beach is required to contribute the actuarially determined additional percentage amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time salaried safety employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2008, determined the required employer contribution rate for fiscal year 2010-2011 was, 20.880%, and 18.175% for police and fire sworn employees, respectively. These rates are comparable to those of fiscal 2008-2009 (21.189% and 18.215%) which initially were 33.511% and 28.554% respectively. There was a 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) Since the City's payment was in excess of the ARC, a negative net pension obligation was created and is amortized over the lifetime of the bonds. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

Pool assumptions (Both Police and Fire Safety)

A summary of principal assumptions and methods used to determine the ARC is shown below for cost-sharing multiple-employer defined benefit plan

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	16 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%.

Changes in the liability due to plan amendments, actuarial assumptions or methods are amortized separately as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the pool's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The methods and assumptions of the pooled plan and the miscellaneous plan are identical except for the average remaining period of the pool which includes amortization of the side fund noted above.

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, 2011, was as follows:

Fiscal Year	Annual pension cost	Percent of APC contributed	Net Pension Obligation
6/30/2009	\$ 1,936,777	74.59%	\$ (4,048,899)
6/30/2010	2,088,028	73.16%	(3,488,507)
6/30/2011	2,176,835	69.96%	(2,834,556)

	Police
Annual required contributions (ARC)	\$ 1,522,884
Interest on net pension obligation	(240,982)
Amortization of net pension obligation	894,933
Annual pension cost	2,176,835
Actual contributions made in fiscal year	1,522,884
Increase (Decrease) in NPO	653,951
NPO at Beginning of Year	(3,488,507)
NPO at End of Year	\$ (2,834,556)

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach fire plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2011, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$ 1,012,810	71.79%	\$ (1,852,820)
6/30/2010	1,087,895	70.18%	(1,527,953)
6/30/2011	1,099,561	65.84%	(1,152,290)

	<u>Fire</u>
Annual required contributions (ARC)	\$ 723,898
Interest on net pension obligation (NPO)	(102,821)
Amortization of net pension obligation	478,484
Annual pension cost	<u>1,099,561</u>
Actual contributions made in fiscal year	723,898
Increase (Decrease) in NPO	375,663
NPO at Beginning of Year	<u>(1,527,953)</u>
NPO at End of Year	<u><u>\$ (1,152,290)</u></u>

The net pension obligation relates to the plan specific to the Sworn Safety employees of the City of Manhattan Beach. The status of the risk pool is a separate matter.

Summary of Annual Pension Payments and Cost

For fiscal year 2010-2011, the City of Manhattan Beach's annual pension payment was \$3,264,889 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contribution. The payments by group are as follows: Miscellaneous - \$1,018,107, Fire - \$723,898, Police - \$1,522,884. The City also contributed \$1,942,842 for the 2010-2011 fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous - \$927,963, Fire - \$358,464, Police - \$656,415. The City's payroll for employees covered by the plans for the year ended June 30, 2011, was \$24,533,044. The total payroll for the year was \$27,573,951.

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

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 accrued 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, 2011, was as follows:

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2002	\$ 234,488	\$ 200,915	\$ (33,573)	N/A	N/A
6/30/2003	224,064	200,915	(23,149)	N/A	N/A
6/30/2004	196,711	196,289	(422)	N/A	N/A
6/30/2005	183,066	196,289	13,223	N/A	N/A
6/30/2006	192,805	192,805	-	N/A	N/A
6/30/2007	183,185	192,805	9,620	N/A	N/A
6/30/2008	193,627	189,506	(4,121)	N/A	N/A
6/30/2009	175,571	189,506	13,935	N/A	N/A
6/30/2010	169,591	136,197	(33,394)	N/A	N/A
6/30/2011	158,036	136,197	(21,839)	N/A	N/A

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

<u>Year Ended</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>
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
6/30/2010	N/A	N/A
6/30/2011	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, 2010
Actuarial cost method	Projected Unit Cost Credit method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant

Actuarial Assumptions:	
Investment rate of return	5.0%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

2. Single Highest Year Plan

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

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

The City has ceded the accrued 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, 2011, was as follows:

Retirees receiving benefits:	
Management Confidential	3
Police	4
	7
	7

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2002	\$ 602,569	\$ 516,298	\$ (86,271)	N/A	N/A
6/30/2003	582,400	516,298	(66,102)	N/A	N/A
6/30/2004	499,227	498,155	(1,072)	N/A	N/A
6/30/2005	472,367	498,155	25,788	N/A	N/A
6/30/2006	444,497	444,497	-	N/A	N/A
6/30/2007	428,561	444,497	15,936	N/A	N/A
6/30/2008	461,030	432,935	(28,095)	N/A	N/A
6/30/2009	424,128	432,935	8,807	N/A	N/A
6/30/2010	405,545	377,004	(28,541)	N/A	N/A
6/30/2011	376,175	377,004	829	N/A	N/A

Year Ended	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
6/30/2010	N/A	N/A
6/30/2011	N/A	N/A

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

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

Valuation Date	June 30, 2011
Actuarial cost method	Projected Unit Cost Credit Method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant
Actuarial Assumptions:	
Investment rate of return	5.0%
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		
	Supplemental	Single Highest Year	Total
Assets			
Cash & investments	\$ 133,307	\$ 317,312	\$ 450,619
Accounts receivable	24,728	58,862	83,590
Total Assets	\$ 158,035	\$ 376,174	\$ 534,209
Net Assets			
Held in trust for pension benefits	\$ 158,035	\$ 376,174	\$ 534,209

	Statement of Changes in Fiduciary Net Assets		
Plan Activity	Supplemental	Single Highest Year	Total
Additions:			
Interest	\$ 7,399	\$ 17,656	\$ 25,055
Total Additions	7,399	17,656	25,055
Deductions:			
Benefits	18,955	47,026	65,981
Total Deductions	18,955	47,026	65,981
Changes in net assets	(11,556)	(29,370)	(40,926)
Net Assets Held in Trust for Pension Benefits:			
Opening balance July 1, 2010	169,591	405,544	575,135
Ending balance June 30, 2011	\$ 158,035	\$ 376,174	\$ 534,209

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

c. Other Post Retirement Benefits

City of Manhattan Beach Retiree Medical Program

Plan Description:

The City of Manhattan Beach Retiree Medical Program is a Single Employer Plan that provides a fixed stipend to qualifying retirees and a contribution to all retirees enrolled in CalPERS.

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 2011, the City paid \$83,590 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. All activity is reported within the financial statements of the City of Manhattan Beach.

2. State of California Mandated Contribution to Retirees

The City of Manhattan Beach contracts with CALPERS to participate in the Public Employee Medical and Hospital Care Act (PEMHCA). Under this contract, both active employees and retirees are provided access to health insurance. The City makes a contribution to retirees who elect to purchase insurance through CALPERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by CALPERS. For fiscal year 2011, the City contribution paid to CALPERS was \$89,935. Plan members receiving benefits paid \$518,426.

These plans are financed via actuarially determined contributions and deposited into 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 2011. Therefore the City will be reimbursed for $\$83,590 + \$89,935 = \$173,525$.

3. Funding Policy

The policy of the City Council is to annually budget the actuarially required contributions and to amend the budget if necessary. All contributions are made by the City; there is no employee contribution. Allocation of cost is made based on the MOU benefit corresponding to each position and the number of positions within each fund/program. Payment to the trustee is exactly equal to the total budget for this benefit. Payroll does not drive the allocation and is irrelevant.

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

4. OPEB Actuarial Methods and Assumptions

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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Valuations are performed biennially, the most recent is as of July 1, 2009. The next valuation will be as of July 1, 2011.

In the July 1, 2009, actuarial valuation, the unit credit cost method was used (changed from the entry age normal cost method used in July 1, 2007 valuation). 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% as of July 1, 2009, reduced by decrements to an ultimate rate of 5% by 2015, and a fixed population of active participants. The assets are valued at fair value. The Net Pension Obligation is being amortized over a closed ten year period. Gains and losses are being amortized over a thirty year period. The actuarial value of assets has been updated equal to the amount reported by CERBT at June 30, 2010. All other bases and data remain from the July 1, 2009 report (see Section 6). The number of PEMCHA participants are: active - 253, retired participants - 58. The number of City Plan participants are: active – 253, retired participants – 12.

5. Annual OPEB Cost and Net OPEB Obligation

In the fiscal year ending June 30, 2010, the City conducted an updated actuarial analysis of these two plans in order to be in conformance with GASB 45. The valuation date was July 1, 2009.

The City's annual post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 and amortization of any Net Pension Obligation existing at the beginning of the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The initial actuarial evaluation of the OPEB programs occurred in fiscal 2008 with an effective date of June 1, 2007. At fiscal year end (June 30, 2008), the unfunded accrued liability as of June 1, 2007, plus interest in addition to the normal cost was paid to CERBT resulting in a negative NPO of \$(5,310,209) as of June 30, 2008. The NPO is being amortized over a ten year period using an interest rate of 7.75% which is the rate used by PERS in their actuarial calculations.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

In fiscal year ending June 30, 2010, an updated actuarial valuation was performed as of July 1, 2009. The valuation resulted in a revised normal cost of \$339,000 for fiscal 2009-2010 and a normal cost of \$366,000 for fiscal 2010-2011. In addition there existed as of July 1, 2009, an unfunded liability of \$979,000. The City elected to amortize this unfunded liability over 30 years, - an annual contribution of \$85,000. Total annual required contribution (ARC) for fiscal year 2010-2011 (year 2 of the biennial report) was \$451,000 (\$366,000+\$85,000) and is equal to the actual contribution made to CERBT. The same ARC was used in fiscal 2011-2012 and will be updated in accordance with the July 1, 2011 actuarial valuation. However, the actuarial value of assets has been updated as of July 1, 2010. The asset value provided by CERBT is \$5,910,000 yielding an unfunded liability of \$15,999 as of July 1, 2010.(See section 6 below)

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010-2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Net OPEB Obligation	Percent of OPEB Cost Contributed
6/30/2009	\$ 698,699	\$ 269,000	\$ (4,880,510)	38.50%
6/30/2010	887,001	424,000	(4,417,509)	47.80%
6/30/2011	949,884	451,000	(3,918,625)	47.48%
			Annual required Contributions (ARC) \$ 451,000	
			Interest on net pension obligation (NPO) (342,357)	
			Amortization of pension obligation 841,241	
			<u>Annual pension cost 949,884</u>	
			Less: Annual contributions made 451,000	
			<u>Increase (Decrease) in NPO 498,884</u>	
			NPO at beginning of year (4,417,509)	
			<u><u>NPO at end of year \$ (3,918,625)</u></u>	

6. Funded Status and Funding Programs

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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 the actuarial accrued liability is a set of 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 fiscal years June 30, 2010 and June 30, 2011. The accrued liability and normal contribution as of valuation July 1, 2009, were used for the fiscal year beginning July 1, 2009. There will be a new actuarial report as July 1, 2011 for fiscal year 2011-2012.

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 of June 30, 2010, was \$5,910,001 which reflects a gain of \$963,441 for the fiscal year 2009-2010.

Fiscal Year Ending	Type of Valuation	Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	UAAAL as a Percent of Covered Payroll	Interest Rate
6/30/2009	Estimated	7/1/2007	\$ 5,709,000	\$ 6,420,450	\$ (711,450)	112.5%	N/A	N/A	7.75%
6/30/2010	Actual	7/1/2009	5,926,000	4,946,560	979,440	83.5%	N/A	N/A	7.75%
6/30/2011	Estimated	7/1/2009	5,926,000	5,910,001	15,999	99.7%	N/A	N/A	7.75%

Covered payroll is not shown because the benefit is not related to the payroll. In order for a covered payroll to have meaning there must be a definition of what constitutes a covered payroll and what the relation of the benefit is to the covered payroll. Neither of these elements exists for this benefit and therefore the covered payroll is indicated as N/A.

Retirement Plan for Part-Time, Seasonal and Temporary Employees

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

The PARS plan is a defined contribution pension plan which is administered by PARS. Benefits and funding requirements are determined by PARS' governing board. All members' earnings are subject to contribution from the employee and the employer. Historically, contribution rate for both employee and employer has been 3.75% of payroll. In April 2011, the City exercised its option not to pick up 50% share of the required 7.50%. Therefore, effective April 2001, the entire 7.5 % will be contributed by the employee.

Total payroll for employees covered by this plan for the year was \$858,000. The amount of employee contribution was \$36,945, and employer contribution was \$27,406.

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 10: Risk Management (Continued)

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, 2011, the amount of these liabilities was \$7,543,856. The amount represents an estimate of \$2,601,516 for reported claims through June 30, 2011, and \$4,942,340 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, 2011, 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
2010	\$ 7,488,480	\$ 2,508,862	\$ (3,208,383)	\$ 6,788,959
2011	6,788,959	3,830,312	(3,075,415)	7,543,856

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, 2011, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road, Suite 1550, Orange, Ca. 92868.

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, 2011, was 22.7%.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11: Joint Ventures and Jointly Governed Organizations (Continued)

Summarized audited financial information for SBRPCA at June 30, 2010*, is presented below:

Statement of Net Assets

Assets	
Current assets	\$ 3,313,566
Capital assets	8,855,179
Total Assets	<u>12,168,745</u>
Liabilities	
Current liabilities	540,348
Noncurrent liabilities	437,676
Total Liabilities	<u>978,024</u>
Total Net Assets	<u>\$ 11,190,721</u>

Statement of Activities

Operating Revenues	\$ 7,945,941
Operating Expenses	<u>(8,460,149)</u>
Excess of Expenses ³ Over Revenues	<u>(514,208)</u>
Non operating revenues (expenses)	(594)
Contributed Capital	541,611
Net Assets - June 30, 2009	<u>11,163,912</u>
Net Assets - June 30, 2010	<u>\$ 11,190,721</u>

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

b. Jointly Governed Organization

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 11: Joint Ventures and Jointly Governed Organizations (Continued)

Summarized audited financial information for L.A. IMPACT at June 30, 2010*, is presented below:

Statement of Net Assets

Assets

Current assets	\$ 9,082,525
Capital assets	1,485,750
Total Assets	<u>10,568,275</u>

Liabilities

Current liabilities	1,704,842
Noncurrent liabilities	<u>513,530</u>
Total liabilities	<u>2,218,372</u>
Total Net Assets	<u>\$ 8,349,903</u>

Statement of Activities

Revenues	\$ 6,575,661
Expenditures	<u>(6,850,915)</u>
Excess of Expenditures Over Revenues	(275,254)
Non operating revenues (expenses)	(8,228)
Net Assets - June 30, 2009	<u>8,633,385</u>
Net Assets - June 30, 2010	<u>\$ 8,349,903</u>

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

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, 2011, was \$1,916,946.

