

CITY OF HUNTINGTON BEACH

CALIFORNIA



Comprehensive Annual Financial Report



For the Year Ended September 30, 2014

CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Prepared by the Finance Department

**City of Huntington Beach
Comprehensive Annual Financial Report
Year Ended September 30, 2014**

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CITY OF HUNTINGTON BEACH

March 31, 2015

To the Honorable Mayor and City Council:

In accordance with the requirements of the City Charter, and the City of Huntington Beach's ongoing commitment to transparent financial reporting, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014.

As required by the City Charter, and to ensure the reliability of the information contained herein, the City of Huntington Beach contracted with the independent auditing firm of Vavrinek, Trine, Day & Co., LLP. The goal of the audit was to provide reasonable assurance that the City's financial statements are free from material misstatement. After examining on a test basis, assessing the accounting principles used, as well as significant estimates made by management, Vavrinek, Trine, Day & Co., LLP granted the City an unmodified (clean) opinion for the fiscal year ended September 30, 2014. The auditor's opinion can be found in the Financial Section of this report. Management assumes full responsibility for the completeness and accuracy of the information presented in this document. This transmittal letter is designed to complement and should be read in conjunction with the Management's Discussion and Analysis Section of the report.

Profile of the City of Huntington Beach

The City of Huntington Beach is located on the Orange County coast, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of 195,999 residents, it is known as Surf City due to its abundance of beaches; the sunny, warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline to boast of, Huntington Beach plays host to over 16 million visitors annually. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the "Top Ten Safest Cities by City Crime Rankings" by the Federal Bureau of Investigation. The City boasts an annual median household income of \$81,389, and more than half of its residents, or 65 percent, have a college education, rendering it the "Second Best City to Live In" within Orange County by the *Orange County Register*.

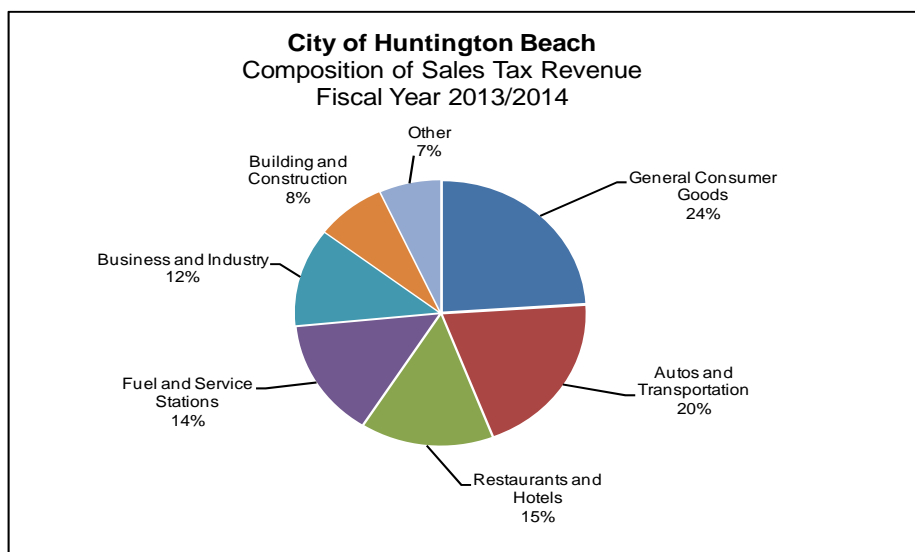
Founded in the late 1880's, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a Council/Manager form of government wherein seven City Council members are elected to four-year terms, and the Mayor is filled on a rotating basis from the incumbent Council members. The City Attorney, City Clerk and City Treasurer positions are also elected and serve four-year terms.

On August 22, 2011, the unincorporated County oceanfront community of Sunset Beach was officially annexed by the City of Huntington Beach. Sunset Beach is a small beachfront community with approximately 1,000 residents and 1.5 square miles of land. Beachfront properties with high property values make this community a valuable addition to the City. Sunset Beach features one of the widest and most pristine beaches in Southern California and is home to the historic Sunset Beach Arts Festival.

Demographically, the City benefits from higher education levels, median incomes and home values as compared with the State. A thriving beach community, consistently ranked “Best Beach in Orange County,” Huntington Beach is also home to numerous national events such as the U.S. Open of Surfing which attracts 600,000 visitors annually; the Surf City USA Marathon; and the annual Surf City USA Paintball Tournament. The City’s most iconic event, however, is its Fourth of July Fireworks Show and Parade ranked “Best Parade in Orange County” by the *Orange County Register’s Annual Reader Survey*, with 500,000 attendees annually. The City also hosts the Annual Concours d’Elegance Car Show attracting 4,500 visitors.

The City of Huntington Beach is one of the leading commercial and industrial centers in Southern California. As the fourth largest city in Orange County, and the 16th largest in California, more than 120,200 people are currently employed by over 5,400 businesses and governmental entities in the City. With an unemployment rate of 3.6 percent, far below the national and state levels, the City’s labor force is well positioned to maintain a stable local economy and tax base.

The Huntington Beach business community is extremely diversified with no single industry or business dominating the local economy. Local businesses include aerospace and high technology, petroleum, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, large-scale retailers and surf apparel, just to name a few. The diversification of the City’s sales tax base is enviable, with no particular area of over-concentration thereby mitigating the impact of industry-specific downturns as shown below.



Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when considered in the broader context in which the City of Huntington Beach operates.

Economic Condition

National Trends: Throughout the U.S., higher personal incomes, increased corporate spending, reduced oil prices and historically low interest rates are all helping to propel national Gross Domestic Product (GDP) closer to 3.0 percent for Fiscal Year 2014/15, from an average of 2.3 percent over the past three years.

State Economy: At the State level, California continues its standing as a major economic driver for the U.S. economy. Hence, growth in the national economy intrinsically, at its core, contains a strong element of California-fueled growth as well. A significant element of California's economic recovery is its increasing labor market. The unemployment rate in California, after reaching a peak of 12.4 percent in 2010, has dropped to 6.9 percent. Household employment has grown by almost 1.6 million, and the California workforce has increased by 560,000 since hitting the bottom in 2010. With the State's overall economy gaining momentum, and with the labor market on an upward trajectory, the outlook for job growth in California is positive.

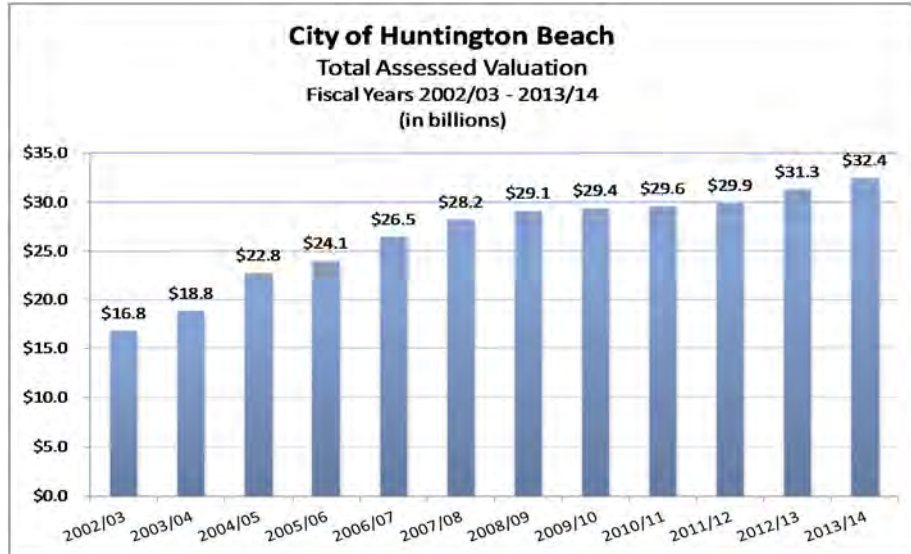
Orange County Forecast: Similarly, the Orange County economy is also on the mend. Fueled by a strong demand in tourism, leisure and hospitality, the Orange County region is experiencing a modest comeback. In the real estate market, the vacancy rate for apartment rentals is below the national average spurring multi-family residential construction. Moreover, the Orange County Composite Manufacturing Index increased to 62.9 exceeding the State's manufacturing index, signaling a manufacturing industry expansion ahead of the State's growth trend.

Local Economy: The City of Huntington Beach has numerous economic and demographic factors in its favor including: higher personal median incomes than the State or the County; a stable and increasing property tax base; a uniquely diverse sales tax base; a heavy emphasis on economic development as economic stimulus; increasing hotel, permitting and parking revenues; modest increases in the City's General Fund reserves; and, a culture of fiscal conservatism.

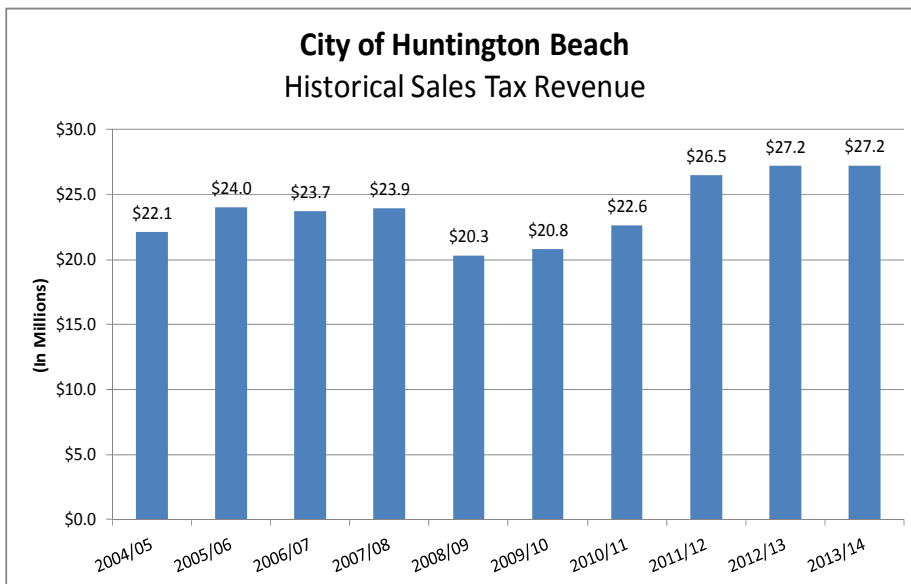
As a result, General Fund revenue has exceeded pre-recession levels overall and continues to rise modestly. The FY 2014/15 General Fund Adopted Budget reflects a projected 7.0 percent increase in General Fund revenue that reflects the strength of Huntington Beach's local economy and solid taxpayer base.

The economy is increasingly favorable in Huntington Beach, with an unemployment rate of 3.6 percent, far below both the national and county rates. The home ownership rate of 59.2 percent is strong and exceeds the statewide rate of 55.3 percent. Large retail projects such as the Costco, Sprouts, PetSmart and Old Navy stores have added over \$1.3 million to the City's General Fund coffers in FY 2013/14 alone.

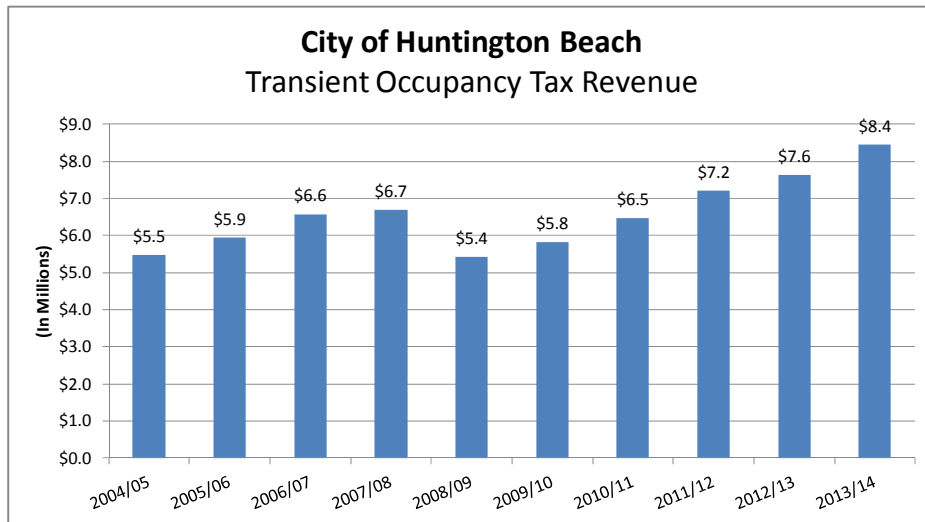
Assessed valuations for Huntington Beach have increased steadily each year despite the impacts of the last recession. In fact, at no time in the City's history over the past 12+ years have overall assessed valuations declined. This solid performance reflects a stable property tax base that can weather sharp declines in the real estate markets. For FY 2013/14, secured property tax revenue totaled \$41.5 million. For FY 2014/15, secured property taxes are estimated at \$44.8 million reflecting a 6.0 percent increase.



Sales tax revenue growth has stabilized at \$27.2 million. Increased online retail sales have dampened General Fund receipts as distributions from County-wide pools are lower than physical “brick and mortar” store sales. On a positive note, auto sales continue to outperform comprising about 20 percent of all sales tax revenue. As additional retailers come online in FY 2014/15, it is anticipated next year's sales tax revenue will grow by 1.2 percent.



Transient Occupancy Tax, a 10 percent tax imposed on hotels within the City totaled \$8.4 million, surpassing pre-recession levels as the hotel industry continues to thrive throughout the country and Huntington Beach remains a coveted destination. As a result of the improving economy, Huntington Beach was able to end the year with a \$6.5 million surplus as of September 30, 2014, that was utilized to reduce unfunded liabilities, create a plan to reduce long-term workers' compensation liabilities and create a CalPERS Rate Increase Reserve to mitigate the impact of imminent rate increases.



Budget Development and Monitoring

The City operates on a fiscal year basis, beginning October 1st and ending September 30th. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation at least thirty days prior to the end of the fiscal year. Pursuant to the City’s Charter, the City Council must adopt the annual budget by September 30th and may amend it or revise it at any time at a properly noticed meeting. Budgetary control is at the department level within each fund and a Department Head, with the Director of Finance’s approval, may transfer funds within like categories (operating and capital expenditures) of the same department. The transfer of funds for salaries and benefits requires additional approval by the City Manager or his designee.

Cash Management Policies and Practices

Surplus cash is invested by the elected City Treasurer, in investments allowed by the City’s Investment Policy. The Investment Policy is adopted annually by the City Council after approval by the Investment Advisory Board. It outlines guidelines to meet the daily cash flow needs of the City, maximize the efficiency of the City’s cash management system, and identifies prudent investment vehicles for the City’s cash balances.

The rate of return earned for the fiscal year ended September 30, 2014 was 0.8 percent. The City Treasurer, as required by California Government Code 53601, has prepared an annual Statement of Investment Policy which allows the City to meet current obligations while earning a market rate of return. Further information regarding the City’s cash and investments can be found in Note 2 of the financial statements.

Long-Term Financial Planning

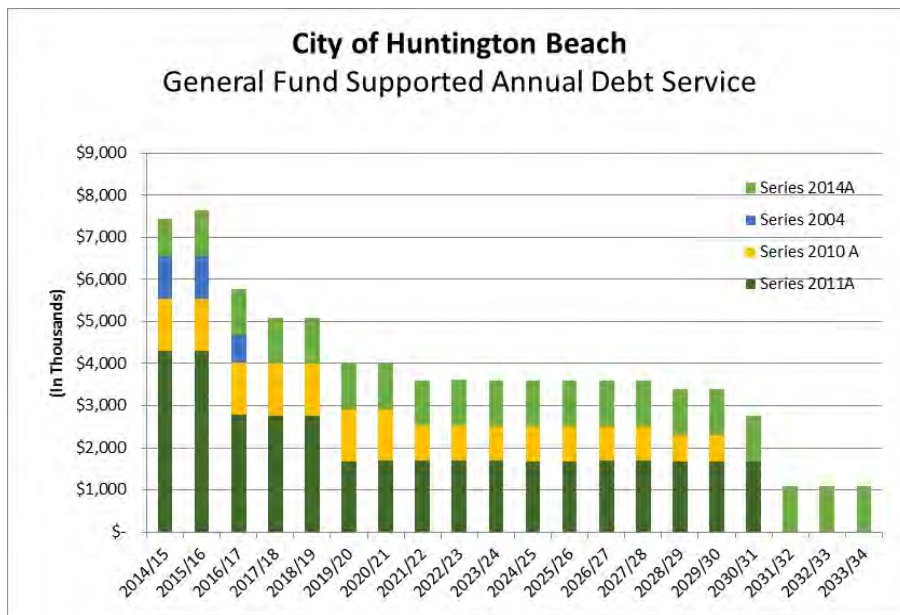
The Strategic Plan provides the framework for developing the goals and objectives of the City for the next three years. The City Council has approved four Strategic Plan goals as follows:

- Improve quality of life;
- Enhance and maintain infrastructure;
- Improve the City's infrastructure;
- Strengthen economic and financial sustainability; and,
- Enhance and maintain public safety.

This plan enables the City to forecast cause and effect relationships for important financial decisions such as employee labor contracts, capital projects and other initiatives. The City's Strategic Plan drives budgetary decisions and the day-to-day operations of the City by ensuring everyone is consistently working to achieve the goals outlined in the Plan. To meet the Strategic Plan goal of strengthening economic and financial sustainability, the City implemented a three-pronged approach to reduce its unfunded liabilities that will be discussed in greater detail later in this report.

Debt Management and Forecasting

The City has long practiced a commitment to prudent financial management. As a result, the City has a remarkably low debt burden of 1.79 percent direct and overlapping bonded debt. In the City's General Fund, significant debt service reductions are anticipated in the next three to five years allowing the City to reallocate resources to other high-priority needs. Huntington Beach also has no variable rate exposure, eliminating volatility in its debt service projections and ensuring reliable forecasting for future budgets. A \$15.3 million 20-year bond issuance in FY 2014/15 (Series 2014 A) helped finance a new, state-of-the-art Senior Center to better serve the City's aging population.



Pension and Other Post Employment Benefits

To help meet the goal to “Strengthen Economic and Financial Sustainability,” the City developed an innovative, three-pronged approach to significantly reduce its pension and Other Post Employment Benefit (OPEB) unfunded liabilities over the next 10 years. These plans were first included in the FY 2013/14 Adopted Budget and have launched a multi-year effort to pay down the pension and retiree medical liabilities ahead of schedule saving taxpayers an estimated \$73.3 million over the next 15 to 25 years.

As of the September 30, 2013 actuarial valuations, the value of the City’s unfunded liabilities totaled \$335.6 million. The City’s CalPERS, Retiree Medical and Retiree Supplemental Plans were 69.7 percent, 66.3 percent and 62.7 percent funded. To address this challenge, staff developed a unique plan for the pre-payment of the City’s unfunded liabilities several years ahead of schedule. By 2024, the City will have completely eliminated the unfunded liabilities for two of the City’s three retiree benefit plans.

Our unique three-pronged approach addresses the unfunded liabilities for the City’s: 1) California Public Employees’ Retirement (CalPERS) Safety Pension Plan; 2) Retiree Medical Plan; and, 3) Supplemental Pension Plan. The “One Equals Five Plan,” the “25 to 10 Plan,” and the “16 to 10 Plan,” respectively, will reduce the unfunded liabilities for each of the City’s retiree benefit plans over the next several years. At the center of each plan is the expedited pre-payment of unfunded liabilities through significant reductions in each plan’s amortization period. This strategy results in the complete elimination of the unfunded liabilities for the City’s OPEB and Supplemental Pension Plans in 10 years; and, a significant decline in the CalPERS unfunded liability as well.

We are pleased to report that the City of Huntington Beach received the prestigious “Innovation Award” from the California Society of Municipal Finance Officers (CSMFO) on February 21, 2014, for its innovative approaches to reduce unfunded liabilities.

“One Equals Five Plan”

The City implemented a unique “One Equals Five Plan” for reducing the \$308.2 million unfunded liability for the City’s CalPERS pension plans. Based on an analysis conducted by the City’s independent actuary, each additional \$1.0 million contributed to the City’s pension plans will potentially benefit the City five times over resulting in \$5.0 million in taxpayer savings over a 25-year period.

As part of the FY 2014/15 Adopted Budget, staff proposed a revision to the City’s Financial Policies allowing for \$1.0 million in additional General Fund revenue to be deposited into a “One Equals Five” reserve for direct payment to CalPERS each fiscal year, to significantly reduce the City’s unfunded CalPERS liabilities, particularly in its Safety Plan. This unique proposal is expected to yield \$53.7 million in taxpayer savings and shave off five years of payments. These contributions will be in addition to the existing employer contribution rates deposited into the plans on a bi-weekly basis.

“25 to 10 Plan” (Retiree Medical)

The City has negotiated via its Memoranda of Understanding to provide post-employment medical benefits to retirees. As of the most recent actuarial valuation, the City’s Retiree Medical Plan had a \$5.9 million unfunded liability, reflecting a 66.3% funded status. For the last four years, the City exceeded each Annually Required Contribution (ARC) payment to expedite paying down this unfunded liability. Although the City’s policy has generally been to make 100 percent of each year’s ARC, the City has paid an additional \$3.9 million above the minimum amounts required into the Plan over the last three years. In addition, to further expedite the prepayment of this unfunded liability, staff recommended that additional funds be deposited into the plan annually to reduce the amortization period from the current 25-year schedule to a 10-year schedule. The City Council unanimously approved this plan and the FY 2014/15 Adopted Budget reflects an estimated \$1.0 million in additional contributions to the plan annually. The new “25 to 10 Plan” reduces the amortization of the unfunded liability from 25 years to 10 years, immediately shaving off 15 years of payments and saving the taxpayers an estimated \$9.2 million over the long-term. As of September 30, 2014, this plan is projected to be 100 percent funded with no outstanding liability.

“16 to 10 Plan” (Supplemental Pension)

The City also administers a Supplemental Pension Plan for all employees hired prior to 1997. As of September 30, 2014, based on the September 30, 2013 actuarial report and subsequent contributions made by the City, the plan is projected to be 69.3 percent funded with an unfunded liability of \$18.0 million. As part of the FY 2014/15 Adopted Budget, the City will contribute an additional \$1.1 million to eliminate this liability in 10 years, versus the original amortization of 16 years. The “16 to 10 Plan” is projected to save taxpayers \$7.4 million in the long-term.

Major Initiatives

Economic development remains the strongest economic engine for the City. Even though the State abandoned its commitment to redevelopment, the City of Huntington Beach continues to invest in its local businesses and has created a new Commercial Revolving Loan Fund of \$200,000 in the FY 2014/15 Adopted Budget to that end.

“HB - Riding the Wave of Success”

The Office of Business Development in the City Manager’s Office reflects the City’s renewed commitment to economic development. The “HB – Riding the Wave of Success” initiative will continue to promote economic development throughout the City reassuring the community that Huntington Beach remains committed to revitalizing its neighborhoods and enhancing its economic development plans. In addition, the City has created an Economic Development Strategy to identify the highest priority economic development needs in Huntington Beach, thereby creating a roadmap to increase the overall wealth and prosperity of the businesses and residents in the community. The new plan sets goals, policies, and recommended actions that will provide the framework for short term (up to 2 years), mid-term (3-5 years), and long-term economic decisions. The four areas of focus are: Foundational Economic Development Initiatives; Diversify the Local Economy; Improve Financial Stability; and, Increase Prosperity of the Community.

To that end, significant progress is being made in securing entitlements, issuing permits or finalizing plans for the projects outlined below in FY 2014/15.

Pacific City

The Pacific City development is creating an upscale retail village consisting of 191,000 square feet of unique and boutique retail and restaurant space overlooking the Pacific Ocean. Signed tenants include Equinox, H&M, Bungalow, Lemonade, Simmzy's, Bear Flag Fish Company and Sephora, among others. The facility will include Paseo Hotel and Spa, a high-end boutique hotel with 250 rooms, a Conference Center, and 516 luxury residential units with concierge services. The retail portion of Pacific City is on schedule to open at the beginning of November 2015, with the Paseo Hotel scheduled to open in 2016 and the residential portion scheduled for early 2017.

Bella Terra Phase II

The second phase of the successful Bella Terra Regional Center project featured the May 2013 opening of Costco along with 467 luxury apartment units at the Residences at Bella Terra, a 24-hour gym, pool and park area. Bella Terra Phase II will also feature 47,000 square feet of retail space adjacent to an open-space courtyard setting. The apartments are fully-leased and the commercial/retail additions are open and attracting additional customers, retail and restaurants like Solita, Motherhood and Eureka.

Waterfront Hilton Tower Expansion

The acclaimed Waterfront Hilton Hotel Resort has completed plans and is currently finalizing its financing for a second hotel tower consisting of 250 suites, a state-of-the-art 20,000 square foot luxury spa and additional Conference Center space. Construction is scheduled to start in June 2015.

Other Notable Projects

Fiscal Year 2013/14 also featured the grand opening of Hoag Health Center on Beach Boulevard, a 30,000 square foot expansion that includes urgent care and diagnostic facilities. In addition, a new 105,000 square foot Living Spaces store opened along the Beach Edinger Corridor. Other projects under construction include a Shea Properties Industrial Project consisting of two buildings and 142,000 square feet of commercial space; a 37,000 square foot expansion of Pierside Pavilion; and a new 128 room Marriott Springhill Suites. There are four mixed use projects in the entitlement phase providing additional commercial and residential development in the Downtown area.

Housing

The City permitted 2,655 new residential apartment units in projects with companies such as UDR and Saris-Regis with 2,451 currently under construction. In addition, 727 single family units have been permitted with 678 under construction. Included in the residential housing is 78 very-low and low income housing units.

Neighborhood Investments

The condition of a City's infrastructure is a hallmark of its financial strength. Many cities will focus resources on operating budgets while neglecting infrastructure and equipment assets resulting in greater expenses and disrepair. Neglecting infrastructure is problematic. Well-maintained capital assets are a vital and essential business attraction and retention tool. The FY 2014/15 Adopted Budget reinvests in one of its most vital resources for long-term success and sustainability – its infrastructure; and includes funding for the annual debt service payments associated with a new Senior Center.

For FY 2014/15, the Capital Improvement Projects (CIP) Budget addresses critical infrastructure and capital needs divided into numerous categories including drainage and storm water, facilities, neighborhood, parks and beaches, sewer, streets and transportation and water improvements. New improvements in the FY 2014/15 Adopted Budget total \$42.8 million, an increase of \$14.3 million from the current fiscal year that will benefit all categories of CIP expenses.

Senior Center

The FY 2014/15 Adopted Budget contains \$2.0 million in the Infrastructure Fund, \$2.0 million in the General Fund, and a \$15.3 million bond issuance to support the construction of a new Senior Center. This City funding, combined with a \$2.0 million donation from the Hoag Hospital Foundation, demonstrates the effectiveness of public-private partnerships in achieving community goals. The new funding for the Senior Center is a symbolic first step toward reinvesting in our highly-valued senior community for generations to come.

Awards and Acknowledgements

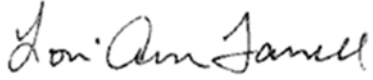
Last year, the City of Huntington Beach was once again the honored recipient of the "Certificate of Achievement for Excellence in Financial Reporting" award bestowed by the Government Finance Officers' Association (GFOA) of the United States and Canada. This was the 28th consecutive year the City has received this prestigious award. Receipt of the award requires government entities to publish transparent, easily readable and efficiently organized Comprehensive Annual Financial Reports, conforming to program, accounting, and legal standards.

The Certificate of Achievement earned for the fiscal year ended September 30, 2013, is valid for one year only. The City believes that this Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to the GFOA for its consideration for another award.

I wish to thank the City Council, City Manager, and City Departments for their continued diligence in their role as fiscal stewards for the City of Huntington Beach. Without their leadership and support, the favorable financial results contained in this report would not have been possible.

The preparation of this report would also not have been possible without the professional dedicated staff of the Finance Department. Specifically, I would like to thank Dahle Bulosan, Sunny Han, and Dennis Jaw for their hard work and dedication.

Respectfully,

A handwritten signature in cursive script that reads "Lori Ann Farrell".

Lori Ann Farrell
Director of Finance

City of Huntington Beach

City Council

Jill Hardy, Mayor
Jim Katapodis, Mayor Pro Tem

Barbara Delgleize, Councilmember
Billy O'Connell, Councilmember
Erik Peterson, Councilmember
Mike Posey, Councilmember
Dave Sullivan, Councilmember

Executive Team

Fred A. Wilson, City Manager
Ken Domer, Assistant City Manager
Teri Baker, Assistant to the City Manager
Julie Toledo, Community Relations Officer

City Treasurer

Alisa Cutchen

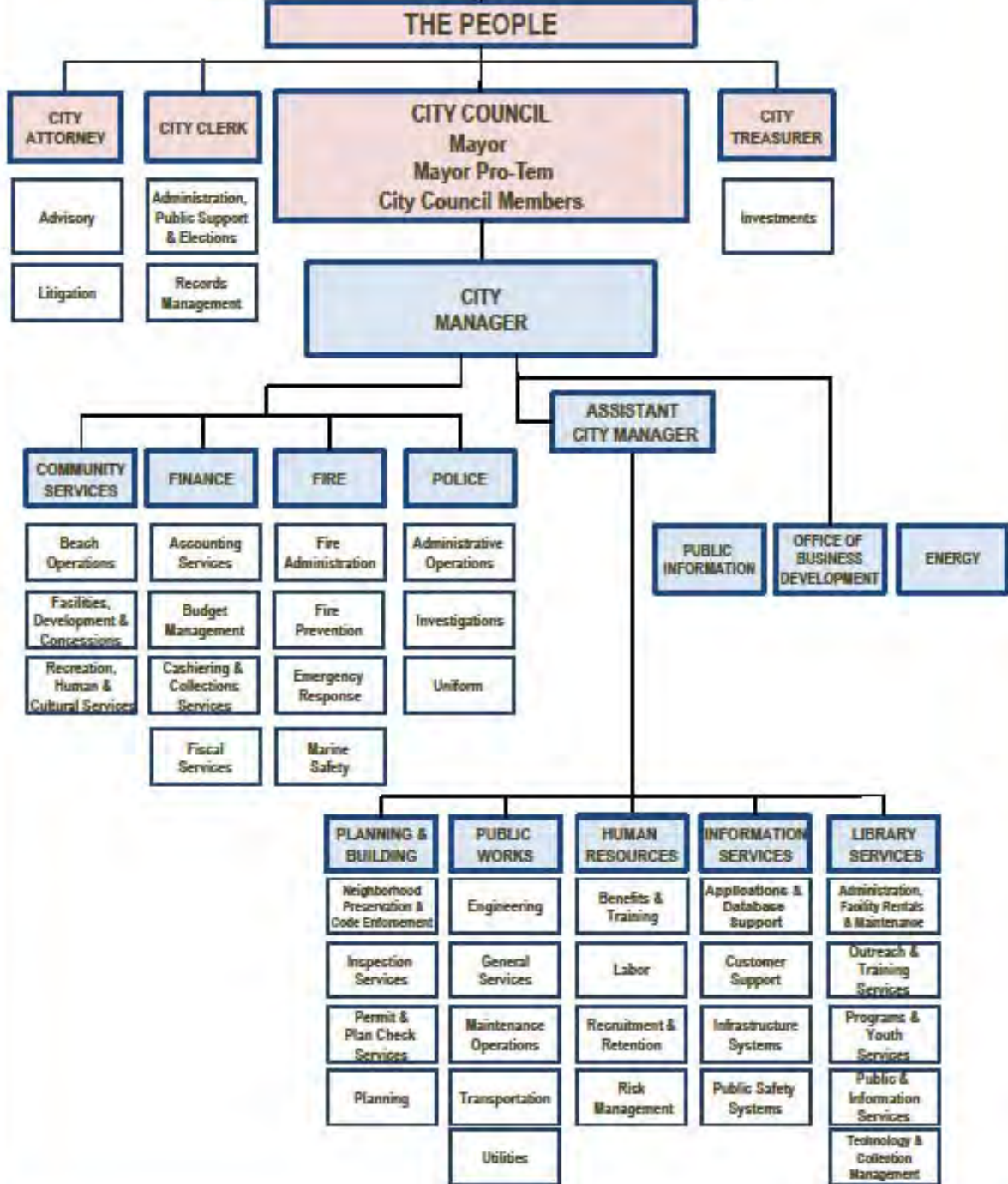
Elected Department Heads

Joan L. Flynn, City Clerk
Michael Gates, City Attorney

Department Directors

Stephanie Beverage, Library Services
Lori Ann Farrell, Finance
Chief Robert Handy, Police
Scott Hess, Planning and Building
Travis Hopkins, Public Works
Janeen Laudenback, Community Services
Jack Marshall, Information Services
Chief Patrick McIntosh, Fire
Michele Warren, Human Resources

**City of Huntington Beach
Organizational Chart
Adopted Budget – FY 2014/15**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Huntington Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable City Council
City of Huntington Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California, (City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, effective October 1, 2013. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the September 30, 2013 capital asset balances have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General Fund and major special revenue funds, schedules of funding progress, and supplemental pension plan trend data identified in the accompanying table of contents on pages 5-20 and 112-118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Laguna Hills, California

March 31, 2015

**MANAGEMENT DISCUSSION
AND
ANALYSIS**



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

As management of the City of Huntington Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Huntington Beach for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages iii-xiii of this report.

