

City of Huntington Beach,  
California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE YEAR ENDED SEPTEMBER 30, 2012**



# **CITY OF HUNTINGTON BEACH, CALIFORNIA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**Prepared by the Finance Department**

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# **INTRODUCTORY SECTION**

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**City of Huntington Beach  
Comprehensive Annual Financial Report  
Year Ended September 30, 2012**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Table of Contents.....	<i>i-ii</i>
Letter of Transmittal .....	<i>iii-viii</i>
City Officials .....	<i>ix</i>
Organizational Chart .....	<i>x</i>
Certificate of Achievement in Excellence in Financial Reporting.....	<i>xi</i>

**FINANCIAL SECTION**

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (Required Supplementary Information) .....	4-18
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	21
Statement of Activities .....	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26
Statement of Net Assets – Proprietary Funds .....	27
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	28
Statement of Cash Flows – Proprietary Funds.....	29
Statement of Fiduciary Fund Net Assets.....	30
Statement of Changes in Fiduciary Fund Net Assets – Trust Funds.....	30
Notes to Financial Statements .....	33-102
<b>Required Supplemental Information:</b>	
Budgetary Information.....	106
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget And Actual – General Fund.....	107
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget And Actual – Grants Special Revenue Fund.....	108
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget And Actual – LMIHAF Capital Projects Fund .....	109
Schedule of Funding Progress (Normal Retirement Plan, Supplemental Retirement Plan, And Other Postemployment Benefits).....	110-111
Schedule of Employer Contributions (Supplemental Retirement Plan) .....	111

## FINANCIAL SECTION (Continued)

### Supplementary Information:

Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Other Governmental Funds .....	115-118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Other Governmental Funds .....	119-122
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Other Governmental Funds .....	123-132
Combining Statement of Fiduciary Fund Net Assets.....	136
Combining Statement of Changes in Fiduciary Assets and Liabilities.....	137-138

## STATISTICAL SECTION

Net Assets by Component – Last Ten Fiscal Years .....	141-142
Changes in Net Assets – Last Ten Fiscal Years .....	143-144
Fund Balances – Governmental Funds – Last Ten Fiscal Years .....	145
Changes in Fund Balances – Last Ten Fiscal Years.....	147-148
Assessed and Actual Valuation of All Taxable Property (Excluding Redevelopment Agency) - Last Ten Fiscal Years .....	149
Property Tax Rates – All Direct and Overlapping Government Tax Rate 04-001 Largest Area in City – Last Ten Fiscal Years .....	149
Property Tax Levies and Collections – Last Ten Fiscal Years .....	150
Top Ten Property Tax Payers – Current Year and Ten Years Ago .....	151
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years .....	152
Legal Debt Margin – Last Ten Fiscal Years .....	152
Statement of Direct and Overlapping Bonded Debt .....	153
Principal Private Employers – Current Year and Six Years Ago .....	154
Full-Time Actual and Budgeted City Employees by Program/Function – Last Ten Fiscal Years.....	154
Operating Indicators by Function/Activity – Last Eight Fiscal Years.....	155
Capital Assets Statistics by Function/Activity .....	155



# CITY OF HUNTINGTON BEACH

April 30, 2013

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, 2012.

As required by the City Charter, and to ensure the reliability of the information contained within this report, the City of Huntington Beach contracted with the independent auditing firm of Macias Gini & O'Connell, 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, Macias Gini & O'Connell, LLP granted the City an unqualified (clean) opinion for the fiscal year ended September 30, 2012. 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.

## **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 192,500 residents, it is known as Surf City due to its abundance of beaches; the sunny, warm Mediterranean climate; and its casual lifestyle. With over ten 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.

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.