As of June 30, 2011, the following balances of assets and liabilities were present:

Market Value 401(a) Plan
<u>\$ 1,916,946</u>
<u>\$ 1,916,946</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 13: Commitments and Contingencies

Contingencies

There are various claims and lawsuits pending against the City that seek monetary damages. Certain claimants are requesting amounts totaling \$49 million. The City's claims administrator has estimated that the potential exposure for these particular claims is approximately \$420,000. This amount is included in claims liabilities which are reported in the Insurance Reserve Fund. The remaining amount has not been accrued as the outcome of the cases is unknown at this time.

Construction Commitments

The following material construction commitments existed at June 30, 2011:

Project Name	Contract Amount	Expenditures to date as of June 30, 2011	Remaining Commitments
Utility Master Plan Water	\$ 1,277,340	\$ 1,178,985	\$ 98,355
St Resurface Pacific Avenue	702,734	-	702,734
Annual Curb, Gutter, Ramp Replacement	659,246	559,571	99,675
FY 10-11 Rehab Gravity Sewer Mains	109,770	78,965	30,805
Safe Routes School Program	91,595	-	91,595
South Side Rosecrans Widening/Utility Pipe Replacement Program/	87,250	76,557	10,693
Fire Hydrant Installment Water Main	83,360	64,470	18,890
Sepulveda Bridge Widening	48,000	38,579	9,421
City Yard Cover	6,985	-	6,985

Note 14: Transactions between City and City Manager

In February 2011, the City of Manhattan Beach and the City Manager entered into a joint purchase agreement for a residence in Manhattan Beach for him to reside in while City Manager. The agreement provides a home loan and equity sharing arrangement with the City Manager. A home was purchased for \$1,080,000, with the City serving as the lender for the home loan to the City Manager for his half of the property, as well as co-owner of half of the property. The City funded \$974,685 to escrow (\$540,000 as the City's 50% interest in the property and \$432,000 as the lender on the City Manager's portion (this resulted in an 80% loan to value on the City Manager's portion), and \$2,685 for the City's share of the estimated closing costs.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 14: Transactions between City and City Manager (Continued)

The structure of the arrangement is as follows:

Purchase Price	\$ 1,080,000.00
10% Down Payment - David Carmany	(108,000.00)
10% Down Payment - City	(108,000.00)
Loan Amount (City as Lender)	<u>\$ 864,000.00</u>
Amount to be funded by City as Lender	\$ 864,000.00
D. Carmany Loan	432,000.00
City Equity (cash funded by City)	432,000.00
Interest Only Loan Rate	5.00%
Annual Interest (D.Carmany)	21,600.00
Monthly Interest Only Payment (Months 1-60) (D.Carmany)	\$1,800.00

Loan to be Interest Only for first five years then full amortized for remaining 25 years at 5% fixed, as follows:

Loan Principal	\$ 432,000.00
Interest Rate (Fixed)	5.00%
Term (Months) (25 years)	300
Payment (Months 61-360 Fixed)	\$2,525.43

The loan is interest-only for the first 5 years (60 months) and then converts to a fully amortized loan for the remaining twenty-five years (300 months). The interest rate (5%) is a current market rate as of January 3, 2011.

The purchase agreement for the property included a credit to the buyers from the seller of \$65,000 for renovations to the property. These funds were distributed through escrow to the City, which in turn were distributed them to the City Manager as the renovations were performed.

The City Manager is required to maintain the home, pay for utilities and his share of applicable property taxes. The loan is due and payable within six months of City Manager's separation from the City. Upon such separation, the City Manager has the option to purchase the City's share of the property. In the event he declines to do so, the City retains the right to purchase the City Manager's share. In either case, the value will be determined through an independent appraisal process described in the loan documents. Upon sale, the City will share on a 50-50 basis any net proceeds (or losses) from the sale.

The loan of \$432,000 is carried as a note receivable offset by a corresponding non-spendable fund balance amount in the General Fund.



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Combining Financial Statements & Schedules

CITY OF MANHATTAN BEACH

JUNE 30, 2011

NONMAJOR FUNDS

Special Revenue Fund Description

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

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

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

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

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

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

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

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

Measure R Fund is a half cent sales tax approved by Los Angeles voters to be used for new and existing transportation projects, including local bus operations and local city sponsored transportation improvements. Local cities are allocated 15% of collections on a per capita basis.

The City of Manhattan Beach began receiving Measure R funds in fiscal 2010-2011, and established a separate fund to capture revenues and expenditures. Eligible expenditures are streets and signals, bikeways, pedestrian improvements, and transit service improvements. In fiscal 2010-2011 funds were used finance extended Dial-A-Ride service in Manhattan Beach.

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, 2011

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Assets:				
Pooled cash and investments	\$ 17,618	\$ 2,683,221	\$ 1,034,411	\$ 189,943
Receivables:				
Accounts	14,796	161,163	-	-
Due from other governments	-	110,744	17,794	12,706
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 32,414	\$ 2,955,128	\$ 1,052,205	\$ 202,649
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 32,414	\$ 329,438	\$ 7,840	\$ -
Deferred revenues	-	-	-	-
Unearned revenues	-	161,163	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	32,414	490,601	7,840	-
Fund Balances:				
Restricted for:				
Public safety	-	-	1,044,365	202,649
Culture and recreation	-	-	-	-
Public works	-	2,464,527	-	-
Capital projects	-	-	-	-
Committed to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	2,464,527	1,044,365	202,649
Total Liabilities and Fund Balances	\$ 32,414	\$ 2,955,128	\$ 1,052,205	\$ 202,649

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Federal and State Grants	Prop A	Prop C	AB 2766
Assets:				
Pooled cash and investments	\$ -	\$ 96,683	\$ 2,827,688	\$ 348,811
Receivables:				
Accounts	-	-	-	-
Due from other governments	22,488	-	-	8,777
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 22,488	\$ 96,683	\$ 2,827,688	\$ 357,588
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 16,399	\$ -	\$ -
Deferred revenues	22,488	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	22,488	-	-	-
Total Liabilities	44,976	16,399	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	80,284	-	-
Public works	-	-	-	357,588
Capital projects	-	-	2,827,688	-
Committed to:				
Capital projects	-	-	-	-
Unassigned	(22,488)	-	-	-
Total Fund Balances	(22,488)	80,284	2,827,688	357,588
Total Liabilities and Fund Balances	\$ 22,488	\$ 96,683	\$ 2,827,688	\$ 357,588

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	
	Measure R	Underground Assessment District	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 472,356	\$ 21,054	\$ 7,691,785
Receivables:			
Accounts	-	-	175,959
Due from other governments	30,476	-	202,985
Restricted assets:			
Cash and investments with fiscal agents	-	390,882	390,882
Total Assets	\$ 502,832	\$ 411,936	\$ 8,461,611
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 386,091
Deferred revenues	-	-	22,488
Unearned revenues	-	-	161,163
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
Total Liabilities	-	1,741	593,971
Fund Balances:			
Restricted for:			
Public safety	-	-	1,247,014
Culture and recreation	-	-	80,284
Public works	502,832	-	3,324,947
Capital projects	-	-	2,827,688
Committed to:			
Capital projects	-	410,195	410,195
Unassigned	-	-	(22,488)
Total Fund Balances	502,832	410,195	7,867,640
Total Liabilities and Fund Balances	\$ 502,832	\$ 411,936	\$ 8,461,611

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Revenues:				
Taxes	\$ 379,152	\$ -	\$ -	\$ -
Intergovernmental	-	931,366	109,902	100,000
Charges for services	-	-	-	-
Use of money and property	-	38,902	13,626	2,494
Miscellaneous	15,243	-	-	-
Total Revenues	394,395	970,268	123,528	102,494
Expenditures:				
Current:				
Public safety	-	-	74,115	102,119
Culture and recreation	-	-	-	-
Public works	567,061	394,014	-	-
Capital outlay	-	727,827	-	-
Total Expenditures	567,061	1,121,841	74,115	102,119
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,666)	(151,573)	49,413	375
Other Financing Sources (Uses):				
Transfers in	172,666	-	-	-
Total Other Financing Sources (Uses)	172,666	-	-	-
Net Change in Fund Balances	-	(151,573)	49,413	375
Fund Balances, Beginning of Year	-	2,616,100	994,952	202,274
Fund Balances, End of Year	\$ -	\$ 2,464,527	\$ 1,044,365	\$ 202,649

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Federal and State Grants	Prop A	Prop C	AB 2766
Revenues:				
Taxes	\$ -	\$ 496,601	\$ 412,780	\$ -
Intergovernmental	50,096	-	-	40,331
Charges for services	-	12,186	-	-
Use of money and property	-	609	35,623	4,673
Miscellaneous	-	261,518	-	-
Total Revenues	50,096	770,914	448,403	45,004
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	690,630	-	-
Public works	-	-	5,552	7,926
Capital outlay	3,604	-	12,360	-
Total Expenditures	3,604	690,630	17,912	7,926
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,492	80,284	430,491	37,078
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	46,492	80,284	430,491	37,078
Fund Balances, Beginning of Year	(68,980)	-	2,397,197	320,510
Fund Balances, End of Year	\$ (22,488)	\$ 80,284	\$ 2,827,688	\$ 357,588

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>Measure R</u>	<u>Underground Assessment District</u>	
Revenues:			
Taxes	\$ 307,897	\$ -	\$ 1,596,430
Intergovernmental	-	-	1,231,695
Charges for services	-	-	12,186
Use of money and property	5,696	272	101,895
Miscellaneous	-	-	276,761
Total Revenues	313,593	272	3,218,967
Expenditures:			
Current:			
Public safety	-	-	176,234
Culture and recreation	-	-	690,630
Public works	-	15,575	990,128
Capital outlay	-	-	743,791
Total Expenditures	-	15,575	2,600,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	313,593	(15,303)	618,184
Other Financing Sources (Uses):			
Transfers in	-	-	172,666
Total Other Financing Sources (Uses)	-	-	172,666
Net Change in Fund Balances	313,593	(15,303)	790,850
Fund Balances, Beginning of Year	189,239	425,498	7,076,790
Fund Balances, End of Year	\$ 502,832	\$ 410,195	\$ 7,867,640

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING AND LANDSCAPE
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	378,800	378,800	379,152	352
Miscellaneous	18,445	18,445	15,243	(3,202)
Transfers in	144,700	144,700	172,666	27,966
Amounts Available for Appropriation	541,945	541,945	567,061	25,116
Charges to Appropriation (Outflow):				
Public works	541,945	568,485	567,061	1,424
Total Charges to Appropriations	541,945	568,485	567,061	1,424
Budgetary Fund Balance, June 30	\$ -	\$ (26,540)	\$ -	\$ 26,540

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,616,100	\$ 2,616,100	\$ 2,616,100	\$ -
Resources (Inflows):				
Intergovernmental	967,670	967,670	931,366	(36,304)
Use of money and property	22,625	22,625	38,902	16,277
Amounts Available for Appropriation	3,606,395	3,606,395	3,586,368	(20,027)
Charges to Appropriation (Outflow):				
Public works	63,120	63,120	394,014	(330,894)
Capital outlay	1,105,000	3,126,806	727,827	2,398,979
Total Charges to Appropriations	1,168,120	3,189,926	1,121,841	2,068,085
Budgetary Fund Balance, June 30	\$ 2,438,275	\$ 416,469	\$ 2,464,527	\$ 2,048,058

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 ASSET FORFEITURE
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 994,952	\$ 994,952	\$ 994,952	\$ -
Resources (Inflows):				
Intergovernmental	-	-	109,902	109,902
Use of money and property	15,900	15,900	13,626	(2,274)
Amounts Available for Appropriation	1,010,852	1,010,852	1,118,480	107,628
Charges to Appropriation (Outflow):				
Public safety	90,301	95,272	74,115	21,157
Total Charges to Appropriations	90,301	95,272	74,115	21,157
Budgetary Fund Balance, June 30	\$ 920,551	\$ 915,580	\$ 1,044,365	\$ 128,785

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY GRANTS
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 202,274	\$ 202,274	\$ 202,274	\$ -
Resources (Inflows):				
Intergovernmental	-	-	100,000	100,000
Use of money and property	900	900	2,494	1,594
Amounts Available for Appropriation	203,174	203,174	304,768	101,594
Charges to Appropriation (Outflow):				
Public safety	100,000	202,119	102,119	100,000
Total Charges to Appropriations	100,000	202,119	102,119	100,000
Budgetary Fund Balance, June 30	\$ 103,174	\$ 1,055	\$ 202,649	\$ 201,594

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (68,980)	\$ (68,980)	\$ (68,980)	\$ -
Resources (Inflows):				
Intergovernmental	1,045,000	1,622,749	50,096	(1,572,653)
Amounts Available for Appropriation	976,020	1,553,769	(18,884)	(1,572,653)
Charges to Appropriation (Outflow):				
Capital outlay	1,045,000	3,572,749	3,604	3,569,145
Total Charges to Appropriations	1,045,000	3,572,749	3,604	3,569,145
Budgetary Fund Balance, June 30	\$ (68,980)	\$ (2,018,980)	\$ (22,488)	\$ 1,996,492

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	480,000	480,000	496,601	16,601
Charges for services	10,000	10,000	12,186	2,186
Use of money and property	-	-	609	609
Miscellaneous	13,700	260,914	261,518	604
Transfers in	123,877	123,877	-	(123,877)
Amounts Available for Appropriation	627,577	874,791	770,914	(103,877)
Charges to Appropriation (Outflow):				
Parks and recreation	627,736	674,950	690,630	(15,680)
Total Charges to Appropriations	627,736	674,950	690,630	(15,680)
Budgetary Fund Balance, June 30	\$ (159)	\$ 199,841	\$ 80,284	\$ (119,557)

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,397,197	\$ 2,397,197	\$ 2,397,197	\$ -
Resources (Inflows):				
Taxes	388,000	388,000	412,780	24,780
Use of money and property	29,300	29,300	35,623	6,323
Amounts Available for Appropriation	2,814,497	2,814,497	2,845,600	31,103
Charges to Appropriation (Outflow):				
Public works	5,340	5,340	5,552	(212)
Capital outlay	-	893,924	12,360	881,564
Total Charges to Appropriations	5,340	899,264	17,912	881,352
Budgetary Fund Balance, June 30	\$ 2,809,157	\$ 1,915,233	\$ 2,827,688	\$ 912,455

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 320,510	\$ 320,510	\$ 320,510	\$ -
Resources (Inflows):				
Intergovernmental	40,000	40,000	40,331	331
Use of money and property	4,400	4,400	4,673	273
Amounts Available for Appropriation	364,910	364,910	365,514	604
Charges to Appropriation (Outflow):				
Public works	14,000	14,000	7,926	6,074
Capital outlay	-	100,000	-	100,000
Total Charges to Appropriations	14,000	114,000	7,926	106,074
Budgetary Fund Balance, June 30	\$ 350,910	\$ 250,910	\$ 357,588	\$ 106,678

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 189,239	\$ 189,239	\$ 189,239	\$ -
Resources (Inflows):				
Taxes	288,000	288,000	307,897	19,897
Use of money and property	6,900	6,900	5,696	(1,204)
Amounts Available for Appropriation	484,139	484,139	502,832	18,693
Charges to Appropriation (Outflow):				
Transfers out	123,877	123,877	-	123,877
Total Charges to Appropriations	123,877	123,877	-	123,877
Budgetary Fund Balance, June 30	\$ 360,262	\$ 360,262	\$ 502,832	\$ 142,570