Financial Highlights

Below is a summary of the City's government-wide financial information (in thousands):

Total Governmental and Business-Type Activities				
	September 30, 2014	September 30, 2013 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,070,234	\$ 1,062,750	\$ 7,484	0.7%
Liabilities	105,980	115,374	(9,394)	-8.1%
Total Net Position	964,254	947,376	16,878	1.8%
Unrestricted Net Position	142,690	119,671	23,019	19.2%
Long-Term Obligations	81,680	88,197	(6,517)	-7.4%
Program Revenues	129,220	133,288	(4,068)	-3.1%
Taxes	146,820	140,403	6,417	4.6%
Other General Revenues	15,922	14,196	1,726	12.2%
Extraordinary Item	-	(4,669)	4,669	-100.0%
Expenses	275,084	264,843	10,241	3.9%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$964,254,000. Of this amount, \$142,690,000 may be used to meet the City's ongoing obligations to citizens and creditors. Net position increased \$16,878,000 or 1.8 percent. This increase is due in large part to additions made to capital assets for infrastructure improvements to the City's water and sewer systems and residential street improvements. Unrestricted net position increased by \$23,019,000 or 19.2 percent.
- Long-term obligations decreased by \$6,517,000 or 7.4 percent. This decrease is primarily due to debt service payments.
- Program revenues decreased by \$4,068,000 or 3.1 percent. This decrease is primarily due to decreases in water consumption for conservation purposes. Other General Revenues increased by \$1,726,000 or 12.2 percent primarily due to increases in investment yield during FY 2013/14.
- Expenses increased by \$10,241,000 or 3.9 percent primarily due to increases in equipment replacement, street repairs, and workers' compensation costs.
- There were no extraordinary gains or losses recorded in FY 2013/14.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the City of Huntington Beach's basic financial statements. The City of Huntington Beach's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains certain other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's financial condition and are prepared similarly to those in the private sector.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, continued increases or decreases in net position may indicate whether the City's financial condition is improving or deteriorating.

The statement of activities presents information on how the City's net position changed during the most recent fiscal year. These changes are reported on the full accrual basis when the economic event occurs (not when the cash is received or paid).

The government-wide financial statements separate functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from functions that are supported by user fees (business-type activities). Governmental activities include City Council, City Manager, City Treasurer, City Attorney, City Clerk, Finance, Human Resources, Planning and Building, Fire, Information Services, Police, Economic Development, Community Services, Library Services, Public Works, and Non-Departmental. Business-type activities include Water, Sewer, Refuse, and Hazmat Service.

The government-wide financial statements include the City and all of its component units that are legally separate but whose activities entirely support the City of Huntington Beach.

The government-wide financial statements can be found on pages 23-24 of this report.

Fund Financial Statements

The City separates financial activities into funds to maintain control over resources that have been legally separated. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Governmental Funds

Governmental funds are used to account for the same functions reported in governmental activities in the government-wide financial statements. However, the focus in the governmental fund section of these financial statements is on near-term resource inflows and outflows available for spending, as well as balances of resources available for spending at the end of the fiscal year.

It is useful to compare information presented for the governmental funds to information presented for governmental activities in the government-wide financial statements. The reconciliations indicate to the reader the differences in financial reporting between the governmental activities section and the governmental funds section.

The City maintains 24 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the General Fund, Grants Special Revenue Fund, Low and Moderate Income Housing Asset Fund (LMIHAF) Capital Projects Fund all of which are considered to be major funds. Data from the other 21 smaller funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in combining statements elsewhere in this report.

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue funds (Grants) are required to be presented and are included on pages 113 and 114 of this report and demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 25 and 27 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds, which are used to account for the same activities as the business-type activities in the government-wide financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer Service, Refuse, and Hazmat Service activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured worker's compensation fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides information for Water, Sewer Service, Refuse, Hazmat Service, and Self Insurance Workers' Compensation Funds.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Huntington Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 32 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 35-109 of this report.

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 and OPEB benefits to its employees and General Fund and major special revenue funds budget-to-actual comparisons. Required supplementary information can be found on pages 112-118 of this report.

The combining statements and schedules referred to earlier in connection with other governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 123-130 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net position balances for both governmental and business-type activities, with total assets exceeding liabilities by \$964,254,000.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Below is a summary schedule of the City's net position at September 30, 2014 (in thousands):

	September 30, 2014	September 30, 2013 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 180,886	\$ 170,030	\$ 10,856	6.4%
Capital Assets	659,195	661,050	(1,855)	-0.3%
Total Assets	840,081	831,080	9,001	1.1%
Current and Other Liabilities	18,130	21,242	(3,112)	-14.7%
Long-Term Obligations	79,584	87,085	(7,501)	-8.6%
Total Liabilities	97,714	108,327	(10,613)	-9.8%
Net Position:				
Net Investment in Capital Assets	618,825	616,810	2,015	0.3%
Restricted	34,018	51,867	(17,849)	-34.4%
Unrestricted	89,524	54,076	35,448	65.6%
Total Net Position	\$ 742,367	\$ 722,753	\$ 19,614	2.7%

	September 30, 2014	September 30, 2013 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Business-Type Activities				
Current and Other Assets	\$ 89,383	\$ 100,130	\$ (10,747)	-10.7%
Capital Assets	140,770	131,540	9,230	7.0%
Total Assets	230,153	231,670	(1,517)	-0.7%
Current and Other Liabilities	6,170	5,935	235	4.0%
Long-Term Obligations	2,096	1,112	984	88.5%
Total Liabilities	8,266	7,047	1,219	17.3%
Net Position:				
Net Investment in Capital Assets	140,770	131,540	9,230	7.0%
Restricted	27,951	27,488	463	1.7%
Unrestricted	53,166	65,595	(12,429)	-18.9%
Total Net Position	\$ 221,887	\$ 224,623	\$ (2,736)	-1.2%

Analysis of the City's Net position

Current and Other Assets: The increase in current and other assets of \$10,856,000 for governmental activities is primarily due to increases in cash and receivables as a result of improvements in revenue along with an increase to the Other Postemployment Benefits Asset due to additional employer contributions over the annual required contribution. Current and Other Assets for business-type activities decreased by \$10,747,000 due to investment in buildings and infrastructure.

Current and Other Liabilities: Current and other liabilities for governmental activities decreased by \$3,112,000 primarily due to normal fluctuations in the accounts payable cycle.

Long-Term Obligations: Long-term obligations for governmental activities decreased by \$7,501,000 is primarily due to normal debt service payments. Long-term obligations for business-type activities increased by \$984,000 due to additional general liability claims.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Net Investment in Capital Assets: The largest portion of the City's net position reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets net of related debt from governmental activities increased \$2,015,000 or 0.3 percent. The increase was primarily due to street improvements. Net position invested in capital assets net of related debt from business-type activities increased \$9,230,000 or 7.0 percent due to substantial progress in the construction of a new gravity sewer.

Restricted Net position: An additional portion of the City's net position is subject to external (legally imposed or statutory) restrictions (\$34,018,000 for governmental activities, and \$27,951,000 for business-type activities). These amounts represent 4.6 percent and 12.6 percent of net position for governmental activities and business-type activities, respectively. Restricted net position from governmental activities decreased \$17,849,000 or 34.4 percent. The decrease is primarily due to restricted funds used for public works and community services projects. Restricted net position from business-type activities increased by \$463,000 or 1.7 percent primarily due to an increase in restricted water master plan funds revenues available for capital projects.

Unrestricted Net position: The unrestricted net position (\$89,524,000 for governmental activities and \$53,166,000 for business-type activities) represent 12.1 percent and 24.0 percent of net position for governmental activities and business-type activities, respectively. Unrestricted net position for governmental activities increased \$35,448,000 or 65.6 percent, primarily due to increases in property tax and other revenue and a decrease in current and long term obligations as a result of debt service payments. Unrestricted net position for business-type activities decreased by \$12,429,000 or 18.9 percent primarily due to decreases in water and sewer operating revenue.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

A condensed summary of governmental activities (in thousands) follows:

	Governmental Activities			
	September 30, 2014	September 30, 2013 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 56,978	\$ 56,620	\$ 358	0.6%
Operating Grants and Contributions	7,958	7,303	655	9.0%
Capital Grants and Contributions	5,486	7,191	(1,705)	-23.7%
Total Program Revenues	70,422	71,114	(692)	-1.0%
General Revenues:				
Property Taxes	81,355	74,795	6,560	8.8%
Sales Taxes	29,243	30,276	(1,033)	-3.4%
Utility Taxes	20,621	20,764	(143)	-0.7%
Franchise Taxes	6,997	6,938	59	0.9%
Transient Occupancy Tax	8,440	7,630	810	10.6%
Other Taxes	164	-	164	100.0%
Use of Money and Property	3,725	2,816	909	32.3%
From Other Agencies - Unrestricted	4,279	6,003	(1,724)	-28.7%
Other	6,903	5,240	1,663	31.7%
Total General Revenues	161,727	154,462	7,265	4.7%
Total Revenues	232,149	225,576	6,573	2.9%
Expenses:				
City Council	258	271	(13)	-4.8%
City Manager	3,878	1,583	2,295	145.0%
City Treasurer	169	132	37	28.0%
City Attorney	2,321	2,221	100	4.5%
City Clerk	747	797	(50)	-6.3%
Finance	5,314	4,825	489	10.1%
Human Resources	4,616	5,032	(416)	-8.3%
Planning and Building	7,091	6,155	936	15.2%
Fire	43,194	36,323	6,871	18.9%
Information Services	6,456	6,096	360	5.9%
Police	66,681	60,466	6,215	10.3%
Economic Development	-	8,395	(8,395)	-100.0%
Community Services	12,509	15,521	(3,012)	-19.4%
Library Services	4,024	3,873	151	3.9%
Public Works	31,691	28,500	3,191	11.2%
Non-Departmental	21,602	25,563	(3,961)	-15.5%
Interest on Long-Term Debt	1,946	2,289	(343)	-15.0%
Total Expenses	212,497	208,042	4,455	2.1%
Change in Net Position Before Transfers	19,652	17,534		
Transfers	(38)	(38)		
Change in Net Position After Transfers	19,614	17,496		
Extraordinary Gain/(Loss)	-	(4,669)		
Change in Net Position	19,614	12,827		
Net Position - Beginning of Year	723,210	709,664		
Prior Period Adjustment	(457)	719		
Net Position - Beginning of Year as restated	722,753	710,383		
Net Position - End of Year	\$ 742,367	\$ 723,210		



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

The cost of all governmental activities this year was \$212,497,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$142,075,000, because costs of \$56,978,000 were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions of \$7,958,000, and capital grants and contributions of \$5,486,000. Overall, the City's governmental program revenues were \$70,422,000. The City paid for the remaining "public benefit" portion of governmental activities with \$161,727,000 in taxes and general revenue (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Charges for Current Services increased by \$358,000 or 0.6 percent due to increases in community services, police, and additional cost allocation to fund the Worker's Compensation liability.

Operating Grants and Contributions increased by \$655,000 or 9.0 percent primarily due to an increase in public works grants from the prior year. Capital Grants and Contributions have decreased by \$1,705,000 or 23.7 percent primarily due to decreases in the public works Energy Efficiency grant and sewer development contributions.

Program expenses increased by \$4,455,000 primarily due to increased staffing levels, particularly for public safety and increases in worker's compensation and CalPERS pension costs.

Total resources available during the year to finance governmental operations were \$954,864,000 (restated) consisting of net position at October 1, 2013 of \$722,753,000 (restated), program revenues of \$70,422,000, general revenues of \$161,727,000, less transfers of \$38,000. Total expenses for governmental activities during the year were \$212,497,000 thus, net position was increased by \$19,614,000, to \$742,367,000.

Beginning net position was restated due to adjustments made after a review of the valuation of the City's infrastructure. For additional information, please refer to Note 15 on page 109.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

A condensed summary of business-type activities (in thousands) follows:

	Business-Type Activities			
	September 30, 2014	September 30, 2013 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 58,798	\$ 61,330	\$ (2,532)	-4.1%
Capital Grants and Contributions	-	844	(844)	-100.0%
Total Program Revenues	58,798	62,174	(3,376)	-5.4%
Use of Money and Property	1,015	137	878	640.9%
Total Revenues	59,813	62,311	(2,498)	-4.0%
Expenses:				
Water Utility	41,499	38,446	3,053	7.9%
Refuse Collection	11,145	10,882	263	2.4%
Sewer Service	9,712	7,253	2,459	33.9%
Hazmat Service	231	220	11	5.0%
Total Expenses	62,587	56,801	5,786	10.2%
Increase in Net Position Before Transfers	(2,774)	5,510		
Transfers	38	38		
Total Change In Net Position	(2,736)	5,548		
Net Position - Beginning of Year	238,969	225,619		
Prior Period Adjustment	(14,346)	7,802		
Net Position - Beginning of Year as restated	224,623	233,421		
Net Position - End of Year	\$ 221,887	\$ 238,969		

The City's net position from business-type activities decreased by \$2,774,000 before transfers. This is mainly due to a decrease in Charges for Current Services due to a state-wide decrease in water consumption. Use of Money and Property increased by \$878,000 due to an increase in the rate of return for the City's cash and investments.

The cost of all Business-Type activities this year was \$62,587,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$58,798,000, other revenue was \$1,015,000, and transfers were \$38,000. Beginning net position was \$224,623,000 (restated) and ending net position was \$221,887,000. Of the ending net position amount, \$140,770,000, or 63.4 percent, was invested in capital assets, \$27,951,000 or 12.6 percent was restricted for expenses for the Water Master Plan, and \$53,166,000, or 24.0 percent was unrestricted.

The transfers for Business-Type activities were \$38,000 in both the current year and prior year.

Beginning net position was restated due to adjustments made after a review of the valuation of the City's infrastructure. For additional information, please refer to Note 15 on page 109.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Financial Analysis of the City's Major Governmental Funds

Below is an analysis of the City's major governmental fund activities for the year (in thousands):

GOVERNMENTAL FUNDS				
	September 30, 2014	September 30, 2013	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 61,054	\$ 54,507	\$ 6,547	12.0%
Grants Special Revenue Fund	1,524	2,606	(1,082)	-41.5%
LMIHAF Capital Projects Fund	5,653	5,637	16	0.3%
Total Fund Equity	\$ 68,231	\$ 62,750	\$ 5,481	8.7%

The General Fund Balance increased by \$6,547,000 primarily due to strengthening property tax, hotel tax and development related permits.

The Grants Special Revenue Fund Balance decreased by \$1,082,000 primarily due to the completion of large Community Development Block Grant (CDBG) ADA renovations for the Civic Center and Keelson Lane reconstruction.

The LMIHAF Capital Projects Fund Balance increased by \$16,000 as a result of increased interest revenue due to a higher rate of return.

Financial Analysis of the City's Major Proprietary Funds

Below is an analysis of the fund equity of the City's proprietary funds (in thousands):

Enterprise Funds				
	September 30, 2014	September 30, 2013 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Water Fund	\$ 153,565	\$ 157,301	\$ (3,736)	-2.4%
Sewer Fund	68,069	66,920	1,149	1.7%
Refuse Fund	112	201	(89)	-44.3%
Hazmat Service Fund	141	201	(60)	-29.9%
Total Net Position	\$ 221,887	\$ 224,623	\$ (2,736)	-1.2%
Unrestricted Net Position:				
Water Fund	\$ 33,267	\$ 36,438	\$ (3,171)	-8.7%
Sewer Fund	19,646	28,755	(9,109)	-31.7%
Refuse Fund	112	201	(89)	-44.3%
Hazmat Service Fund	141	201	(60)	-29.9%
Total Unrestricted Net Position	\$ 53,166	\$ 65,595	\$ (12,429)	-18.9%

The Water Fund total net position decreased by \$3,736,000 and unrestricted net position decreased by \$3,171,000. This is in large part due to a decrease of water consumption due to state-wide environmental concerns. The Sewer Fund net position increased by \$1,149,000 and unrestricted net position decreased by \$9,109,000. This is due in large part to substantial progress in the construction of a new gravity sewer.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Long-Term Obligations

Below is a schedule of the changes to the City's long-term obligations (in thousands):

	Balance October 1, 2013	Additions	Retirements	Balance September 30, 2014
Governmental Activities:				
Revenue Bonds	\$ 43,105	\$ -	\$ (3,710)	\$ 39,395
Judgement Obligation Bonds	3,474	-	(900)	2,574
Claims Payable	22,988	6,487	(9,179)	20,296
Compensated Absences	10,886	3,308	(3,062)	11,132
Net Pension Obligation	3,441	4,281	(4,539)	3,183
Loans	1,135	-	(160)	975
Pollution Remediation	2,000	-	-	2,000
PARS Payable	56	-	(27)	29
Total Long-Term Obligations - Governmental Activities	87,085	14,076	(21,577)	79,584
Business-Type Activities:				
Claims Payable	-	800	-	800
Compensated Absences	1,112	410	(226)	1,296
Business-Type Activities:	1,112	1,210	(226)	2,096
Total Long-Term Obligations	\$ 88,197	\$ 15,286	\$ (21,803)	\$ 81,680

Additional information on the City's long-term debt is shown in Note 10 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. The City's total long-term obligations decreased 6,517,000 or 7.4 percent from the prior fiscal year. This decrease was due in large part to current year debt service payments on bonds and various other loans.

The City continues to maintain strong credit ratings on all of its debt issues. Most notably, on August 27, 2014 Fitch Ratings issued an AAA Implied General Obligation Bond rating to the City of Huntington Beach. The following are the ratings as determined by Moody's Investors Service and Standard and Poor's as of September 30, 2014.

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S & P</u>
1999 Tax Allocation Refunding Bonds	Baa2	A
2002 Tax Allocation Refunding Bonds	Baa2	A
2004 Judgment Obligation Bonds	Aa3	AA
2010 Lease Revenue Bonds, Series A	Aa3	AA
2011 Lease Revenue Bonds, Series A	Aa3	AA



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. The following infrastructure networks are recorded as capital assets in the government-wide financial statements:

- Storm drain system including pump stations, drainage system and manholes.
- Streets (including land underneath streets), traffic signals, curbs, gutters, and sidewalks.

Below is a schedule of the City's capital assets, net of accumulated depreciation (in thousands):

	September 30, 2014	September 30, 2013 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 352,833	\$ 352,833	\$ -	0.0%
Buildings	124,995	128,674	(3,679)	-2.9%
Machinery and Equipment	10,086	9,733	353	3.6%
Construction in Progress	3,296	3,650	(354)	-9.7%
Joint Venture	2,539	2,419	120	5.0%
Infrastructure	165,446	163,741	1,705	1.0%
Total Governmental Activities	659,195	661,050	(1,855)	-0.3%
Business-Type Activities:				
Land	3,907	3,907	-	0.0%
Buildings	50,073	48,582	1,491	3.1%
Machinery and Equipment	2,087	2,050	37	1.8%
Construction in Progress	21,896	15,752	6,144	39.0%
Infrastructure	62,807	61,249	1,558	2.5%
Total Business-Type Activities	140,770	131,540	9,230	7.0%
Total Capital Assets	\$ 799,965	\$ 792,590	\$ 7,375	0.9%

Capital assets from governmental activities decreased \$1,855,000. This decrease is largely due to normal depreciation of buildings, equipment and infrastructure. Capital assets from business-type activities increased \$9,230,000 or 7.0 percent largely due to substantial progress on construction of a new gravity sewer in FY 2013/14. Further information on the City's capital assets can be found in Note 11 of the financial statements.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

General Fund Budgetary Highlights

Changes to Original Budget

Comparing the FY 2013/14 General Fund Original (i.e. Adopted) Budget expenditures amount of \$187,745,000 to the final budgeted amount of \$203,656,000 shows a net increase of \$15,911,000, or 8.5 percent. This overall increase was the result of budget carryovers from the previous year, increased staffing in the Police Department and additional contributions to reduce the City's Worker's Compensation and Retiree Medical Plan unfunded liabilities.

Final budgeted revenues for the General Fund increased \$9,728,000 or 5.0 percent from the original (adopted) budget for the fiscal year ended September 30, 2014. The change from original to final budget occurred primarily as a result of adjustments made to budgeted property tax, sales tax, charges for current services, licenses and permits, and one time revenues associated certain large development and construction projects.

Variance with Final Budget

General Fund actual revenues were greater than the final budget by \$1,359,000 for the fiscal year ended September 30, 2014 due in large part to:

- Other Taxes of \$185,000 in unanticipated property tax distributions from the dissolution of the former Redevelopment Agency.
- Use of Money and Property of \$174,000 due to increased earnings from the City's investments.
- Intergovernmental revenue of \$1,097,000 primarily due to additional reimbursements from the State of California.

General Fund expenditures were \$13,856,000 less than the final budget. The favorable budget variance is due in large part to the following:

- The Human Resources Department realized a \$1,229,000 savings due to the reduction in the current portion of general liability claims in FY 2013/14.
- The Planning and Building Department realized \$1,153,000 in savings from the deferral of various building and planning contracts.
- The Public Works Department realized \$1,531,000 in savings due to vacant positions and a delay in the purchase of equipment related to the LED street light replacement project.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

- Non-Departmental realized \$7,169,000 in savings primarily due timing differences in the actual replacement of certain equipment and completion of certain Capital Improvement Projects versus initial projections.

Analysis of City's Other Major Governmental Funds

Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund decreased by \$1,082,000 due to the inherent timing differences between when grant expenditures are incurred versus when the revenues are received. Significant grant expenditures in the current year were for Police, Community Development, and street improvement grants.

LMIHAF Capital Projects Fund

The fund balance in the LMIHAF Capital Projects Fund increased by \$16,000 due to increased earnings from the Fund's investments.

Economic Factors and Next Year's Budget

The Adopted FY 2014/15 Budget is structurally balanced, totaling \$342.3 million in All Funds. This reflects a \$28.5 million, or 9.1 percent, increase from the FY 2013/14 Adopted All Funds Budget. This growth is primarily due to increased spending for capital improvement projects, including a new, state-of-the-art Senior Center to replace the existing aged facility, increased grant funding, and the new Workers' Compensation Internal Service Fund. The City's Capital Improvement Plan alone is increasing by \$14.3 million year-over-year, including spending related to the new Senior Center.

The General Fund, which provides the majority of public services to the community, totals \$209.9 million, reflecting a \$16.4 million, or 8.5 percent increase from the FY 2013/14 budget. Major highlights are as follows:

- Labor Costs - \$7.5 million is related to increased labor costs due to renegotiated contracts for City employees whose salaries were kept frozen for up to six years.
- Senior Center Funding/New Parks - An additional \$4.0 million is included for the Senior Center project. A General Fund contribution of \$333,500 is also included for the first year installment of the purchase of the LeBard School Site.
- Public Safety - Funding for two additional Police Officers and a new Property Officer position in the Police Department is included. Funding is also provided for a new Mounted Enforcement Unit and higher crossing guard costs. In the Fire Department, funding is provided for a new Senior Permit Technician given the sharp increase in development related fire permits and plans checks. The Budget also contains funding for a new Fire Engine costing \$1.4 million in total.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

- Economic Development - A new Senior Permit Technician in the Planning & Building Department is included to expedite permit and plan check processing timeframes. New monies are also provided for increased plan check and inspection services that are contracted out to better handle peak workload periods.

General Fund Revenue

General Fund revenue is projected to reach \$207.0 million, a 7.0 percent increase from the current year budget. General Fund revenue includes numerous sources that are exceeding pre-recession levels.

- Property taxes are estimated at \$80.0 million, reflecting a 6.4 percent growth from FY 2013/14 as home market values and the construction of new residential properties are increasing.
- Licenses and Permits, estimated at \$9.0 million, continue to show an upward trend due to the rise in construction of new commercial and residential properties.
- Transient Occupancy Taxes are anticipated to reach \$8.8 million, reflecting an almost 15.0 percent increase due to higher occupancy rates.
- Other revenues that are performing well include Leases and Concessions and Parking revenues as tourism within the City continues to remain strong due to special events and a warm climate.
- Sales Tax is estimated at \$28.8 million; however, it appears to have steadied in comparison to the last two fiscal years due to the sharp increase in online retail sales that are distributed to countywide pools versus direct "brick and mortar" Huntington Beach-based businesses that are directly allocated to the City.

Unfunded Liabilities

General Fund pension costs are expected to total \$25.7 million next year. In seven years, it is projected pension costs will increase 92 percent, to \$49.3 million. The unfunded liability for these plans is currently \$308.2 million, reflecting a 69.7 percent funded status. The FY 2014/15 Adopted General Fund Budget currently includes \$1.0 million to address imminent pension cost spikes and to help pay-down our unfunded liabilities. On September 2, 2014, the City Council approved an additional \$1.0 million appropriation to fund Year One of the "One Equals Five" plan to reduce the public safety pension's unfunded liabilities by approximately \$53.7 million and pay off the liability five years early. Further, City Council approved an amendment to the City's Financial Policies to include an additional \$1.0 million for the "One Equals Five" Plan in each future year's budget.

Similarly, the "25 to 10" Plan has been adopted by the City to expedite the payment of the City's Retiree Medical unfunded liability. The budget reflects an additional \$1.0 million contribution to the plan, reducing the amortization of the unfunded liability from 25 years to 10 years, immediately shaving off 15 years of payments.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2014

The City has also adopted a plan to expedite the payment of the unfunded liability for the City's supplemental defined benefit retirement plan. An additional \$698,000 has been committed above the FY 2013/14 Budget and beyond to decrease this liability with the plan of paying down the unfunded liability in 10 years, versus the original amortization of 16 years.

Contacting the City's Financial Management Team

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department at 2000 Main Street, Huntington Beach, California, 92648-2702, phone (714) 536-5630 or e-mail mloadsman@surfcity-hb.org.