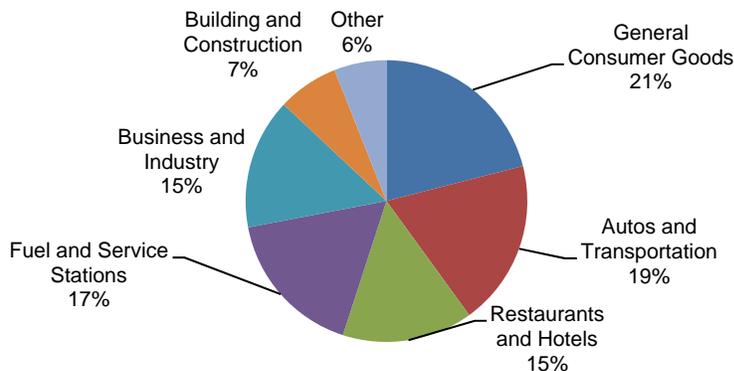
On August 22, 2011, the unincorporated County oceanfront community of Sunset Beach was officially annexed by the City of Huntington Beach. Sunset Beach is a small beachfront community with approximately 1,000 residents and 1.5 square miles of land. Beachfront properties with high property values make 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, Huntington Beach is also home to numerous national events such as the U.S. Open of Surfing which attracts 400,000 visitors annually; the Surf City Marathon; AVP Pro Beach Volleyball; and the Annual Paintball Tournament. The City's most iconic event, however, is its Fourth of July Fireworks and Parade with half a million attendees annually. The City also recently attracted the Annual Concours d'Elegance Car Show attracting 5,000 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 16<sup>th</sup> largest in California, more than 115,100 people are currently employed by over 5,400 businesses and governmental entities in the City. With an unemployment rate of 6.3 percent, well below the national and state levels, the City's employment base 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.

**City of Huntington Beach**  
**Composition of Sales Tax Revenue**  
**Fiscal Year 2011/2012**



**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.

Local Economy

During the past five years, the City of Huntington Beach's economy has felt the impacts of the global economic downturn. However, as of September 30, 2012, the City's economy is on a solid trajectory toward recovery. The emphasis placed on economic development, even during the height of the recession, is yielding significant dividends and restoring the City's revenue base close to or greater than pre-recession levels.

This slow yet steady economic rebound has been demonstrated in most major revenue categories including the City's property, sales, transient occupancy tax, utility users' tax, parking, permitting and fee based revenues. As a result, Huntington Beach was able to create a new Budget Stabilization Fund, totaling \$3.1 million, to protect the City's budget from unanticipated cost increases and State takeaways, in addition to the City's emergency reserves.

#### Budget Development and Monitoring

The City operates on a fiscal year basis, beginning October 1<sup>st</sup> and ending September 30<sup>th</sup>. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation 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 30<sup>th</sup> 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, 2012 was 1.05%. The City Treasurer, as required by California Government Code 53601, has prepared an annual statement of investment policy which allows for 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, updated semi-annually by the City Council, provides the framework for developing the goals and objectives of the City for the upcoming six to twelve months. In 2012, the City Council updated the Strategic Plan to include five new goals:

- Improve long-term financial sustainability;
- Maintain public safety;
- Improve the City's infrastructure;
- Enhance economic development; and,
- Develop, retain and attract quality staff.

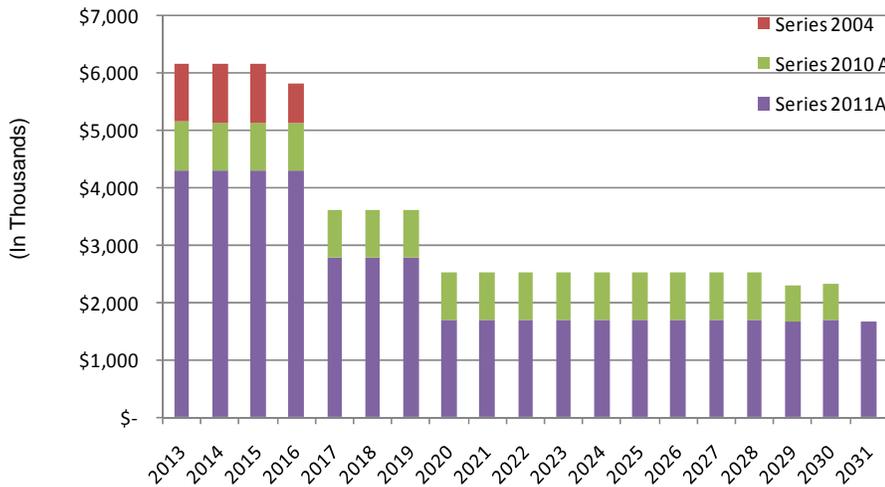
To meet the Strategic Plan goal of improving the City's long-term financial sustainability, the City's Long-Term Financial Plan was updated to provide a new five-year forecast. This plan enables the City to forecast cause and effect relationships for important financial decisions such as employee labor contracts, capital projects, equipment replacements, as well as revenue fluctuations due to the recovering economy or other factors. The City's Strategic Plan drives budgetary decisions and the day-to-day