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,507,813	\$ 5,507,813	\$ 5,507,813	\$ -
Resources (Inflows):				
Taxes	468,000	468,000	475,400	7,400
Licenses and permits	7,000	7,000	7,783	783
Intergovernmental	-	735,934	17,951	(717,983)
Charges for services	581,300	581,300	541,013	(40,287)
Use of money and property	37,000	37,000	52,374	15,374
Fines and forfeitures	139,170	139,170	109,940	(29,230)
Miscellaneous	-	-	1,750	1,750
Transfers in	-	542,684	542,684	-
Amounts Available for Appropriation	6,740,283	8,018,901	7,256,708	(762,193)
Charges to Appropriation (Outflow):				
General government	7,000	9,684	2,092	7,592
Public works	-	-	62,066	(62,066)
Capital outlay	-	5,394,170	766,550	4,627,620
Debt service:				
Principal retirement	265,000	265,000	265,000	-
Interest and fiscal charges	554,288	554,288	548,510	5,778
Total Charges to Appropriations	826,288	6,223,142	1,644,218	4,578,924
Budgetary Fund Balance, June 30	\$ 5,913,995	\$ 1,795,759	\$ 5,612,490	\$ 3,816,731

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
UNDERGROUND ASSESSMENT DISTRICT
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 425,498	\$ 425,498	\$ 425,498	\$ -
Resources (Inflows):				
Use of money and property	-	-	272	272
Amounts Available for Appropriation	425,498	425,498	425,770	272
Charges to Appropriation (Outflow):				
Public works	-	-	15,575	(15,575)
Total Charges to Appropriations	-	-	15,575	(15,575)
Budgetary Fund Balance, June 30	\$ 425,498	\$ 425,498	\$ 410,195	\$ (15,303)

CITY OF MANHATTAN BEACH

JUNE 30, 2011

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			
	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
Assets:				
Current:				
Cash and investments	\$ 1,605,797	\$ 162,064	\$ 2,268,915	\$ 4,036,776
Receivables:				
Accounts	15,969	-	-	15,969
Prepaid OPEB - short-term	1,516	607	607	2,730
Total Current Assets	1,623,282	162,671	2,269,522	4,055,475
Noncurrent:				
Prepaid other post-employment benefits	9,540	3,815	3,815	17,170
Capital assets - net of accumulated depreciation	3,646,870	-	-	3,646,870
Total Noncurrent Assets	3,656,410	3,815	3,815	3,664,040
Total Assets	\$ 5,279,692	\$ 166,486	\$ 2,273,337	\$ 7,719,515
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 43,813	\$ 162,065	\$ 19,834	\$ 225,712
Total Current Liabilities	43,813	162,065	19,834	225,712
Total Liabilities	43,813	162,065	19,834	225,712
Net Assets:				
Invested in capital assets, net of related debt	3,646,870	-	-	3,646,870
Unrestricted	1,589,009	4,421	2,253,503	3,846,933
Total Net Assets	5,235,879	4,421	2,253,503	7,493,803
Total Liabilities and Net Assets	\$ 5,279,692	\$ 166,486	\$ 2,273,337	\$ 7,719,515

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds			Totals
	Stormwater	County Parking Lot	State Pier and Parking Lot	
Operating Revenues:				
Sales and service charges	\$ 347,602	\$ 463,195	\$ 434,746	\$ 1,245,543
Miscellaneous	-	-	147	147
Total Operating Revenues	347,602	463,195	434,893	1,245,690
Operating Expenses:				
Salaries and wages	77,945	11,702	11,704	101,351
Employee benefits	26,284	6,079	6,092	38,455
Contract and professional services	122,118	49,071	181,451	352,640
Materials and services	16,450	7,810	184,082	208,342
Utilities	13,156	3,530	34,968	51,654
Administrative service charges	-	14,883	14,883	29,766
Leases and Rents	-	254,759	-	254,759
Depreciation expense	152,828	-	-	152,828
Total Operating Expenses	408,781	347,834	433,180	1,189,795
Operating Income (Loss)	(61,179)	115,361	1,713	55,895
Nonoperating Revenues (Expenses):				
Interest revenue	17,222	-	26,032	43,254
OPEB amortization	(1,407)	(563)	(563)	(2,533)
Total Nonoperating Revenues (Expenses)	15,815	(563)	25,469	40,721
Income (Loss) Before Transfers	(45,364)	114,798	27,182	96,616
Transfers out	-	(115,362)	-	(115,362)
Changes in Net Assets	(45,364)	(564)	27,182	(18,746)
Net Assets:				
Beginning of Year	5,281,243	4,985	2,226,321	7,512,549
End of Fiscal Year	\$ 5,235,879	\$ 4,421	\$ 2,253,503	\$ 7,493,803

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Stormwater</u>	<u>County Parking Lot</u>	<u>State Pier and Parking Lot</u>	<u>Totals</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 341,393	\$ 457,044	\$ 459,450	\$ 1,257,887
Cash received from/(paid to) interfund service provided	(17,054)	(24,155)	(76,713)	(117,922)
Cash paid to suppliers for goods and services	(122,862)	(324,654)	(371,399)	(818,915)
Cash paid to employees for services	(97,916)	(15,646)	(15,647)	(129,209)
Net Cash Provided (Used) by Operating Activities	103,561	92,589	(4,309)	191,841
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	(115,362)	-	(115,362)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(115,362)	-	(115,362)
Cash Flows from Investing Activities:				
Interest received	17,222	-	26,030	43,252
Net Cash Provided (Used) by Investing Activities	17,222	-	26,030	43,252
Net Increase (Decrease) in Cash and Cash Equivalents	120,783	(22,773)	21,721	119,731
Cash and Cash Equivalents at Beginning of Year	1,485,014	184,837	2,247,194	3,917,045
Cash and Cash Equivalents at End of Year	\$ 1,605,797	\$ 162,064	\$ 2,268,915	\$ 4,036,776
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (61,179)	\$ 115,361	\$ 1,713	\$ 55,895
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	152,828	-	-	152,828
(Increase) decrease in accounts receivable	(6,206)	-	-	(6,206)
Increase (decrease) in accounts payable	18,118	(22,772)	(6,022)	(10,676)
Total Adjustments	164,740	(22,772)	(6,022)	135,946
Net Cash Provided (Used) by Operating Activities	\$ 103,561	\$ 92,589	\$ (4,309)	\$ 191,841

CITY OF MANHATTAN BEACH

JUNE 30, 2011

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, 2011

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
Assets:					
Current:					
Cash and investments	\$ 9,740,716	\$ 481,407	\$ 2,352,712	\$ 30,012	\$ 12,604,847
Inventories	-	-	-	132,866	132,866
Prepaid OPEB - short-term	3,033	6,066	6,066	6,066	21,231
Total Current Assets	9,743,749	487,473	2,358,778	168,944	12,758,944
Noncurrent:					
Prepaid other post-employment benefits	19,077	38,153	38,153	38,153	133,536
Capital assets - net of accumulated depreciation	-	-	2,297,864	-	2,297,864
Total Noncurrent Assets	19,077	38,153	2,336,017	38,153	2,431,400
Total Assets	\$ 9,762,826	\$ 525,626	\$ 4,694,795	\$ 207,097	\$ 15,190,344
Liabilities and Net Assets:					
Liabilities:					
Current:					
Accounts payable	\$ 34,204	\$ 35,723	\$ 18,543	\$ 30,012	\$ 118,482
Workers' compensation claims	4,551,909	-	-	-	4,551,909
Accrued claims and judgments	390,431	-	-	-	390,431
Total Current Liabilities	4,976,544	35,723	18,543	30,012	5,060,822
Noncurrent:					
Workers' compensation claims	2,022,384	-	-	-	2,022,384
Accrued claims and judgments	579,132	-	-	-	579,132
Total Noncurrent Liabilities	2,601,516	-	-	-	2,601,516
Total Liabilities	7,578,060	35,723	18,543	30,012	7,662,338
Net Assets:					
Invested in capital assets, net of related debt	-	-	2,297,864	-	2,297,864
Unrestricted	2,184,766	489,903	2,378,388	177,085	5,230,142
Total Net Assets	2,184,766	489,903	4,676,252	177,085	7,528,006
Total Liabilities and Net Assets	\$ 9,762,826	\$ 525,626	\$ 4,694,795	\$ 207,097	\$ 15,190,344

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Operating Revenues:					
Sales and service charges	\$ 3,699,981	\$ 1,078,105	\$ 2,494,585	\$ 1,127,033	\$ 8,399,704
Miscellaneous	71,722	-	15,801	-	87,523
Total Operating Revenues	3,771,703	1,078,105	2,510,386	1,127,033	8,487,227
Operating Expenses:					
Salaries and wages	165,775	514,343	210,093	266,206	1,156,417
Employee benefits	66,230	134,406	126,205	85,843	412,684
Contract and professional services	27,044	141,163	105,828	362,139	636,174
Materials and services	411,110	393,690	548,360	256,030	1,609,190
Utilities	8,833	2,173	-	98,370	109,376
Administrative service charges	59,181	-	61,706	31,434	152,321
Claims expense	3,590,070	-	-	-	3,590,070
Depreciation expense	-	-	681,561	-	681,561
Total Operating Expenses	4,328,243	1,185,775	1,733,753	1,100,022	8,347,793
Operating Income (Loss)	(556,540)	(107,670)	776,633	27,011	139,434
Nonoperating Revenues (Expenses):					
Interest expense	-	-	(176)	-	(176)
Miscellaneous	-	-	-	34	34
OPEB amortization	(2,815)	(5,630)	(5,630)	(5,630)	(19,705)
Gain (loss) on disposal of fixed assets	-	-	15,104	-	15,104
Total Nonoperating Revenues (Expenses)	(2,815)	(5,630)	9,298	(5,596)	(4,743)
Income (Loss) Before Contributions and Transfers	(559,355)	(113,300)	785,931	21,415	134,691
Capital contributions	-	-	203,609	-	203,609
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Changes in Net Assets	(559,355)	(113,300)	989,540	21,415	338,300
Net Assets:					
Beginning of Year	2,744,121	603,203	3,686,712	155,670	7,189,706
End of Fiscal Year	\$ 2,184,766	\$ 489,903	\$ 4,676,252	\$ 177,085	\$ 7,528,006

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 77,759	\$ -	\$ 15,830	\$ 36	\$ 93,625
Cash received from/(paid to) interfund service provided	3,311,671	992,194	2,221,576	940,487	7,465,928
Cash paid to suppliers for goods and services	(2,943,402)	(493,575)	(547,374)	(632,714)	(4,617,065)
Cash paid to employees for services	(216,188)	(610,841)	(265,642)	(327,113)	(1,419,784)
Net Cash Provided (Used) by Operating Activities	229,840	(112,222)	1,424,390	(19,304)	1,522,704
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assts	-	-	(89,955)	-	(89,955)
Principal paid on capital debt	-	-	(35,807)	-	(35,807)
Interest paid on capital debt	-	-	(175)	-	(175)
Miscellaneous	-	-	-	33	33
Cash from sale of assets	-	-	15,103	-	15,103
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(110,834)	33	(110,801)
Net Increase (Decrease) in Cash and Cash Equivalents	229,840	(112,222)	1,313,556	(19,271)	1,411,903
Cash and Cash Equivalents at Beginning of Year	9,510,876	593,629	1,039,156	49,283	11,192,944
Cash and Cash Equivalents at End of Year	\$ 9,740,716	\$ 481,407	\$ 2,352,712	\$ 30,012	\$ 12,604,847
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (556,540)	\$ (107,670)	\$ 776,633	\$ 27,011	\$ 139,434
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	681,561	-	681,561
(Increase) decrease in inventory	-	300	-	(23,255)	(22,955)
Increase (decrease) in accounts payable	31,483	(4,852)	(33,804)	(23,060)	(30,233)
Increase (decrease) in claims and judgments	754,897	-	-	-	754,897
Total Adjustments	786,380	(4,552)	647,757	(46,315)	1,383,270
Net Cash Provided (Used) by Operating Activities	\$ 229,840	\$ (112,222)	\$ 1,424,390	\$ (19,304)	\$ 1,522,704

CITY OF MANHATTAN BEACH

JUNE 30, 2011

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, 2011

	<u>Special Assessment Redemption</u>	<u>Special Deposits</u>	<u>Totals</u>
Assets:			
Pooled cash and investments	\$ 820,604	\$ 380,703	\$ 1,201,307
Receivables:			
Accounts	28,550	-	28,550
Restricted assets:			
Cash and investments with fiscal agents	985,670	1,922,638	2,908,308
Total Assets	<u>\$ 1,834,824</u>	<u>\$ 2,303,341</u>	<u>\$ 4,138,165</u>
Liabilities:			
Accounts payable	\$ -	\$ 10,180	\$ 10,180
401 (a) plan deposits	-	1,916,946	1,916,946
Other deposits	-	80,243	80,243
Art development fees	-	295,972	295,972
Due to bondholders	1,834,824	-	1,834,824
Total Liabilities	<u>\$ 1,834,824</u>	<u>\$ 2,303,341</u>	<u>\$ 4,138,165</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2011</u>
<u>Special Assessment Redemption</u>				
Assets:				
Pooled cash and investments	\$ 806,277	\$ 991,092	\$ 976,765	\$ 820,604
Receivables:				
Accounts	48,286	28,550	48,286	28,550
Restricted assets:				
Cash and investments with fiscal agents	985,669	968,862	968,861	985,670
Total Assets	<u>\$ 1,840,232</u>	<u>\$ 1,988,504</u>	<u>\$ 1,993,912</u>	<u>\$ 1,834,824</u>
Liabilities:				
Due to bondholders	\$ 1,840,232	\$ 1,988,504	\$ 1,993,912	\$ 1,834,824
Total Liabilities	<u>\$ 1,840,232</u>	<u>\$ 1,988,504</u>	<u>\$ 1,993,912</u>	<u>\$ 1,834,824</u>
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 396,739	\$ 408,490	\$ 424,526	\$ 380,703
Restricted assets:				
Cash and investments with fiscal agents	1,526,878	397,590	1,830	1,922,638
Total Assets	<u>\$ 1,923,617</u>	<u>\$ 806,080</u>	<u>\$ 426,356</u>	<u>\$ 2,303,341</u>
Liabilities:				
Accounts payable	\$ 10,090	\$ 66,034	\$ 65,944	\$ 10,180
401 (a) plan deposits	1,519,356	397,590	-	1,916,946
Other deposits	103,546	298,517	321,820	80,243
Art development fees	290,625	43,939	38,592	295,972
Total Liabilities	<u>\$ 1,923,617</u>	<u>\$ 806,080</u>	<u>\$ 426,356</u>	<u>\$ 2,303,341</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,203,016	\$ 1,399,582	\$ 1,401,291	\$ 1,201,307
Receivables:				
Accounts	48,286	28,550	48,286	28,550
Restricted assets:				
Cash and investments with fiscal agents	2,512,547	1,366,452	970,691	2,908,308
Total Assets	<u>\$ 3,763,849</u>	<u>\$ 2,794,584</u>	<u>\$ 2,420,268</u>	<u>\$ 4,138,165</u>
Liabilities:				
Accounts payable	\$ 10,090	\$ 66,034	\$ 65,944	\$ 10,180
401 (a) plan deposits	1,519,356	397,590	-	1,916,946
Other deposits	103,546	298,517	321,820	80,243
Art development fees	290,625	43,939	38,592	295,972
Due to bondholders	1,840,232	1,988,504	1,993,912	1,834,824
Total Liabilities	<u>\$ 3,763,849</u>	<u>\$ 2,794,584</u>	<u>\$ 2,420,268</u>	<u>\$ 4,138,165</u>



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Statistical Section

Statistical Section (Unaudited)

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

Contents

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.