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BASIC FINANCIAL STATEMENTS

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(In Thousands)**

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 80,534	\$ 54,392	\$ 134,926
Receivables, Net	36,345	5,746	42,091
Advances to Successor Agency	5,290	-	5,290
Inventories	-	1,294	1,294
Prepays	4,978	-	4,978
Other Assets	2,411	-	2,411
Other Postemployment Benefits Asset	12,761	-	12,761
Subtotal	142,319	61,432	203,751
Restricted Assets:			
Cash and Investments	19,752	27,951	47,703
Cash and Investments with Fiscal Agent	4,125	-	4,125
Receivables, Net	14,690	-	14,690
Total Restricted Assets	38,567	27,951	66,518
Capital Assets:			
Non-Depreciable	358,668	25,803	384,471
Depreciable, Net	300,527	114,967	415,494
Total Capital Assets	659,195	140,770	799,965
Total Assets	840,081	230,153	1,070,234
 LIABILITIES			
Accounts Payable	6,202	4,415	10,617
Accrued Payroll	6,090	93	6,183
Deposits	1,289	1,662	2,951
Subtotal	13,581	6,170	19,751
Liabilities Payable from Restricted Assets:			
Accounts Payable	1,940	-	1,940
Accrued Interest Payable	198	-	198
Deposits	2,411	-	2,411
Total Liabilities Payable from Restricted Assets	4,549	-	4,549
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	15,792	354	16,146
Long-Term Obligations Due in More than One Year	63,792	1,742	65,534
Total Long-Term Obligations	79,584	2,096	81,680
Total Liabilities	97,714	8,266	105,980
 NET POSITION			
Net Investment in Capital Assets	618,825	140,770	759,595
Restricted for:			
Debt Service	4,137	-	4,137
Capital Projects	5,772	27,951	33,723
Public Works and Community Services Projects	24,109	-	24,109
Total Restricted Net Position	34,018	27,951	61,969
Unrestricted	89,524	53,166	142,690
Total Net Position	\$ 742,367	\$ 221,887	\$ 964,254

**CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
City Council	\$ 258	\$ 68	\$ -	\$ -	\$ (190)	\$ -	\$ (190)
City Manager	3,878	2,835	867	-	(176)	-	(176)
City Treasurer	169	621	-	-	452	-	452
City Attorney	2,321	139	-	-	(2,182)	-	(2,182)
City Clerk	747	321	-	-	(426)	-	(426)
Finance	5,314	1,313	-	-	(4,001)	-	(4,001)
Human Resources	4,616	2,499	-	-	(2,117)	-	(2,117)
Planning & Building	7,091	9,357	-	-	2,266	-	2,266
Fire	43,194	8,672	384	-	(34,138)	-	(34,138)
Information Services	6,456	809	-	-	(5,647)	-	(5,647)
Police	66,681	5,170	1,740	-	(59,771)	-	(59,771)
Community Services	12,509	18,055	223	-	5,769	-	5,769
Library Services	4,024	434	37	-	(3,553)	-	(3,553)
Public Works	31,691	6,367	4,707	5,486	(15,131)	-	(15,131)
Non-Departmental	21,602	318	-	-	(21,284)	-	(21,284)
Interest on Long-Term Debt	1,946	-	-	-	(1,946)	-	(1,946)
Total Governmental Activities	212,497	56,978	7,958	5,486	(142,075)	-	(142,075)
Business-type Activities:							
Water Utility	41,499	36,944	-	-	-	(4,555)	(4,555)
Sewer Service	9,712	10,665	-	-	-	953	953
Refuse Collection	11,145	11,006	-	-	-	(139)	(139)
Hazmat Service	231	183	-	-	-	(48)	(48)
Total Business-Type Activities	62,587	58,798	-	-	-	(3,789)	(3,789)
Total Governmental and Business Type Activities	\$ 275,084	\$ 115,776	\$ 7,958	\$ 5,486	(142,075)	(3,789)	(145,864)
General Revenues:							
Taxes:							
Property Taxes					81,355	-	81,355
Sales Taxes					29,243	-	29,243
Utility Taxes					20,621	-	20,621
Franchise Taxes					6,997	-	6,997
Transient Occupancy Tax					8,440	-	8,440
Other Taxes					164	-	164
Total Taxes					146,820	-	146,820
Other:							
Use of Money and Property					3,725	1,015	4,740
From Other Agencies - Unrestricted					4,279	-	4,279
Other					6,903	-	6,903
Total General Revenues					161,727	1,015	162,742
Transfers					(38)	38	-
Total General Revenues and Transfers					161,689	1,053	162,742
Change in Net Position					19,614	(2,736)	16,878
Net Position - Beginning of Year					723,210	238,969	962,179
Prior Period Adjustment					(457)	(14,346)	(14,803)
Net Position - Beginning of Year as restated					722,753	224,623	947,376
Net Position - End of Year					\$ 742,367	\$ 221,887	\$ 964,254

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
(In Thousands)**

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and Investments	\$ 58,132	\$ 1,408	\$ 362	\$ 33,057	\$ 92,959
Cash and Investments with Fiscal Agent	-	-	-	4,125	4,125
Taxes Receivable	29,499	-	-	241	29,740
Other Receivables, Net	6,846	3,953	9,895	589	21,283
Advances to Successor Agency	-	-	5,290	-	5,290
Other Assets	-	-	-	2,411	2,411
Prepays	4,378	-	-	-	4,378
TOTAL ASSETS	\$ 98,855	\$ 5,361	\$ 15,547	\$ 40,423	\$ 160,186
LIABILITES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 6,202	\$ 434	\$ -	\$ 1,099	\$ 7,735
Accrued Payroll	6,063	11	-	12	6,086
Deposits Payable	1,289	-	-	2,411	3,700
Claims Payable	2,558	-	-	-	2,558
Total Liabilities	16,112	445	-	3,522	20,079
Deferred Inflows of Resources:					
Unavailable Revenue	21,689	3,392	9,894	266	35,241
Total Deferred Inflows of Resources	21,689	3,392	9,894	266	35,241
Fund Balances:					
Nonspendable					
Prepaid Insurance	4,378	-	-	-	4,378
Restricted					
Underground Utilities	364	-	-	-	364
Restitution	269	-	-	-	269
Pollution Remediation	-	-	-	324	324
Debt Service	-	-	-	4,137	4,137
Highways, Streets and Transportation	-	-	-	11,058	11,058
Low Income Housing	-	-	5,653	603	6,256
Air Quality	-	-	-	773	773
Other Capital Projects	-	-	-	2,103	2,103
Other Purposes	1,437	1,524	-	1,039	4,000
Committed					
Economic Uncertainties	25,011	-	-	-	25,011
Parks	-	-	-	3,330	3,330
Other Capital Projects	-	-	-	13,117	13,117
Assigned					
Litigation Reserves	900	-	-	-	900
Capital Improvement Reserve	7,136	-	-	13	7,149
Equipment Replacement	8,295	-	-	-	8,295
Redevelopment Dissolution	1,323	-	-	-	1,323
General Plan Maintenance	720	-	-	-	720
Senior Center Debt Service Reserve	2,000	-	-	-	2,000
CalPERS One Equals Five Plan	1,500	-	-	-	1,500
CalPERS Rate Increase	1,287	-	-	-	1,287
Cityview Replacement	695	-	-	-	695
Other Purposes	5,739	-	-	138	5,877
TOTAL FUND BALANCES	61,054	1,524	5,653	36,635	104,866
TOTAL LIABILITES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 98,855	\$ 5,361	\$ 15,547	\$ 40,423	\$ 160,186

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(In Thousands)**

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

Total Fund Balances Governmental Funds	\$	104,866
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Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds

Capital Assets	952,657	
Accumulated Depreciation	<u>(293,462)</u>	
Total Capital Assets		659,195

Internal Services funds are used by management to charge the cost of various city activities to individual governmental and business-like funds. The assets and liabilities of the Internal Service fund must be added to the Statement of Net Position.		(9,205)
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Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.		35,241
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Other Postemployment Benefit Asset is not a financial resource and, therefore, are not reported in the governmental funds.		12,761
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Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.

Accrued Interest Payable		(198)
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Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Amounts exclude Long-Term Obligation of the Internal Service Fund.

Long-Term Obligations Due in One Year		(8,007)
Long-Term Obligations Due in More than One Year		(52,286)

Net Position of Governmental Activities	\$	<u>742,367</u>
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**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

REVENUES	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
Property Taxes	\$ 79,460	\$ -	\$ -	\$ -	\$ 79,460
Sales Taxes	27,236	-	-	3,218	30,454
Utility Taxes	20,621	-	-	-	20,621
Other Taxes	15,437	-	-	164	15,601
Licenses and Permits	7,935	-	-	41	7,976
Fines and Forfeitures	4,392	-	-	-	4,392
From Use of Money and Property	16,216	227	23	229	16,695
Intergovernmental	4,045	4,648	-	8,111	16,804
Charges for Current Services	25,988	-	-	3,387	29,375
Other	2,392	-	-	2,119	4,511
Total Revenues	203,722	4,875	23	17,269	225,889
EXPENDITURES					
Current:					
City Council	258	-	-	-	258
City Manager	1,853	1,183	-	4	3,040
City Treasurer	169	-	-	-	169
City Attorney	2,321	-	-	-	2,321
City Clerk	747	-	-	-	747
Finance	5,314	-	-	-	5,314
Human Resources	4,073	225	-	-	4,298
Planning & Building	7,091	-	-	-	7,091
Fire	42,193	409	-	-	42,602
Information Services	6,456	-	-	-	6,456
Police	65,360	1,268	-	-	66,628
Community Services	9,042	237	-	761	10,040
Library Services	3,663	76	-	-	3,739
Public Works	20,299	125	-	2,448	22,872
Non-Departmental	20,933	-	7	93	21,033
Capital Outlay	-	2,047	-	8,682	10,729
Debt Service:					
Principal	27	160	-	4,610	4,797
Interest	1	34	-	1,952	1,987
Total Expenditures	189,800	5,764	7	18,550	214,121
Excess (Deficiency) Of Revenues Over (Under) Expenditures	13,922	(889)	16	(1,281)	11,768
OTHER FINANCING SOURCES (USES)					
Transfers In	1,135	29	-	8,668	9,832
Transfers Out	(8,510)	(222)	-	(1,138)	(9,870)
Total Other Financing Sources (Uses)	(7,375)	(193)	-	7,530	(38)
Net Change In Fund Balances	6,547	(1,082)	16	6,249	11,730
Fund Balances- Beginning Of Year	54,507	2,606	5,637	30,386	93,136
Fund Balances- End Of Year	\$ 61,054	\$ 1,524	\$ 5,653	\$ 36,635	\$ 104,866

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Net Changes in Fund Balances - Total Governmental funds \$ 11,730

Capital Expenditures - Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

Depreciable Assets Purchased	11,654
Non-Depreciable Assets Purchased	696
Non-Depreciable Assets Disposition	(930)
Capital Asset Depreciation	(13,275)

Accrual of Revenues - Certain revenues in the Statement of Activities do not meet the "availability" criteria for revenue recognition in the governmental funds and are not reported in the governmental funds as revenue.

Current Year Property and Sales Tax Accrual	20,871
Prior Year Property and Sales Tax Accrual	(20,187)
Current Year Grant and Other Revenue Accrual	1,393
Prior Year Grant and Other Revenue Accrual	(2,481)

Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. (746)

Other Postemployment Benefits Payments - 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 (expenses). 2,203

Internal service funds are used by management to charge the costs of certain activities, such as self insurance workers' compensation charges. The net revenue of this internal service fund is reported as governmental activities. 1,299

Liabilities not liquidated with current resources - Some 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.

Current Year Interest Accrual	(198)
Prior Year Interest Accrual	239

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 4,797

Some expenses such as compensated absences, claims, and pension expenses, reported in the Statement of Activities, do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds. 2,549

Change in Net Position of Governmental Activities	\$ 19,614
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See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014
(In Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
ASSETS						
Current Assets:						
Cash and Investments	\$ 34,066	\$ 20,292	\$ 34	\$ -	\$ 54,392	\$ 7,327
Restricted Cash and Investments	27,951	-	-	-	27,951	-
Other Receivables, Net	1,976	541	515	173	3,205	12
Prepays	-	-	-	-	-	600
Inventories	1,294	-	-	-	1,294	-
Unbilled Receivables	1,629	446	466	-	2,541	-
Due from Other Funds	10	-	-	-	10	-
Total Current Assets	66,926	21,279	1,015	173	89,393	7,939
Capital Assets:						
Land	3,907	-	-	-	3,907	-
Buildings and Improvements	52,047	16,654	-	-	68,701	-
Machinery and Equipment	9,046	1,503	-	-	10,549	-
Infrastructure	89,837	42,540	-	-	132,377	-
Construction in Progress	5,721	16,175	-	-	21,896	-
Less Accumulated Depreciation	(68,211)	(28,449)	-	-	(96,660)	-
Total Capital Assets	92,347	48,423	-	-	140,770	-
Total Assets	159,273	69,702	1,015	173	230,163	7,939
LIABILITIES						
Current Liabilities:						
Accounts Payable	3,054	485	870	6	4,415	407
Accrued Payroll	64	25	2	2	93	4
Due to Other Funds	-	-	-	10	10	-
Deposits Payable	1,662	-	-	-	1,662	-
Current Portion of Claims Payable	-	-	-	-	-	5,215
Current Portion of Compensated Absences	253	88	8	5	354	12
Total Current Liabilities	5,033	598	880	23	6,534	5,638
Non-Current Liabilities:						
Compensated Absences	675	235	23	9	942	31
Claims Payable	-	800	-	-	800	11,475
Total Non-Current Liabilities	675	1,035	23	9	1,742	11,506
Total Liabilities	5,708	1,633	903	32	8,276	17,144
NET POSITION						
Net Investment in Capital Assets	92,347	48,423	-	-	140,770	-
Restricted for:						
Capital Projects	27,951	-	-	-	27,951	-
Unrestricted	33,267	19,646	112	141	53,166	(9,205)
Total Net Position	\$ 153,565	\$ 68,069	\$ 112	\$ 141	\$ 221,887	\$ (9,205)

See Notes to Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
OPERATING REVENUES						
Sales	\$ 36,254	\$ -	\$ -	\$ -	\$ 36,254	\$ -
Fees and Charges for Service	-	10,608	10,954	183	21,745	7,457
Other	690	57	52	-	799	232
Total Operating Revenues	36,944	10,665	11,006	183	58,798	7,689
OPERATING EXPENSES						
Water Purchases	15,663	-	-	-	15,663	-
Supplies and Operations	8,122	8,379	11,145	231	27,877	1,161
Engineering	663	-	-	-	663	-
Production and Distribution	7,819	-	-	-	7,819	-
Maintenance	211	-	-	-	211	-
Water Meters	4,656	-	-	-	4,656	-
Water Quality	656	-	-	-	656	-
Water Use Efficiency	608	-	-	-	608	-
Claims and Judgments	-	-	-	-	-	5,249
Depreciation	3,101	1,333	-	-	4,434	-
Total Operating Expenses	41,499	9,712	11,145	231	62,587	6,410
Operating Income (Loss)	(4,555)	953	(139)	(48)	(3,789)	1,279
NON-OPERATING REVENUES (EXPENSES)						
Interest Income (Expense)	819	196	(1)	1	1,015	20
Income (Loss) Before Transfers	(3,736)	1,149	(140)	(47)	(2,774)	1,299
TRANSFERS						
Transfers In	-	-	51	-	51	-
Transfers Out	-	-	-	(13)	(13)	-
Total Transfers	-	-	51	(13)	38	-
Change in Net Position	(3,736)	1,149	(89)	(60)	(2,736)	1,299
Net Position - Beginning Of Year	171,747	66,820	201	201	238,969	(10,504)
Prior Period Adjustment	(14,446)	100	-	-	(14,346)	-
Net Position - Beginning of Year as restated	157,301	66,920	201	201	224,623	(10,504)
Net Position- End Of Year	\$ 153,565	\$ 68,069	\$ 112	\$ 141	\$ 221,887	\$ (9,205)

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 37,617	\$ 10,716	\$ 11,062	\$ 192	\$ 59,587	\$ 7,677
Cash Paid to Employees for Services	(8,289)	(3,138)	(250)	(184)	(11,861)	(444)
Cash Paid to Suppliers of Goods and Services	(29,890)	(4,401)	(10,882)	(35)	(45,208)	(5,005)
Net Cash and Investment Provided (Used) by Operating Activities	(562)	3,177	(70)	(27)	2,518	2,228
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	51	-	51	-
Transfers Out	-	-	-	(13)	(13)	-
Cash Received (Paid) from/(to) Other Funds	(10)	-	-	10	-	-
Net Cash and Investments Used by Noncapital Financing Activities	(10)	-	51	(3)	38	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(2,075)	(11,590)	-	-	(13,665)	-
Net Cash and Investments Used by Capital and Related Financing Activities	(2,075)	(11,590)	-	-	(13,665)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received (Paid)	819	196	(1)	1	1,015	20
Net Cash and Investments Provided (Used) by Investing Activities	819	196	(1)	1	1,015	20
Net Increase (Decrease) in Cash and Investments	(1,828)	(8,217)	(20)	(29)	(10,094)	2,248
Cash and Investments - Beginning of Year	63,845	28,509	54	29	92,437	5,079
Cash and Investments - End of Year	\$ 62,017	\$ 20,292	\$ 34	\$ -	\$ 82,343	\$ 7,327
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (4,555)	\$ 953	\$ (139)	\$ (48)	\$ (3,789)	\$ 1,279
Adjustments to Reconcile Operating Income to Net Cash and Investments Provided (Used) by Operating Activities						
Depreciation	3,102	1,333	-	-	4,435	-
(Increase) in Other Receivables, Net	708	58	69	9	844	(12)
Decrease in Unbilled Receivables	(82)	(7)	(13)	-	(102)	-
Decrease (Increase) in Prepaid Insurance	-	-	-	-	-	-
Decrease (Increase) in Advances to Other Funds	-	-	-	-	-	-
(Increase) in Prepays	-	-	-	-	-	-
(Increase) in Inventory	(89)	-	-	-	(89)	-
Increase (Decrease) in Accounts Payable	146	(22)	10	4	138	407
Increase in Accrued Payroll	35	13	1	1	50	4
Increase (Decrease) in Accrued Interest Payable	-	-	-	-	-	-
Decrease in Capital Leases	-	-	-	-	-	-
Increase (Decrease) in Advances from Other Funds	-	-	-	-	-	-
Increase (Decrease) in Deposits Payable	47	-	-	-	47	-
Increase in Deferred Revenue	-	-	-	-	-	-
Increase in Claims Payable	-	800	-	-	800	507
Increase in Compensated Absences	126	49	2	7	184	43
Net Cash and Investments Provided (Used) by Operating Activities	\$ (562)	\$ 3,177	\$ (70)	\$ (27)	\$ 2,518	\$ 2,228

See Notes to Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014
(In Thousands)

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ASSETS			
Cash and Investments	\$ 4,600	\$ 9	\$ 7,848
Cash and Investments with Fiscal Agent	3,437		2,436
Mutual Funds	-	42,320	-
Money Market Funds	-	1,024	-
Accounts Receivable, Net	886	7	27
Land Held for Resale	-	-	5,978
Land	-	-	15,033
Total Assets	\$ 8,923	\$ 43,360	\$ 31,322
LIABILITIES			
Accounts Payable	\$ 608	\$ -	\$ 185
Accrued Payroll	-	-	2
Due to Bondholders	4,225	-	-
Advances from City of Huntington Beach	-	-	5,290
Held for Others	4,090	-	-
Benefits Due to Plan Members and Beneficiaries	-	3,183	-
Long-Term Obligations			
Long-Term Obligations Due Within One Year	-	-	3,326
Long-Term Obligations Due in More than One Year	-	-	55,980
Total Liabilities	\$ 8,923	\$ 3,183	\$ 64,783
NET POSITION			
Restricted for Pension Benefits		<u>\$ 40,177</u>	
Held in Trust For Other Purposes			<u>\$ (33,461)</u>

CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ADDITIONS		
Employer Contributions	\$ 4,539	\$ -
Property Taxes	-	7,182
Rental Income	-	1,168
Other Income	258	-
Total Additions Before Investment Income	<u>4,797</u>	<u>8,350</u>
Investment Income:		
Investment Income	3,581	83
Less Investment Expense	(116)	-
Net Investment Income	<u>3,465</u>	<u>83</u>
Total Additions	<u>8,262</u>	<u>8,433</u>
DEDUCTIONS		
Benefits	3,548	-
Administrative Costs	176	-
Economic Development	-	17,575
Interest and Fiscal Agency Expenses	-	4,347
Total Deductions	<u>3,724</u>	<u>21,922</u>
Change in Net Position	4,538	(13,489)
Net Position - Beginning of Year	35,639	(19,972)
Net Position - End of Year	<u>\$ 40,177</u>	<u>\$ (33,461)</u>

See Notes to Financial Statements

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**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

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City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The City of Huntington Beach is the primary government. It was incorporated in 1909 as a charter, full-service city. The form of government is Council-Manager. Component units are legally separate organizations for which the City Council is financially accountable, or organizations that if excluded from the accompanying financial statements, would make them misleading. The component units described below are blended (presented as if they are part of the primary government) with the primary government for financial reporting purposes because either the component units have governing bodies identical to the City's (the City Council) or provide services exclusively to the City. Financial accountability means the appointment of a voting majority of the component unit's board and either the ability to impose will by the City or the possibility that the component unit will provide a financial benefit or impose a financial burden on the City.

Huntington Beach Housing Authority

The Housing Authority (the Authority) was established in March 2011 pursuant to Housing Authority Laws of California to provide rental assistance programs to low-income families and senior citizens, and to operate a Housing Rehabilitation Loan Program and other approved programs. The Authority is governed by a commission of seven members comprised of the City Council, which appoints management and has full accountability for the Authority's fiscal affairs. The Authority's financial data and transactions are included within the capital projects Low and Moderate Income Housing Asset Fund (LMIHAF). On January 9, 2012, the City adopted a resolution designating the Housing Authority of the City of Huntington Beach to serve as the Housing Successor Agency. The Housing Successor Agency's financial data and transactions are included within the LMIHAF Capital Projects Fund. There is no separate Component Unit Financial Report (CUFR) prepared for the Authority.

Huntington Beach Public Financing Authority (Public Financing Authority) –

This Corporation was formed in March 1988 to issue debt to finance public improvements and other capital purchases for the City and the former Redevelopment Agency. The Public Financing Authority's governing body is the City Council, which also adopts its annual budget. The Public Financing Authority is financially dependent on the City. There are no separately issued financial statements available for the Public Financing Authority.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huntington Beach Community Facilities Districts 1990-1, 2000-1, 2002-1, and 2003-1 (Community Facilities Districts) – were formed to construct public improvements within the City boundaries. The governing board of these districts is the City Council. The proceeds of debt issued and the expenditures for the public improvements are recorded in capital projects funds. The Community Facilities Districts' debts are not an obligation of the City. There are no separate financial statements prepared for these entities.

The City of Huntington Beach Supplemental Retirement Plan and Trust (Supplemental Retirement Plan and Trust) – The Trust was formed to provide a supplemental retirement plan for all employees hired prior to 1997 (exact dates differed for various associations). The governing board of the Supplemental Retirement Plan consists of the City Treasurer, Director of Finance, and the City Manager (or designee). The Retirement Board is responsible for supervising all investments, resolving benefit disputes, and ensuring that contributions are made in order to pay the required benefits. There are no separate financial statements for this plan and trust.

b. Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. 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, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to the various functions based on a proportionate use of services. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for current services; 2) operating grants and contributions; and, 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported as general revenues.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial Statement Classification

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

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide Statement of Net Position reports \$34,018,000 of governmental activities restricted net position, of which \$21,229,000 is restricted by enabling legislation. The government-wide Statement of Net Position reports \$27,951,000 of business-type activities restricted net position, of which all is restricted by enabling legislation. This category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs.

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

c. Fund Financial Statements

Separate fund financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Only current assets, current liabilities, and deferred inflows and outflows are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, use of money and property, intergovernmental revenues, charges for current services, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims are recorded only when payment is due.



City of Huntington Beach

Notes to Financial Statements

For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Financial Statements

Governmental Funds Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City presents all major funds that meet those qualifications.

The City's Governmental Fund Balances are comprised of the following components:

- Nonspendable fund balance includes amounts that are not in spendable form and typically includes inventories, prepaid items, and other items that by definition cannot be appropriated.
- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment by formal action as specified by the City's Fund Balance Policy. Commitments to fund balance are made through adoption of a resolution by City Council.
- Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Manager or designee has the authority to establish, modify, or rescind a fund balance assignment as specified by the City's Fund Balance Policy.
- Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance in other governmental funds is limited to any negative residual fund balance after fund balance has been classified as restricted, committed, or assigned.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide statements, the City considers restricted funds to be spent first then unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. In the governmental fund statements, when expenditures are incurred, the City's uses the most restrictive funds first. The City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Encumbrances outstanding as of September 30, 2014, by major fund (in thousands):

General Fund	\$	7,219
Grants Special Revenue		1,524
Other Governmental Funds		3,917
Total Encumbrance All Funds	\$	<u>12,660</u>

Economic Uncertainties Reserve

The City Council established an Economic Uncertainties Reserve in the General Fund through a resolution with a goal to commit the value of two months of the General Fund expenditure adopted budget amount. The City considers both an ordinance and a resolution the most binding action available to the City Council, the highest level of decision making of the City. Appropriations from the Economic Uncertainties Reserve commitments can only be made by formal City Council action. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to:

- An unplanned, major event such as catastrophic disaster requiring expenditures over 5% of the General Fund adopted budget;
- Budgeted revenue in excess of \$1 million taken by another government entity;
- Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget; and,
- Should the Economic Uncertainties Reserve be used, and its level falls below the minimum amount of two months of General Fund expenditures adopted budget, the goal is to replenish the fund within three fiscal years.



City of Huntington Beach

Notes to Financial Statements

For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements

The City's enterprise and internal service funds are proprietary funds. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Self Insurance Workers' Comp Fund – accounts for the City's self insurance workers' compensation program in an internal service fund. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

Fiduciary Funds Financial Statements

Fiduciary Funds Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position for Trust Funds. The City's fiduciary funds include Agency and Trust Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting. Trust Funds present results of operations and include net position. The Retirement Supplemental Trust Fund accounts for the activities of the supplemental retirement plan for all employees hired prior to 1997, which accumulates resources for pension benefits to qualified employees. Contributions are made to the Supplemental Plan based on the City's policy to fund the required contributions as determined by the Plan's actuary and are recognized when they are made.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund accounts for the Successor Agency for the former Redevelopment Agency pursuant to Assembly Bill X1 26. Fiduciary funds are not presented in the government-wide financial statements because these funds do not represent net position available to the City.

The City reports the following major funds:

Governmental Funds

General Fund – accounts for activity not required to be accounted for in another fund.

Grants Special Revenue – accounts for grant revenues received from federal, state, and local agencies restricted for related project expenditures.

LMIHAF Capital Projects – accounts for the activity related to the development of affordable housing.

Proprietary Funds

Water Fund – used to account for water sales to customers.

Sewer Service Fund – accounts for user fees charged to residents and businesses for sewer service.

Refuse Fund – used to account for activities related to refuse collection and disposal.

Hazmat Service Fund – accounts for user fees charged for the City's hazardous waste material program.

The City's fund structure also includes the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Agency Funds – accounts for assets temporarily held by the City as trustee, agent, or custodian. Agency funds are custodial in nature and do not involve measurement of results of operations.

Pension Trust Fund – Retirement Supplemental Fund - accounts for the City's supplemental retirement plan.

Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund – accounts for the Successor Agency of the former Redevelopment Agency in accordance with the State's Dissolution Act.

d. Cash and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of daily needs is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity, or yield of the portfolio. Interest earnings are apportioned among funds based on month-end cash and investment balances. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, such as money market funds, and any investment with a maturity of 90 days or less at the time of purchase.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State Treasurer of the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk. In addition, these structured notes and asset-backed securities are subject to interest rate risk as a result of changes in interest rates. The City's investment policy is further discussed in Note 2 on page 52.

The City pools all non-restricted cash for investment purchases and allocates interest income to the funds based on month-end cash balances. Funds that have restricted cash record interest income in the respective fund.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets have an acquisition cost of \$50,000 or greater (\$100,000 for infrastructure) and a useful life of one year or more.

The City records all purchased capital assets at historical cost (where historical records are available) and at estimated historical cost where no historical records exist. Capital assets acquired from gifts or contributions are recorded at fair value at the time received, or in the case of infrastructure assets, at City Council acceptance date. Capital assets acquired through annexation are recorded at net book value.

In the government-wide and proprietary funds financial statements, depreciation is recorded on the straight-line method over the estimated useful life of the assets as shown below and charged to the respective activity or fund. No depreciation is recorded in the governmental funds of the fund financial statements.

Buildings	20 to 50 years
Machinery and Equipment	5 to 30 years
Infrastructure	50 Years

Interest is capitalized on proprietary fund assets acquired with taxable and 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, and for tax-exempt debt, offset with interest earned on the invested proceeds over the same period. There was no capitalized interest for the year ended September 30, 2014.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an outflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: 1) Revenues that are not collected during the “availability period”. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period; 2) an offset account to the long-term loans reported in the Special Revenue Grants and Capital Projects LMIHAF governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g. Inventories

Proprietary fund inventories are valued at weighted-average cost.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Interfund Transactions

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 activities and the City's governmental activities. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Numerous transactions occur between funds of the City resulting in transfers and amounts due to or from other funds. Amounts due to or from are the current (due within one year) portion of moneys that are to be paid or to be received from other funds.

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 position. Bond premiums and discounts are deferred and amortized over the life of the debt. In the governmental fund financial statements, bond discounts and premiums are recognized as another financing source or use. Issuance costs are recorded as a current year debt service expenditure.

j. Employee Compensated Absences

The City records the cost of all accumulated and unused leave time (vacation, sick, and comp) as a liability when earned in the government-wide and proprietary funds financial statements. In the governmental funds financial statements these amounts are recorded as expenditures when due and payable.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Property Tax Revenue

Property tax in California is levied according to Article 13-A of the California Constitution. The basic levy is a countywide-levy of one percent of total assessed valuation and is allocated to county governments, school districts, cities and special districts. Additional levies require two-thirds approval by voters and are allocated directly to the specific government.

In the government-wide financial statements, property tax is recorded when earned, regardless of when levied, due, or received. In the fund financial statements, property tax revenue is recognized in the fiscal year levied provided that revenue is collected in time to pay current year liabilities. Unavailable property tax revenue represents property taxes related to the current fiscal year that are collected more than 60 days after the fiscal year-end. Since the City's fiscal year differs from the County's property tax year, there is a difference between the property tax revenue recorded on the fund financial statements and the government-wide financial statements, which is noted as a reconciling item in both the Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities and the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.

The County acts as a collection agent for property tax for all of the local governmental units. Property taxes are normally collected twice per year. The property tax calendar is as follows:

- Lien Date, January 1 - Prior Fiscal Year
- Levy Date, July 1 - Levy Fiscal Year
- Due Date, First Installment - November 1
- Due Date, Second Installment - February 1
- Delinquent Date, First Installment - December 10
- Delinquent Date, Second Installment - April 10



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Redevelopment Property Tax Trust Funds

Under ABX1 26, revenues that were previously distributed to redevelopment agencies (prior to their dissolution) in the form of property tax increment will no longer be received. Instead, revenues are deposited by County Auditors into Redevelopment Property Tax Trust Funds (RPTTF) created in the County Treasury for each Successor Agency. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities, an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the Recognized Obligation Payment Schedules (ROPS) to Recognized Obligation Retirement Funds (RORF) established in the treasury of the Successor Agencies, and various allowed administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments.

The calendar for distribution of RPTTF funds is as follows:

- January - June ROPS submission due to Department of Finance, September 1
- Distribution of RPTTF to Successor Agencies for the January-June ROPS period, January 2
- July - December ROPS submission due to Department of Finance, March 1
- Distribution of RPTTF to Successor Agencies for the July-December ROPS period, June 1

m. Cash Flow Statements

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

n. Estimates

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Implementation of New Accounting Pronouncements

Beginning October 1, 2013, the City adopted the following new pronouncements issued by the GASB:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement has been implemented with the September 30, 2014 financial statements.

Issued in March 2012, GASB Statement No. 66, “*Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62,*” resolves conflicting guidance that resulted from the issuance of previously issued pronouncements. The statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. It also amends Statement No. 62, *Fund Balance Reporting and Governmental Fund Type Definition*, by providing specific guidance on accounting for operating lease payments, purchased loan or group of loans, and service fees related to mortgaged loans. This statement had no impact on the City’s financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are not administered through trust covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pension. This Statement has been implemented with the September 30, 2014 financial statements.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange guarantees. This statement had no impact on the City's financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2012, GASB issued Statement No. 68, *"Accounting and Financial Reporting for Pensions."* This Statement replaces the requirements of previously issued statements as they relate to governments that provide pensions through pension plans administered by trusts or similar arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability. Governments will report in their financial statements a net pension liability that represents the difference between the total pension liability and the pension plan's fiduciary net position. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including descriptive information about the types of benefits available, how to determine the amount of pension plan contributions, and assumptions and methods used in calculating the pension liability. This statement requires the City to record a liability and expense equal to their proportionate share of the collective net pension liability and expense of the City's single-employer defined benefit pension plan. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2015.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2015.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2015.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

2. CASH AND INVESTMENTS

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code Section 53601 (or the City's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk.