operations of the departments by ensuring everyone is consistently working to achieve the goals outlined by the City Council in the Plan.

**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 2.97 percent of General Fund expenditures. In addition, approximately 67 percent of all General Fund debt matures in 10 years, placing the City in a solid position to reinvest freed up resources in the next decade. Huntington Beach also has no variable rate exposure, eliminating volatility in its debt service projections and ensuring reliable forecasting for future budgets.

**City of Huntington Beach**  
**General Fund Supported Annual Debt Service**



**Pension and Other Post Employment Benefits**

As a result of vacancy savings throughout city departments, due to the City’s hiring freeze, the City was also able to contribute an additional \$747,000 for its Retiree Medical and Retiree Supplemental Plans over the plans’ annual required contributions. In addition, the City set aside \$698,000 in fund balance for its Retiree Medical Plans for additional fiscal year 2012/13 contributions. As the Retiree Medical and Retiree Supplemental Plans have funded ratios of 47.5 percent as of June 30, 2011 and 43.0 percent as of September 30, 2011, respectively, these additional contributions and set aside in fund balance will help improve the funded status of both plans, helping secure the benefits for the employees they were designed to serve.

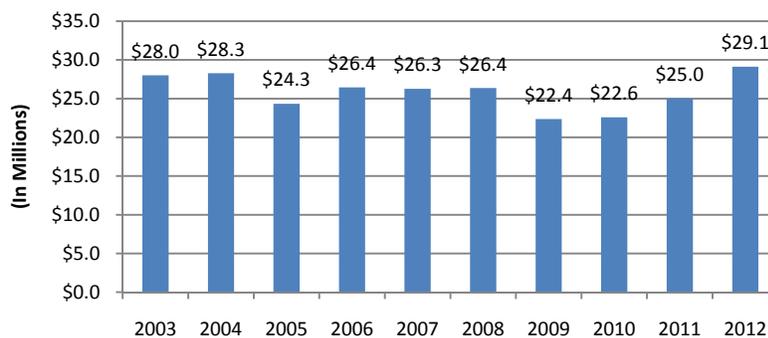
**Major Initiatives**

**Rebuilding the Retail Base**

As cities throughout the State wrestled through the quagmire of the State’s abolishment of redevelopment agencies, Huntington Beach forged ahead utilizing economic development as the stimulus package for reinvigorating the local economy. Despite the elimination of redevelopment funding, the City partnered successfully with developers to complete several major retail and development projects injecting new fuel into the nascent economic recovery. Attracting new retailers into Huntington Beach precisely at the dawn of the economic recovery, the City positioned itself to maximize on increasing consumer confidence and a rebound in spending.

In the fiscal year ended September 30, 2012, several major retail projects were completed, including a 145,000 square foot Costco store with fuel sales slated to add more than \$1.0 million to the sales tax base annually. Several new retailers such as Nordstrom Rack, Dick's Sporting Goods, and Hobby Lobby helped to round out the choices for consumers poised to spend discretionary income. The retail sector in particular helped catapult the City's sales tax revenue to all-time highs. Fiscal Year 2011/12 represented a banner year for sales tax revenue totaling \$29.1 million by year end. As cities throughout the State wind down the activities of their former redevelopment agencies, identifying new and creative ways of revitalizing the local economy will be the hallmark of the future.