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

Exhibit A-2

	Fiscal Year Ending			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 94,464,084	\$ 95,603,960	\$ 94,713,693	\$ 93,795,303
Restricted:				
Debt Service & Restricted Cash	3,255,752	2,062,149	1,960,662	1,999,346
Special Revenue Funds	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>
Total Restricted	\$ 8,547,744	\$ 8,065,815	\$ 8,611,954	\$ 9,479,279
Unrestricted	<u>28,048,237</u>	<u>27,972,613</u>	<u>29,916,356</u>	<u>31,513,669</u>
Total governmental activities net assets	<u>\$ 131,060,065</u>	<u>\$ 131,642,388</u>	<u>\$ 133,242,003</u>	<u>\$ 134,788,251</u>
Business-type activities				
Invested in capital assets, net of related debt	24,736,571	24,967,604	25,485,791	27,111,091
Restricted:				
Business Improvement district	555,569	598,329	508,617	517,072
Debt Service & Restricted Cash	<u>1,210,061</u>	<u>1,213,448</u>	<u>1,221,763</u>	<u>1,208,833</u>
Total Restricted	\$1,765,630	\$1,811,777	\$1,730,380	\$1,725,905
Unrestricted	<u>13,556,500</u>	<u>12,660,558</u>	<u>12,384,155</u>	<u>13,385,526</u>
Total business-type activities net assets	<u>\$ 40,058,701</u>	<u>\$ 39,439,939</u>	<u>\$ 39,600,326</u>	<u>\$ 42,222,522</u>
Primary government				
Invested in capital assets, net of related debt	\$ 119,200,655	\$ 120,571,564	\$ 120,199,484	\$ 120,906,394
Restricted:				
Business Improvement district	555,569	598,329	508,617	517,072
Debt Service & Restricted Cash	4,465,813	3,275,597	3,182,425	3,208,179
Special Revenue Funds	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>
Total Restricted	\$10,313,374	\$9,877,592	\$10,342,334	\$11,205,184
Unrestricted	<u>41,604,737</u>	<u>40,633,171</u>	<u>42,300,511</u>	<u>44,899,195</u>
Total primary government net assets	<u>\$ 171,118,766</u>	<u>\$ 171,082,327</u>	<u>\$ 172,842,329</u>	<u>\$ 177,010,773</u>

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

	Fiscal Year Ending			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental activities:				
General government	9,090,991	9,528,102	10,308,925	9,464,347
Public Safety	31,752,170	29,889,347	28,879,836	30,686,086
Culture and recreation	6,031,938	5,811,982	5,853,076	6,018,205
Public Works	8,675,214	8,460,078	7,906,172	8,338,105
Interest on long-term debt	1,178,065	954,861	811,710	769,374
Total governmental activities expenses	<u>56,728,378</u>	<u>54,644,370</u>	<u>53,759,719</u>	<u>55,276,117</u>
Business-type activities:				
Water	7,500,615	7,844,741	8,214,250	8,326,398
Stormwater	418,088	550,234	374,513	410,188
Wastewater	1,279,325	1,938,298	1,685,881	1,692,812
Refuse	3,888,615	4,212,176	4,282,026	4,386,842
Parking	2,392,802	2,082,830	2,190,580	2,352,386
Total business-type activities expenses	<u>15,479,445</u>	<u>16,628,279</u>	<u>16,747,250</u>	<u>17,168,626</u>
Total primary government expenses	<u>\$ 72,207,823</u>	<u>\$ 71,272,649</u>	<u>\$ 70,506,969</u>	<u>\$ 72,444,743</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	4,265,277	3,881,178	4,085,381	3,883,959
Public Safety	4,206,318	4,299,002	4,576,210	4,765,404
Parks and recreation	2,336,374	2,449,945	2,577,883	3,029,554
Public works	2,683,443	2,492,418	2,512,225	3,440,572
Operating grants and contributions	2,250,606	2,078,062	2,224,949	1,322,867
Capital grants and contributions	679,865	1,105,439	1,399,366	1,504,759
Total governmental activities program revenues	<u>16,421,883</u>	<u>16,306,044</u>	<u>17,376,014</u>	<u>17,947,115</u>
Business-type activities:				
Charges for services:				
Water	6,860,563	7,380,055	7,887,900	9,557,717
Stormwater	338,208	347,162	360,926	347,602
Wastewater	1,275,553	1,317,713	1,820,756	2,620,669
Refuse	3,816,699	4,082,292	4,110,342	4,189,639
Parking	2,066,617	2,094,179	2,544,834	3,008,206
Operating grants and contributions	90,853	458,769	-	19,638
Capital grants and contributions	900,000	-	57,398	-
Total business-type activities program revenues	<u>15,348,493</u>	<u>15,680,170</u>	<u>16,782,156</u>	<u>19,743,471</u>
Total primary government program revenues	<u>\$ 31,770,376</u>	<u>\$ 31,986,214</u>	<u>\$ 34,158,170</u>	<u>\$ 37,690,586</u>

	Fiscal Year Ending			
	2008	2009	2010	2011
Net (Expense)/Revenue				
Governmental activities	\$ (40,306,495)	\$ (38,338,326)	\$ (36,383,705)	\$ (37,329,002)
Business-type activities	(130,952)	(948,109)	34,906	2,574,845
Total primary government net expense	<u>\$ (40,437,447)</u>	<u>\$ (39,286,435)</u>	<u>\$ (36,348,799)</u>	<u>\$ (34,754,157)</u>
General Revenues and Other Changes				
Governmental activities:				
Taxes				
Property taxes	\$ 18,567,451	\$ 19,930,492	\$ 20,006,558	\$ 19,791,425
Sales taxes	8,230,387	7,436,912	7,646,109	8,148,688
Transient occupancy tax	3,995,411	3,507,775	3,174,319	3,229,823
Motor vehicle in lieu tax	157,143	105,883	108,815	118,296
Business license tax	2,747,098	2,767,070	2,783,641	2,844,066
Franchise taxes	1,168,383	1,185,406	1,220,171	1,289,443
Other taxes	439,104	325,001	356,367	473,275
Rental income	2,201,037	2,021,352	1,925,895	2,029,355
Investment earnings	2,088,549	1,385,481	476,463	696,066
Other	1,254,482	145,047	150,229	148,451
Transfers	(30,771)	110,230	134,753	106,362
Total governmental activities	<u>40,818,274</u>	<u>38,920,649</u>	<u>37,983,320</u>	<u>38,875,250</u>
Business-type activities:				
Investment earnings	874,003	439,576	260,234	153,713
Transfers	30,771	(110,230)	(134,753)	(106,362)
Other				
Total business-type activities	<u>904,774</u>	<u>329,346</u>	<u>125,481</u>	<u>47,351</u>
Total primary government	<u>\$ 41,723,048</u>	<u>\$ 39,249,995</u>	<u>\$ 38,108,801</u>	<u>\$ 38,922,601</u>
Change in Net Assets				
Governmental activities	\$ 511,779	\$ 582,323	\$ 1,599,615	\$ 1,546,248
Business-type activities	<u>773,822</u>	<u>(618,763)</u>	<u>160,387</u>	<u>2,622,196</u>
Total primary government	<u>\$ 1,285,601</u>	<u>\$ (36,440)</u>	<u>\$ 1,760,002</u>	<u>\$ 4,168,444</u>

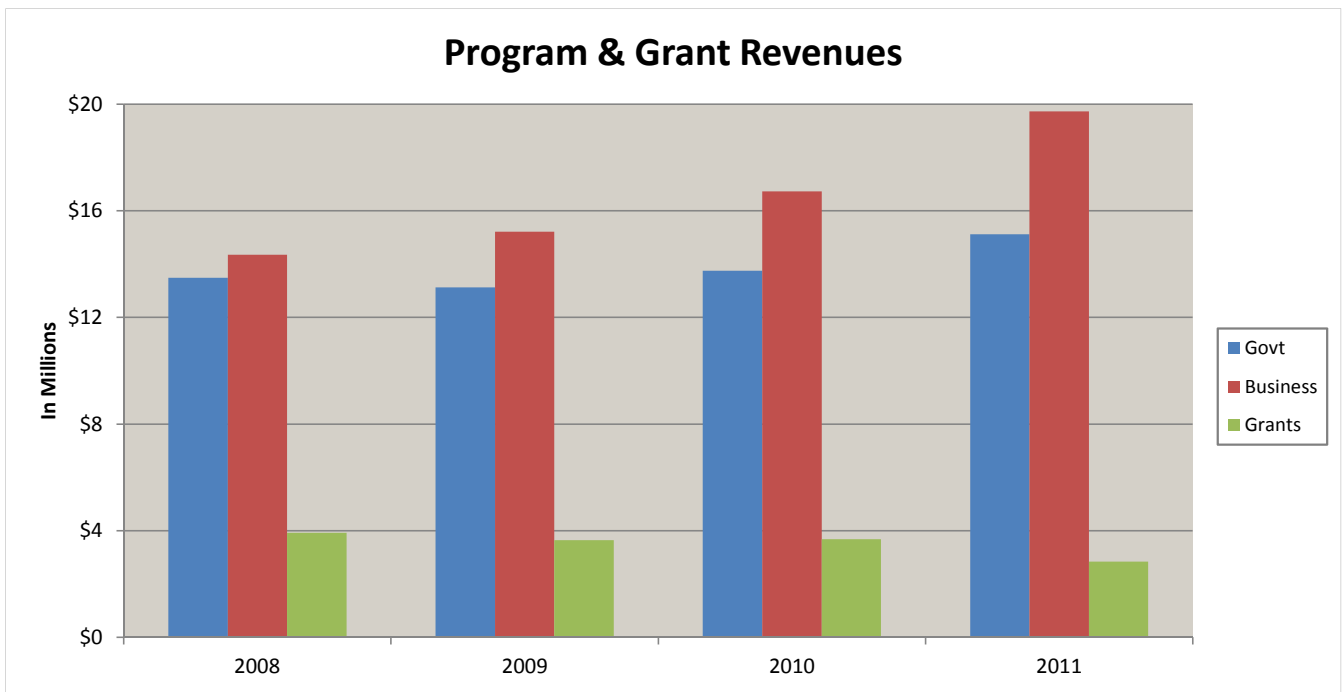


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City of Manhattan Beach
Program Revenues by Function/Program,
Last Four Fiscal Years
(accrual basis of accounting)

Exhibit A-4

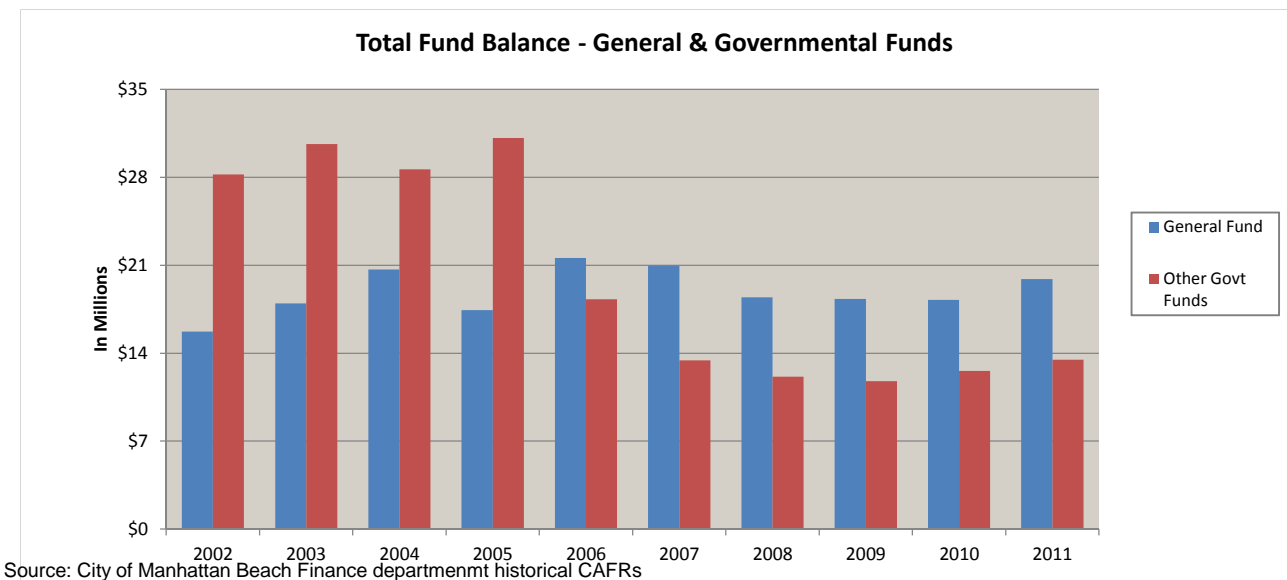
	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	4,265,277	3,881,178	4,085,381	3,883,959
Public Safety	4,206,318	4,299,002	4,576,210	4,765,404
Culture and recreation	2,336,374	2,449,945	2,577,883	3,029,554
Public works	2,683,443	2,492,418	2,512,225	3,440,572
Operating grants and contributions	2,250,606	2,078,062	2,224,949	1,322,867
Capital grants and contributions	679,865	1,105,439	1,399,366	1,504,759
Total governmental activities program revenues	16,421,883	16,306,044	17,376,014	17,947,115
Business-type activities:				
Charges for services:				
Water	6,860,563	7,380,055	7,887,900	9,557,717
Stormwater	338,208	347,162	360,926	347,602
Wastewater	1,275,553	1,317,713	1,820,756	2,620,669
Refuse	3,816,699	4,082,292	4,110,342	4,189,639
Parking	2,066,617	2,094,179	2,544,834	3,008,206
Operating grants and contributions	90,853	458,769	-	19,638
Capital grants and contributions	900,000	-	57,398	-
Total business-type activities program revenues	15,348,493	15,680,170	16,782,156	19,743,471
Total primary government program revenues	\$ 31,770,376	\$ 31,986,214	\$ 34,158,170	\$ 37,690,586