Authorized Investment Type*	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Banker's Acceptances	180 days	25%/40%** (c)	10%
Time Certificate of Deposits	3 years (a)	50% (d)	10%
Negotiable Certificates of Deposit	3/5 years (a)***	30%	10%
Repurchase Agreements	3 months (b)	20%	10%
Reverse-Repurchase Agreements *****	92 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	No Limit	\$50 million
Commercial Paper	270 days	25% (e)	10%
Municipal Bonds from Any State	5 years	50% (d)	10%
Money Market Funds	60 Day Wgt Avg	15% (e)	10%
Medium Term Notes	5 years	20%/30%**** (f)	10%

Notes:

* The following investment types are authorized for the City by the California Government Code; however, they are not considered permissible investments by the City's Investment Policy: mortgage pass-through securities, CD placement service, and collateralized bank deposits.
 ** 40% only with City Council approval
 *** 5 years only with City Council approval
 **** 30% with City Council approval
 ***** Only with City Council approval
 N/A - Not Applicable

California Government Code:

(a) 5 years
 (b) 1 year
 (c) 40%
 (d) N/A
 (e) 25%
 (f) 30%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by a bond trustee, but bond indentures do allow for other forms of investments if approved in writing by the bond insurer that are not identified below. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations	Life of Bond	No Limit	No Limit
U.S. Government Sponsored Enterprise Agency Securities	Life of Bond	No Limit	No Limit
Banker's Acceptances	180 days	No Limit	No Limit
Time Certificate of Deposits	360 days	No Limit	No Limit
Negotiable Certificates of Deposit	360 days	No Limit	No Limit
LAIF	N/A	No Limit	No Limit
Commercial Paper	270 days	No Limit	No Limit
Municipal Bonds from Any State	Life of Bond	No Limit	No Limit
Money Market Funds	N/A	No Limit	No Limit
Investment Agreements	Life of Bond	No Limit	No Limit
Forward Purchase/Delivery Agreements	Life of Bond	No Limit	No Limit

N/A - Not Applicable



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

2. CASH AND INVESTMENTS (Continued)

Investment of the Pension Trust Fund – Retirement Supplemental Fund

The Investment Policy Statement (IPS) of the Huntington Beach Supplemental Pension Trust is established in accordance with the assignment of fiduciary duties by the State of California Constitution and State and Local Government Codes. The purpose of the Investment Policy is to set guidelines for a prudent investment-making process. The policy was established with the assumption that the longer-term nature of the portfolio provides for higher risk tolerance and short-term volatility, but more potential for capital growth. The Investment Manager will be responsible for carrying out the activities related to the portfolio in accordance with the IPS to meet the goals of an agreed upon risk/return profile, and in accordance with the mix of parameters outlined below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity/ Credit Quality</u>	<u>Strategic Allocation</u>
Fixed Income	N/A	25%
Intermediate-Term Bond	N/A	25%
Equity	N/A	58%
Domestic	N/A	34%
Foreign	N/A	24%
Real Estate	N/A	9%
Commodities	N/A	8%

N/A - Not Applicable



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

2. CASH AND INVESTMENTS (Continued)

At year-end, the City had the following deposits and investments (amounts in thousands):

Primary Government:

Cash and Investments	\$ 134,926
Restricted Assets (Cash and Investments)	47,703
Cash and Investments with Fiscal Agent - Restrict	4,125
Total Primary Government	<u>186,754</u>

Fiduciary Funds:

Cash and Investments	12,457
Cash and Investments with Fiscal Agent - Restrict	49,217
Total Fiduciary Funds	<u>61,674</u>
Total Deposits and Investments	<u>\$ 248,428</u>

Interest Rate Risk – As a means of limiting exposure to fair value losses arising from interest rates, the City’s investment policy limits investments over three years to be 30% or less of the City’s portion of the total portfolio.

As of September 30, 2014, the City held \$111,369,983 in callable securities, which amounted to approximately 62.7% of investments.

Investment maturities are as follows (in thousands):

INVESTMENTS:	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
U.S. Agency Securities	\$ 132,246	\$ -	\$ 43,117	\$ 88,138	\$ 991	\$ 132,246
Mutual Funds	42,319	42,319	-	-	-	42,319
Money Market Funds	3,412	3,412	-	-	-	3,412
Corporate Bonds	34,174	15,525	13,218	5,431	-	34,174
Local Agency Investment Fund	20,107	20,107	-	-	-	20,107
Total Investments	<u>\$ 232,258</u>	<u>\$ 81,363</u>	<u>\$ 56,335</u>	<u>\$ 93,569</u>	<u>\$ 991</u>	<u>232,258</u>
		Total Deposits				16,170
		Total Deposits and Investments				<u>\$ 248,428</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

2. CASH AND INVESTMENTS (Continued)

Credit Risk - State law allows investment in United States Government-Sponsored Enterprise (GSE) obligations noted above as U.S. Agencies. As of year-end, the Standard and Poor's and Moody's ratings of the GSE's were AA+ and AAA, respectively. State law limits investments in commercial paper to those rated A-1 or P-1, and investments in Corporate Bonds to having an "A" rating, and issued by a nationally recognized statistical rating organization. As of year-end, the City had no commercial paper holdings.

The City's investment policy for operating funds limits investments in Money Market Funds to 15% of the portfolio. Both Standard and Poor's and Moody's have rated the Money Market Funds in the City's bond investment portfolio as AAA. The City's investments in Corporate Bonds are rated A or better, by a nationally recognized statistical rating organization, per State code.

Concentration of Credit Risk – The City's investment policy limits investments in any one issuer, except for U.S. Treasury Securities, U.S. Government Agencies and the Local Agency Investment Fund, to no more than 10% of the portfolio. In addition, no more than 50% can be invested in a single security type or with single financial institution and every security type has a specific limit. This is in addition to the limits placed on investments by State law. Investments in any one issuer (other than U.S. Treasury Securities, external investment pools, or Money Market Funds) that represent 5% or more of the City's total investments are as follows (amounts in thousands):

Issuer	Investment Type	Fair Value Amount
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$41,809
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$29,857
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$54,602



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk. Per the Investment Policy Statement, the City of Huntington Beach is the registered owner of all investments in the portfolio.

Under provisions of the California Government Code, California banks, and savings and loan associations are required to secure the city's deposits by pledging government securities with a value of 110% of principal and accrued interest. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of city's total deposits. As of September 30, 2014, the City has deposits totaling \$18,538,241 in excess of FDIC Insurance, which are collateralized by the bank as described above.

Local Agency Investment Fund – 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. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF had invested 1.21% of the pooled investments funds in Structured Notes and Asset-Backed Securities. This external investment pool is not rated and is not registered with the Securities and Exchange Commission.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

3. OTHER RECEIVABLES

a. Other Receivables

A summary of Other Receivables as of September 30, 2014 is as follows (in thousands):

Description	Amount
Developer Loans Receivable	\$ 37,258
Emerald Cove Loan Receivable	7,927
Housing Rehabilitation Loans Receivable	3,083
First Time Homebuyers and Down Payment Assistance Receivable	1,967
Emergency Medical Fee Receivable	1,896
Franchise Fee Receivable	1,388
CDBG Program Receivable	379
Other Grants Receivable	489
Other Receivables	4,154
Total Other Receivables	58,541
Allowance for Uncollectible Developer Loans	(37,258)
Net Other Receivables on Governmental Fund Financial Statements	\$ 21,283
 Other Receivables Reconciliation	
Net Receivables - Governmental Activities	\$ 36,345
Net Receivables - Governmental Activities - Restricted	14,690
Net Receivable on Government-wide Financial Statements	51,035
Taxes Receivable on Governmental Fund Financial Statements	(29,740)
Other Receivables on Internal Service Fund - Self Insurance Workers' Comp	(12)
Net Other Receivables on Governmental Fund Financial Statements	\$ 21,283

b. Developer Loans

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$37,258,000 at year-end. These loans are allowed until a future event occurs. Loans to the Low and Moderate Income Housing Asset Fund total \$23,965,000 and loans made under the Home Program total \$13,293,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$37,258,000 due to the terms of the agreement to forgive the balance of loans after a specified time period if all the conditions of loan forgiveness are met.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

3. OTHER RECEIVABLES (Continued)

c. Emerald Cove Loan

On June 15, 2010, the former Redevelopment Agency loaned Emerald Cove, LP \$8,000,000 to acquire and rehabilitate Emerald Cove Senior Apartments. The loan has an interest rate of 3% and is to be repaid annually from residual receipts over 60 years. The loan was transferred to the Low and Moderate Income Housing Asset Fund in fiscal year 2011-12. The loan balance as of September 30, 2014 is \$7,927,000.

d. Housing Rehabilitation Loans

Loans made to qualified homeowners and landlords in the City of Huntington Beach to rehabilitate certain single-family homes or multifamily rental housing under deferred loan agreements total \$3,083,000 at year-end. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

e. Deferred Loans – First Time Homebuyers and Down Payment Assistance

Loans made for down payment assistance of qualified first time homebuyers under deferred loan agreements total \$1,967,000 at year-end. These loans are deferred until a future event occurs.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014

4. UNAVAILABLE REVENUE

Certain revenues in governmental funds are considered unavailable revenue until received. All revenues including property and sales tax are recognized in the year earned or levied in the government-wide financial statements, but are recorded as unavailable revenue in the fund financial statements to the extent they are not collected within 60 days after year-end. The amounts are as follows (in thousands):

	General Fund	Grants Special Revenue	LMIHAF	Other Governmental Funds	Total Unavailable Revenue
Property Taxes	\$ 16,684	\$ -	\$ -	\$ -	\$ 16,684
Sales Tax	4,187	-	-	-	4,187
Grants	-	309	-	-	309
Deferred Loans:					-
Emerald Cove	-	-	7,927	-	7,927
Housing Rehabilitation	-	3,083	-	-	3,083
First Time Homebuyers	-	-	1,967	-	1,967
Other Unavailable Revenue	818	-	-	266	1,084
Total	\$ 21,689	\$ 3,392	\$ 9,894	\$ 266	\$ 35,241

Deferred Loans to developers and qualified individuals for housing rehabilitation and to first time homebuyers are discussed in Note 3.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

5. RETIREMENT PLAN – NORMAL

a. Plan Description

The City contributes to the Miscellaneous Plan and the Safety Plan of the City of Huntington Beach, which are agent multiple-employer defined benefit plans administered by the California Public Employees’ Retirement System (CalPERS). These retirement plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov.

b. Employer and Employee Contribution Obligations

The City makes two types of contributions for covered employees. The first contribution represents the amount the City is required to make (the employer rate). The second represents an amount, which is made by the employee, but is partially reimbursed to the employee by the City (the member rate). The member rate is set by contract and state law.

The employer rate is an actuarially established rate, set by CalPERS, and changes from year to year. The employer rates for the fiscal year ended September 30, 2014 are:

	10/1/2013 - 6/30/2014*	7/1/2014 - 9/30/2014*
Local Miscellaneous	21.395%	21.938%
Local Safety	38.841%	39.051%

* The City opted to use the no phase-in CalPERS employer contribution rates.

The member rates are as follows:

	Rate
Local Miscellaneous	8.000%
Local Safety	9.000%



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

5. RETIREMENT PLAN – NORMAL (Continued)

c. Annual Pension Cost

The City's annual pension cost of \$27,107,000 was equal to the City's required and actual contributions. The required contributions for the October 2013 - June 2014 and July - September 2014 periods are determined by the June 30, 2011 and 2012 actuarial valuations, respectively, using the entry age normal actuarial cost method. The actuarial assumptions used to determine the required contribution for both the Miscellaneous and Safety Plans for fiscal year ended September 30, 2014 were as follows:

- Average remaining amortization periods - 19 years for the Miscellaneous Plan and 29 years for the Safety Plan
- Asset valuation method - 15 years smoothed market
- Investment Rate of Return – 7.50%
- Projected salary increases - 3.30% to 14.20% (Miscellaneous and Safety) depending on age, service, and type of employment
- Inflation – 2.75%
- Payroll growth - 3.00%
- Individual salary growth - A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

CalPERS conducted an actuarial valuation using the entry-age actuarial cost method using a level percent of payroll to determine the City's funded status as of June 30, 2013. Significant assumptions for the June 30, 2013 valuation are as follows:

- Asset valuation method – Market value
- Investment Rate of Return - 7.50%
- Projected salary increases - 3.30% to 14.20% (Miscellaneous and Safety) depending on age, service, and type of employment
- Inflation - 2.75%
- Payroll growth - 3.00%
- Individual salary growth - A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

5. RETIREMENT PLAN – NORMAL (Continued)

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, CalPERS will no longer use an actuarial value of assets but instead a market value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy is used in the June 30, 2013 valuation, estimating the amortization period of the unfunded actuarial liability ends by June 30, 2038.

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 period with Direct Rate Smoothing with a 5-year ramp up/ramp down. 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.

The corridor limits for the actuarial value of assets were increased from 80%-120% of market value to 60%-140% of market value in the actuarial valuations as of June 30, 2010 and 2011. The temporary change to the asset smoothing method and the amortization of gains and losses were adopted by the CalPERS Board to phase in the impact of significant investment losses experienced by CalPERS in fiscal year 2008-2009.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

5. RETIREMENT PLAN – NORMAL (Continued)

d. Trend Information

Local Miscellaneous			
Fiscal Year	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
6/30/2012	\$ 8,542	100%	\$ -
6/30/2013	\$ 9,381	100%	\$ -
6/30/2014	\$ 10,362	100%	\$ -

Local Safety			
Fiscal Year	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
6/30/2012	\$ 15,806	100%	\$ -
6/30/2013	\$ 16,154	100%	\$ -
6/30/2014	\$ 16,745	100%	\$ -

e. Funded Status and Funding Progress

Below is the funding progress based on the June 30, 2013 actuarial valuations for the miscellaneous and the safety plans (in thousands):

Plan	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets*	Unfunded Liability (UL)	Funded Ratio	Covered Payroll	UL as a Percentage of Covered Payroll
Safety	\$ 572,118	\$ 384,322	\$ (187,796)	67.2%	\$ 37,376	-502.5%
Miscellaneous	446,477	326,046	(120,431)	73.0%	41,165	-292.6%
Total	\$ 1,018,595	\$ 710,368	\$ (308,227)	69.7%	\$ 78,541	-392.4%

*Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equal Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

The schedule of funding progress presented as Required Supplementary Information (RSI) following the notes to the basic financial statements, 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.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

6. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description and Benefits

The City administers a supplemental single-employer defined benefit retirement plan (Supplemental Plan) for all employees hired prior to 1997 (exact dates are different for various associations). The Plan is governed by a three-member Supplemental Employee Retirement Plan and Trust Board consisting of the City Treasurer, Director of Finance, and the City Manager, or his/her designee. The Board has the authority, under the terms of the Trust agreement, to control and manage the operation and administration of the Plan. Benefit provisions are established and may be amended through negotiations between the City and employee bargaining associations during each bargaining period, which are then approved through resolutions of the City Council. In fiscal year 2008-09, the City established the Supplemental Employee Retirement Plan and Trust, and transferred \$24,918,000 to an irrevocable trust from the prefunded amounts. The plan and trust are reported as a pension trust fund in the City's financial statements on a full accrual basis.

The Supplemental Plan will pay the retiree an additional amount to his or her CalPERS retirement benefit for life. In order to be eligible for the benefit, the retiree must retire from the City. The amount that is computed as a factor of an employee's normal retirement allowance is computed at retirement and remains constant for his or her life. This benefit is payable by the City for the duration of the life of the member, and shall cease upon the employee's death. As of September 30, 2013, the date of the Plan's most recent actuarial valuation, the average monthly benefit received by inactive plan members and beneficiaries receiving benefits is \$426. Effective in 1998 (exact dates are different for various associations), new City employees are ineligible to participate in the Supplemental Employee Retirement Plan.

Of the 973 active employees reported on the September 30, 2013 data, only 267 were eligible for plan benefits. No separately prepared financial statements are prepared for this plan and it is not included in the financial report of any other pension plan.

Below is the plan participant data as of September 30, 2013*:

Inactive Plan Members and Beneficiaries Receiving Benefits	676
Active Plan Members	267
Inactive Plan Members and Beneficiaries Not Receiving Benefits	<u>0</u>
Total Plan Participants	<u><u>943</u></u>

*Actuarial valuation as of September 30, 2013 provides the most recent information available.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

b. Employer Contributions

The City's policy is to make required contributions as determined by the Supplemental Plan's actuary. The required contributions were determined as part of the September 30, 2013 actuarial valuation. The City is required to contribute the actuarially determined rate of 5.1% of total payroll for all permanent employees for the year ended September 30, 2014. There are no employee contributions required for the plan. Survivor and termination benefits are not included in the plan. Administrative costs of this plan are financed through investment earnings.

c. Investments

Investments of the Supplemental Plan are held separately from those of other City funds by investment custodians. The Supplemental Employee Retirement Plan and Trust Board is responsible for supervising all investments. Changes to the Investment Policy require approval by the Board. There were no changes to the Policy during fiscal year 2013/14. Please refer to Note 2 for a detailed description of the Supplemental Plan's Investment Policy. The major asset class allocation for the Supplemental Plan as of September 30, 2014 is listed below:

Asset Class	Strategic Allocation	Allocation as of September 30, 2014
Fixed Income	25.00%	33.03%
Equity	58.00%	66.97%
Real Estate	9.00%	-
Commodities	8.00%	-
Total	100.00%	100.00%

Quoted market prices have been used to value investments as of September 30, 2014. These investments are held by the Trust or by an agent in the Trust's name. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Governmental Accounting Standards Board (GASB) Statement No. 40 requires the disclosure of such risk. Please see below for a list of investments held in any one organization that represents five percent or more of the Plan's fiduciary net position at September 30, 2014:



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Concentration of Investments Equaling or Exceeding 5%

Dodge & Cox Stock Fund	5.41%
Fidelity Capital Appreciation Fund	5.47%
Golden Large Cap Core I Fund	5.41%
Nuveen Real Estate Fund	8.73%
Riverpark Wedgewood Fund	5.45%
T Rowe Price International Growth and Income Fund	9.17%
Laudus International Marketmasters	9.17%
Vanguard Equity Income Fund Admiral Shares	5.44%
Goldman Sachs Commodity Strategy Fund	6.53%
Nnuveen Strategic Income I Fund	13.67%
Pimco Total Return Fund Institutional Class	13.78%

All Supplemental Plan investments are reflected in the schedule included in Section c of the Note, with the exception of amounts held in the City's investment pool account. The City maintains an investment pool account for City funds. Monthly contributions for the Plan are held in the City's investment pool account and are used to pay recurring expenditures. Refer to Note 2 for a description of the City's investments.

For the year ended September 30, 2014, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 9.20%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

d. Net Pension Liability

The components of the net pension liability (in thousands) at September 30, 2014 are as follows:

Total Pension Liability	\$ 57,292
Plan's Fiduciary Net Position	40,177
Net Pension Liability	<u>\$ 17,115</u>

Plan Fiduciary Net Position as of Percentage of Total Pension Liability	70.13%
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The actuarial liabilities and assets as of September 30, 2014 were based on the September 30, 2013 measurement date (the most recent actuarial valuation). The total pension liability was determined based on an actuarial valuation as of



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

September 30, 2013 (with update procedures performed to rollforward the liability to September 30, 2014), using the following actuarial assumptions, applied to all periods included in the measurement:

- Rate of return on present and future assets - 6.75% per annum
- Projected salary increases for covered employees - aggregate increases of 3.25% per annum with merit increases based on the CalPERS 1997-2007 experience study
- General Inflation rate - 3.0% (increase in administrative expenses)
- Retirement age - Average service retirement age of 57.6. Service retirement age is calculated pursuant to a CalPERS experience study of the period 1997-2007
- Mortality - Fully generational future improvement scale AA and CalPERS experience study of the period 1997-2007

e. Discount Rate & Sensitivity

The discount rate is used in the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount is used. For this valuation, the discount rate is 7.00%, based on the inflation assumption of 3.00% and a long-term asset allocation of 70% equities and 30% fixed income. The geometric real rates of return were assumed to be 5.35% for equities and 1.55% for fixed income. The long-term expected rate of return is applied to all future projected benefit payments.

The following provides the sensitivity of the net pension liability to changes in the discount rate. The information below presents the plan's net pension liability. It is calculated using a single discount rate that is one percentage point lower or one percentage point higher than the single discount rate.

Effect of Change in Discount Rate	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Change in Net Pension Liability (in thousands)	\$ 23,026	\$ 17,115	\$ 12,071



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

**f. Employer Reporting requirements under GASB 27:
Annual Pension Cost and Net Pension Obligation**

The City’s annual pension cost and net pension obligation for this plan fiscal year 2013-14 were (in thousands):

Annual required contribution	\$ 4,534
Interest on net pension obligation	233
Adjustment to annual required contribution	<u>(486)</u>
Annual pension cost	4,281
Contributions made	<u>(4,539)</u>
Decrease in net pension obligation	(258)
Net Pension Obligation – Beginning of Year	<u>3,441</u>
Net Pension Obligation – End of Year	<u>\$ 3,183</u>

The annual required contribution was determined as part of an independent actuarial valuation as of September 30, 2013 using the Entry Age Normal Actuarial Cost Method, which is a projected benefit full-cost method which takes into account these benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions used were:

- Rate of return on present and future assets – 6.75% per annum
- Projected salary increases for covered employees - aggregate increases of 3.25% per annum with merit increases based on the CalPERS 1997-2007 experience study
- General Inflation rate - 3.0% (increase in administrative expenses)
- Postemployment benefit increases - 0%
- Amortization of unfunded liability - level percentage of pay ending in 2023 (closed)
- Actuarial value of assets - market value

Trend Information

Below is the required three-year trend information (dollar amounts in thousands):

Fiscal Year	Annual Pension Cost	Percentage of APC Funded	Net Pension Obligation
9/30/2012	\$4,482	109%	\$3,613
9/30/2013	\$4,435	104%	\$3,441
9/30/2014	\$4,281	106%	\$3,183

Refer to Note 6a for the description of the Plan and related benefits, and Note 6b for a description of the Plan’s funding policy.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Funded Status and Funding Progress

Below is the funding progress as of September 30, 2013, the most recent actuarial valuation date (in thousands):

Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
\$ 57,865	\$ 36,302	\$ (21,563)	62.7%	\$ 27,173	-79.4%

The assumptions and actuarial methods for the September 30, 2013 actuarial valuation are disclosed in Note 6d and 6f. The schedule of funding progress presented as Required Supplementary Information following the notes to the basic financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

7. OTHER POST EMPLOYMENT BENEFITS

a. Plan Description

The City administers the following two other post employment benefits (OPEB) plans:

Postemployment Medical Insurance

The City agreed, via contract, with each employee association to provide postemployment medical insurance to retirees. These Other Postemployment Benefits (OPEB) are based on years of service and are available to all retirees who meet all three of the following criteria:

- At the time of retirement, the employee is employed by the City.
- At the time of retirement, the employee has a minimum of ten years of service credit or is granted a service connected disability retirement.
- Following official separation from the City, CalPERS grants a retirement allowance.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

The City's obligation to provide the benefits to a retiree ceases when either of the following occurs:

- During any period the retiree is eligible to receive health insurance at the expense of another employer; and/or
- The retiree becomes eligible to enroll automatically or voluntarily in Medicare.

The subsidy a retiree is entitled to receive is based on the retiree's years of service credit and is limited to \$344 per month after 25 years of service. If a retiree dies, the benefits that would be payable for his or her insurance are provided to the spouse or family for 12 months. The retiree may use the subsidy for any of the medical insurance plans that the City's active employees may enroll in.

PEMHCA

The City provides an agent multiple-employer defined benefit healthcare plan to retirees through CalPERS under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The PEMHCA benefits are applied to all safety employee groups, based on retirement plan election. The benefits continue to the surviving spouse for one year. The Huntington Beach Firefighters' Association (HBFA) joined PEMHCA in 2011. All other safety groups (Fire Management Association (FMA), Marine Safety Management Association (MSOA), Police Management Association (PMA), and Police Officers' Association POA) joined in 2004.

Safety employees are eligible for PEMHCA benefits if they retire from the City on or after age 50 with at least five years of service or disability, and are eligible for a PERS pension.

Below is the plan participant data as of June 30, 2013*:

	Postemployment Medical Insurance	PEMHCA
Retirees and beneficiaries receiving benefits	272	164
Active Plan Members	851	358
Total Plan Participants	1,123	522

* Actuarial valuation as of June 30, 2013 provides the most recent information available.

The City reports the financial activity of the two plans in its basic financial statements. No separate benefit plan report is issued.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

b. Accounting and Funding

The City utilizes the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan, for the postemployment medical insurance benefit. Benefits paid from the CERBT were \$725,000 for fiscal year 2013-14. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov. The City's policy is to make 100% of each year's ARC, with an additional amount to prefund benefits as determined annually by City Council in order to improve the funded status of the plan.

For PEMHCA, the City selected the "unequal" method for the contribution. Under this method, the City offered a lesser contribution for retirees than for active employees. The City paid the PEMHCA minimum for actives (\$115 in 2013, \$119 in 2014). Beginning in 2008, Assembly Bill 2544 changed the computation for annual increases to annuitant health care under the unequal method. Under the new provisions, the City increases annuitant health care contributions equal to an amount not less than five percent of the active employee contributions, multiplied by the number of years in PEMHCA. The City's contribution for retirees is \$11.50 per employee for HBFA and \$51.75 for all other Safety groups in 2013. The annual increase in minimum PEMHCA contribution to CalPERS will continue until the time that the City contribution for retirees equals the City contribution paid for active employees.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

The actuarial cost method used for determining the benefit obligations for the June 30, 2013 valuation were determined using the Entry Age Normal Actuarial Cost Method, which is a projected benefit full-cost method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions used were:

- Amortization of unfunded liability – 8 year amortization of initial unfunded liabilities from September 30, 2014 with assumption changes and gains/losses amortized over 15 years
- Discount rate – 6.25%
- Projected salary increases for covered employees due to inflation – aggregate increases of 3.25% per annum
- All other retirement assumptions equivalent to CalPERS' assumptions used for the City's normal retirement plans (refer to Note 5c)
- PEMCHA minimum increases for actives - \$119 in 2014, \$122 in 2015, with 4.5% annual increases beginning in 2016
- The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets for the inflation trend assumption used for the valuation:

Year	Annual Rate		Year	Annual Rate	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2014/15	8.0%	8.3%			
2015/16	7.5%	7.8%	2018/19	6.0%	6.1%
2016/17	7.0%	7.2%	2019/20	5.5%	5.6%
2017/18	6.5%	6.7%	2020/21+	5.0%	5.0%



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

The City's actual contributions, annually required contribution (ARC), Net OPEB asset (NOA), and Annual OPEB Cost (AOC) were computed as follows (in thousands):

Employer Contribution

Direct Contributions - City health plan contributions	\$ 4,939
Implicit subsidy	263
	2,672
Total Employer Contributions	\$ 5,202

Development of Annual OPEB Cost (AOC)

Amortization of Actuarially Accrued Liability	\$ 1,405
Normal Cost	927
	2,332
Total Annual Required Contribution (ARC)	2,332
Interest on Net OPEB Assets (NOA)	(599)
Adjustment to the Annual Required Contribution (ARC)	1,266
	1,933
Total Annual OPEB Cost (AOC)	\$ 2,999

Development of Net OPEB Asset (NOA)

Net OPEB Asset (NOA), beginning of year	\$ (10,558)
Annual OPEB Cost (AOC)	2,999
Employer Contribution	(5,202)
	(2,705)
Net OPEB Asset (NOA), end of year	\$ (12,761)

The City's actual contributions of \$5,202,000 are greater than the annual required contribution. The Annual OPEB Cost is reported as expenses in the non-departmental governmental activities program.

c. Other Disclosures

Three-year trend information is disclosed below (in thousands):

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Asset (NOA)
9/30/2012	\$1,438	\$2,005	139.40%	(\$9,359)
9/30/2013	\$1,484	\$2,683	180.80%	(\$10,558)
9/30/2014	\$2,999	\$5,202	173.46%	(\$12,761)



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

d. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 66.3% funded. The actuarial accrued liability for benefits was \$17.4 million, and the actuarial value of assets was \$11.5 million, resulting in an unfunded accrued liability (UAAL) of \$5.9 million. The City has contributed an additional \$2.7 million in the fiscal year ending September 30, 2014 to reduce the UAAL. The covered payroll (annual payroll of active employees covered by the plan) was \$81.7 million, and the ratio of the UAAL to the covered payroll was 7.2%.

The annual required contribution was determined as part of an independent actuarial valuation as of June 30, 2013 using the assumptions as noted in Note 7b.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. 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.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

8. 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 records the liability claims as expenditures in the General Fund and the workers' compensation claims in the Self Insurance Workers' Comp Internal Service Fund. The liability for these claims is recorded as part of long-term obligations in the government-wide financial statements. The City records the amount of liability claims payable at year-end that is due and payable at year-end in the fund financial statements. The full amount of claims is reported as a liability in the government-wide financial statements. Liabilities include amounts incurred, but not reported.

Liability Claims

Claims up to \$1,000,000 are paid from the General Fund. The City is also a participant in the Big Independent Cities Excess Pool Joint Powers Authority (BICEP), which purchases insurance for the layer between \$1,000,000 and \$2,000,000. It also provides general liability insurance of \$25,000,000 above the City's retention of \$1,000,000. BICEP was created by a joint powers agreement between the City of Huntington Beach and five other local entities for the purpose of providing joint insurance coverage and related risk management services for member cities. BICEP allows member entities to finance a claims payment pool for certain liability claims in excess of \$1,000,000 to a limit of \$27,000,000. BICEP's governing board has one representative from each city (either a member of the City Council or designee). Current members must approve any changes to the board. Each participating city pays an insurance premium to BICEP that is used to fund the operating and debt service requirements. Payments for claims beyond what is covered by BICEP, from \$27,000,000 to \$37,000,000, are paid by excess insurance coverage. There were no liability claims in the last three years that exceeded the coverage limit.

The City of San Bernardino, a member of BICEP, filed for bankruptcy on August 1, 2012. While there continues to be uncertainty with the San Bernardino bankruptcy, the City continues to operate and it is anticipated that they will emerge a viable entity albeit under a new court established financial structure. In any event, there is currently no impact on the City's equity position in BICEP. On July 1, 2014 the City of Ventura became a member of the pool and its representative now sits on the governing board.

Workers' Compensation Claims

Workers' compensation claims of up to \$1,000,000 per claim are paid from the Self Insured Workers' Comp Internal Service Fund. The BICEP is a member of CSAC-Excess Insurance Authority for excess workers' compensation coverage. Payments for claims from \$1,000,000 to statutory limits are covered by CSAC-Excess Insurance Authority.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

8. RISK MANAGEMENT (Continued)

Claims activity and liabilities relating to the current and prior year are (in thousands):

Governmental Activities:

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2012	\$ 10,884	\$ 7,988	\$ 18,872
Additions	10,367	1,020	11,387
Reductions	(5,068)	(2,203)	(7,271)
Net Increase (Decrease)	5,299	(1,183)	4,116
Balance September 30, 2013	16,183	6,805	22,988
Additions	5,690	797	6,487
Reductions	(5,183)	(3,996)	(9,179)
Net Increase (Decrease)	507	(3,199)	(2,692)
Balance September 30, 2014	\$ 16,690	\$ 3,606	\$ 20,296

Business-Type Activities:

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2012	\$ -	\$ -	\$ -
Additions	-	-	-
Reductions	-	-	-
Net Increase (Decrease)	-	-	-
Balance September 30, 2013	-	-	-
Additions	-	800	800
Reductions	-	-	-
Net Increase	-	800	800
Balance September 30, 2014	\$ -	\$ 800	\$ 800



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

9. INTERFUND TRANSACTIONS

a. Due To/From Other Funds

The amounts at year-end were (in thousands):

	Due to (Payable): Hazmat Service Fund
Due from (Receivable):	
Enterprise Fund	
Water Fund	\$ 10

These outstanding balances result mainly from year-end accruals for payments for goods and services.

b. Advances to/from Other Funds

The amounts at year-end were (in thousands):

	Advances to (Payable): Redevelopment Agency Private Purpose Trust
Advances from (Receivable):	
Major Governmental Funds	
LMIHAF Capital Projects	\$ 5,290

There is a \$5,290,000 advance from the LMIHAF Capital Projects Fund to the Redevelopment Agency Private Purpose Trust Fund as of September 30, 2014 that consists of the following advances prior to the dissolution of the Redevelopment Agency on February 1, 2012:

There was a \$1,362,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.