Source: City of Manhattan Beach Finance department historical CAFRs

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

	Fiscal Year Ending				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved					
Debt service & restricted cash	\$ 279,585	\$ 178,062	\$ 62,496	\$ 49,300	\$ 404,204
Encumbrances & other items	679,057	648,740	373,242	1,025,189	646,111
Unreserved	14,762,895	17,143,116	20,231,796	16,365,761	20,528,738
Nonspendable					
Prepaid costs					-
Notes and loans					-
Restricted					
Debt service & restricted cash					-
Unassigned					-
Total General fund	\$ 15,721,537	\$ 17,969,918	\$ 20,667,534	\$ 17,440,250	\$ 21,579,053
All Other Governmental Funds					
Reserved					
Continuing Projects	\$3,543,850	\$2,429,186	\$3,894,588	\$7,795,003	\$9,916,842
Debt service & restricted cash	1,026,300	1,026,300	1,579,976	19,170,120	935,696
Encumbrances & other items	189,205	3,475	268,195	8,148	218,926
Unreserved, reported in:					
Special revenue funds	3,377,162	3,428,545	3,022,824	2,438,704	2,111,598
Capital projects funds	20,088,223	23,754,420	19,864,825	1,715,536	5,115,277
Nonspendable					
Notes and loans					-
Advances to other funds					-
Restricted					
Public safety					-
Parks and recreation					-
Public works					-
Capital projects					-
Debt service					-
Committed					
Capital projects					-
Unassigned					-
Total all other governmental funds	\$ 28,224,740	\$ 30,641,926	\$ 28,630,408	\$ 31,127,511	\$ 18,298,339
Total all governmental funds	\$ 43,946,277	\$ 48,611,844	\$ 49,297,942	\$ 48,567,761	\$ 39,877,392



Fiscal Year Ending				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 972,422	\$ 1,355,530	\$ 1,244,971	\$ 1,143,587	\$ -
507,096	495,646	373,980	213,938	-
19,499,495	16,585,982	16,710,818	16,888,308	-
-	-	-	-	19,519
-	-	-	-	432,000
-	-	-	-	1,182,271
-	-	-	-	18,270,832
<hr/>				
\$ 20,979,013	\$ 18,437,158	\$ 18,329,769	\$ 18,245,833	\$ 19,904,622
<hr/>				
\$6,094,070	\$4,642,305	\$4,618,592	\$6,755,397	\$ -
817,081	817,076	817,178	817,075	-
9,427	40,925	71,887	393,852	-
2,842,097	2,748,609	2,340,055	2,692,575	-
3,657,446	3,878,706	3,934,840	1,925,704	-
-	-	-	-	42,744
-	-	-	-	1,073,000
-	-	-	-	1,247,014
-	-	-	-	80,284
-	-	-	-	3,324,947
-	-	-	-	2,827,688
-	-	-	-	817,075
-	-	-	-	4,089,866
-	-	-	-	(22,488)
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\$ 13,420,121	\$ 12,127,621	\$ 11,782,552	\$ 12,584,603	\$ 13,480,130
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\$ 34,399,134	\$ 30,564,779	\$ 30,112,321	\$ 30,830,436	\$ 33,384,752



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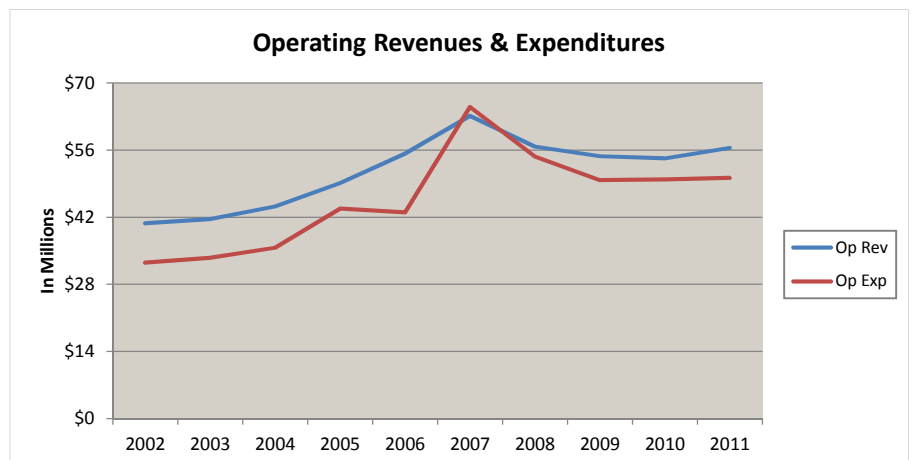
Statistical Section

Revenue Capacity

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

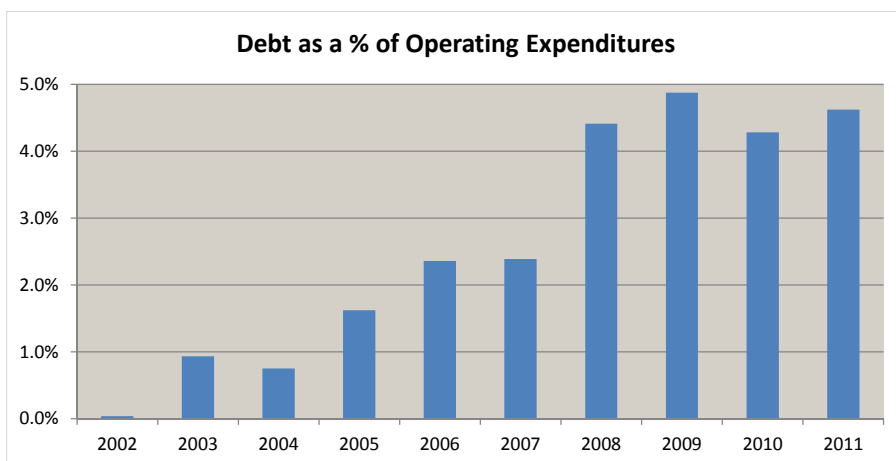
City of Manhattan Beach
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Tax and assessments	\$ 22,096,665	\$ 24,038,547	\$ 27,381,711	\$ 26,907,138	\$ 33,026,089
Licenses, fees, and permits	1,447,841	1,563,171	1,643,682	1,560,346	1,810,681
Fines and forfeitures	1,890,321	2,041,805	2,294,535	1,910,757	1,895,506
Charges for services	5,253,485	6,160,531	6,454,314	7,218,915	7,400,197
Contributions from property owner			-	3,372,891	3,147,739
Intergovernmental	4,248,036	4,144,954	3,639,236	4,623,276	2,994,138
Interest and Rents	3,677,986	3,389,920	3,094,363	2,863,553	3,354,041
Net change fair value investments	220,973	(287,140)	(671,517)	(30,777)	(192,026)
Other revenues	1,904,991	494,406	436,260	705,588	1,863,937
Total revenues	40,740,298	41,546,194	44,272,584	49,131,687	55,300,302
Expenditures					
General government	6,453,358	6,476,427	6,636,125	7,120,760	7,452,850
Public Safety	16,974,214	18,109,464	19,719,804	22,735,205	24,020,705
Culture and recreation	4,150,453	3,798,920	3,989,250	4,592,628	4,680,871
Public works	4,891,118	5,107,008	5,297,262	9,303,463	6,819,825
Total operating expenditures	32,469,143	33,491,819	35,642,441	43,752,056	42,974,251
Excess of revenue over expenditures	8,271,155	8,054,375	8,630,143	5,379,631	12,326,051
Capital outlay	2,045,689	4,749,294	7,751,990	18,382,798	19,965,439
Debt service					
Interest	12,565	112,622	87,055	524,158	822,862
Principal	-	200,000	180,000	185,000	190,000
Total Non Operating expenditures	2,058,254	5,061,916	8,019,045	19,091,956	20,978,301
Excess of revenues over expenditures	6,212,901	2,992,459	611,098	(13,712,325)	(8,652,250)
Other financing sources (Uses)					
Bonds issued	9,443,752	-	-	12,980,000	-
Premium on bonds issues	-	-	-	186,055	-
Refunding Lease	(9,732,862)	-	-	-	-
Capital Contribution	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	4,979,429	6,171,338	18,919,651	11,647,938	841,116
Transfers out	(6,473,740)	(4,498,230)	(18,844,651)	(12,554,938)	(1,045,116)
Total other financing sources (uses)	(1,783,421)	1,673,108	75,000	12,259,055	(204,000)
Prior Period Adjustment	-	-	-	-	165,882
Net change in fund balances	4,429,480	4,665,567	686,098	(1,453,270)	(8,690,368)
Debt - % of Operating Expenditures	0.0%	0.9%	0.7%	1.6%	2.4%



Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year Ending				
2007	2008	2009	2010	2011
\$ 35,261,246	\$ 36,933,447	\$ 36,839,471	\$ 36,582,239	\$ 37,697,637
1,686,922	1,463,207	1,200,529	1,200,347	1,289,183
2,153,078	2,169,402	2,400,483	2,984,868	2,867,072
7,812,110	8,013,155	8,202,164	8,291,275	9,396,606
8,498,306	-	-	-	-
3,007,764	2,147,817	2,072,660	2,638,044	1,749,382
3,845,001	3,939,191	3,607,997	2,344,105	2,723,666
353,642	350,394	(201,163)	58,253	21,680
553,241	1,707,735	634,524	192,965	707,752
63,171,310	56,724,348	54,756,665	54,292,096	56,452,978
8,646,822	9,808,544	9,215,265	9,785,663	8,660,865
33,302,747	31,354,970	28,727,983	28,461,175	29,176,141
5,328,693	6,027,462	5,599,052	5,699,228	6,192,471
17,737,634	7,500,615	6,207,990	5,923,828	6,149,939
65,015,896	54,691,591	49,750,290	49,869,894	50,179,416
(1,844,586)	2,032,757	5,006,375	4,422,202	6,273,562
7,764,994	3,405,258	3,124,353	1,705,513	1,510,341
1,035,878	1,178,066	1,192,716	811,711	896,096
515,000	1,235,000	1,235,000	1,325,000	1,425,000
9,315,872	5,818,324	5,552,069	3,842,224	3,831,437
(11,160,458)	(3,785,567)	(545,694)	579,978	2,442,125
6,634,179	-	-	-	-
163,120	-	-	-	-
-	-	-	-	-
-	-	3,006	3,384	5,829
4,179,102	215,047	331,183	424,211	830,712
(5,497,006)	(263,835)	(220,953)	(289,458)	(724,350)
5,479,395	(48,788)	113,236	138,137	112,191
202,807	-	(20,000)	-	-
(5,478,256)	(3,834,355)	(452,458)	718,115	2,554,316
2.4%	4.4%	4.9%	4.3%	4.6%



Source: City of Manhattan Beach Finance Department Historical CAFRs



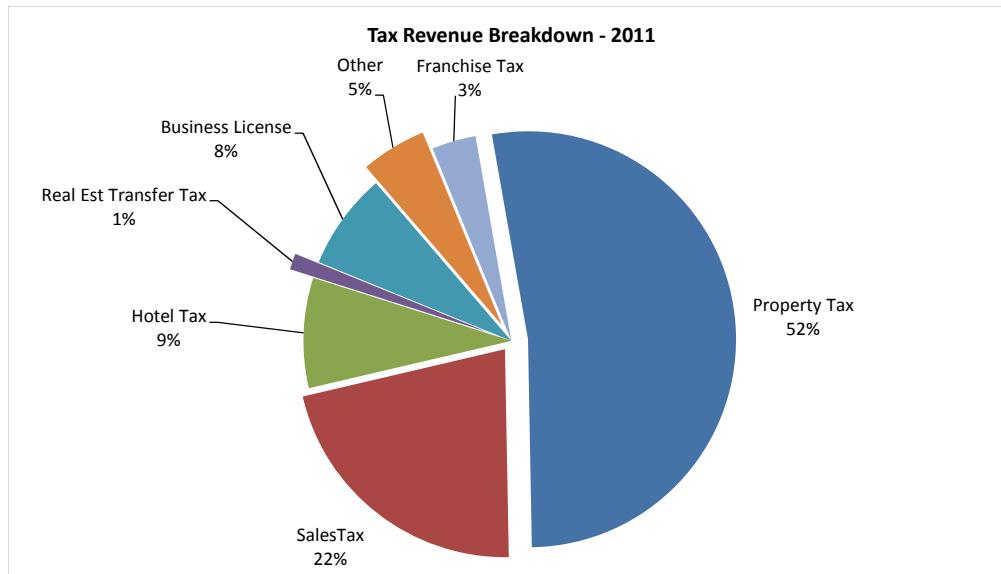
City of Manhattan Beach
Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit A-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & 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>
2011	\$ 19,791,425	\$ 8,148,688	\$ 3,229,823	\$ 1,289,443	\$ 473,280	\$ 2,844,066	\$ -	\$ 1,920,912	37,697,637
2010	20,006,558	7,301,378	3,174,319	1,220,171	356,367	2,783,641	-	1,739,805	36,582,239
2009	19,930,492	7,480,516	3,507,774	1,185,406	325,001	2,767,070	-	1,643,212	36,839,471
2008	18,567,451	8,230,387	3,995,411	1,168,383	450,299	2,747,098	-	1,774,418	36,933,447
2007	17,116,975	8,416,844	3,665,741	1,200,503	788,347	2,464,239	-	1,608,597	35,261,246
2006	15,523,154	8,557,986	3,186,359	1,149,740	668,242	2,468,067	-	1,472,541	33,026,089
2005	11,652,108	7,581,885	2,449,326	903,490	688,616	2,285,524	-	1,346,189	26,907,138
2004	11,090,838	7,550,378	2,183,163	929,251	721,502	2,134,588	140	2,771,851	27,381,711
2003	10,021,646	7,202,620	2,040,428	904,080	546,129	2,017,534	85,827	1,220,283	24,038,547
2002	9,092,325	7,215,913	2,101,610	882,273	467,499	1,876,833	78,815	381,397	22,096,665
2001	8,204,761	7,526,381	2,987,574	688,304	537,363	1,836,941	74,061	378,813	22,234,198
2000	7,399,040	7,272,728	2,522,885	626,769	410,726	1,781,098	73,024	388,462	20,474,732
1999	6,593,181	6,314,366	2,259,941	533,944	366,201	1,682,971	64,539	375,594	18,190,737

Change
99-08

181.6%	30.3%	76.8%	118.8%	23.0%	63.2%	-100.0%	372.4%	103.0%
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**City of Manhattan Beach
 Assessed Value and Estimated Actual Value of Taxable Property,
 Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Total Taxable Assessed Value
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	841,096,243	280,998,547	442,154,427	11,697,899,600
2010	10,311,669,005	868,380,495	286,618,511	405,009,100	11,871,677,111
2011	10,339,491,445	857,048,245	272,285,842	444,776,787	11,913,602,319

Exhibit A-8

Tax-Exempt Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
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%
301,140,740	0.16277%	11,871,677,111	100.000%
301,140,740	0.16044%	11,913,602,319	100.000%

Source: HDL Coren Cone

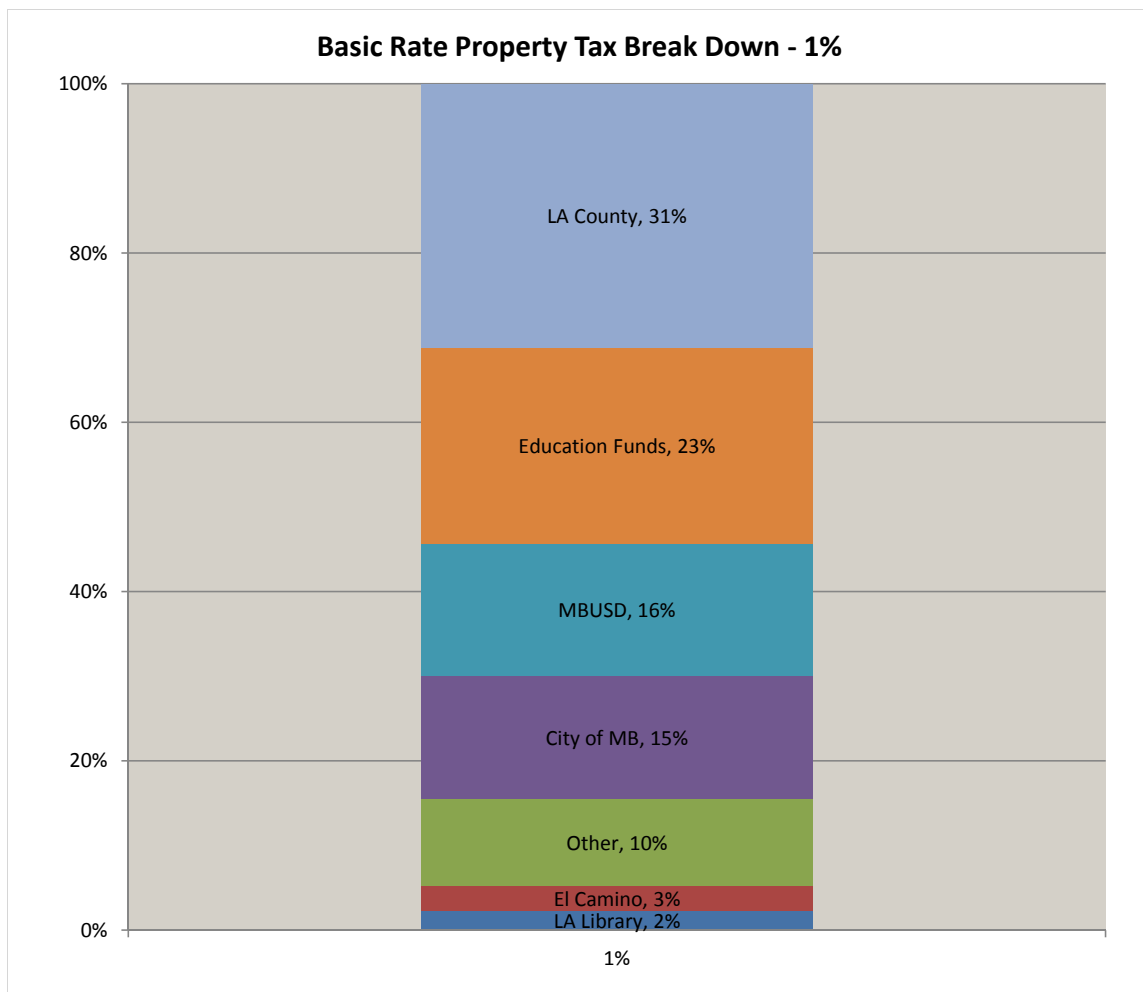


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**City of Manhattan Beach
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years**

Exhibit A-9

Fiscal Year	City Direct Rates		Overlapping Rates						
	General Levy (Basic Rate)	Total Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate	General Levy	Total Rate
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
2010	1.00000%	0.16277%	0.00000	0.11146	0.00430	0.00000	0.11576	1.00000	1.11576
2011	1.00000%	0.16044%	0.00000	0.14514	0.00370	0.00000	0.14884	1.00000	1.14884



Source: HDL Coren Cone

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

<u>Taxpayer</u>	2011	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Space & Mission	\$ 261,086,588	2.19%
Reef America Reit II Corporation BBB	156,391,089	1.31%
CRP MB Studios LLC	140,760,000	1.18%
Wells REIT II Manhattan Towers LLC	98,994,084	0.83%
Parstem Realty Company Inc.	65,054,679	0.55%
Host Marriott Corporation Interstate	62,264,619	0.52%
Sketchers USA Inc.	35,055,888	0.29%
RIMB LLC	33,748,288	0.28%
St. Paul Properties Inc.	26,764,004	0.22%
Continental 1500 Rosecrans LLC	25,177,275	0.21%
Top Ten Total	<u>\$ 905,296,514</u>	<u>7.6%</u>
City Total	<u><u>\$ 11,913,602,319</u></u>	

<u>Taxpayer</u>	2002	
	Net Value	Percentage of Total City Net Value
TRW Inc.	\$ 255,024,559	4.01%
Shamrock MBS LLC	129,918,722	2.04%
Madison Manhattan Village LP	79,107,129	1.24%
Manhattan Beach Towers LLC	37,142,280	0.58%
Shearson California Raddison	35,280,000	0.55%
Pastem Realty Company Inc.	30,356,436	0.48%
Sanko Nakayama International Inc.	27,638,269	0.43%
St. Paul Properties Inc.	25,496,901	0.40%
Hughes Aircraft Employees	23,451,218	0.37%
Skechers USA Inc	14,973,814	0.24%
	\$ 658,389,328	10.3%
	\$ 6,365,174,958	

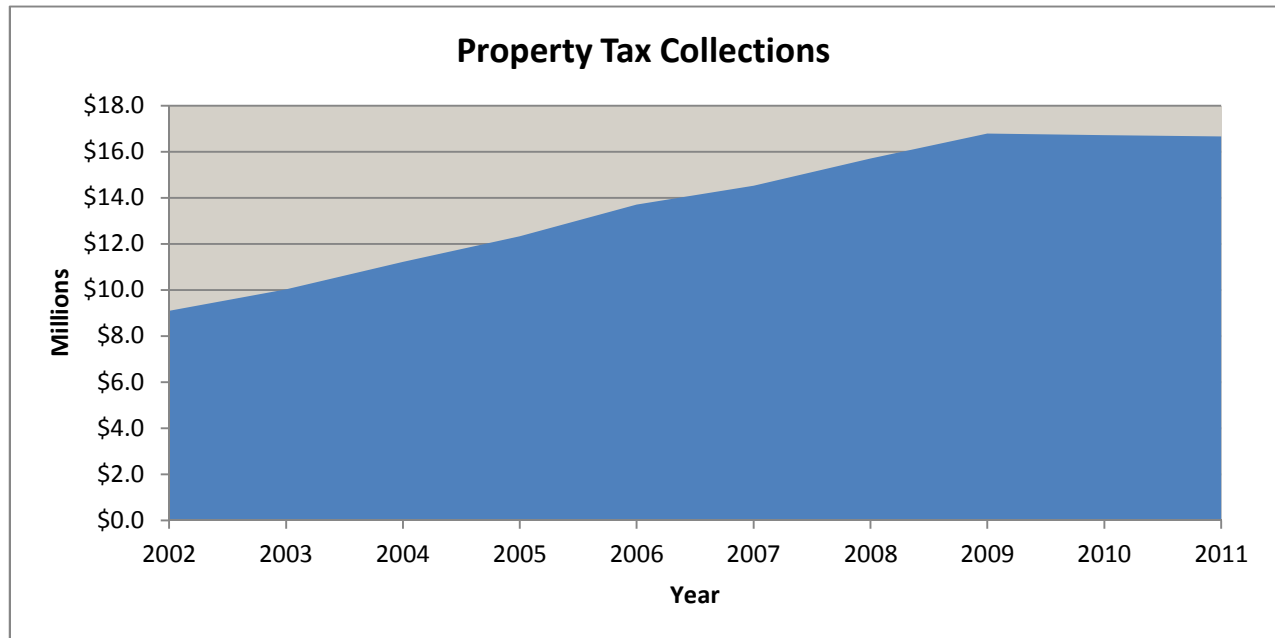


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**City of Manhattan Beach
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit A-11

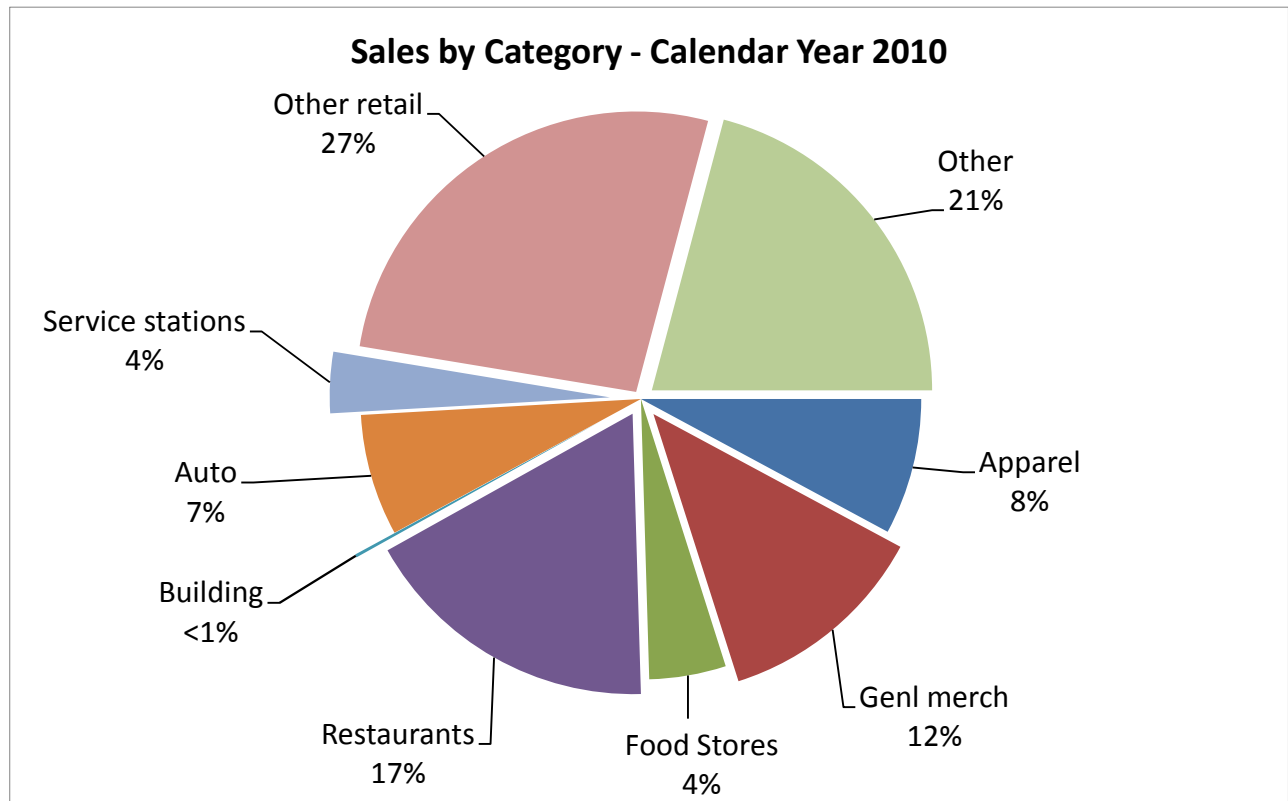
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	8,160,264	7,962,043	97.57%	180,987	8,204,761	100.55%
2002	8,974,491	8,677,306	96.69%	350,666	9,092,325	101.31%
2003	9,795,290	9,503,645	97.02%	447,891	10,021,646	102.31%
2004	10,713,583	10,335,067	96.47%	750,974	11,223,986	104.76%
2005	11,677,784	11,336,153	97.07%	923,375	12,326,299	105.55%
2006	12,944,802	12,527,975	96.78%	1,176,979	13,704,954	105.87%
2007	14,197,925	13,311,119	93.75%	1,219,824	14,530,943	102.35%
2008	15,564,989	14,643,132	94.08%	1,065,305	15,708,437	100.92%
2009	16,795,932	15,888,783	94.60%	902,280	16,791,063	99.97%
2010	17,041,081	16,054,348	94.21%	661,930	16,716,278	98.09%
2011	16,836,854	16,056,305	95.36%	604,649	16,660,953	98.96%



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

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

	Calendar Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Apparel stores	\$ 42,616	\$ 44,195	\$ 57,599	\$ 66,639	\$ 69,751
General merchandise	104,565	101,509	105,563	108,221	109,957
Food stores	32,705	31,532	31,539	33,266	33,774
Eating and drinking establishments	105,167	104,491	112,881	119,406	127,778
Building materials and farm tools	2,796	2,789	2,849	3,116	3,129
Auto dealers and supplies	76,634	79,626	55,529	75,259	80,594
Service stations	22,529	20,935	24,860	29,620	34,473
Other retail stores	189,690	196,923	200,167	201,919	209,804
All other outlets	<u>145,091</u>	<u>125,458</u>	<u>115,406</u>	<u>126,442</u>	<u>133,957</u>
Total	<u>\$ 721,793</u>	<u>\$ 707,458</u>	<u>\$ 706,393</u>	<u>\$ 763,888</u>	<u>\$ 803,217</u>
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

Calendar Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 73,438	\$ 72,648	\$ 67,185	\$ 60,141	\$ 64,857
114,830	118,872	113,037	104,604	101,306
36,323	36,032	36,842	37,107	36,693
135,058	137,878	142,590	139,095	143,709
3,229	2,994	2,592	1,975	1,454
76,340	78,480	73,144	63,329	57,980
34,574	33,605	37,505	26,237	29,079
219,356	222,590	215,166	199,196	219,337
<u>123,996</u>	<u>124,616</u>	<u>120,420</u>	<u>102,005</u>	<u>172,638</u>
<u>\$ 817,144</u>	<u>\$ 827,715</u>	<u>\$ 808,481</u>	<u>\$ 733,689</u>	<u>\$ 827,053</u>
1.00%	1.00%	1.00%	1.00%	1.00%

Source: State Board of Equalization HDL Coren Cone

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>L.A. County</u>
2011	1.00%	.25%
2010	1.00%	.25%
2009	1.00%	.25%
2008	1.00%	.25%
2007	1.00%	.25%
2006	1.00%	.25%
2005	1.00%	.25%
2004	1.00%	.25%
2003	1.00%	.25%
2002	1.00%	.25%

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

Exhibit A-14

Tax Remitter

2011

Apple Computer
Barnes & Noble
Beverages & More
California Pizza Kitchen
Chevron
CVS Pharmacy
Dewitt Petroleum
Frys Electronics
Houstons
Kwik Gas
Lam Enterprise
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Mobil Oil
Office Depot
Old Navy
Olive Garden
Pottery Barn
Ralphs
REI
Sephora
Skechers
Target
Trader Joes