There was a \$3,928,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Debt Service Fund for Supplemental Education Revenue Augmentation Fund (SERAF) contributions.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

9. INTERFUND TRANSACTIONS (Continued)

c. Transfers In/Out

The amounts at year-end were (in thousands):

Transfers In	Transfers Out					Total Transfers In
	General Fund	Grants Special Revenue	Other Governmental Funds	Total Governmental Funds	Hazmat Service Enterprise Fund	
General Fund	\$ -	\$ 222	\$ 900	\$ 1,122	\$ 13	\$ 1,135
Grants Special Revenue	29	-	-	29	-	29
LMIHAF	-	-	-	-	-	-
Other Governmental Funds	8,430	-	238	8,668	-	8,668
Total Governmental Funds	8,459	222	1,138	9,819	13	9,832
Refuse Enterprise Fund	51	-	-	51	-	51
Total Transfers Out	\$ 8,510	\$ 222	\$ 1,138	\$ 9,870	\$ 13	\$ 9,883

The following is a summary of the significant transfers:

- \$8,430,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$6,430,000 and an infrastructure fund transfer of \$2,000,000 primarily for the rehabilitation of the City-owned Main Promenade Parking Structure and the Phase 1 park improvements at Worthy Park.
- \$900,000 was transferred from Other Governmental Funds to the General Fund for General Fund expenditures of Gas Tax Fund related projects.
- \$222,000 was transferred from the Grants Special Revenue Fund to the General Fund to close out grant funds that are no longer active.
- \$51,000 was transferred from the General Fund to the Refuse Enterprise Fund to fund the senior citizen rate reduction on refuse charges.
- \$29,000 was transferred from the General Fund to the Grants Special Revenue Fund to comply with local match requirements.
- \$13,000 was transferred from the Hazmat Service Enterprise Fund to the General Fund for administrative overhead charges.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

10. LONG-TERM OBLIGATIONS

Below is a schedule of changes in long-term governmental obligations for the year (in thousands):

	September 30, 2013	Additions	Retirements	September 30, 2014	Accrued Interest	Due Within One Year
Governmental Activities:						
Judgment Obligation Bonds	\$ 3,474	\$ -	\$ (900)	\$ 2,574	\$ 56	\$ 940
Public Financing Authority:						
2010(a) Lease Revenue Bonds	11,910	-	(680)	11,230	44	705
2011(a) Lease Revenue Bonds	31,195	-	(3,030)	28,165	93	3,180
Total Public Financing Authority	43,105	-	(3,710)	39,395	137	3,885
Other Long-Term Obligations:						
Compensated Absences	10,886	3,308	(3,062)	11,132	-	3,024
Net Pension Obligation	3,441	4,281	(4,539)	3,183	-	-
Claims Payable	22,988	6,487	(9,179)	20,296	-	7,773
Pollution Remediation	2,000	-	-	2,000	-	-
PARS Payable	56	-	(27)	29	-	-
Section 108 Loan City	1,135	-	(160)	975	5	170
Total Other Long-Term Obligations	40,506	14,076	(16,967)	37,615	5	10,967
Total Long-Term Obligations - Governmental Activities	87,085	14,076	(21,577)	79,584	198	15,792

Below are reconciliations from amounts in the above table to amounts in the accompanying governmental fund financial statements (in thousands):

Decrease in Net Pension Obligation	\$ (258)
Increase in Compensated Absences	246
Decrease in Claims Payable	(2,692)
Decrease in Above Schedule	(2,704)
Decrease in Current Portion of Claims Payable reported in the Governmental Fund Financial Statement	318
Internal Service Fund:	
Increase in Compensated Absences	(43)
Increase in Non-Current Portion of Claims Payable	(120)
Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements	\$ (2,549)
Principal Paid in Governmental Fund Financial Statements	\$ 4,797
Decreases in Above Schedule	\$ 4,797
Long-Term Obligations Due Within One Year in Above Schedule	\$ 15,792
Claims Payable on the Governmental Fund Statements	(2,558)
Internal Service Fund:	
Current Portion of Compensated Absences	(12)
Current Portion of Claims Payable	(5,215)
Reconciliation of the Long-Term Obligation Due Within One Year to the Statement of Net Position	\$ 8,007
Long-Term Obligations Due in More than One Year in Above Schedule	\$ 63,792
Internal Service Fund:	
Non Current Portion of Compensated Absences	(31)
Non Current Portion of Claims Payable	(11,475)
Reconciliation of the Long-Term Obligation Due in More than One Year to the Statement of Net Position	\$ 52,286



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

a. Judgment Obligation Bonds

Year of Issuance	2004
Type of Debt	Judgment Obligation Bonds
Original Principal Amount	\$12,500,000
Security	Council Appropriations*
Interest Rates	2.00% to 4.20%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	February 1 st
Purpose of Debt	Pay claims on court judgment

*Payable from any source of legally available funds of the City. The Bonds are not secured by a pledge of or lien any specific revenues, income, or funds of the City.

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 940	\$ 84	\$ 1,024
2016	975	46	1,021
2017	659	13	672
Total	\$ 2,574	\$ 143	\$ 2,717



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

b. Public Financing Authority

(1) 2010(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2010
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$14,745,000
Security	Lease with City
Interest Rates	2.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Defease 1997 Leasehold Revenue Bonds (Construct Pier Plaza and Purchase 800 MHz System) and 2000 Lease Revenue Bonds (Capital Improvements and defeasance of Emerald Cove Certificates of Participation)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 705	\$ 532	\$ 1,237
2016	730	503	1,233
2017	765	474	1,239
2018	795	444	1,239
2019	825	412	1,237
2020-2024	3,505	1,461	4,966
2025-2029	3,305	643	3,948
2030	600	30	630
Total	\$ 11,230	\$ 4,499	\$ 15,729



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

(2) 2011(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2011
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$36,275,000
Security	Lease with City
Interest Rates	2.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Defease 2001(a) Leasehold Revenue Bonds (Construct Sports Complex and South Beach Phase II Improvements) and 2001(b) Lease Revenue Bonds (Defease Civic Improvement Corporation Certificates)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 3,180	\$ 1,121	\$ 4,301
2016	3,335	962	4,297
2017	1,915	862	2,777
2018	1,965	804	2,769
2019	2,045	725	2,770
2020-2024	5,715	2,715	8,430
2025-2029	6,855	1,561	8,416
2030-2031	3,155	210	3,365
Total	\$ 28,165	\$ 8,960	\$ 37,125



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

c. Other Long-Term Obligations

(1) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$11,132,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.

(2) Net Pension Obligation

The City has adopted a "16 to 10" Plan to expeditiously pay down the liability for the unfunded net pension obligation totaling \$3,183,000 for the City's Pension Trust Fund - Retirement Supplemental Plan described in Note 6. This plan, approved by the City Council during FY 2012-13, commits an additional prepayment amount of \$568,000 per year, with the goal of paying off the unfunded liability in 10 years, versus the original amortization of 16 years.

The annual required contribution amount will be funded by contributions to the City's Retirement Supplemental Fund from all funds, at a contribution rate determined by an independent actuarial study (see note 6).

(3) Claims Payable

There is no repayment schedule for the claims payable of \$20,296,000 described in Note 8. The City pays the claims upon final settlement.

(4) Pollution Remediation

The City plans to remediate hazardous materials contamination of land located within Huntington Central Park used as a gun range facility prior to its close in 1997. The City is voluntarily planning to remediate the site in order to use the area for park purposes. The cost of the gun range remediation is estimated to be \$2,000,000 and is reported as a long-term liability in the government-wide financial statements. The liability was measured by estimating a reasonable range of potential outlays and multiplying those outlays by their probability of occurring.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

(5) Public Agency Retirement Systems (PARS) Notes Payable

In May 2010, the City Council approved a retirement incentive program to eligible employees, under the condition the program meets the fiscal, managerial, and operational goals of the City to help mitigate declining General Fund revenues and institute long-term structural changes to avert future budget shortfalls and ensure that the City remains financially sound. The following were the eligibility requirements for the program:

- City miscellaneous (non-safety) and marine safety employees only
- Employed by the City as of May 3, 2010
- 50 years of age or older as of September 30, 2010
- Have at least five years of City service as of September 30, 2010
- Resign from City employment no later than September 30, 2010
- Retire under PERS no later than October 1, 2010

A total of 103 people participated and were approved by the Council for the retirement incentive program through the Public Agency Retirement Systems (PARS) Supplemental Retirement Program (SRP). The SRP offered through PARS allowed the City to map its own strategy with respect to payment for the program, backfilling of positions – both number and timing, and program cost. The participants of this program selected from a number of benefit options, the basic program in which one twelfth of 7% of the individual employee's base annual salary as of July 1, 2010 would be paid monthly over the lifetime of the participant commencing on October 1, 2010. Alternative payments are present value equivalents to the basic program and include the following:

- Joint-and-survivor payments
- Payments made for the life of the participant subject to a ten year minimum
- Fixed term payments from five to fifteen years. These payments are guaranteed to the participant for the full term selected



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

**(5) Public Agency Retirement Systems (PARS) Notes Payable
(Continued)**

The City is funding the cost of this program through an annuity that requires a one-time payment of \$82,000 in September 2010 and \$1,587,000 fixed annual payments over five years due in October of each year starting in 2010. During the fiscal year ended September 20, 2013, the City made a lump-sum accelerated payment to reduce the City's liability for this benefit. In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, a liability of the accrual cost for this benefit has been recognized in the amount of \$ 7,231,000 in September 2010 and the balance as of September 30, 2014 is \$29,000 as noted in the table below (in thousands).

Year Ending September 30	Principal	Interest	Annual Payments
2015	\$ 29	\$ -	\$ 29
Total	\$ 29	\$ -	\$ 29



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

(6) Section 108 Loan City

Year of Issuance and Refinance	Original 2000 Refinanced 2010
Type of Debt	Loan from Federal Government
Principal Amount	Original \$2,570,000 Refinanced \$1,560,000
Security	Loan Agreement with Federal Government
Interest Rates	Original 3.8% to 3.9% Refinanced 1.1% to 1.7%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Capital Improvements. Section 108 Loan

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Annual Payments
2015	\$ 170	\$ 28	\$ 198
2016	180	24	204
2017	195	19	214
2018	210	14	224
2019	220	7	227
Total	\$ 975	\$ 92	\$ 1,067



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

e. Long-Term Obligations – Business-Type Activities

Below is a schedule of the long-term obligations of business-type activities (in thousands):

Long-Term Obligations - Business-Type Activities:	September 30,			September 30,		Due Within
	2013	Additions	Retirements	2014	One Year	
Compensated Absences	\$ 1,112	\$ 410	\$ (226)	\$ 1,296	\$ 354	
Claims Payable	-	800	-	800	-	
Total Long-Term Obligations - Business-Type Activities	\$ 1,112	\$ 1,210	\$ (226)	\$ 2,096	\$ 354	

(1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,296,000 relating to business-type activities. The balance for the outstanding business-type compensated absences is predominately related to the Water and Sewer funds.

(2) Claims Payable

There is no repayment schedule for the claims payable of \$800,000. The balance for the outstanding claims payable is related to litigation involving the construction of one of the Sewer fund's lift station. The City is actively defending this case and payment is not made until final settlement.

f. Long-Term Conduit Debt Obligations

Below is a schedule of the conduit debt obligations for which the City is not liable in any manner (in thousands):

Community Facilities Districts: (in thousands)	September 30,			September 30,	
	2013	Additions	Retirements	2014	
Community Facilities District No. 1990-1					
Special Tax Refunding Bonds	\$ 1,020	\$ -	\$ (120)	\$ 900	
Community Facilities District No. 2000-1					
2013 Special Tax Refunding Bonds	12,965	-	(475)	12,490	
Community Facilities District No. 2002-1					
Special Assessment Tax Bonds	4,605	-	(80)	4,525	
Community Facilities District No. 2003-1					
2013 Special Tax Refunding Bonds	20,915	-	(670)	20,245	
Total Community Facilities Districts	39,505	-	(1,345)	38,160	
Residential Redevelopment Bonds	9,500	-	(2,500)	7,000	
Total Obligations Not Recorded in Financial Statements	\$ 49,005	\$ -	\$ (3,845)	\$ 45,160	



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

(1) Community Facilities District 1990-1 2001 Special Tax Refunding Bonds

Year of Issuance	2001
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$2,155,000
Security	Special Tax Levies
Interest Rates	4.00% to 5.40%
Interest Payment Dates	April 1 st and October 1 st
Principal Payment Dates	October 1 st

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 130	\$ 45	\$ 175
2016	140	45	185
2017	145	38	183
2018	155	30	185
2019	160	22	182
2020	170	14	184
Total	\$ 900	\$ 194	\$ 1,094



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

(2) Community Facilities District 2000-1 2013 Special Tax Refunding Bonds

Year of Issuance	2013
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$12,965,000
Security	Special Tax Levies
Interest Rates	2.00% to 5.125%
Interest Payment Dates	September 1 st and March 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Defease Community Facilities District 2000-1 Special Tax Assessment Bonds

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 535	\$ 556	\$ 1,091
2016	545	545	1,090
2017	560	529	1,089
2018	575	512	1,087
2019	600	489	1,089
2020-2024	3,390	2,054	5,444
2025-2029	4,265	1,177	5,442
2030-2031	2,020	156	2,176
Total	\$ 12,490	\$ 6,018	\$ 18,508



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

(4) Community Facilities District 2002-1 Special Tax Bonds

Year of Issuance	2002
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$4,900,000
Security	Special Tax Levies
Interest Rates	3.80% to 6.20%
Interest Payment Dates	March 1 st and September 1 st
Principal Payment Dates	September 1 st

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 90	\$ 280	\$ 370
2016	100	275	375
2017	115	269	384
2018	130	263	393
2019	145	255	400
2020-2024	1,000	1,124	2,124
2025-2029	1,600	743	2,343
2030-2032	1,345	173	1,518
Total	\$ 4,525	\$ 3,382	\$ 7,907



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

10. LONG-TERM OBLIGATIONS (Continued)

(5) Community Facilities District 2003-1 Special Tax Bonds

Year of Issuance	2003
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$25,000,000
Security	Special Tax Levies
Interest Rates	2.65% to 5.85%
Interest Payment Dates	March 1 st and September 1 st
Principal Payment Dates	September 1 st

Bonds were refunded by the Community Facilities District 2003-1 2013 Special Tax Refunding Bonds on August 20, 2013.

(6) Community Facilities District 2003-1 2013 Special Tax Refunding Bonds

Year of Issuance	2013
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$20,915,000
Security	Special Tax Levies
Interest Rates	2.00% to 5.375%
Interest Payment Dates	March 1 st and September 1 st
Principal Payment Dates	September 1 st

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 715	\$ 959	\$ 1,674
2016	740	938	1,678
2017	765	916	1,681
2018	790	885	1,675
2019	820	853	1,673
2020-2024	4,645	3,738	8,383
2025-2029	5,875	2,511	8,386
2030-2032	5,895	811	6,706
Total	\$ 20,245	\$ 11,611	\$ 31,856



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014

10. LONG-TERM OBLIGATIONS (Continued)

(7) Residential Development Bonds

The City is involved in various bond issues where the City or Redevelopment Agency issued bonds to assist in the financing of residential developments. A trustee holds all funds and payment cannot be made from any other source than the mortgages received.

These bond issues are (in thousands):

Bond Issue	Outstanding Year-end	Original Issue Amount
Five Points Senior Project Multi-Family Housing Revenue Bonds – Series A – 1991	\$7,000	\$9,500

11. CAPITAL ASSETS

a. Changes in Capital Assets

Capital asset activity for the year was (in thousands):

	September 30, 2013 (Restated)	Additions	Dispositions	September 30, 2014
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 352,833	\$ -	\$ -	\$ 352,833
Construction in Progress	3,650	576	(930)	3,296
Joint Ventures	2,419	120	-	2,539
Total Capital Assets -Not Depreciated	358,902	696	(930)	358,668
Capital Assets Being Depreciated				
Buildings	185,164	110	-	185,274
Machinery and Equipment	48,170	2,940	(331)	50,779
Infrastructure	350,441	8,604	(1,109)	357,936
Total Capital Assets Being Depreciated	583,775	11,654	(1,440)	593,989
Less Accumulated Depreciation:				
Buildings	(56,490)	(3,789)	-	(60,279)
Machinery and Equipment	(38,437)	(2,587)	331	(40,693)
Infrastructure	(186,700)	(6,899)	1,109	(192,490)
Total Accumulated Depreciation	(281,627)	(13,275)	1,440	(293,462)
Total Depreciated - Net	302,148	(1,621)	-	300,527
Total Capital Assets	942,677	12,350	(2,370)	952,657
Total Accumulated Depreciation	(281,627)	(13,275)	1,440	(293,462)
Capital Assets of Governmental Activities - Net	\$ 661,050	\$ (925)	\$ (930)	\$ 659,195



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014

11. CAPITAL ASSETS (Continued)

	September 30, 2013 (Restated)	Additions	Dispositions	September 30, 2014
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	15,752	9,293	(3,149)	21,896
Total Capital Assets -Not Depreciated	19,659	9,293	(3,149)	25,803
Capital Assets Being Depreciated				
Buildings	65,552	3,149	-	68,701
Machinery and Equipment	9,983	566	-	10,549
Infrastructure	128,572	3,805	-	132,377
Total Capital Assets Being Depreciated	204,107	7,520	-	211,627
Less Accumulated Depreciation:				
Buildings	(16,970)	(1,658)	-	(18,628)
Machinery and Equipment	(7,933)	(530)	-	(8,463)
Infrastructure	(67,323)	(2,246)	-	(69,569)
Total Accumulated Depreciation	(92,226)	(4,434)	-	(96,660)
Total Depreciated - Net	111,881	3,086	-	114,967
Total Capital Assets	223,766	16,813	(3,149)	237,430
Total Accumulated Depreciation	(92,226)	(4,434)	-	(96,660)
Capital Assets of Business Activities - Net	\$ 131,540	\$ 12,379	\$ (3,149)	\$ 140,770

b. Depreciation Expense

Depreciation in governmental activities was charged to the following functions/programs in the Statement of Activities (in thousands):

Department:

City Manager	\$ 29
Fire	592
Police	308
Community Services	1,477
Library Services	285
Public Works	9,267
Non-Departmental	1,317
Total	\$ 13,275

Depreciation in business-type activities was charged to the following functions/programs in the Statement of Activities (in thousands):

Fund:

Water	\$ 3,101
Sewer Service	1,333
Total	\$ 4,434



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

11. CAPITAL ASSETS (continued)

c. Joint Ventures

The City participates in two joint powers agreements with neighboring Cities. The Public Cable Television Authority (PCTA) manages the cable television and video provider franchising for the Cities of Huntington Beach, Fountain Valley, Stanton and Westminster. The Central Net Operations Authority (CNOA) is a firefighter training center shared with the City of Fountain Valley. The City of Huntington Beach records 66.32% of PCTA and 76.00% of CNOA net assets as Joint Venture capital assets.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH

a. General Discussion

On December 29, 2011, the California Supreme Court upheld ABX1 26 that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Huntington Beach that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

ABX1 26 provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with ABX1 26 as part of City resolution number 2012-01.

After enactment of the law, effective June 28, 2011, redevelopment agencies in the State of California generally cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

ABX1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as of successor agency by ABX1 26.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH (Continued)

b. Land Held for Resale

As of September 30, 2014, the Successor Agency has properties for redevelopment purposes for resale to developers at a carrying value of \$5,978,000.

c. Capital Assets

Capital Assets of the Successor Agency for the year ended September 30, 2014, consisted of the following:

	September 30, 2013	Additions	Dispositions	September 30, 2014
Capital Asset - Land	\$ 15,033	\$ -	\$ -	\$ 15,033

d. Long-Term Debt

Below is a schedule of changes in long-term obligations of the Successor Agency for the year (in thousands):

	September 30, 2013	Additions	Retirements	September 30, 2014	Accrued Interest	Due Within One Year
Bonds Payable						
1999 Tax Allocation						
Refunding Bonds	\$ 5,265	\$ -	\$ (490)	\$ 4,775	\$ 39	\$ 515
2002 Tax Allocation						
Refunding Bonds	11,490	-	(1,080)	10,410	85	1,115
Total Bonds Payable	16,755	-	(1,570)	15,185	124	1,630
Other Long-Term Obligations						
Mayer DDA	\$ 5,043	\$ -	\$ (418)	\$ 4,625	\$ -	\$ 369
Bella Terra OPA (Parking)	13,148	-	(238)	12,910	-	465
Bella Terra AHA (Phase II)		17,000	(39)	16,961	-	230
CIMDDA (Parking & Infrastructure)	6,941	-	(192)	6,749	-	205
CIMDDA (Additional Parking)	422	-	(7)	415	-	8
Section 108 Loan RDA	2,675	-	(375)	2,300	11	400
Pollution Remediation	115	-	(25)	90	-	-
Compensated Absences	50	36	(15)	71	-	19
Total Other Long-Term Obligations	28,394	17,036	(1,309)	44,121	11	1,696
Total Long-Term Obligations	\$ 45,149	\$ 17,036	\$ (2,879)	\$ 59,306	\$ 135	\$ 3,326



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(1) 1999 Tax Allocation Refunding Bonds

Year of Issuance	1999
Type of Debt	Tax Allocation Refunding Bonds
Original Principal Amount	\$10,835,000
Security	Tax Increment
Interest Rates	3.00% to 5.05%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Prepay Agency's 1992 Loans to Public Financing Authority

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 515	\$ 234	\$ 749
2016	540	211	751
2017	565	185	750
2018	595	157	752
2019	625	128	753
2020-2024	1,935	292	2,227
Total	\$ 4,775	\$ 1,207	\$ 5,982



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(2) 2002 Tax Allocation Refunding Bonds

Year of Issuance	2002
Type of Debt	Tax Allocation Refunding Bonds
Original Principal Amount	\$20,900,000
Security	Tax Increment
Interest Rates	2.00% to 5.00%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Prepay Agency's 1992 Loans to Public Financing Authority and fully defease 1992 Public Financing Authority bonds

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 1,115	\$ 512	\$ 1,627
2016	1,180	464	1,644
2017	1,235	405	1,640
2018	1,295	344	1,639
2019	1,370	279	1,649
2020-2024	4,215	635	4,850
Total	\$ 10,410	\$ 2,639	\$ 13,049

Pledged Revenues

The Successor Agency will repay a total of \$19,031,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of September 30, 2014 from semi-annual Redevelopment Property Tax Trust Fund (RPTTF) revenue allocations.

The 1999 and 2002 Tax Allocation Refunding Bonds are not a debt of the City of Huntington Beach, the State of California, nor any of its political subdivisions, and neither the City, the State nor any of its political subdivision is liable therefore, not in any event shall the bonds be payable out of funds or properties other than those of the Redevelopment Agency as set forth in the bond indenture.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(3) Mayer Disposition and Development Agreement

In fiscal year 1996-97, the Agency entered into a disposition and development agreement (DDA) with Robert Mayer Corporation (Corporation) concerning additional development adjacent to the Waterfront Hotel. Under the agreement, the Corporation would advance payments for the project costs with the Agency reimbursing up to \$16,750,000 of the costs. As of year-end, the Successor Agency obligation under the agreement amounted to \$4,625,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.32%. The DDA has been approved as an enforceable obligation by the DOF.

(4) Bella Terra Parking Structure

In fiscal year 2005-06, the Agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement, the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year-end, the Successor Agency obligation under the agreement amounted to \$12,910,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.94%. The agreement has been approved as an enforceable obligation by the DOF.

(5) Bella Terra Phase II

In fiscal year 2010-11, the Agency entered into an affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement would facilitate the construction of a 467 unit mixed use project, including 43 moderate units and 28 very low units. Under the terms of the agreement, the Agency would reimburse DJM for the construction of the affordable units up to \$17,000,000. DJM has transferred the site to UDR, and as of year-end, the Successor Agency obligation under the agreement amounted to \$16,961,000. Reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as the 20% housing fund from the site-generated Bella Terra I. The interest rate of this obligation is 4.00%. The agreement has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(6) CIM/Huntington Disposition and Development Agreement – Strand Parking Structure and Infrastructure

Year of Issuance	2009
Type of Debt	Loan from CIM Group, LLC
Original Principal Amount	\$7,900,000
Security	Tax Increment
Interest Rates	7.0%
Interest Payment Dates	September 30 th
Principal Payment Dates	September 30 th
Purpose of Debt	Strand Parking Structure and Infrastructure

As of year-end, the Successor Agency obligation under the agreement amounted to \$6,749,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4th for the January 2nd distribution and March 1st for the June 1st distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(7) CIM/Huntington Disposition and Development Agreement – Additional Strand Parking

Year of Issuance	2009
Type of Debt	Loan from CIM Group, LLC
Original Principal Amount	\$950,000
Security	Tax Increment
Interest Rates	10.0%
Interest Payment Dates	September 30 th
Principal Payment Dates	September 30 th
Purpose of Debt	Additional Strand Parking Structure and Infrastructure

As of year-end, the Successor Agency obligation under the agreement amounted to \$415,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4 for the January 2 distribution and March 3 for the June 1 distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

(8) Section 108 Loan Redevelopment Agency

Year of Issuance and Refinance	Original 2000 Refinanced 2010
Type of Debt	Section 108 Loan from Federal Government
Principal Amount	Original \$6,000,000 Refinanced \$3,665,000
Security	Loan Agreement with Federal Government
Interest Rates	Original 7.7% Refinanced 2.3% to 3.3%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Capital Improvements.

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2015	\$ 400	\$ 66	\$ 466
2016	430	57	487
2017	460	46	506
2018	490	32	522
2019	520	17	537
Total	\$ 2,300	\$ 218	\$ 2,518

(9) Pollution Remediation – Redevelopment Agency

The Redevelopment Agency purchased property on Edinger Avenue to consolidate land for redevelopment on January 28, 2009. The Agency plans on remediating hazardous materials on this site. The estimated cost of cleanup is \$115,000. As of year-end, the Successor Agency obligation amounted to \$90,000. The cleanup cost will not exceed the estimated amount as an environmental insurance policy taken by the Agency will indemnify itself against further liability. This liability has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
(Continued)**

e. Advances from the City Housing Fund

The Successor Agency has recorded advances from the City Housing Fund totaling \$5,290,000 for the following:

There was a \$1,362,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.

There was a \$3,928,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Debt Service Fund for Supplemental Education Revenue Augmentation Fund (SERAF) contributions.

13. COMMITMENTS AND CONTINGENCIES

a. Legal Actions

There are legal actions pending against the City resulting from normal operations. In the opinion of management and the City Attorney, the financial resolution of these actions should not have a significant impact on these financial statements.

b. Sales Tax Sharing Agreements

City Council agreed to provide sales tax rebates to various companies. The sales tax rebates serve to attract and retain various companies in the City of Huntington Beach. The City of Huntington Beach has two sales tax sharing agreements that extend until 2020. Sales tax rebates totaled \$641,536 in fiscal year ended September 30, 2014. The City Council authorized the execution of a new sales tax sharing agreement with Pinnacle Petroleum in order for the City to remain competitive in its efforts to retain this business in the community. The new agreement replaces the agreement previously authorized in 2007, provides for sharing of sales tax through 2024, and revises the former sharing formula to a 35%/65% City/Pinnacle split, with a mandated base generation amount of \$100,000 per year. The existing Agreement with ACS continues through 2020.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

13. COMMITMENTS AND CONTINGENCIES (Continued)

c. Cooperation and Owner Participation Agreements

On September 2, 2003, the Redevelopment Agency Approved a Cooperation Agreement Regarding Capital Improvements in the Southeast Coastal Redevelopment Project with the City. This agreement commits the Redevelopment Agency to reimburse the City for a number of capital improvement projects to be undertaken as part of the Five Year Capital Improvement Program in the Southeast Redevelopment project area starting in FY 2003/04 as they are undertaken. Based on the DOF's opinion, this agreement is null and void. The Successor Agency received its Finding of Completion notice from the Department of Finance on May 13, 2014. Once the Successor Agency completes the repayment of its Supplemental Education Revenue Augmentation Fund (SERAF) loans in accordance with Health and Safety Code Section 34191.4, all other loans between the city and former Redevelopment Agency can begin to be re-paid, at the LAIF rate. It is estimated that in Fiscal Year 2015/16 the Successor Agency will begin repayment of all other loans.

d. Redevelopment Successor Agency Debt to City

The City has advanced money to the Redevelopment Agency for major capital improvements, economic development projects, and operations. In January 2011, the City Council and Redevelopment Agency Board approved a revised Cooperation Agreement, which included a Promissory Note that memorialized indebtedness previously incurred by the Agency and owed to the City from a series of loans made from the City to the Agency from 1982 to present. The City and Successor Agency have not recorded the advances in the accompanying financial statements due to uncertainties related to Health and Safety Code Section 34191.4, which establishes certain restrictions and limitations on the repayment of city-agency loans. Below is a schedule of the activity for the year (in thousands):



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

13. COMMITMENTS AND CONTINGENCIES (Continued)

d. Redevelopment Successor Agency Debt to City (Continued)

	September 30, 2013	Additions	Reductions	September 30, 2014
General Fund				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	25,310	157	-	25,467
Total General Fund	67,022	157	-	67,179
Sewer Fund				
Direct Advances	275	3	-	278
Deferred Development Fees	172	0	-	172
Total Sewer Fund	447	3	-	450
Drainage Fund				
Direct Advances	667	3	-	670
Deferred Development Fees	184	0	-	184
Total Drainage Fund	851	3	-	854
Park Acquisition and Development Fund				
Direct Advances	5,503	13	-	5,516
Deferred Development Fees	409	1	-	410
Total Park Acquisition and Development Fund	5,912	14	-	5,926
Water Fund				
Direct Advances	4,141	10	-	4,151
Total Water Fund	4,141	10	-	4,151
Total All Funds	\$ 78,373	\$ 187	\$ -	\$ 78,560

e. Low Moderate Income Housing Asset Fund Debt to City

In May 2009, a Promissory Note was issued by the Redevelopment Agency to the City to pay for outstanding bonded debt related to the Emerald Cove Housing Project. The note is secured by a pledge of Set-Aside Funds. Based on the Promissory Note, the interest rate for the loan is 0% and the loan is scheduled to be repaid by 2021. The City has not recorded the advances in the accompanying financial statements due to uncertainties surrounding ABX1 26 and Assembly Bill 1484 and related litigation (see note 13f). Below is a schedule of the activity for the year (in thousands):

	September 30, 2013	Additions	Reductions	September 30, 2014
General Fund				
Emerald Cove	\$ 3,245	\$ -	\$ -	\$ 3,245



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

13. COMMITMENTS AND CONTINGENCIES (Continued)

f. Successor Agency Litigation

Until 2012, the Huntington Beach Redevelopment Agency existed and received property tax increment from property within the “City Redevelopment Project Area.” In 2012, the State Legislature dissolved all redevelopment agencies, and all tax increment was returned to the County for payment to other taxing entities. The only exception was that tax increment would continue to be paid to the Successor Agency to the City Redevelopment Agency to pay any pre-dissolution, legally binding obligations established prior to the dissolution of the agencies. Further, the City transferred the former Redevelopment Agency’s housing obligations to the Huntington Beach Housing Authority pursuant to Health and Safety Code section 34176.

The Successor Agency contended that its payments to retire the former Redevelopment Agency’s portion of the 2010 Lease Revenue Bonds used to finance the Emerald Cove low income housing project were such an obligation. The annual payment on these bonds is approximately \$400,000 a year which is currently being paid by the City’s General Fund. The amount that the City contends to be due to pay the former Redevelopment Agency’s share of the bonds is \$3,245,000.

The Successor Agency also contended that the 2012 Pacific City Development Agreement was a pre-dissolution, legally binding obligation. Pacific City is a development project that was conditioned on providing 77 affordable housing units, of which the Successor Agency now was obliged to construct 26 units off-site, at a cost of \$6,500,000. This would not be a City General Fund obligation.

The State Department of Finance rejected the City’s “Recognized Obligation Payment Schedule” (“ROPS”) to establish these two obligations as entitled to be funded through tax increment. In response, the City sued the Department of Finance.

All post-redevelopment matters are being heard in Sacramento before a select panel of judges. On January 29, 2014, the Superior Court held that the Emerald Cove Bonds and the Pacific City housing were not preexisting Authority obligations payable with tax increment. The Successor Agency appealed the judgment. An appellate decision is not expected until 2016.

The City General Fund currently is paying the 2010 bonds in the amount of approximately \$400,000 per year through 2019. The Housing Authority is reviewing options on meeting the affordable housing requirements for Pacific City with other projects. The City itself does not require a reserve for either case.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2014**

13. COMMITMENTS AND CONTINGENCIES (Continued)

g. Lebard School Site Purchase

In May 2014, the City of Huntington Beach approved a Memorandum of Understanding (MOU) between the City and The Huntington Beach City School District regarding the transfer and development of the LeBard School Site. The purpose of the MOU was to express the conceptual agreement regarding the future development of the site and the purchase of the open space parcel by the City, consisting of 6.6 acres of parkland for the amount of \$480,000 per acre, or a total of \$3,168,000. This amount may be paid in annual payments over a five year term in equal installments of \$633,600.

This agreement is nonbinding and will require a formal council action with purchase agreement. The City anticipates that this will occur during the fiscal year ending September 30, 2015.

14. SUBSEQUENT EVENTS

a. 2014A Lease Revenue Bonds (Senior Center Project)

In October 2014, the Huntington Beach Public Financing Authority issued a \$15,295,000 aggregate principal amount of Series 2014A Lease Revenue Bonds. The bonds will finance the costs of the acquisition, construction, installation, and equipping of certain public capital improvements, including the costs of construction of a senior center. Interest rates range between 3.0% to 5.0%. The bonds mature from September 2015-2034. The main construction contract was awarded to Icon West, Inc. through the City's procurement process in the amount of \$13,353,000.

b. LED Lighting Lease Purchase Agreement

In October 2014, the City entered into a lease purchase financing agreement with Capital One Public Funding, LLC for an aggregate principal amount of \$1,063,000 for street light improvements. The interest rate for the financing is 3.4%, with maturity dates from November 2015-2024.

d. Strand Project Disposition and Development Agreements

In November 2014, the Successor Agency and the Oversight Board approved the assignment of the Strand to Cypress Equities dba Capref Acquisitions, LLC and the Shorebreak Hotel to DiamondRock Hospitality dba DiamondRock Acquisitions, LLC as part of the wind down of former Redevelopment Agency activities. The actions were approved by the Department of Finance in January 2015. The proposed actions are expected to be completed during fiscal year 2014-15.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2014

15. PRIOR PERIOD ADJUSTMENT

The City reviewed the valuation of the City's infrastructure and determined that certain items recorded in previous years were overstated. The adjustments made as a result are recorded as a prior period adjustment to Capital Assets (in thousands):

	September 30, 2013	Additions	Dispositions	September 30, 2013 (Restated)
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 352,833	\$ -	\$ -	\$ 352,833
Construction in Progress	3,650	-	-	3,650
Joint Ventures	2,419	-	-	2,419
Total Capital Assets -Not Depreciated	358,902	-	-	358,902
Capital Assets Being Depreciated				
Buildings	185,164	-	-	185,164
Machinery and Equipment	48,170	-	-	48,170
Infrastructure	350,845	1,110	(1,514)	350,441
Total Capital Assets Being Depreciated	584,179	1,110	(1,514)	583,775
Less Accumulated Depreciation:				
Buildings	(56,490)	-	-	(56,490)
Machinery and Equipment	(38,437)	-	-	(38,437)
Infrastructure	(186,647)	(69)	16	(186,700)
Total Accumulated Depreciation	(281,574)	(69)	16	(281,627)
Total Depreciated - Net	302,605	1,041	(1,498)	302,148
Total Capital Assets	943,081	1,110	(1,514)	942,677
Total Accumulated Depreciation	(281,574)	(69)	16	(281,627)
Capital Assets of Governmental Activities - Net	\$ 661,507	\$ 1,041	\$ (1,498)	\$ 661,050

	September 30, 2013	Additions	Dispositions	September 30, 2013 (Restated)
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	15,752	-	-	15,752
Total Capital Assets -Not Depreciated	19,659	-	-	19,659
Capital Assets Being Depreciated				
Buildings	65,552	-	-	65,552
Machinery and Equipment	9,983	-	-	9,983
Infrastructure	143,389	455	(15,272)	128,572
Total Capital Assets Being Depreciated	218,924	455	(15,272)	204,107
Less Accumulated Depreciation:				
Buildings	(16,970)	-	-	(16,970)
Machinery and Equipment	(7,933)	-	-	(7,933)
Infrastructure	(67,794)	(100)	571	(67,323)
Total Accumulated Depreciation	(92,697)	(100)	571	(92,226)
Total Depreciated - Net	126,227	355	(14,701)	111,881
Total Capital Assets	238,583	455	(15,272)	223,766
Total Accumulated Depreciation	(92,697)	(100)	571	(92,226)
Capital Assets of Business Activities - Net	\$ 145,886	\$ 355	\$ (14,701)	\$ 131,540

	Governmental Activities	Business-Type Activities
Net Position – September 30, 2013	723,210	238,969
Prior Period Adjustment	(457)	(14,346)
Restated Net Position – September 30, 2013	722,753	224,623

The City determined that the value of the capitalized assets reporting under Governmental and Business-Type Activities was overstated by \$457,000 and \$14,346,000, respectively as of October 1, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Huntington Beach Required Supplementary Information For the Year Ended September 30, 2014

Budgetary Information

The City Council must annually adopt a budget by September 30 of the prior fiscal year. The budgeted expenditures become the appropriations to the various departments. The budget includes estimates for revenue that, along with the appropriations, compute the budgetary fund balance. The appropriated budget covers substantially all governmental fund expenditures with the exception of capital improvement projects (capital projects funds) carried forward from prior years, which constitute a legally authorized non-appropriated budget. The City Council may amend the budget at any time. The City Manager may transfer funds from between object purposes (personal services, operating expenditures, or capital outlay expenditures) within the same department without changing the total departmental budget. Department heads, with the Director of Finance's approval, may transfer funds from like object categories of the same department. The City Council must approve any changes to departmental budgets. Expenditures may not exceed appropriations at the departmental level. All unused appropriations lapse at year-end. During the year the City Council made several supplemental appropriations which included carryovers of prior year encumbrances all of which were within available fund balance and estimated revenue amounts.

The City Council adopts governmental fund budgets consistent with generally accepted principles as legally required. There are no significant non-budgeted financial activities. Revenues for special revenue funds are budgeted by entitlements, grants and estimates of future development and economic growth. Expenditures and transfers are budgeted based upon available financial resources.

On or before May 31 of each year, each department submits data to the City Administrator for budget preparation. Staff prepares the budget by fund, function, and activity. The budget includes information on past years, current year estimates and requested appropriations for the next fiscal year. Before August 1, the City Council receives the proposed budget. The City Council holds public hearings and may amend the budget by a majority vote. Changes to the budget must be within the available revenues and reserves.

These financial schedules show budgetary data for the General and Special Revenue. The original budget, revised budget, actual expenditures, and variance amounts are shown.

The City uses an encumbrance system as an aid in controlling expenditures. When the City issues a purchase order for goods or services, it records an encumbrance until the vendor delivers the goods or performs the service. At year-end, the City reports all outstanding encumbrances as restricted, committed, or assigned fund balance in governmental fund types. The City reappropriates these encumbrances into the new fiscal year.

The following pages present schedules of budget to actual comparison of the General and Grant Special Revenue Fund's Revenues, and Expenditures and Changes in Fund Balance (in thousands).

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

General Fund

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property Taxes	\$ 75,189	\$ 79,461	\$ 79,460	\$ (1)
Sales Taxes	28,434	27,236	27,236	-
Utility Taxes	20,260	20,604	20,621	17
Other Taxes	14,331	15,252	15,437	185
Licenses and Permits	7,444	7,934	7,935	1
Fines, Forfeitures and Penalties	3,829	4,392	4,392	-
Use of Money and Property	14,653	16,042	16,216	174
Intergovernmental	2,301	2,948	4,045	1,097
Charges for Current Service	25,043	26,120	25,988	(132)
Other	1,151	2,374	2,392	18
Total Revenues	192,635	202,363	203,722	1,359
EXPENDITURES				
Current:				
City Council	249	259	258	1
City Manager	2,100	2,163	1,853	310
City Treasurer	137	170	169	1
City Attorney	2,262	2,321	2,321	-
City Clerk	738	772	747	25
Finance	5,169	5,334	5,314	20
Human Resources	5,196	5,302	4,073	1,229
Planning & Building	6,328	8,244	7,091	1,153
Fire	39,906	42,199	42,193	6
Information Services	6,301	6,503	6,456	47
Police	62,361	65,850	65,360	490
Community Services	9,288	9,984	9,042	942
Library Services	3,844	4,461	3,663	798
Public Works	21,417	21,830	20,299	1,531
Non-Departmental	22,344	28,102	20,933	7,169
Debt Service:				
Principal	105	161	27	134
Interest	-	1	1	-
Total Expenditures	187,745	203,656	189,800	13,856
Excess of Revenues				
Over Expenditures	4,890	(1,293)	13,922	15,215
OTHER FINANCING SOURCES (USES)				
Transfers In	1,280	2,775	1,135	(1,640)
Transfers Out	(6,208)	(8,646)	(8,510)	136
Total Other Financing Sources (Uses)	(4,928)	(5,871)	(7,375)	(1,504)
Net Change In Fund Balances	(38)	(7,164)	6,547	13,711
Fund Balance - Beginning of Year	54,507	54,507	54,507	-
Fund Balance - End of Year	\$ 54,469	\$ 47,343	\$ 61,054	\$ 13,711

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

Grants Special Revenue

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Use of Money and Property	\$ -	\$ -	\$ 227	\$ 227
Intergovernmental	6,502	8,784	4,648	(4,136)
Total Revenues	6,502	8,784	4,875	(3,909)
EXPENDITURES				
Current:				
City Manager	1,592	2,403	1,183	1,220
Planning & Building	-	225	225	-
Fire	-	478	409	69
Police	794	2,073	1,268	805
Community Services	-	468	237	231
Library Services	-	77	76	1
Public Works	-	297	125	172
Capital Outlay	4,352	9,610	2,047	7,563
Debt Service:				
Principal	-	160	160	-
Interest	-	34	34	-
Total Expenditures	6,738	15,825	5,764	10,061
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(236)	(7,041)	(889)	6,152
OTHER FINANCING USES				
Transfers In	-	29	29	-
Transfers Out	-	(222)	(222)	-
Total Other Financing Uses	-	(193)	(193)	-
Net Change In Fund Balances	(236)	(7,234)	(1,082)	6,152
Fund Balance - Beginning of Year	2,606	2,606	2,606	-
Fund Balance - End Of Year	\$ 2,370	\$ (4,628)	\$ 1,524	\$ 6,152

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN- NORMAL
(In Thousands)**

Actuarial Valuation Date	Entry Age Normal			Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets*	Unfunded Liability			
6/30/2011						
Safety	\$ 531,801	\$ 402,867	\$ (128,934)	75.8%	\$ 39,337	-327.8%
Non Safety	415,178	347,820	(67,358)	83.8%	42,063	-160.1%
Total	\$ 946,979	\$ 750,687	\$ (196,292)	79.3%	\$ 81,400	-241.1%
6/30/2012						
Safety	\$ 552,536	\$ 420,519	\$ (132,017)	76.1%	\$ 39,241	-336.4%
Non Safety	431,175	357,911	(73,264)	83.0%	43,228	-169.5%
Total	\$ 983,711	\$ 778,430	\$ (205,281)	79.1%	\$ 82,469	-248.9%
6/30/2013						
Safety	\$ 572,118	\$ 384,322	\$ (187,796)	67.2%	\$ 37,376	-502.5%
Non Safety	446,477	326,046	(120,431)	73.0%	41,165	-292.6%
Total	\$ 1,018,595	\$ 710,368	\$ (308,227)	69.7%	\$ 78,541	-392.4%

*Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equal Market Value of Assets per CalPERS Direct Rate Smoothing Policy

**OTHER POST EMPLOYMENT BENEFITS - MEDICAL INSURANCE
SCHEDULE OF FUNDING PROGRESS
(In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/2010 Update*	9,157	20,608	(11,451)	44.4%	90,465	-12.7%
6/30/2011 Actual**, ***	9,639	22,447	(12,808)	42.9%	82,443	-15.5%
6/30/2011 Revised**, ***	9,626	20,179	(10,553)	47.7%	82,443	-12.8%
6/30/2013 Actual*	11,541	17,400	(5,859)	66.3%	81,724	-7.2%

* Actuarial valuation for each fiscal year ending September 30th was performed as of March 31st of the same year using actual values at March 31st projected forward to fiscal year end

** Actuarial valuation date changed to June 30th to conform with CalPERS year-end in accordance with GASB Statement No. 57

*** The City changed actuarial firms during FY 2011/12. As a result, amounts for September 30, 2011 and June 30, 2011 were revised due to changes in actuarial assumptions used.

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
SUPPLEMENTAL PENSION PLAN TREND DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

The City implemented GASB Statement No. 67, Financial Reporting for Pension Plans, for fiscal year 2013-14. Presented below is information for the City's Supplemental Employee Retirement Plan, a single-employer defined benefit retirement plan, as required by GASB Statement No. 67:

	Increase / (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	\$ 56,468	\$ 35,639	\$ 20,829
Changes for the year:			
Service Cost	582	-	582
Interest	3,827	-	3,827
Contributions - Employer	-	4,539	(4,539)
Net Investment Income	-	3,816	(3,816)
Benefit Payments	(3,585)	(3,548)	(37)
Administrative Expense	-	(269)	269
Net Changes	824	4,538	(3,714)
Balances at September 30, 2014	\$ 57,292	\$ 40,177	\$ 17,115

Plan fiduciary net position as a percentage of the total pension liability	70.13%
Covered employee payroll	\$ 25,515
Net pension liability as a percentage of covered-employee payroll	67.08%

Schedule of Contributions

	2014
Actuarially determined contribution	\$ 4,534
Contributions in relation to the actuarially determined contribution	4,539
Contribution deficiency (excess)	(5)
Covered employee payroll	\$ 25,515
Contributions as a percentage of covered-employee payroll	17.79%

**CITY OF HUNTINGTON BEACH
 REQUIRED SUPPLEMENTARY INFORMATION
 SUPPLEMENTAL PENSION PLAN TREND DATA
 FOR THE YEAR ENDED SEPTEMBER 30, 2014
 (In Thousands)**

Notes to the schedule

Valuation date: Actuarially determined contribution rates are calculated as of September 30, 2013.

Actuarial assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed basis
Remaining amortization:	9 years
Asset valuation method:	Investment gains and losses spread over a 3-year rolling period beginning September 30, 2011 (not less than 80% nor more than 120% of market value).
Return on Assets:	6.75%
Discount Rate:	7.00%
Inflation:	3.0% (increase in administrative expenses)
Salary Scale:	Aggregate increases of 3.25% per annum with merit increases based on the CalPERS 1997-2007 experience study
Cost of Living:	Not applicable
Mortality Rates:	Rates are from the fully generational future improvement scale AA and CalPERS experience study of the period 1997-2007

Schedule of Money Market Weighted Rate of Return

	2014
Annual Money Weighted Rate of Return, net of investment expense	9.20%

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
SUPPLEMENTAL PENSION PLAN TREND DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

Presented below are the schedules of funding progress as required by GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*:

Schedule of Funding Progress of Years Ending September 30

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/2010 Update*	61,448	28,467	(32,981)	46.3%	42,827	-77.0%
9/30/2011 Actual*,**	62,926	32,146	(30,780)	51.1%	34,098	-90.3%
9/30/2011 Revised**	64,382	27,639	(36,743)	42.9%	34,098	-107.8%
9/30/2013 Actual	57,865	36,302	(21,563)	62.7%	27,173	-79.4%

* Actuarial valuation for each fiscal year ending September 30th was performed as of March 31st of the same year using actual values at March 31st projected forward to fiscal year end

** The City changed actuarial firms during FY 2011/12. As a result, amounts for September 30, 2011 and June 30, 2011 were revised due to changes in actuarial assumptions used.

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SUPPLEMENTARY INFORMATION

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City of Huntington Beach Other Governmental Funds

Special Revenue Funds account for revenues and expenditures legally constrained to a specific purpose.

- The **Air Quality Fund** accounts for revenues from the local agencies used to improve local air quality.
- The **Development Impact Fee Fund** accounts for fees collected for new developments to be used for transportation, park land acquisition and development, library and other public facilities in an effort to mitigate the impacts of those new developments.
- The **Disability Access Fund** accounts for the State Mandated Disability Access Fee (SB 1186) to fund increased training certified access specialist (CAsp) services for the public and to facilitate compliance with construction related accessibility requirements.
- The **Drainage Fund** accounts for fees received from developers to construct and maintain the City's drainage system.
- The **Fourth of July Parade Fund** accounts for the activities of the City's annual parade.
- The **Gas Tax Fund** accounts for moneys allocated under the Streets and Highways Code of California. Expenditures may be made for any street related purpose allowed under the code.
- The **Highway Safety & Traffic Reduction Fund** accounts for moneys used to fund transportation projects, improve the movement of goods, improve air quality, and enhance the safety and security of the transportation system under the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.
- The **Housing Residual Receipt Fund** accounts for residual receipts received for housing activities
- The **Park Acquisition and Development Fund** accounts for fees received from developers to develop and maintain the City's park system.
- The **Safe and Sane Fireworks Fund** accounts for activities involved in the regulation of safe and sane fireworks within the City.
- The **Self Insurance Liability Claim Fund** accounts for activities involved in general liability claims losses.
- The **Traffic Congestion Relief Fund** accounts for moneys allocated for roadway maintenance as established by Assembly Bill 2928.
- The **Traffic Impact Fee Fund** accounts for moneys received from the traffic impact fee levied on new developments in the City.
- The **Transportation Fund** accounts for moneys received from the countywide half cent sales tax and other specific sources to be spent on transportation related expenditures.

Debt Service Funds account for the receipts for and payment of general long-term debt.

- The **Property Tax Refund Fund** records the payment of claims for repayment of the Judgment Obligation Bonds.
- The **Public Financing Authority** accounts for the activity of the Huntington Beach Public Financing Authority.

Capital Projects Funds account for the acquisition and construction of capital assets other than those financed by proprietary fund types.

- The **Affordable Housing In-Lieu Fund** accounts for the Affordable Housing In-Lieu Fee from developers of housing projects who have elected to pay the fee in-lieu of building the affordable housing in their project.
- The **Energy Efficiency Fund** records activities to implement energy efficiency and infrastructure measures.
- The **Infrastructure Fund** records activity for certain designate infrastructure related expenditures.
- The **Parking in-lieu Fund** records construction activity from developers who pay fees in-lieu of directly providing parking facilities to the City.
- The **Sewer Development Fund** accounts for fees received from developers to construct and maintain sewer facilities.

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2014
(In Thousands)**

SPECIAL REVENUE FUNDS						
ASSETS	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
Cash and Investments	\$ 771	\$ 1,801	\$ 16	\$ 297	\$ 59	\$ 3,331
Cash and Investments with Fiscal Agent	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-
Other Receivables	63	4	-	1	5	8
Other Assets	-	-	-	-	-	-
Total Assets	\$ 834	\$ 1,805	\$ 16	\$ 298	\$ 64	\$ 3,339
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ 50
Accrued Payroll	-	-	-	-	-	1
Deposits Payable	-	-	-	-	-	-
Total Liabilities	-	-	1	-	1	51
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	61	-	-	-	-	-
Total Deferred Inflows of Resources	61	-	-	-	-	-
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	3,288
Low Income Housing	-	-	-	-	-	-
Air Quality	773	-	-	-	-	-
Other Capital Projects	-	1,805	-	298	-	-
Other Purposes	-	-	15	-	-	-
Committed						
Parks	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	-	-
Assigned						
Capital Improvement Reserve	-	-	-	-	-	-
Other Purposes	-	-	-	-	63	-
Total Fund Balances	773	1,805	15	298	63	3,288
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 834	\$ 1,805	\$ 16	\$ 298	\$ 64	\$ 3,339

CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2014
(In Thousands)
(continued)

SPECIAL REVENUE FUNDS					
Highway Safety & Traffic Reduction	Housing Residual Receipt	Park Acquisition and Development	Safe and Sane Fireworks	Self Insurance Liability Claim	Traffic Congestion Relief
\$ -	\$ 483	\$ 3,835	\$ 75	\$ 1,021	\$ 2,196
-	-	-	-	-	-
-	1	10	-	3	6
-	-	2,411	-	-	-
<u>\$ -</u>	<u>\$ 484</u>	<u>\$ 6,256</u>	<u>\$ 75</u>	<u>\$ 1,024</u>	<u>\$ 2,202</u>
\$ -	-	190	-	-	586
-	-	1	-	-	2
-	-	2,411	-	-	-
-	-	2,602	-	-	588
-	-	-	-	-	-
-	-	-	-	-	-
-	-	324	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,614
-	484	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,024	-
-	-	3,330	-	-	-
-	-	-	-	-	-
-	-	-	75	-	-
-	484	3,654	75	1,024	1,614
<u>\$ -</u>	<u>\$ 484</u>	<u>\$ 6,256</u>	<u>\$ 75</u>	<u>\$ 1,024</u>	<u>\$ 2,202</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2014
(In Thousands)
(continued)**

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	Traffic Impact Fee	Transportation	Total Special Revenue Funds	Property Tax Refund	Public Financing Authority	Total Debt Service Fund
ASSETS						
Cash and Investments	\$ 3,057	\$ 2,817	\$ 19,759	\$ 1	\$ 12	\$ 13
Cash and Investments with Fiscal Agent	-	-	-	1	4,124	4,125
Taxes Receivable	-	241	241	-	-	-
Other Receivables	7	452	560	-	2	2
Other Assets	-	-	2,411	-	-	-
Total Assets	\$ 3,064	\$ 3,510	\$ 22,971	\$ 2	\$ 4,138	\$ 4,140
LIABILITIES						
Accounts Payable	\$ -	\$ 206	\$ 1,034	\$ 2	\$ 1	\$ 3
Accrued Payroll	-	7	11	-	-	-
Deposits Payable	-	-	2,411	-	-	-
Total Liabilities	-	213	3,456	2	1	3
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	205	266	-	-	-
Total Deferred Inflows of Resources	-	205	266	-	-	-
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	324	-	-	-
Debt Service	-	-	-	-	4,137	4,137
Highways, Streets and Transportation	3,064	3,092	11,058	-	-	-
Low Income Housing	-	-	484	-	-	-
Air Quality	-	-	773	-	-	-
Other Capital Projects	-	-	2,103	-	-	-
Other Purposes	-	-	1,039	-	-	-
Committed						
Parks	-	-	3,330	-	-	-
Other Capital Projects	-	-	-	-	-	-
Assigned						
Capital Improvement Reserve	-	-	-	-	-	-
Other Purposes	-	-	138	-	-	-
Total Fund Balances	3,064	3,092	19,249	-	4,137	4,137
Total Liabilities and Fund Balances	\$ 3,064	\$ 3,510	\$ 22,971	\$ 2	\$ 4,138	\$ 4,140

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2014
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS							
Affordable Housing In-Lieu	Energy Efficiency	Infrastructure	Parking in-lieu	Sewer Development	Total Capital Projects Funds	Total Other Governmental Funds	
\$ 119	\$ 13	\$ 7,579	\$ 932	\$ 4,642	\$ 13,285	\$ 33,057	
-	-	-	-	-	-	4,125	
-	-	-	-	-	-	241	
-	-	14	2	11	27	589	
-	-	-	-	-	-	2,411	
\$ 119	\$ 13	\$ 7,593	\$ 934	\$ 4,653	\$ 13,312	\$ 40,423	
\$ -	\$ -	\$ 33	\$ -	\$ 29	\$ 62	\$ 1,099	
-	-	-	-	1	1	12	
-	-	-	-	-	-	2,411	
-	-	33	-	30	63	3,522	
-	-	-	-	-	-	266	
-	-	-	-	-	-	266	
-	-	-	-	-	-	324	
-	-	-	-	-	-	4,137	
-	-	-	-	-	-	11,058	
119	-	-	-	-	119	603	
-	-	-	-	-	-	773	
-	-	-	-	-	-	2,103	
-	-	-	-	-	-	1,039	
-	-	-	-	-	-	3,330	
-	-	7,560	934	4,623	13,117	13,117	
-	13	-	-	-	13	13	
-	-	-	-	-	-	138	
119	13	7,560	934	4,623	13,249	36,635	
\$ 119	\$ 13	\$ 7,593	\$ 934	\$ 4,653	\$ 13,312	\$ 40,423	

**CITY OF HUNTINGTON BEACH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014
 (In Thousands)**

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
REVENUES						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Licenses and Permits	-	-	20	-	-	-
Use of Money and Property	5	7	-	1	33	16
Intergovernmental	240	-	-	-	78	3,463
Charges for Current Service	-	864	-	255	162	-
Other	-	-	-	-	80	249
Total Revenues	<u>245</u>	<u>871</u>	<u>20</u>	<u>256</u>	<u>353</u>	<u>3,728</u>
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Community Services	-	-	-	-	385	-
Public Works	102	-	-	-	-	930
Non-Departmental	-	-	12	-	-	-
Capital Outlay	97	-	-	-	-	754
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>199</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>385</u>	<u>1,684</u>
Excess Of Revenues Over (Under) Expenditures	<u>46</u>	<u>871</u>	<u>8</u>	<u>256</u>	<u>(32)</u>	<u>2,044</u>
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	(900)
Total Other Financing Sources Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900)</u>
Net Change in Fund Balances	<u>46</u>	<u>871</u>	<u>8</u>	<u>256</u>	<u>(32)</u>	<u>1,144</u>
Fund Balances - Beginning Of Year	<u>727</u>	<u>934</u>	<u>7</u>	<u>42</u>	<u>95</u>	<u>2,144</u>
Fund Balances - End Of Year	<u>\$ 773</u>	<u>\$ 1,805</u>	<u>\$ 15</u>	<u>\$ 298</u>	<u>\$ 63</u>	<u>\$ 3,288</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS					
Highway Safety & Traffic Reduction	Housing Residual Receipt	Park Acquisition and Development	Safe and Sane Fireworks	Self Insurance Liability Claim	Traffic Congestion Relief
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	12	27	1	5	18
1,287	-	-	-	-	2,611
-	-	36	-	-	-
-	364	1,375	-	-	-
<u>1,287</u>	<u>376</u>	<u>1,438</u>	<u>1</u>	<u>5</u>	<u>2,629</u>
-	-	-	-	-	-
-	-	376	-	-	-
26	-	-	-	-	481
-	-	-	-	-	-
1,289	-	1,535	-	-	1,954
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,315</u>	<u>-</u>	<u>1,911</u>	<u>-</u>	<u>-</u>	<u>2,435</u>
<u>(28)</u>	<u>376</u>	<u>(473)</u>	<u>1</u>	<u>5</u>	<u>194</u>
238	-	-	-	-	-
-	-	-	-	-	-
<u>238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
210	376	(473)	1	5	194
(210)	108	4,127	74	1,019	1,420
<u>\$ -</u>	<u>\$ 484</u>	<u>\$ 3,654</u>	<u>\$ 75</u>	<u>\$ 1,024</u>	<u>\$ 1,614</u>

**CITY OF HUNTINGTON BEACH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014
 (In Thousands)
 (continued)**

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	Traffic Impact Fee	Transportation	Total Special Revenue Funds	Property Tax Refund	Public Financing Authority	Total Debt Service Funds
REVENUES						
Sales Taxes	\$ -	\$ 3,218	\$ 3,218	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Licenses and Permits	-	-	20	-	-	-
Use of Money and Property	12	17	154	-	-	-
Intergovernmental	15	405	8,099	-	-	-
Charges for Current Service	1,543	-	2,860	-	-	-
Other	-	29	2,097	-	-	-
Total Revenues	1,570	3,669	16,448	-	-	-
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Community Services	-	-	761	-	-	-
Public Works	11	750	2,300	-	-	-
Non-Departmental	-	-	12	4	77	81
Capital Outlay	-	2,269	7,898	-	-	-
Debt Service:						
Principal	-	-	-	900	3,710	4,610
Interest	-	-	-	121	1,831	1,952
Total Expenditures	11	3,019	10,971	1,025	5,618	6,643
Excess Of Revenues Over (Under) Expenditures	1,559	650	5,477	(1,025)	(5,618)	(6,643)
Other Financing Sources (Uses):						
Transfers In	-	-	238	1,025	5,405	6,430
Transfers Out	-	(238)	(1,138)	-	-	-
Total Other Financing Sources Sources (Uses)	-	(238)	(900)	1,025	5,405	6,430
Net Change in Fund Balances	1,559	412	4,577	-	(213)	(213)
Fund Balances - Beginning of Year	1,505	2,680	14,672	-	4,350	4,350
Fund Balances - End of Year	\$ 3,064	\$ 3,092	\$ 19,249	\$ -	\$ 4,137	\$ 4,137

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS						
Affordable Housing In-Lieu	Energy Efficiency	Infrastructure	Parking In-Lieu	Sewer Development	Total Capital Projects Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,218
-	-	-	-	164	164	164
-	-	-	21	-	21	41
-	1	37	5	32	75	229
-	-	-	-	12	12	8,111
-	-	-	-	527	527	3,387
-	-	22	-	-	22	2,119
<u>-</u>	<u>1</u>	<u>59</u>	<u>26</u>	<u>735</u>	<u>821</u>	<u>17,269</u>
-	-	-	4	-	4	4
-	-	-	-	-	-	761
-	-	1	-	147	148	2,448
-	-	-	-	-	-	93
-	135	169	-	480	784	8,682
-	-	-	-	-	-	4,610
-	-	-	-	-	-	1,952
<u>-</u>	<u>135</u>	<u>170</u>	<u>4</u>	<u>627</u>	<u>936</u>	<u>18,550</u>
<u>-</u>	<u>(134)</u>	<u>(111)</u>	<u>22</u>	<u>108</u>	<u>(115)</u>	<u>(1,281)</u>
-	-	2,000	-	-	2,000	8,668
-	-	-	-	-	-	(1,138)
-	-	2,000	-	-	2,000	7,530
-	(134)	1,889	22	108	1,885	6,249
119	147	5,671	912	4,515	11,364	30,386
<u>\$ 119</u>	<u>\$ 13</u>	<u>\$ 7,560</u>	<u>\$ 934</u>	<u>\$ 4,623</u>	<u>\$ 13,249</u>	<u>\$ 36,635</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 6	\$ 6	\$ 5	\$ (1)
Intergovernmental	240	240	240	-
TOTAL REVENUES	<u>246</u>	<u>246</u>	<u>245</u>	<u>(1)</u>
EXPENDITURES:				
Current:				
Public Works	188	195	102	93
Capital Outlay	553	649	97	552
TOTAL EXPENDITURES	<u>741</u>	<u>844</u>	<u>199</u>	<u>645</u>
NET CHANGE IN FUND BALANCE	<u>(495)</u>	<u>(598)</u>	<u>46</u>	<u>644</u>
Fund Balance - Beginning of Year	<u>727</u>	<u>727</u>	<u>727</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 232</u>	<u>\$ 129</u>	<u>\$ 773</u>	<u>\$ 644</u>