2002

Barnes & Noble
Bristol Farms
California Pizza Kitchen
Champion Chevrolet
Frys Electronics
Gateway Country
Houstons
Islands
Kettle
Kwik Gas
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Office Depot
Old Navy
Olive Garden
Ralphs
REI
Sav On
Sketchers
Target
Toyota Motor Credit Corporation
Trader Joes
TRW Space & Electronics
Vons

* Listed Alphabetically



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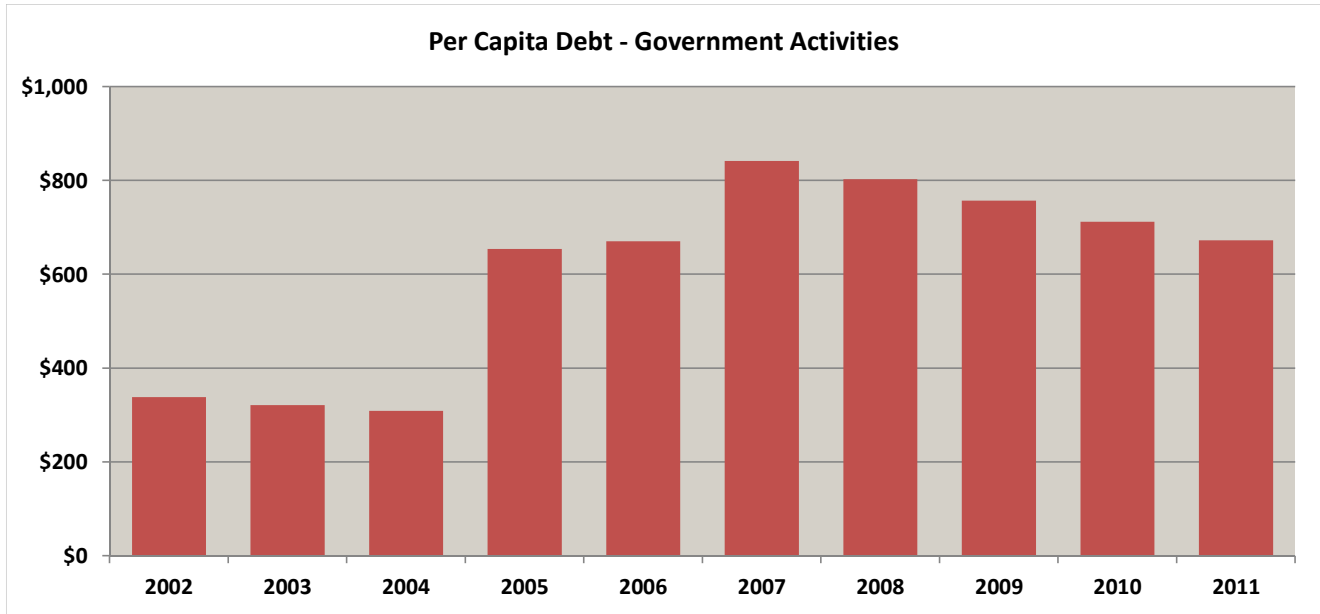
Statistical Section

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.

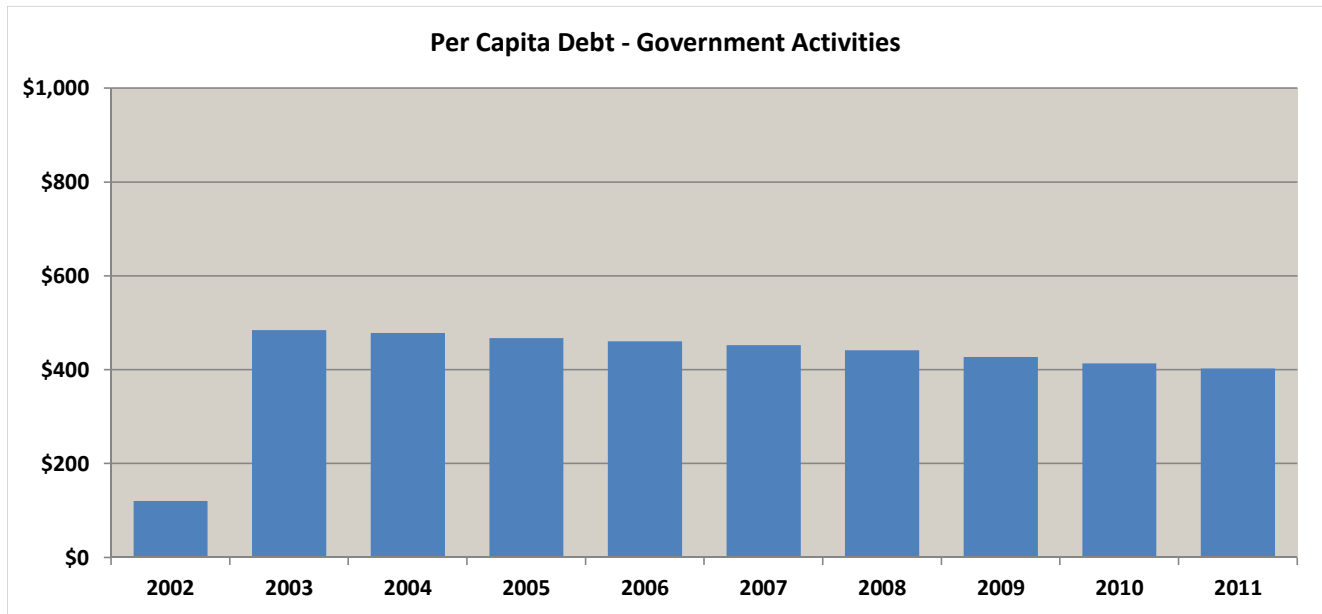
**City of Manhattan Beach
 Ratios of Outstanding Debt by Type,
 Last Ten Fiscal Years**

Fiscal Year	RCC Facility	Pension Obligation Bonds	Governmental Activities			Capital Leases	Total Governmental	Total Per Capita
			Marine Certificates of Participation	Police/Fire Certificates of Participation				
2002	2,180,000	-	9,535,000	-	279,584	11,994,584	339	
2003	2,115,000	-	9,335,000	-	178,061	11,628,061	321	
2004	2,045,000	-	9,155,000	-	62,495	11,262,495	309	
2005	1,975,000	-	8,970,000	12,980,000	-	23,925,000	654	
2006	1,905,000	-	8,780,000	12,980,000	720,693	24,385,693	671	
2007	1,830,000	6,800,000	8,580,000	12,740,000	558,370	30,508,370	842	
2008	1,750,000	6,095,000	8,375,000	12,495,000	390,008	29,105,008	803	
2009	1,670,000	5,400,000	8,165,000	12,245,000	215,949	27,695,949	757	
2010	1,585,000	4,635,000	7,945,000	11,990,000	35,807	26,190,807	712	
2011	1,495,000	3,795,000	7,715,000	11,725,000	-	24,730,000	673	



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

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				
4,270,000	-	4,270,000	121	16,264,584	0.74%	459
4,190,000	13,350,000	17,540,000	485	29,168,061	1.30%	806
4,105,000	13,350,000	17,455,000	479	28,717,495	1.22%	788
4,015,000	13,095,000	17,110,000	468	41,035,000	1.68%	1,122
3,920,000	12,835,000	16,755,000	461	41,140,693	1.63%	1,131
3,820,000	12,570,000	16,390,000	452	46,898,370	1.81%	1,294
3,715,000	12,300,000	16,015,000	442	45,120,008	1.67%	1,244
3,605,000	12,020,000	15,625,000	427	43,320,949	1.63%	1,184
3,490,000	11,735,000	15,225,000	414	41,415,807	1.56%	1,126
3,370,000	11,435,000	14,805,000	403	39,535,000	1.49%	1,075





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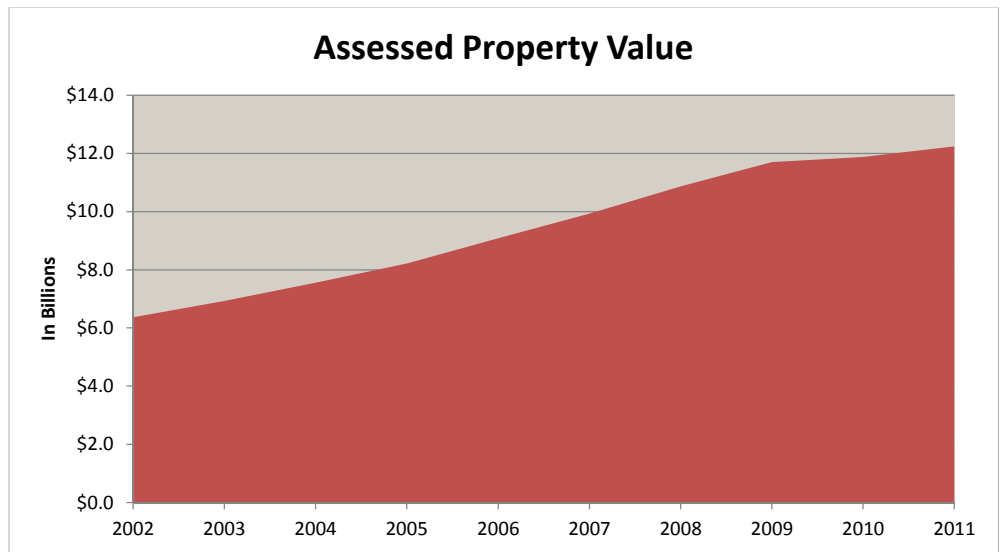
City of Manhattan Beach
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

Exhibit A-16

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
Debt repaid with property taxes			
Bonds, Lease	13,005,000	100.000%	13,005,000
Manhattan Beach UNIF 96 SER A DS	8,803,362	100.000%	8,803,362
Manhattan Beach UNIF DS 1998 SER B	5,749,278	100.000%	5,749,278
Manhattan Beach USD DS 1999 SER C	3,438,403	100.000%	3,438,403
Manhattan Beach USD DS 2001 SER D	4,263,769	100.000%	4,263,769
Manhattan Beach USD DS 2010 SER A	9,738,877	100.000%	9,738,877
Manhattan Beach USD DS 1995 SER E	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 2000 SER B	7,351,026	100.000%	7,351,026
Manhattan Beach USD DS 2004 REF BDS	15,470,000	100.000%	15,470,000
Manhattan Beach USD DS 2008 2009 SER A	7,651,589	100.000%	7,651,589
Total Direct Debt			<u>80,100,133</u>
Overlapping Debt			
Metropolitan Water District	107,259,876	1.403%	1,504,686
El Camino CCS DS 2002 S-2003A	5,120,000	15.049%	770,517
El Camino CCS DS 2005 REF BONDS	28,732,715	15.049%	4,324,034
El Camino CCS DS 2002 SER 2006B	137,350,000	15.049%	20,670,027
Total Overlapping Debt			<u>27,269,265</u>
Total Direct and Overlapping Debt			<u>\$ 107,369,398</u>

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Assessed Value	\$ 6,365,174,958	\$ 6,923,341,436	\$ 7,554,435,006	\$ 8,216,800,523	\$ 9,080,889,082
Legal debt limit (3.75%)	238,694,061	259,625,304	283,291,313	308,130,020	\$ 340,533,341
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 238,694,061</u>	<u>\$ 259,625,304</u>	<u>\$ 283,291,313</u>	<u>\$ 308,130,020</u>	<u>\$ 340,533,341</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Assessed Value Growth	9.62%	8.77%	9.12%	8.77%	10.52%

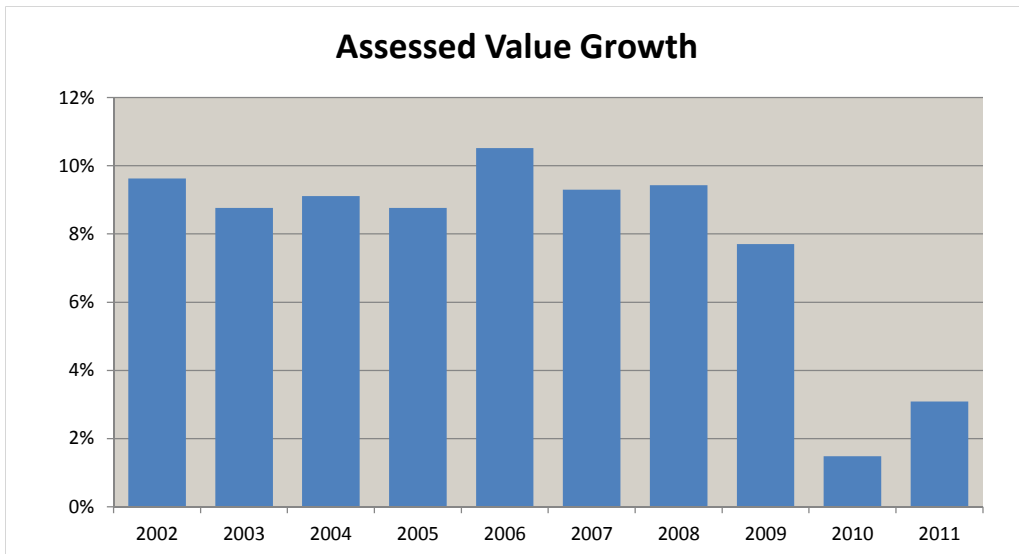


Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 9,925,464,834	\$ 10,861,350,753	\$ 11,697,899,600	\$ 11,871,677,111	\$ 12,237,969,961
\$ 372,204,931	\$ 407,300,653	\$ 438,671,235	\$ 445,187,892	\$ 458,923,874
-	-	-	-	-
\$ 372,204,931	\$ 407,300,653	\$ 438,671,235	\$ 445,187,892	\$ 458,923,874

0.00%	0.00%	0.00%	0.00%	0.00%
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9.30%	9.43%	7.70%	1.49%	3.09%
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**City of Statistical
Pledged-Revenue Coverage,
Last Ten Fiscal Years**

Water - Wastewater Revenue Bonds

Fiscal Year	Utility Service Charges	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
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)
2010	9,668,966	9,129,202	539,764	115,000	212,345	1.65
2011	12,149,167	9,230,873	2,918,294	120,000	205,769	8.96

(a) Operating Expense less depreciation expense

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

Parking Certificates of Participation

Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
			Principal	Interest	
-	-	-	-	-	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
1,591,919	789,917	802,002	285,000	575,046	0.93
2,094,783	765,202	1,329,581	300,000	564,432	1.54

Source: City of Manhattan Beach Finance Department and Historical CAFRs



Statistical Section

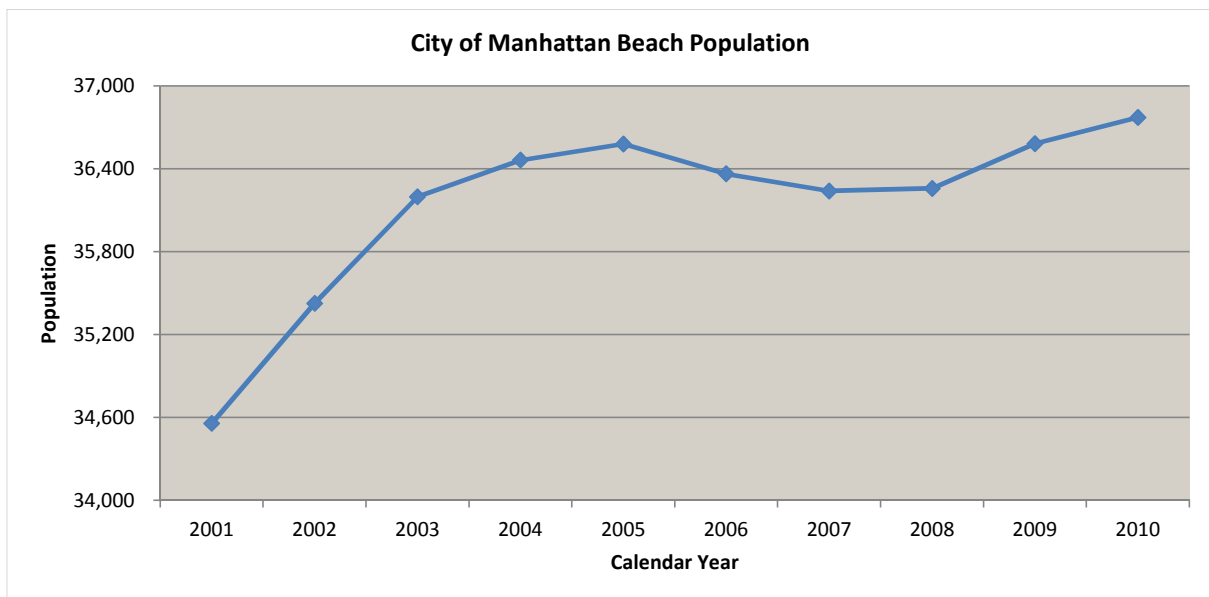
Demographic and Economic Information

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
2001	34,557	2,144,975	294,508,314	30,246	62,071	1.9%	6,163
2002	35,427	2,205,073	301,002,945	37,326	62,243	2.3%	6,450
2003	36,198	2,294,710	309,827,000	36,963	63,393	2.4%	6,434
2004	36,464	2,398,962	326,402,000	37,307	65,790	2.2%	6,354
2005	36,581	2,491,204	346,423,000	37,615	68,101	1.8%	6,260
2006	36,364	2,601,304	373,300,000	38,759	71,535	1.6%	6,266
2007	36,240	2,675,144	390,300,000	39,080	73,817	1.7%	6,307
2008	36,258	2,695,604	401,200,000	38,520	74,345	2.6%	6,282
2009	36,583	2,659,307	387,300,000	37,133	72,692	4.1%	6,560
2010	36,773	2,830,050	391,200,000 F	36,532 F	76,960	4.5%	6,602



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

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

Exhibit A-20

<u>Employer</u>	2011	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman	1,920	32.32%
Kinecta Federal Credit Union	550	9.26%
Target Corporation	405	6.82%
Skechers USA Inc.	388	6.53%
City of Manhattan Beach	272	4.58%
Macy's West LLC	271	4.56%
Fry's Electronics Inc.	264	4.44%
Marriott- HMC Interstate	233	3.92%
Ralphs Grocery Co.	167	2.81%
Skechers USA Inc.	148	2.49%
Bristol Farms	129	2.17%
Olive Garden	117	1.97%
Houston's Restaurants Inc.	115	1.94%
24 Hour Fitness	108	1.82%
California Pizza Kitchen	106	1.78%
Tecolote Research	100	1.68%
Il Fornaio	99	1.67%
MB Country Club	90	1.52%
Chili's Grill & Bar	85	1.43%
Manhattan Beach Toyota	82	1.38%
Islands Restaurant	75	1.26%
Recreational Equipment Inc.	75	1.26%
Belamar Hotel	71	1.20%

Source: City of Manhattan Beach

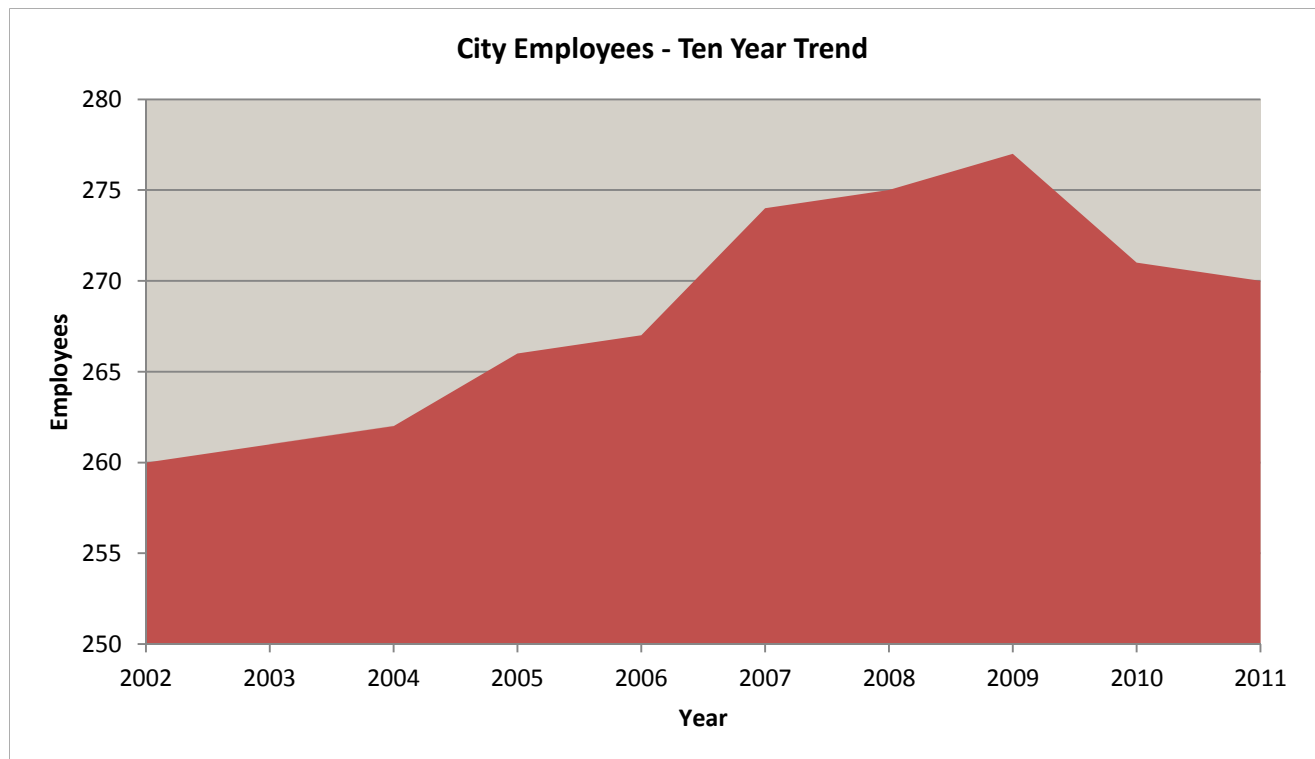


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**City of Manhattan Beach
Full-time Authorized City Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit A-21

<u>Function/Program</u>	<u>Full-time Authorized Employees as of June 30</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government										
Management services	13	13	13	13	13	13	14	14	14	14
Finance	20	20	20	20	20	21	21	21	20	20
Human Resources	7	7	7	7	7	7	7	7	7	7
Planning & Building	20	21	21	21	21	22	22	22	20	20
Parks and Recreation	15	15	16	16	16	19	19	19	20	20
Police										
Officers	64	64	64	64	64	65	65	65	63	64
Civilians	33	33	33	35	35	35	35	35	35	34
Fire										
Firefighters & officers	30	30	30	30	30	30	30	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1
Public works										
Engineering	6	6	6	7	7	7	7	9	8	8
Water	11	11	11	12	12	13	13	13	13.5	14.25
Wastewater	3	3	3	3	4	4	4	3	3.1	3.35
Other	37	37	37	37	37	37	37	38	36	34.4
Total	<u>260</u>	<u>261</u>	<u>262</u>	<u>266</u>	<u>267</u>	<u>274</u>	<u>275</u>	<u>277</u>	<u>271</u>	<u>270</u>



Source: City of Manhattan Beach Finance Department

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2011

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
Liability		
Self-Insured	-	07/01/10
Excess Liability		
Independent Cities Risk Management ICRMA (Pool)	ICAPL 1014	07/01/10
Lexington Insurance Company	652018	07/01/10
Building & Property (All City excluding public safety building)		
Lexington-Primary	8758186	07/01/10
Other Carriers	Various	07/01/10
Building & Property Public Safety Building		
Various Carriers - Public Safety Bldg	Various	07/01/10
Insurance Company of the West	XCH216342603	07/01/10
Workers' Comp.		
Self-Insured	-	07/01/10
Excess Workers' Comp.		
ICRMA (Pool)	ICRMA2010-1WC	07/01/10
National Union Fire	4880474	07/01/10
Public Officials, Faithful Performance & Fidelity Bonds		
Hartford	72BPEAG8698	12/12/10

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

June 30, 2011

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
07/01/11	\$500,000 per occurrence	-
07/01/11 07/01/11	\$2,000,000 excess of \$500,000 \$20,000,000 excess of \$2,000,000	\$294,780
07/01/11 07/01/11	\$25,000 All Risk \$65M earthquake & flood shared proportionally	\$379,316
07/01/11 07/01/11	\$15M Primary Layer \$14,678,845.00 1st Layer	
07/01/11	\$750,000 per occurrence	-
07/01/11 07/01/11	\$5M xs \$750,000 \$100,000,000	\$161,206
06/30/11	\$500,000 each employee	\$2,769

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

Exhibit A-23

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2010</u>	<u>2011</u>
General government										
Building permits issued	3,348	3,667	3,539	3,269	3,829	3,477	1,142	1,077	1,254	1,318
Building inspections conducted	19,670	19,167	18,338	16,564	18,170	18,021	14,634	11,401	9,544	9,676
Police										
Arrests	1,092	1,018	926	1,081	1,179	1,359	1,247	1,242	1,224	1,007
Parking citations	63,010	66,407	66,718	54,091	54,214	57,807	57,356	71,810	72,789	70,001
Traffic citations	5,680	6,126	6,417	5,340	5,774	6,461	6,726	6,674	9,513	8,591
Fire										
Emergency responses	2,671	2,610	2,693	2,719	2,469	2,831	2,958	3,158	3,036	3,100
Fires extinguished	85	97	114	98	75	103	126	124	94	98
Inspections	908	921	920	923	900	975	995	1,155	1,300	973
Refuse collection										
Refuse collected (tons per day)	-	85.4	84.1	73.7	77.8	63.0	58.7	58.09	62.33	60.27
Recyclables collected (tons per day)	-	22.1	28.5	34.6	28.6	61.0	52.2	39.22	42.44	44.07
Other public works										
Street resurfacing (miles)	-	1.3	1.0	2.3	0.4	1.2	1.2	0.7	4.2	0.5
Parks and recreation										
Athletic field permits issued	4,784	2,555	4,092	4,083	3,460	2,949	4,464	4,246	4,501	4,887
Community center admissions	137,690	100,228	93,495	125,554	166,910	150,041	153,628	143,441	134,144	147,630
Water										
Water main breaks	4	5	5	7	5	10	2	-	-	4
Average daily consumption (thousands of gallons)	-	6,255	6,395	6,223	6,203	6,020	6,018	4,819	5,096	4,900
Peak daily consumption (thousands of gallons)	-	7,200	7,360	7,300	N/A	7,265	7,168	5,783	7,644	7,350
Transportation										
Total route miles	43,004	43,004	31,469	31,936	31,849	32,940	46,749	43,406	51,736	65,517
Passengers	10,789	10,789	9,742	9,654	9,142	9,785	11,911	12,842	14,945	18,831

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

Exhibit A-24

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	23	23	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	110	110	110	110	110	110	110	110	110	110
Highways (miles)	10	10	10	10	10	10	10	10	10	10
Parks and recreation										
Acreage	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	13	13	13	13	13	13	13	13	13	13
Soccer/football fields	15	15	15	15	15	15	15	15	15	15
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	-	-	-	-	106	106	106	106	106	106
Fire hydrants	-	-	-	-	667	669	670	671	775	774
Storage capacity (1000s Gallons)	-	-	-	-	9,830	9,830	9,830	9,830	9,830	9,800
Wastewater										
Sanitary sewers (miles)	-	-	-	-	84.0	84.0	84.0	84.0	84.0	81.6
Storm sewers (miles)	-	-	-	-	16.0	16.0	16.0	16.0	16.0	25.0
Treatment capacity (1000s Gallons)	-	-	-	-	-	-	-	-	-	-
Transportation—minibuses	3	3	4	4	4	4	4	4	4	4

Source: City of Manhattan Beach Departments

CITY OF MANHATTAN BEACH
DEMOGRAPHIC STATISTICAL DATA
As of December 31, 2010

Population distribution by ethnic group (one race):

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

Household Type:

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

Population distribution by age group:

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

Population distribution by gender:

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



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, 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
- Bryan S. Gruber, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the 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, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

This report is intended solely for the information and use of management, the budget finance committee, the City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Luyhard, LLP

Brea, California
November 29, 2011



CERTIFIED PUBLIC ACCOUNTANTS

C

- ▷ Brandon W. Burrows, CPA
- ▷ David E. Hale, CPA, CFP
A Professional Corporation
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- ▷ Susan F. Matz, CPA
- ▷ Shelly K. Jackley, CPA
- ▷ Bryan S. Gruber, CPA

November 29, 2011

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

We have audited the 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 (the City) for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Significant deficiencies in such controls, if any, have been communicated to you by a separate letter.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. Again, instances of non-compliance with provisions of laws, regulations, contracts and grants noted by us, if any, have been communicated to you by a separate letter.

Planned Scope and Timing of the Audit

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.

During the audit, we obtained an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. Significant deficiencies in such controls, if any, have been communicated to you by a separate letter.



Honorable Mayor and Members of City Council
City of Manhattan Beach
Page 2

Our audit has been performed in phases which consisted of interim contact(s) during the fiscal year and a year-end contact which occurred after the fiscal year-end.

Had we noted any significant matters related to the financial statement audit that were, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, we would have communicated those in a separate letter. We did not note any such matters. Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Where applicable, the City utilized accounting estimates for depreciation on City assets, amortization of bond related issuance costs, premiums/discounts and gains/losses on bond defeasance and for reporting incurred but not reported amounts relating to the liability for claims and judgments. The methodology used during this audit is consistent with that of prior years. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statements Disclosure

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



Honorable Mayor and Members of City Council
City of Manhattan Beach
Page 3

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 29, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Communications

The City implemented, when applicable, the following new Governmental Accounting Standards Board (GASB) pronouncements, which were effective for fiscal year 2010-2011 audits:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

This information is intended solely for the use of the members of the City Council or individual(s) charged with governance and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Lane, Soll & Loughard, LLP