Development Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 7	\$ 7
Charges for Current Service	-	-	864	864
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>871</u>	<u>871</u>
Fund Balance - Beginning of Year	<u>934</u>	<u>934</u>	<u>934</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 934</u>	<u>\$ 934</u>	<u>\$ 1,805</u>	<u>\$ 871</u>

Disability Access

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ 21	\$ 20	\$ (1)
EXPENDITURES:				
Current:				
Non-Departmental	-	22	12	10
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(1)</u>	<u>8</u>	<u>9</u>
Fund Balance - Beginning of Year	<u>7</u>	<u>7</u>	<u>7</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 7</u>	<u>\$ 6</u>	<u>\$ 15</u>	<u>\$ 9</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 1	\$ 1
Charges for Current Service	90	90	255	165
TOTAL REVENUES	<u>90</u>	<u>90</u>	<u>256</u>	<u>166</u>
Fund Balance - Beginning of Year	<u>42</u>	<u>42</u>	<u>42</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 132</u>	<u>\$ 132</u>	<u>\$ 298</u>	<u>\$ 166</u>

Fourth of July Parade

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 33	\$ 33
Intergovernmental	-	-	78	78
Charges for Current Service	-	-	162	162
Other	400	400	80	(320)
TOTAL REVENUES	<u>400</u>	<u>400</u>	<u>353</u>	<u>(47)</u>
EXPENDITURES:				
Current:				
Community Services	400	400	385	15
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>(32)</u>
Fund Balance - Beginning of Year	<u>95</u>	<u>95</u>	<u>95</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 95</u>	<u>\$ 95</u>	<u>\$ 63</u>	<u>\$ (32)</u>

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 13	\$ 13	\$ 16	\$ 3
Intergovernmental	3,011	3,011	3,463	452
Other	1	1	249	248
TOTAL REVENUES	<u>3,025</u>	<u>3,025</u>	<u>3,728</u>	<u>703</u>
EXPENDITURES:				
Current:				
Public Works	450	930	930	-
Capital Outlay	828	2,166	754	1,412
TOTAL EXPENDITURES	<u>1,278</u>	<u>3,096</u>	<u>1,684</u>	<u>1,412</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,747</u>	<u>(71)</u>	<u>2,044</u>	<u>2,115</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(900)	(900)	(900)	-
NET CHANGE IN FUND BALANCE	<u>847</u>	<u>(971)</u>	<u>1,144</u>	<u>2,115</u>
Fund Balance - Beginning of Year	<u>2,144</u>	<u>2,144</u>	<u>2,144</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,991</u>	<u>\$ 1,173</u>	<u>\$ 3,288</u>	<u>\$ 2,115</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

Highway Safety & Traffic Reduction

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 1,287	\$ 1,287
EXPENDITURES:				
Current:				
Public Works	-	26	26	-
Capital Outlay	-	1,289	1,289	-
TOTAL EXPENDITURES	<u>-</u>	<u>1,315</u>	<u>1,315</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,315)	(28)	1,287
OTHER FINANCING SOURCES (USES):				
Transfers In	-	238	238	-
NET CHANGE IN FUND BALANCE	-	(1,077)	210	1,287
Fund Balance - Beginning of Year	(210)	(210)	(210)	-
Fund Balance - End of Year	<u>\$ (210)</u>	<u>\$ (1,287)</u>	<u>\$ -</u>	<u>\$ 1,287</u>

Housing Residual Receipt

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 12	\$ 12
Other	25	25	364	339
TOTAL REVENUES	<u>25</u>	<u>25</u>	<u>376</u>	<u>351</u>
EXPENDITURES:				
Current:				
Non-Departmental	25	25	-	25
NET CHANGE IN FUND BALANCE	-	-	376	376
Fund Balance - Beginning of Year	108	108	108	-
Fund Balance - End of Year	<u>\$ 108</u>	<u>\$ 108</u>	<u>\$ 484</u>	<u>\$ 376</u>

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 27	\$ 27
Charges for Current Service	-	-	36	36
Other	-	-	1,375	1,375
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>1,438</u>	<u>1,438</u>
EXPENDITURES:				
Current:				
Community Services	247	824	376	448
Capital Outlay	390	1,275	1,535	(260)
TOTAL EXPENDITURES	<u>637</u>	<u>2,099</u>	<u>1,911</u>	<u>188</u>
NET CHANGE IN FUND BALANCE	(637)	(2,099)	(473)	1,626
Fund Balance - Beginning of Year	4,127	4,127	4,127	-
Fund Balance - End of Year	<u>\$ 3,490</u>	<u>\$ 2,028</u>	<u>\$ 3,654</u>	<u>\$ 1,626</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

Safe and Sane Fireworks

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 1	\$ 1
Fund Balance - Beginning of Year	<u>74</u>	<u>74</u>	<u>74</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 74</u>	<u>\$ 74</u>	<u>\$ 75</u>	<u>\$ 1</u>

Self Insurance Liability Claims

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 5	\$ 5
Fund Balance - Beginning of Year	<u>1,019</u>	<u>1,019</u>	<u>1,019</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,019</u>	<u>\$ 1,019</u>	<u>\$ 1,024</u>	<u>\$ 5</u>

Traffic Congestion Relief

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 20	\$ 20	\$ 18	\$ (2)
Intergovernmental	2,880	2,880	2,611	(269)
TOTAL REVENUES	<u>2,900</u>	<u>2,900</u>	<u>2,629</u>	<u>(271)</u>
EXPENDITURES:				
Current:				
Public Works	200	635	481	154
Capital Outlay	2,796	3,888	1,954	1,934
TOTAL EXPENDITURES	<u>2,996</u>	<u>4,523</u>	<u>2,435</u>	<u>2,088</u>
NET CHANGE IN FUND BALANCE	<u>(96)</u>	<u>(1,623)</u>	<u>194</u>	<u>1,817</u>
Fund Balance - Beginning of Year	<u>1,420</u>	<u>1,420</u>	<u>1,420</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,324</u>	<u>\$ (203)</u>	<u>\$ 1,614</u>	<u>\$ 1,817</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

Traffic Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 2	\$ 2	\$ 12	\$ 10
Intergovernmental	-	-	15	15
Charges for Current Service	90	90	1,543	1,453
TOTAL REVENUES	92	92	1,570	1,478
EXPENDITURES:				
Current:				
Public Works	180	220	11	209
Capital Outlay	-	89	-	89
TOTAL EXPENDITURES	180	309	11	298
NET CHANGE IN FUND BALANCE	(88)	(217)	1,559	1,776
Fund Balance - Beginning of Year	1,505	1,505	1,505	-
Fund Balance - End of Year	\$ 1,417	\$ 1,288	\$ 3,064	\$ 1,776

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 2,919	\$ 2,919	\$ 3,218	\$ 299
Use of Money and Property	15	15	17	2
Intergovernmental	-	-	405	405
Other	-	-	29	29
TOTAL REVENUES	2,934	2,934	3,669	735
EXPENDITURES:				
Current:				
Public Works	1,096	865	750	115
Capital Outlay	2,100	4,711	2,269	2,442
TOTAL EXPENDITURES	3,196	5,576	3,019	2,557
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(262)	(2,642)	650	3,292
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	(238)	(238)	-
NET CHANGE IN FUND BALANCE	(262)	(2,880)	412	3,292
Fund Balance - Beginning of Year	2,680	2,680	2,680	-
Fund Balance - End of Year	\$ 2,418	\$ (200)	\$ 3,092	\$ 3,292

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

Property Tax Refund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
Non-Departmental	-	1	4	(3)
Debt Service:				
Principal	900	902	900	2
Interest	121	121	121	-
TOTAL EXPENDITURES	<u>1,021</u>	<u>1,024</u>	<u>1,025</u>	<u>(1)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,021)</u>	<u>(1,024)</u>	<u>(1,025)</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,021	1,025	1,025	-
NET CHANGE IN FUND BALANCE	-	1	-	(1)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>

Public Financing Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
Non-Departmental	-	47	77	(30)
Debt Service:				
Principal	3,710	3,716	3,710	6
Interest	1,831	1,831	1,831	-
TOTAL EXPENDITURES	<u>5,541</u>	<u>5,594</u>	<u>5,618</u>	<u>(24)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,541)</u>	<u>(5,594)</u>	<u>(5,618)</u>	<u>(24)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	5,541	5,542	5,405	(137)
NET CHANGE IN FUND BALANCE	-	(52)	(213)	(161)
Fund Balance - Beginning of Year	4,350	4,350	4,350	-
Fund Balance - End of Year	<u>\$ 4,350</u>	<u>\$ 4,298</u>	<u>\$ 4,137</u>	<u>\$ (161)</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

Affordable Housing In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of Year	119	119	119	-
Fund Balance - End of Year	<u>\$ 119</u>	<u>\$ 119</u>	<u>\$ 119</u>	<u>\$ -</u>

Energy Efficiency

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 1	\$ 1
EXPENDITURES:				
Capital Outlay	-	141	135	6
NET CHANGE IN FUND BALANCE	-	(141)	(134)	7
Fund Balance - Beginning of Year	147	147	147	-
Fund Balance - End of Year	<u>\$ 147</u>	<u>\$ 6</u>	<u>\$ 13</u>	<u>\$ 7</u>

Infrastructure

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 37	\$ 37
Other	-	-	22	22
TOTAL REVENUES	-	-	59	59
EXPENDITURES:				
Current:				
Public Works	-	1	1	-
Capital Outlay	1,700	4,348	169	4,179
TOTAL EXPENDITURES	1,700	4,349	170	4,179
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,700)	(4,349)	(111)	4,238
OTHER FINANCING SOURCES (USES):				
Transfers In	-	2,000	2,000	-
NET CHANGE IN FUND BALANCE	(1,700)	(2,349)	1,889	4,238
Fund Balance - Beginning of Year	5,671	5,671	5,671	-
Fund Balance - End of Year	<u>\$ 3,971</u>	<u>\$ 3,322</u>	<u>\$ 7,560</u>	<u>\$ 4,238</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

Parking in-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 21	\$ 21
Use of Money and Property	-	-	5	5
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
EXPENDITURES:				
Current:				
City Manager	50	50	4	46
NET CHANGE IN FUND BALANCE	<u>(50)</u>	<u>(50)</u>	<u>22</u>	<u>26</u>
Fund Balance - Beginning of Year	912	912	912	-
Fund Balance - End of Year	<u>\$ 862</u>	<u>\$ 862</u>	<u>\$ 934</u>	<u>\$ 72</u>

Sewer Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Other Taxes	\$ -	\$ -	\$ 164	\$ 164
Use of Money and Property	-	-	32	32
Intergovernmental	-	-	12	12
Charges for Current Service	115	115	527	412
TOTAL REVENUES	<u>115</u>	<u>115</u>	<u>735</u>	<u>620</u>
EXPENDITURES:				
Current:				
Public Works	400	410	147	263
Capital Outlay	-	869	480	389
TOTAL EXPENDITURES	<u>400</u>	<u>1,279</u>	<u>627</u>	<u>652</u>
NET CHANGE IN FUND BALANCE	<u>(285)</u>	<u>(1,164)</u>	<u>108</u>	<u>1,272</u>
Fund Balance - Beginning of Year	4,515	4,515	4,515	-
Fund Balance - End of Year	<u>\$ 4,230</u>	<u>\$ 3,351</u>	<u>\$ 4,623</u>	<u>\$ 1,272</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

LMIHAF Capital Projects Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 450	\$ 450	\$ 23	\$ (427)
EXPENDITURES:				
Current:				
Non-Departmental	-	7	7	-
Excess of Revenues Over (Under) Expenditures	450	443	16	(427)
OTHER FINANCING SOURCES (USES):				
Transfers Out	(404)	(404)	-	404
Net Change in Fund Balance	46	39	16	(23)
Fund Balance - Beginning of Year	5,637	5,637	5,637	-
Fund Balance - End of Year	\$ 5,683	\$ 5,676	\$ 5,653	\$ (23)

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City of Huntington Beach Fiduciary Funds

Fiduciary Funds account for assets held by the City as an agent for other organizations or individuals.

- The **General Deposit Fund** accounts for the deposit of general monies held by the City for private individuals and businesses.
- The **Community Facilities Districts Funds** accounts for the debt service activity of the City's community facilities district.
- The **Huntington Beach Business Improvement District Fund** accounts for the activities of the City's business improvement district.
- The **Central Net Fund** accounts for the activity of the Central Net Operations Authority.
- The **Parking Structures Fund** accounts for the activities of the Bella Terra Parking Structure and Strand Parking Structure.
- The **West Orange County Water Board Fund** accounts for the activities of the West Orange County Water Board.

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CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

	Agency Funds						Total Agency Funds
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	
Assets:							
Cash and Investments	\$ 269	\$ 66	\$ 243	\$ 969	\$ 2,820	\$ 233	\$ 4,600
Cash with Fiscal Agent	-	3,437	-	-	-	-	3,437
Accounts Receivable, Net	-	724	152	-	10	-	886
Total Assets	<u>\$ 269</u>	<u>\$ 4,227</u>	<u>\$ 395</u>	<u>\$ 969</u>	<u>\$ 2,830</u>	<u>\$ 233</u>	<u>\$ 8,923</u>
Liabilities:							
Accounts Payable	\$ -	\$ 2	\$ 369	\$ 18	\$ 219	\$ -	\$ 608
Due to Bondholders	-	4,225	-	-	-	-	4,225
Held for others	269	-	26	951	2,611	233	4,090
Total Liabilities	<u>\$ 269</u>	<u>\$ 4,227</u>	<u>\$ 395</u>	<u>\$ 969</u>	<u>\$ 2,830</u>	<u>\$ 233</u>	<u>\$ 8,923</u>

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
General Deposit				
Assets:				
Cash and Investments	\$ 390	\$ 248	\$ (369)	\$ 269
Total Assets	\$ 390	\$ 248	\$ (369)	\$ 269
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Held for others	390	127	(248)	269
Total Liabilities	\$ 390	\$ 127	\$ (248)	\$ 269
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 70	\$ 6,177	\$ (6,181)	\$ 66
Cash with Fiscal Agent	3,476	-	(39)	3,437
Accounts Receivable, Net	996	1,433	(1,705)	724
Total Assets	\$ 4,542	\$ 7,610	\$ (7,925)	\$ 4,227
Liabilities:				
Accounts Payable	\$ 6	\$ 3,250	\$ (3,254)	\$ 2
Due to Bondholders	4,536	-	(311)	4,225
Total Liabilities	\$ 4,542	\$ 3,250	\$ (3,565)	\$ 4,227
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 259	\$ 1,957	\$ (1,973)	\$ 243
Accounts Receivable, Net	10	409	(267)	152
Total Assets	\$ 269	\$ 2,366	\$ (2,240)	\$ 395
Liabilities:				
Accounts Payable	\$ 269	\$ 2,418	\$ (2,318)	\$ 369
Held for others	-	26	-	26
Total Liabilities	\$ 269	\$ 2,444	\$ (2,318)	\$ 395
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 1,061	\$ 520	\$ (612)	\$ 969
Accounts Receivable, Net	-	34	(34)	-
Total Assets	\$ 1,061	\$ 554	\$ (646)	\$ 969
Liabilities:				
Accounts Payable	\$ 10	\$ 175	\$ (167)	\$ 18
Held for others	1,051	-	(100)	951
Total Liabilities	\$ 1,061	\$ 175	\$ (267)	\$ 969

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Parking Structures				
Assets:				
Cash and Investments	\$ 2,571	\$ 2,465	\$ (2,216)	\$ 2,820
Accounts Receivable, Net	5	39	(34)	10
Total Assets	<u>\$ 2,576</u>	<u>\$ 2,504</u>	<u>\$ (2,250)</u>	<u>\$ 2,830</u>
Liabilities:				
Accounts Payable	\$ 455	\$ 1,853	\$ (2,089)	\$ 219
Held for others	2,121	490	-	2,611
Total Liabilities	<u>\$ 2,576</u>	<u>\$ 2,343</u>	<u>\$ (2,089)</u>	<u>\$ 2,830</u>
West Orange County Water Board				
Assets:				
Cash and Investments	\$ 226	\$ 534	\$ (527)	\$ 233
Accounts Receivable, Net	-	72	(72)	-
Total Assets	<u>\$ 226</u>	<u>\$ 606</u>	<u>\$ (599)</u>	<u>\$ 233</u>
Liabilities:				
Accounts Payable	\$ 6	\$ 72	\$ (78)	\$ -
Held for others	220	13	-	233
Total Liabilities	<u>\$ 226</u>	<u>\$ 85</u>	<u>\$ (78)</u>	<u>\$ 233</u>
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 4,577	\$ 11,901	\$ (11,878)	\$ 4,600
Cash with Fiscal Agent	3,476	-	(39)	3,437
Accounts Receivable, Net	1,011	1,987	(2,112)	886
Total Assets	<u>\$ 9,064</u>	<u>\$ 13,888</u>	<u>\$ (14,029)</u>	<u>\$ 8,923</u>
Liabilities:				
Accounts Payable	\$ 746	\$ 7,768	\$ (7,906)	\$ 608
Due to Bondholders	4,536	-	(311)	4,225
Held for others	3,782	656	(348)	4,090
Total Liabilities	<u>\$ 9,064</u>	<u>\$ 8,424</u>	<u>\$ (8,565)</u>	<u>\$ 8,923</u>

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City of Huntington Beach Statistical Section

This part of the City of Huntington Beach's Comprehensive Annual Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

Financial Trends – contain trend information to aid the reader understand how the City's financial performance has changed over time.
Revenue Capacity – contain information to help the reader assess the City's most significant local revenue source, the property tax.
Debt Capacity – present information to 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 – offers information to help the reader understand the environment within which the City's financial activities take place.
Operating Information – contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HUNTINGTON BEACH
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Governmental Activities					
Net investment in capital assets	\$ 618,825	\$ 617,267	\$ 612,346	\$ 569,497	\$ 567,351
Restricted	34,018	51,867	44,220	51,195	49,100
Unrestricted	89,524	54,076	53,098	41,239	33,135
Total Governmental Activities Net Position	\$ 742,367	\$ 723,210	\$ 709,664	\$ 661,931	\$ 649,586
Business - Type Activities					
Net investment in capital assets	\$ 140,770	\$ 145,886	\$ 134,129	\$ 134,882	\$ 121,576
Restricted	27,951	27,488	27,804	27,988	30,512
Unrestricted	53,166	65,595	63,686	59,260	61,723
Total Business - Type Activities Net Position	\$ 221,887	\$ 238,969	\$ 225,619	\$ 222,130	\$ 213,811
Primary Government					
Net investment in capital assets	\$ 759,595	\$ 763,153	\$ 746,475	\$ 704,379	\$ 688,927
Restricted	61,969	79,355	72,024	79,183	79,612
Unrestricted	142,690	119,671	116,784	100,499	94,858
Total Primary Government Net Position	\$ 964,254	\$ 962,179	\$ 935,283	\$ 884,061	\$ 863,397

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Expenses:					
Governmental Activities:					
City Council	\$ 258	\$ 271	\$ 310	\$ 300	\$ 301
City Manager	3,878	1,583	1,767	1,502	1,674
City Treasurer	169	132	141	1,274	1,532
City Attorney	2,321	2,221	2,313	2,354	2,772
City Clerk	747	797	689	813	883
Administrative Services	-	-	-	-	-
Finance	5,314	4,825	4,573	3,423	4,309
Human Resources	4,616	5,032	4,743	4,792	5,284
Planning & Building*	7,091	6,155	6,123	6,036	3,170
Building	-	-	-	-	4,608
Fire	43,194	36,323	35,336	35,393	33,545
Information Services	6,456	6,096	5,857	5,909	6,812
Police	66,681	60,466	60,690	60,192	59,049
Economic Development**	-	8,395	3,703	10,876	11,891
Community Services	12,509	15,521	15,586	16,104	16,147
Library Services	4,024	3,873	3,777	3,838	4,519
Public Works	31,691	28,500	26,508	27,232	26,483
Non-Departmental	21,602	25,563	19,190	19,595	24,303
Interest on Long-Term Debt	1,946	2,289	2,376	6,287	6,146
Total Governmental Activities	212,497	208,042	193,682	205,920	213,428
Business-type Activities:					
Water Utility	41,499	38,446	37,437	31,712	34,902
Sewer Service	9,712	7,253	7,623	6,338	6,575
Refuse Collection	11,145	10,882	10,785	10,690	10,585
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	231	220	216	243	315
Ocean View Estates	-	-	-	-	-
Total Business Type Activities	62,587	56,801	56,061	48,983	52,377
Total Business and Government Type Activities	\$ 275,084	\$ 264,843	\$ 249,743	\$ 254,903	\$ 265,805

* Planning and Building departments were combined in the year ended September 30, 2011.

** Economic Development was included with the City Manager's office beginning in the year ended September 30, 2014

CITY OF HUNTINGTON BEACH
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Governmental Activities					
Net investment in capital assets	\$ 559,059	\$ 521,654	\$ 486,552	\$ 472,372	\$ 479,897
Restricted	48,198	69,126	73,541	68,381	39,227
Unrestricted	36,319	35,615	59,182	34,269	40,226
Total Governmental Activities Net Position	\$ 643,576	\$ 626,395	\$ 619,275	\$ 575,022	\$ 559,350
Business - Type Activities					
Net investment in capital assets	\$ 118,059	\$ 118,671	\$ 119,874	\$ 111,651	\$ 102,068
Restricted	30,794	32,665	33,546	31,109	34,085
Unrestricted	59,810	57,704	54,822	53,020	41,563
Total Business - Type Activities Net Position	\$ 208,663	\$ 209,040	\$ 208,242	\$ 195,780	\$ 177,716
Primary Government					
Net investment in capital assets	\$ 677,118	\$ 640,325	\$ 606,426	\$ 584,023	\$ 581,965
Restricted	78,992	101,791	107,087	99,490	73,312
Unrestricted	96,129	93,319	114,004	87,289	81,789
Total Primary Government Net Position	\$ 852,239	\$ 835,435	\$ 827,517	\$ 770,802	\$ 737,066

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Expenses:					
Governmental Activities:					
City Council	\$ 295	\$ 295	\$ 287	\$ 271	\$ 254
City Manager	1,861	1,652	1,442	5,540	1,990
City Treasurer	1,308	1,408	1,088	1,479	1,568
City Attorney	2,877	2,914	2,534	2,317	2,852
City Clerk	1,099	1,020	950	756	685
Administrative Services	-	-	-	-	5,554
Finance	4,479	4,944	4,454	3,306	2,501
Human Resources	4,749	4,725	4,202	-	-
Planning & Building	3,232	3,881	3,098	2,813	2,559
Building	9,549	5,747	4,899	3,930	3,321
Fire	33,942	27,299	27,247	24,787	23,365
Information Services	7,377	7,311	6,591	7,361	6,806
Police	60,551	58,378	56,988	50,877	47,029
Economic Development**	15,758	18,031	9,209	4,977	4,199
Community Services	17,110	18,565	16,482	15,777	13,693
Library Services	4,574	5,607	5,586	4,829	4,394
Public Works	29,514	31,246	34,581	49,654	33,018
Non-Departmental	21,196	30,814	15,131	11,263	12,024
Interest on Long-Term Debt	5,232	5,291	5,875	5,575	6,810
Total Governmental Activities	224,703	229,128	200,644	195,512	172,622
Business-type Activities:					
Water Utility	34,290	32,701	32,606	28,117	22,349
Sewer Service	7,306	7,120	5,766	3,855	5,924
Refuse Collection	10,623	10,561	10,542	10,289	9,826
Emerald Cove Housing	306	893	936	551	399
Emergency Fire Medical	-	6,933	5,347	5,637	5,497
Hazmat Service	196	249	194	163	141
Ocean View Estates	-	117	84	120	118
Total Business Type Activities	52,721	58,574	55,475	48,732	44,254
Total Business and Government Type Activities	\$ 277,424	\$ 287,702	\$ 256,119	\$ 244,244	\$ 216,876

CITY OF HUNTINGTON BEACH
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 68	\$ 66	\$ 65	\$ 63	\$ 62
City Manager	2,835	134	130	127	126
City Treasurer	621	602	585	568	566
City Attorney	139	135	131	127	456
City Clerk	321	248	170	98	106
Finance	1,313	1,275	1,238	1,202	1,234
Human Resources	2,499	1,236	1,150	1,117	1,103
Planning & Building*	9,357	9,411	7,706	6,084	682
Building	-	-	-	-	4,126
Fire	8,672	9,482	9,497	8,632	8,504
Information Services	809	786	763	741	731
Police	5,170	4,653	5,073	5,207	4,849
Economic Development**	-	2,505	2,303	2,800	2,685
Community Services	18,055	17,832	17,792	15,345	15,470
Library Services	434	634	466	325	415
Public Works	6,367	7,315	5,482	5,638	4,850
Non-Departmental	318	306	281	273	269
Total Charges for Services	56,978	56,620	52,832	48,347	46,234
Operating Grants	7,958	7,303	5,088	8,914	7,069
Capital Grants	5,486	7,191	6,624	5,198	7,418
Total Governmental Activities Program Revenue	70,422	71,114	64,544	62,459	60,721
Business-Type Activities:					
Water Utility	36,944	38,679	35,926	34,583	34,394
Sewer Service	10,665	12,267	11,546	10,532	10,565
Refuse Collection	11,006	10,950	10,786	10,631	10,506
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	183	278	154	383	198
Ocean View Estates	-	-	-	-	-
Total Business-Type Activities Program Revenues	58,798	62,174	58,412	56,129	55,663
Total Primary Government Program Revenue	129,220	133,288	122,956	118,550	116,346
Net (Expense) Revenue:					
Governmental Activities:	(142,075)	(136,928)	(129,138)	(143,499)	(145,237)
Business-Type Activities	(3,789)	5,373	2,351	7,146	6,680
Total Net (Expense) Revenue	(145,864)	(131,555)	(126,787)	(136,353)	(138,557)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	81,355	74,795	74,856	86,056	85,552
Sales Taxes	29,243	30,276	30,051	25,339	23,646
Utility Taxes	20,621	20,764	20,152	19,135	19,757
Other Taxes	15,601	14,568	12,930	13,368	11,629
Use of Money and Property	3,725	2,816	3,434	3,239	4,043
From Other Agencies	4,279	6,003	6,585	5,647	4,184
Participation Payments	-	-	-	-	4,496
Other	6,903	5,240	4,941	3,060	5,448
Transfers	(38)	(38)	(38)	(38)	(38)
Total Governmental Activities General Revenues	161,689	154,424	152,911	155,806	158,717
Business-Type Activities:					
Use of Money and Property	1,015	137	1,100	1,135	1,824
Transfers	38	38	38	38	38
Total Business-Type Activities General Revenues	1,053	175	1,138	1,173	1,862
Total General Revenues and Transfers	162,742	154,599	154,049	157,017	160,617
Extraordinary Gain	-	(4,669)	23,960	-	-
Changes in Net Position - Governmental Activities	19,614	12,827	47,733	12,345	13,518
Changes in Net Position - Business-Type Activities	(2,736)	5,548	3,489	8,319	8,542
Net Position - Beginning of Year	962,179	935,283	884,061	863,397	852,239
Prior Period Adjustment - Governmental Activities	(457)	719	-	-	-
Prior Period Adjustment - Business-Type Activities	(14,346)	7,802	-	-	-
Net Position - Beginning of Year as restated	947,376	943,804	-	-	-
Net Position - End of Year	\$ 964,254	\$ 962,179	\$ 935,283	\$ 884,061	\$ 874,299

* Planning and Building departments were combined in the year ended September 30, 2011.

** Economic Development was included with the City Manager's office beginning in the year ended September 30, 2014

City of Huntington Beach
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
(In Thousands)
(continued)

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 94	\$ 103	\$ 99	\$ 90	\$ -
City Manager	370	404	392	1,612	-
City Treasurer	765	720	698	1,332	-
City Attorney	50	47	46	43	-
City Clerk	108	168	210	95	111
Finance	1,264	1,354	1,312	325	-
Human Resources	1,254	1,391	1,347	-	-
Planning & Building	801	1,987	4,223	825	1,024
Building	3,665	4,582	5,450	4,859	5,068
Fire	7,978	1,423	1,267	1,086	1,095
Information Services	674	697	675	641	-
Police	5,083	5,159	4,890	5,355	5,254
Economic Development**	3,049	3,001	2,944	505	385
Community Services	15,278	15,383	15,036	14,644	13,376
Library Services	437	851	835	714	714
Public Works	4,328	6,000	5,016	4,784	1,781
Non-Departmental	216	239	232	229	-
Total Charges for Services	45,414	43,509	44,672	37,139	28,808
Operating Grants	4,181	7,684	1,996	917	1,657
Capital Grants	25,625	14,284	5,154	6,893	43,341
Total Governmental Activities Program Revenue	75,220	65,477	51,822	44,949	73,806
Business-Type Activities:					
Water Utility	34,200	35,751	37,962	37,946	40,371
Sewer Service	10,535	9,906	7,242	7,873	8,512
Refuse Collection	10,386	10,521	10,550	10,292	9,985
Emerald Cove Housing	843	1,180	1,037	960	866
Emergency Fire Medical	-	6,762	6,068	6,145	5,725
Hazmat Service	204	185	210	182	110
Ocean View Estates	-	337	324	273	263
Total Business-Type Activities Program Revenues	56,168	64,642	63,393	63,671	65,832
Total Primary Government Program Revenue	138,563	139,713	115,215	108,620	139,638
Net (Expense) Revenue:					
Governmental Activities:	(142,308)	(149,632)	(177,306)	(155,695)	(121,706)
Business-Type Activities	3,791	11,921	4,819	8,196	17,100
Total Net (Expense) Revenue	(138,517)	(137,711)	(172,487)	(147,499)	(104,606)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	84,010	84,016	79,369	66,598	61,466
Sales Taxes	21,427	25,560	30,608	26,448	24,340
Utility Taxes	20,616	21,591	21,479	21,170	20,004
Other Taxes	12,085	15,065	13,776	13,226	14,952
Use of Money and Property	5,002	5,714	7,895	4,310	3,137
From Other Agencies	8,500	6,899	12,689	10,390	8,186
Participation Payments	-	-	1,564	6,221	12,697
Other	7,849	2,332	2,696	9,278	8,510
Transfers	7,175	9,594	491	464	4,884
Total Governmental Activities General Revenues	166,664	170,771	170,567	158,105	158,176
Business-Type Activities:					
Use of Money and Property	3,351	4,324	5,035	3,589	1,500
Transfers	(7,175)	(9,594)	(491)	(464)	(4,884)
Total Business-Type Activities General Revenues	(3,824)	(5,270)	4,544	3,125	(3,384)
Total General Revenues and Transfers	155,665	155,907	175,111	161,230	154,792
Extraordinary Gain	-	-	-	-	-
Changes in Net Position - Governmental Activities	17,181	11,545	(6,739)	2,410	36,470
Changes in Net Position - Business-Type Activities	(33)	6,651	9,363	11,321	13,716
Net Position - Beginning of Year	835,435	827,517	793,310	745,196	659,512
Prior Period Adjustment - Governmental Activities	-	-	-	-	-
Prior Period Adjustment - Business-Type Activities	-	-	-	-	-
Net Position - Beginning of Year as restated	-	-	-	-	-
Net Position - End of Year	\$ 852,583	\$ 845,713	\$ 795,934	\$ 758,927	\$ 709,698

CITY OF HUNTINGTON BEACH
FUND BALANCES - GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended September 30,					
	2014	2013	2012	2011	2010	2009 (a)
General Fund:						
Nonspendable	\$ 4,378	\$ 4,040	\$ 4,633	\$ 10,841	\$ 4,605	\$ 4,834
Restricted	2,070	1,878	1,387	1,304	1,452	1,921
Committed	25,011	24,011	-	-	30,493	20,600
Assigned	29,595	24,578	48,415	42,411	4,802	11,733
Total General Fund	\$ 61,054	\$ 54,507	\$ 54,435	\$ 54,556	\$ 41,352	\$ 39,088
Other Governmental Funds:						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 6,576	\$ 11,328
Restricted	27,214	27,425	27,722	32,519	33,319	11,509
Committed	16,447	11,098	6,745	4,049	1,755	7,545
Assigned	151	316	1,181	1,711	3,914	24,437
Unassigned	-	(210)	(395)	(4,377)	(4,319)	(1,557)
Total Other Governmental Funds	\$ 43,812	\$ 38,629	\$ 35,253	\$ 33,902	\$ 41,245	\$ 53,262

	Fiscal Year Ended September 30,			
	2008	2007	2006	2005
General Fund:				
Reserved	\$ 10,967	\$ 10,679	\$ 7,382	\$ 5,915
Unreserved	33,476	33,017	33,204	32,371
Total General Fund	\$ 44,443	\$ 43,696	\$ 40,586	\$ 38,286
Other Governmental Funds:				
Reserved	\$ 35,445	\$ 42,013	\$ 25,472	\$ 35,458
Unreserved, Reported in:				
Special Revenue Funds	11,307	13,500	20,631	17,833
Debt Service Funds	5,467	5,484	4,022	3,916
Capital Projects Funds	15,316	18,286	27,096	16,820
Total Other Governmental Funds	\$ 67,535	\$ 79,283	\$ 77,221	\$ 74,027

Notes:

(a) The City implemented GASB Statement No. 54 in the year ended September 30, 2009.

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CITY OF HUNTINGTON BEACH
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS
(In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
REVENUES:					
Property Taxes	\$ 79,460	\$ 74,442	\$ 74,554	\$ 85,869	\$ 85,072
Sales Taxes	30,454	29,763	29,126	25,034	22,582
Utility Taxes	20,621	20,764	20,152	19,135	19,757
Other Taxes	15,601	14,568	12,930	13,368	11,629
Licenses and Permits	7,976	9,880	7,773	6,728	6,204
Fines and Forfeitures	4,392	4,058	4,252	4,334	3,965
From Use of Money and Property	16,695	16,046	16,855	15,660	16,330
From Other Agencies	16,804	18,237	18,537	17,659	19,893
Charges for Current Service/Other Revenue	33,886	34,150	30,051	26,996	26,401
TOTAL REVENUES	225,889	221,908	214,230	214,783	211,833
EXPENDITURES					
Current:					
City Council	258	260	310	300	301
City Manager	3,040	1,574	1,758	1,493	1,652
City Treasurer	169	132	141	1,274	1,532
City Attorney	2,321	2,221	2,313	2,354	2,772
City Clerk	747	797	689	798	868
Administrative Services	-	-	-	-	-
Finance*	5,314	4,825	4,573	3,423	4,286
Human Resources	4,298	5,661	5,213	6,106	5,284
Planning & Building**	7,091	6,155	6,119	6,034	3,170
Building	-	-	-	-	3,449
Fire	42,602	35,920	35,145	34,546	32,816
Information Systems	6,456	6,096	5,857	5,879	6,782
Police	66,628	60,460	60,249	59,546	58,566
Economic Development***	-	7,012	3,389	13,784	14,704
Community Services	10,040	13,952	14,082	13,724	14,501
Library Services	3,739	3,588	3,492	3,546	4,158
Public Works	22,872	22,169	22,666	19,006	20,466
Non-Departmental	21,033	19,684	15,455	14,914	14,832
Capital Outlay	10,729	10,745	11,096	6,872	17,175
Debt Service:					
Principal	4,797	9,381	6,012	9,446	7,351
Interest	1,987	2,321	2,564	6,397	6,368
TOTAL EXPENDITURES	214,121	212,953	201,123	209,442	221,033
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,768	8,955	13,107	5,341	(9,200)
OTHER FINANCING SOURCES (USES):					
Transfers In	9,832	9,501	18,904	27,385	20,850
Reclassification of Interfund Advances	-	-	-	-	-
Proceeds of Long-Term Debt	-	-	-	36,275	14,745
Issuance Premium	-	-	-	1,884	707
Capital Assets Reclassification for Changes in Fund Type	-	-	-	-	-
Payments to Escrow	-	-	-	(37,601)	(15,967)
Transfers Out	(9,870)	(10,339)	(18,942)	(27,423)	(20,888)
TOTAL OTHER FINANCING SOURCES (USES)	(38)	(838)	(38)	520	(553)
Extraordinary Item - Dissolution of RDA	-	(4,669)	(11,839)	-	-
INCREASE (DECREASE) IN FUND BALANCES	\$ 11,730	\$ 3,448	\$ 1,230	\$ 5,861	\$ (9,753)
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	3.5%	6.1%	4.7%	8.5%	7.2%

* Finance was included with Administrative Services prior to October 1, 2005

** Planning and Building departments were combined in the year ended September 30, 2011.

** Economic Development was included with the City Manager's office beginning in the year ended September 30, 2014

Fiscal Year Ended September 30,				
2009	2008	2007	2006	2005
\$ 85,612	\$ 82,138	\$ 75,916	\$ 69,065	\$ 59,716
22,356	26,377	26,271	26,448	24,340
20,616	21,591	21,479	21,170	20,004
12,085	15,065	13,776	13,226	13,068
5,879	7,924	10,131	7,432	7,457
4,144	4,060	4,165	4,288	4,365
17,285	18,221	19,796	16,461	12,733
21,152	19,231	19,304	16,611	20,179
24,894	20,645	23,270	27,237	33,950
214,023	215,252	214,108	201,938	195,812
295	295	287	271	254
1,839	1,588	1,490	5,508	1,917
1,308	1,357	1,060	1,446	1,547
2,877	2,881	2,526	2,313	2,848
1,084	992	932	828	679
-	-	-	-	5,731
4,456	4,792	4,400	3,283	2,501
4,749	4,725	4,202	-	-
3,232	3,859	3,092	2,800	2,548
4,176	3,957	4,670	3,729	3,291
33,596	27,146	26,438	24,334	22,365
7,339	6,741	6,437	6,540	5,726
59,686	56,535	55,461	50,151	45,778
11,086	16,228	8,292	4,172	2,866
15,407	15,666	14,744	14,382	12,321
4,336	4,962	5,097	4,359	3,969
22,143	23,528	25,248	28,448	21,535
16,710	21,519	12,977	13,831	13,039
38,494	21,525	16,142	30,174	9,065
11,480	8,234	10,453	9,406	8,474
5,383	5,345	5,514	6,512	5,999
249,676	231,875	209,462	212,487	172,453
(35,653)	(16,623)	4,646	(10,549)	23,359
27,125	24,278	16,313	21,531	20,890
-	-	-	-	-
8,850	-	35	15,579	1,102
-	-	-	-	-
-	-	-	-	-
(19,950)	(18,656)	(15,822)	(20,075)	(16,006)
16,025	5,622	526	17,035	5,986
-	-	-	-	-
\$ (19,628)	\$ (11,001)	\$ 5,172	\$ 6,486	\$ 29,345

8.7% 6.9% 9.0% 9.6% 9.7%

**CITY OF HUNTINGTON BEACH
 ASSESSED AND ACTUAL VALUATION
 OF ALL TAXABLE PROPERTY (EXCLUDING REDEVELOPMENT AGENCY)
 LAST TEN FISCAL YEARS
 (In Thousands)**

Fiscal Year	Common		Total Secured	Unsecured	Total Assessed Valuation	Total Direct Tax Rate
	Property	Public Utilities				
2004-2005	19,532,238	3,524	19,535,762	877,078	20,412,840	0.15996
2005-2006	20,925,190	1,522	20,926,712	790,513	21,717,225	0.15996
2006-2007	22,817,616	1,458	22,819,074	962,198	23,781,272	0.16282
2007-2008	24,294,404	305	24,294,709	1,066,668	25,361,377	0.16382
2008-2009	25,062,579	263	25,062,842	1,039,636	26,102,478	0.16482
2009-2010	25,324,857	263	25,325,120	1,086,770	26,411,890	0.17082
2010-2011	25,513,584	70,602	25,584,186	1,090,869	26,675,055	0.17082
2011-2012	25,480,770	72,602	25,553,372	1,170,004	26,723,376	0.17082
2012-2013	26,927,738	60,802	26,988,540	1,056,938	28,045,479	0.17082
2013-2014	28,005,989	53,702	28,059,691	1,106,038	29,165,729	0.17082

Source: County of Orange Auditor Controller

**PROPERTY TAX RATES
 ALL DIRECT AND
 OVERLAPPING GOVERNMENTS
 TAX RATE 04-001
 LARGEST AREA IN CITY
 LAST TEN FISCAL YEARS**

Fiscal Year	Direct		Overlapping			Total Direct and Overlapping
	City Basic Rate (1), (2)	City Other	School Districts	Metro Water District	Others	
2004-2005	0.15300	0.00696	0.56470	0.00520	0.33589	1.06575
2005-2006	0.15300	0.00696	0.57434	0.00520	0.32625	1.06575
2006-2007	0.15582	0.00700	0.57338	0.00470	0.32397	1.06487
2007-2008	0.15582	0.00800	0.57893	0.00450	0.32299	1.07024
2008-2009	0.15582	0.00900	0.57673	0.00430	0.32270	1.06855
2009-2010	0.15582	0.01500	0.58099	0.00430	0.32471	1.08082
2010-2011	0.15582	0.01500	0.58252	0.00370	0.32548	1.08252
2011-2012	0.15582	0.01500	0.58334	0.00370	0.32513	1.08299
2012-2013	0.15582	0.01500	0.60412	0.00350	0.30798	1.08642
2013-2014	0.15582	0.01500	0.59841	0.00350	0.31444	1.08717

Note: Rates are per \$100 of assessed valuation

Source: County of Orange Auditor Controller

(1) Excludes rates associated with Mello-Roos Districts

(2) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is assessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value.

**CITY OF HUNTINGTON BEACH
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year	Total Levy	Collected within the Fiscal Year of the Levy			Total Collections			
		Amount	Percentage of Levy	Delinquent Tax Collections*	Amount	Percentage of Levy	Delinquent Taxes Receivable	Delinquency Percent
Secured Taxes								
2004-2005	34,403	33,423	97.2%	434	33,857	98.4%	570	1.7%
2005-2006	36,556	35,318	96.6%	498	35,816	98.0%	795	2.2%
2006-2007	39,174	37,194	94.9%	622	37,816	96.5%	1,278	3.3%
2007-2008	42,269	40,001	94.6%	1,113	41,114	97.3%	1,734	4.1%
2008-2009	42,569	40,298	94.7%	1,789	42,087	98.9%	1,582	3.7%
2009-2010	43,892	36,992	84.3%	1,880	38,872	88.6%	1,038	2.4%
2010-2011	44,014	42,233	96.0%	1,339	43,572	99.0%	746	1.7%
2011-2012	44,304	42,611	96.2%	951	43,562	98.3%	660	1.5%
2012-2013	47,162	45,722	96.9%	855	46,577	98.8%	565	1.2%
2013-2014	49,808	48,452	97.3%	656	49,108	98.6%	545	1.1%
Unsecured Taxes								
2004-2005	1,606	1,474	91.8%	24	1,498	93.3%	40	2.5%
2005-2006	1,590	1,434	90.2%	23	1,457	91.6%	42	2.6%
2006-2007	1,842	1,600	86.9%	37	1,637	88.9%	150	8.1%
2007-2008	1,718	1,618	94.2%	60	1,678	97.7%	34	2.0%
2008-2009	1,783	1,606	90.1%	90	1,696	95.1%	49	2.7%
2009-2010	1,882	1,677	89.1%	44	1,721	91.4%	65	3.5%
2010-2011	1,940	1,739	89.6%	22	1,761	90.8%	75	3.9%
2011-2012	1,863	1,731	92.9%	28	1,759	94.4%	68	3.7%
2012-2013	1,882	1,653	87.8%	23	1,676	89.1%	62	3.3%
2013-2014	1,922	1,693	88.1%	33	1,726	89.8%	76	4.0%
Community Facilities Districts								
2004-2005	1,731	1,719	99.3%	4	1,723	99.5%	7	0.4%
2005-2006	4,085	4,069	99.6%	12	4,081	99.9%	11	0.3%
2006-2007	4,061	4,041	99.5%	22	4,063	100.0%	7	0.2%
2007-2008	4,106	4,085	99.5%	21	4,106	100.0%	9	0.2%
2008-2009	4,053	4,034	99.5%	12	4,046	99.8%	7	0.2%
2009-2010	3,937	3,925	99.7%	11	3,936	100.0%	-	0.0%
2010-2011	3,850	3,838	99.7%	-	3,838	99.7%	1	0.0%
2011-2012	4,106	4,091	99.6%	3	4,094	99.7%	2	0.0%
2012-2013	4,093	4,077	99.6%	4	4,081	99.7%	4	0.1%
2013-2014	3,968	3,957	99.7%	6	3,963	99.9%	-	0.0%

Source: County of Orange Auditor Controller's Office

* Delinquency tax collections information not available prior to fiscal year 2004-2005

Note: The levy and tax year is for July 1st through June 30th and does not include the Redevelopment Agency

Note:

2002/2003 to current fiscal year includes the following:

Secured: includes supplemental, st ltg reorg, nuisance abatement, weed abatement, retirement override, tax admin charges, and community interest. Does not include CFD.

Unsecured: includes aircraft unsecured tax. Does not include CFD.

Miscellaneous: excluded from all tables

Delinquency Amount: reflects the "unpaid" amounts as stated in the OC auditor-controller website

**CITY OF HUNTINGTON BEACH
TOP TEN PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

2013-2014		
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
OXY USA, Inc	\$ 568,551	1.95%
Boeing/McDonnell Douglas	333,126	1.14%
Bella Terra Associates LLC	231,961	0.80%
DCOR, LLC	202,939	0.70%
Mayer Financial LP	191,542	0.66%
United Dominion Realty, LP	137,308	0.47%
CIM Huntington, LLC	104,015	0.36%
Pacific Sands, LLC	88,516	0.30%
Essex Huntington on Edinger LP	84,384	0.29%
21002 HB, LLC	67,652	0.23%
Total Top Ten	2,009,994	4.94%
All Other Property Taxpayers	27,155,735	95.06%
City Total	\$ 29,165,729	100.00%

2004-2005		
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
McDonnel Douglas Corporation	\$ 457,928	2.24%
Seabridge Villas	62,320	0.31%
Seacliff Village Shopping Center, Inc.	59,911	0.29%
UDR Huntington Villas II	59,287	0.29%
Douglas/Boeing Realty Corporation	54,533	0.27%
Calresources, LLC	51,607	0.25%
Cambro Manufacturing	47,228	0.23%
Casa Apartments Limited Partnership	46,263	0.23%
Sharp Electronics Cport	37,908	0.19%
UDR Windjammer Limited Partnership	37,589	0.18%
Total Top Ten	914,574	4.48%
All Other Property Taxpayers	19,498,266	95.52%
City Total	\$ 20,412,840	100.00%

Source: HdL Coren & Cone

Note: Information provided for the period from July 1st through June 30th.

**CITY OF HUNTINGTON BEACH
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands)**

	Fiscal Year Ended September 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Long-Term Indebtedness										
Governmental Activities:										
Judgement Obligation Bonds	\$ 2,574	\$ 3,474	\$ 4,339	\$ 5,179	\$ 5,989	\$ 6,774	\$ 10,050	\$ 10,795	\$ 11,525	\$ 12,245
Public Financing Authority:										
1997 Leasehold Revenue Bond	-	-	-	-	-	2,860	2,945	3,025	3,690	4,330
2000 Lease Revenue Bond	-	-	-	-	-	12,785	13,515	14,215	14,885	15,525
2001(a) Lease Revenue Bond	-	-	-	-	25,650	26,375	27,075	27,750	28,400	29,030
2001(b) Lease Revenue Bond	-	-	-	-	15,915	17,795	19,595	21,340	23,030	24,670
2010(a) Lease Revenue Bond	11,230	11,910	12,565	13,200	13,820	-	-	-	-	-
2011(a) Lease Revenue Bond	28,165	31,195	34,155	36,275	-	-	-	-	-	-
Total Public Financing Authority	39,395	43,105	46,720	49,475	55,385	59,815	63,130	66,330	70,005	73,555
Redevelopment Agency:										
1999 Tax Allocation Refunding Bonds	-	-	-	6,180	6,610	7,020	7,410	7,790	8,155	8,505
2002 Tax Allocation Refunding Bonds	-	-	-	13,525	14,470	15,380	16,250	17,095	17,910	18,700
Mayer Disposition and Development Agreement	-	-	-	5,803	6,153	6,503	6,810	7,101	8,197	10,083
Bella Terra OPA (Parking)	-	-	-	13,922	14,076	14,227	14,532	14,855	15,000	-
CIM DDA (Parking & Infrastructure)	-	-	-	7,288	7,444	7,768	-	-	-	-
CIM DDA (Additional Parking)	-	-	-	435	440	421	-	-	-	-
Section 108 Loan RDA/Bowen Court	-	-	-	3,997	5,725	6,140	6,530	6,895	7,235	7,550
Total Redevelopment Agency	-	-	-	51,150	54,918	57,459	51,532	53,736	56,497	44,838
Other Long-Term Obligations:										
Notes Payable	-	-	-	-	-	-	-	-	-	116
Energy Financing Loan	-	-	-	-	-	-	-	-	-	-
Capital Leases Payable	-	-	290	572	857	1,161	1,681	2,281	2,975	3,461
Property Tax Claims	-	-	-	-	-	-	-	-	-	-
PARS Payable	29	56	4,517	5,868	7,149	-	-	-	-	-
Section 108 Loan City	975	1,135	1,285	1,425	-	-	-	-	-	-
Total Other Long-Term Obligations	1,004	1,135	6,092	7,865	8,006	1,161	1,681	2,281	2,975	3,577
Total Long-Term Obligations - Governmental Activities	\$ 42,973	\$ 47,714	\$ 57,151	\$ 113,669	\$ 124,298	\$ 125,209	\$ 126,393	\$ 133,142	\$ 141,002	\$ 134,215
Long-Term Obligations - Business-Type Activities:										
Leases Payable	\$ -	\$ -	\$ 3	\$ 6	\$ 9	\$ 12	\$ 40	\$ 112	\$ 183	\$ 250
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 42,973	\$ 47,714	\$ 57,151	\$ 113,669	\$ 113,672	\$ 124,304	\$ 125,218	\$ 126,405	\$ 133,182	\$ 141,114
	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Population*	195,999	193,616	192,524	190,377	203,484	202,480	201,993	202,250	201,000	200,023
Debt Per Capita	\$ 219	\$ 246	\$ 297	\$ 300	\$ 559	\$ 578	\$ 712	\$ 619	\$ 623	\$ 705
Total Personal Income (In Thousands)**	\$ 8,278,410	\$ 7,839,899	\$ 7,573,894	\$ 7,356,548	\$ 8,440,720	\$ 8,207,324	\$ 8,000,943	\$ 7,626,443	\$ 7,436,799	\$ 7,284,238
Per Capita Personal Income**	\$ 42,237	\$ 40,492	\$ 39,340	\$ 38,642	\$ 41,481	\$ 40,534	\$ 39,610	\$ 37,708	\$ 36,999	\$ 36,417
Unemployment Rate***	3.60%	4.30%	6.30%	7.40%	7.80%	7.90%	4.70%	3.40%	2.70%	3.00%
Total Employment***	120,200	119,600	115,100	110,600	112,100	114,100	119,300	121,100	121,400	119,600

Source:

* State of California Department of Finance. FY 10/11 population decrease primarily attributed to the US Census adjustment

** Claritas, Inc.

*** State of California Employment Development Department

**CITY OF HUNTINGTON BEACH
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(In Thousands)**

	Assessed Valuation	Debt Limit - 12% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
2004-2005	20,412,840	2,449,541	-	2,449,541
2005-2006	21,717,225	2,606,067	-	2,606,067
2006-2007	23,781,272	2,853,753	-	2,853,753
2007-2008	25,361,377	3,043,365	-	3,043,365
2008-2009	26,102,478	3,132,297	-	3,132,297
2009-2010	26,411,890	3,169,427	-	3,169,427
2010-2011	26,675,055	3,201,007	-	3,201,007
2011-2012	26,723,376	3,206,805	-	3,206,805
2012-2013	28,045,479	3,365,457	-	3,365,457
2013-2014	29,165,729	3,499,887	-	3,499,887

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2014**

2013-14 Assessed Valuation \$31,197,655,554

Debt Repaid with Property Taxes (Tax and Assessment Debt):

Overlapping Tax and Assessment Debt	Percent Applicable (1)	Debt Applicable to City
Metropolitan Water District	1.4250%	\$ 1,884,919
Coast Community College District	29.2720%	178,441,731
Huntington Beach Union High School District	73.2280%	148,279,376
Huntington Beach City School District	99.8710%	20,707,215
Westminster School District	26.1790%	19,748,536
Los Alamitos Unified School District School Facilities District No. 1	1.1460%	1,152,419
City of Huntington Beach Community Facilities Districts	100.0000%	38,160,000
Total Overlapping Tax and Assessment Debt		\$ 408,374,196

Ratios to 2013-2014 Assessed Valuation

Total Overlapping Tax and Assessment Debt 1.31%

Direct and Overlapping General Fund Debt

Orange County General Fund Obligations	\$ 8,792,315
Orange County Pension Obligations	1,919,961
Orange County Board of Education Certificates of Participation	1,092,905
MWDOC Facilities Corporation	452,009
North Orange County Regional Occupation Program Certificates of Participation	8,987
Huntington Beach Union High School District Certificates of Participation	43,710,591
Los Alamitos Unified School District Certificates of Participation	453,446
Fountain Valley School Districts Certificates of Participation	2,039,151
Huntington Beach City School District Certificates of Participation	15,626,115
Ocean View School District Certificates of Participation	14,684,209
Westminster School District Certificates of Participation	5,987,137
City of Huntington Judgement Obligation Bonds	2,574,000
City of Huntington Reporting Entity Beach General Fund Obligations:	39,395,000
Total Gross Direct and Overlapping General Fund Debt	136,735,826
Less Self Supporting Debt of MWDOC Water Facilities Corporation	(452,009)
Total Net Direct and Overlapping General Fund Debt	\$ 136,283,817

Total Direct Debt	\$ 41,969,000
Total Gross Overlapping Debt	518,326,022
Total Net Overlapping Debt	517,874,013

Gross Combined Total Debt	\$ 560,295,022 (2)
Net Combined Total Debt	559,843,013

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$41,969,000)	0.13%
Gross Combined Total Debt	1.80%
Net Combined Total Debt	1.79%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,790,345,551)

Total Overlapping Tax Increment Debt	0.85%
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Source: California Municipal Statistics and City of Huntington Beach Finance Department

**CITY OF HUNTINGTON BEACH
PRINCIPAL PRIVATE EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

	2014	% of total
Boeing	5,581	4.64%
Quiksilver	1,228	1.02%
Cambro MFG Co.	951	0.79%
Ensign United States Drilling	925	0.77%
Hyatt Regency Huntington Beach	641	0.53%
C & D Aerospace	555	0.46%
Huntington Beach Hospital	527	0.44%
Walters Wholesale Electronics	480	0.40%
Wal-Mart	462	0.38%
Rainbow Disposal	408	0.34%
Total of top 10	11,758	9.78%
All others	108,442	90.22%
Total employment (public and private)	120,200	100.00%

	2004	% of total
Boeing	4,800	3.73%
Quiksilver	1,600	1.24%
Cambro Manufacturing	886	0.69%
Dynamic Cooking Systems	700	0.54%
C & D Aerospace	665	0.52%
Triad Financial	637	0.49%
E-Trade Mortgage	561	0.44%
Huntington Beach Hospital	513	0.40%
Rainbow Disposal	420	0.33%
Verizon	352	0.27%
Total of top 10	11,134	8.64%
All others	117,706	91.36%
Total employment (public and private)	128,840	100.00%

Source: Economic Development Department, City of Huntington Beach

Note: Information on the principal private employers is not readily available for fiscal year ending September 2003 and earlier. Until data is readily available, only the available years will be presented.

**CITY OF HUNTINGTON BEACH
FULL-TIME ACTUAL AND BUDGETED CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	Actual				Budgeted					
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager	11.50	7.00	7.00	7.00	6.00	9.00	9.00	8.00	7.00	8.00
City Treasurer	1.50	1.50	1.50	1.50	10.00	10.00	10.00	10.00	10.00	16.00
City Attorney	11.00	11.00	11.00	11.00	17.00	18.00	18.00	18.00	17.00	17.00
City Clerk	4.00	4.00	4.00	4.00	8.00	8.00	8.00	7.50	7.50	7.50
Finance	31.50	29.50	29.50	29.50	32.00	33.00	33.00	33.00	31.00	22.00
Human Resources	15.00	14.50	15.00	15.00	20.50	20.50	20.50	20.00	22.00	21.00
Planning	43.00	42.75	42.75	43.75	26.00	28.00	28.00	28.00	28.00	26.50
Building *	-	-	-	-	25.75	30.50	31.50	31.50	31.50	29.50
Information Systems	30.00	29.50	29.50	29.50	39.00	40.00	39.00	38.00	37.00	36.00
Economic Development **	-	4.50	5.50	11.50	14.00	14.00	14.00	13.00	13.00	14.00
Library Services	28.25	27.75	27.75	29.75	32.25	37.25	37.25	37.25	37.25	37.25
Fire	196.50	176.50	176.50	176.50	176.00	185.00	185.00	184.00	157.00	156.00
Police	360.50	358.50	363.00	367.00	355.00	381.00	381.00	376.00	371.50	371.00
Community Services	43.00	56.00	61.00	61.00	65.75	69.75	69.75	69.75	66.50	62.25
Public Works	196.00	196.00	196.00	203.00	227.00	258.00	258.00	255.00	247.00	239.00
	972.75	960.00	971.00	991.00	1,055.25	1,143.00	1,143.00	1,130.00	1,084.25	1,064.00

Source: Finance Department, City of Huntington Beach

Note: Actual full-time city employees by function/program data available only for fiscal year ended September 30, 2010.

Budgeted full-time employees provided for remaining years.

* Building and Planning reported as a combined figure for fiscal year ended September 30, 2011 and subsequent years.

** The Economic Development department was merged into the City Manager's Office for fiscal year ended September 30 2014 and subsequent years.

CITY OF HUNTINGTON BEACH

**OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST EIGHT FISCAL YEARS**

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007
Finance:								
Water Bills Processed	630,240	628,207	646,229	630,268	640,351	641,602	642,883	630,228
Active Business Licenses	20,450	21,127	22,304	21,903	21,045	20,841	21,129	20,670
Accounts Receivable Billings Processed	42,360	45,422	45,422	42,968	37,146	31,894	26,263	21,352
City Clerk:								
Passports Issued	4,598	4,220	3,850	3,082	3,251	3,186	4,386	5,687
Planning:								
Entitlements Processed	204	231	205	195	353	465	674	504
Plan Reviews	1,466	1,575	1,184	1,524	2,216	1,447	1,941	1,456
Field Inspection Complaints	7,030	7,301	6,105	6,064	8,187	9,345	7,932	5,273
Code Violation Cases	2,545	2,385	2,573	2,521	3,315	3,876	3,385	2,231
Building:								
Number of Permits Issued	9,348	8,970	8,444	8,413	8,037	8,114	9,254	4,355
Number of Inspections Completed	36,142	33,962	31,224	29,905	29,792	33,734	40,510	42,181
Value of Construction Permits (Thousands of Dollars)	216,343	248,246	190,992	104,238	91,049	72,727	123,843	141,277
Processed Number of Certificate of Occupancies *	n/a	477	647	765	796	484	540	590
Completed Plan Reviews	3,148	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Counter Visits	21,326	20,854	19,777	20,288	20,272	19,149	18,775	n/a
Fire:								
Inspections	6,641	5,087	6,974	7,858	7,450	6,375	6,203	4,900
Responses	15,815	15,608	15,040	15,940	15,629	14,130	13,879	12,400
Ocean Recues	6,426	4,195	4,669	3,845	2,822	6,047	n/a	n/a
Estimated Beach Visitors	12,035,134	11,016,615	8,906,592	7,840,968	8,208,477	9,922,165	10,452,461	10,363,719
Police:								
Physical Arrests	4,303	4,237	5,774	6,457	5,695	6,380	6,930	5,576
Parking Violations	74,668	72,347	77,282	77,261	74,115	55,840	67,270	123,096
Traffic Violations	16,330	13,016	16,916	16,770	22,660	19,433	18,882	19,859
Community Services:								
Park/Open Space Acreage	1,062	1,062	1,062	998	1,003	999	1,001	999
Enrollment in Recreation Classes	30,184	30,218	32,817	32,565	31,743	32,906	35,537	34,932
Public Works:								
Water Sold (Acre Feet)	29,279	28,354	27,784	26,868	27,268	30,537	30,518	31,128
Gallons of Sewage Pumped Per Day	22 million	22 million	22 million	22 million	22 million	23 million	23 million	23 million
Library:								
Items in Collection	332,092	385,901	420,956	427,707	437,603	440,578	438,467	431,304
Items Borrowed	937,533	892,543	888,019	943,695	1,009,634	944,492	879,225	826,921

* Beginning the 2013/14 Fiscal Year, the Building Department no longer processes Certificate of Occupancies.

Source: Various departments of the City of Huntington Beach

**CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
SEPTEMBER 30, 2014**

Library Services	One Main Library and Four Branches
Fire:	
Fire Stations	8
Police:	
Stations	One Main Station and Three Substations
Community Services:	
Acreage of Parks	1,062
Community Centers	6
Miles of Beach Maintained	4.7
Public Works:	
Centerline Square Miles of Streets Maintained	443
Miles of Storm Drains Maintained	118
Miles of Sewer Maintained	360

Source: Various departments of the City of Huntington Beach