**City of Huntington Beach**  
**Historical Sales Tax Revenue**



**Economic Development – the City’s Stimulus Package**

Utilizing economic development projects as the City’s own stimulus project, the City made significant progress in securing entitlements, issuing permits or finalizing plans for the following projects in Fiscal Year 2011/12:

***Pacific City***

The Pacific City development will create an upscale retail village consisting of 191,000 square feet of unique and boutique retail and restaurant space overlooking the Pacific Ocean. The facility will include a high-end boutique Hotel with Spa and Conference Center (250 rooms), 516 luxury residential units with concierge services. The expected completion date is 2015.

***Bella Terra Phase II***

The second phase of the successful Bella Terra Regional Center projects featured the May 2012 opening of Costco along with 467 luxury apartment units at the Residences at Bella Terra, and a 24-hour gym, pool and park area for all residents. Bella Terra Phase II will also feature 47,000 square feet of retail space adjacent to an open-space courtyard setting. This much anticipated project has spurred additional new retail opportunities with new Dick’s Sporting Goods, Hobby Lobby and Nordstrom Rack opening up in Fiscal Year 2011/12 as well.

***Waterfront Hilton Tower Expansion***

The acclaimed Waterfront Hilton Hotel Resort, has finalized plans and is currently finalizing its financing for a second hotel tower consisting of 250 suites, a state-of-the-art 20,000 square feet luxury spa and additional Conference Center space.

### Reinvesting in Infrastructure

A central tenet of a City's economic resilience is the condition and appearance of its infrastructure. Recognizing that the condition of the City's infrastructure is central to maintaining and attracting a thriving businesses sector, the City catapulted its spending for capital projects and infrastructure with \$21.1 million in Construction in Progress spending. An additional \$1.3 million in street repairs represented the first year of a multi-year effort to improve the City's Pavement Condition Index (PCI) pursuant to the Pavement Management Plan updated during Fiscal Year 2011/12. As a result, the City was able to repair two additional miles of arterial highways and an additional 10 miles of residential streets. The City also received approval for \$4.2 million in grants for street and bridge projects and \$2.5 million in federal funds for the Heil Pump Station.

Reinvesting funding into additional street repairs started a multi-year effort to improve the City's aging infrastructure despite its fiscal challenges. Further cementing this commitment to infrastructure is the mandate contained in the City Charter that 15 percent of General Fund revenue is spent on infrastructure. As external funding for infrastructure continues to dwindle, Huntington Beach will continue to re-invest in its infrastructure demonstrating that before we can expect anyone to invest in our community, we must invest in ourselves.

### **Awards and Acknowledgements**

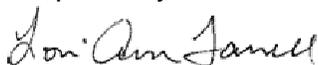
Last year, the City of Huntington Beach was once again the honored recipient of the "Certificate of Achievement for Excellence in Financial Reporting" award bestowed by the Government Finance Officers Association (GFOA) of the United States and Canada. This was the 26th consecutive year the City has 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, 2011, 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 their 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 not have been possible without the efficient and dedicated services of the Finance Department. Specifically, I would like to thank Dahle Bulosan, Sunny Han, and Dennis Jaw for their hard work, dedication and commitment.

Respectfully,



Lori Ann Farrell  
Director of Finance

# **City of Huntington Beach**

## **City Council**

Connie Boardman, Mayor  
Matthew Harper, Mayor Pro Tem

Joe Carchio, Councilmember  
Jill Hardy, Councilmember  
Jim Katapodis, Councilmember  
Joe Shaw, Councilmember  
Dave Sullivan, Councilmember

## **Executive Team**

Fred A. Wilson, City Manager  
Robert Hall, Assistant City Manager  
Teri Baker, Assistant to the City Manager  
Laurie E. Payne, Community Relations Officer

## **City Treasurer**

Alisa Cutchen

## **Elected Department Heads**

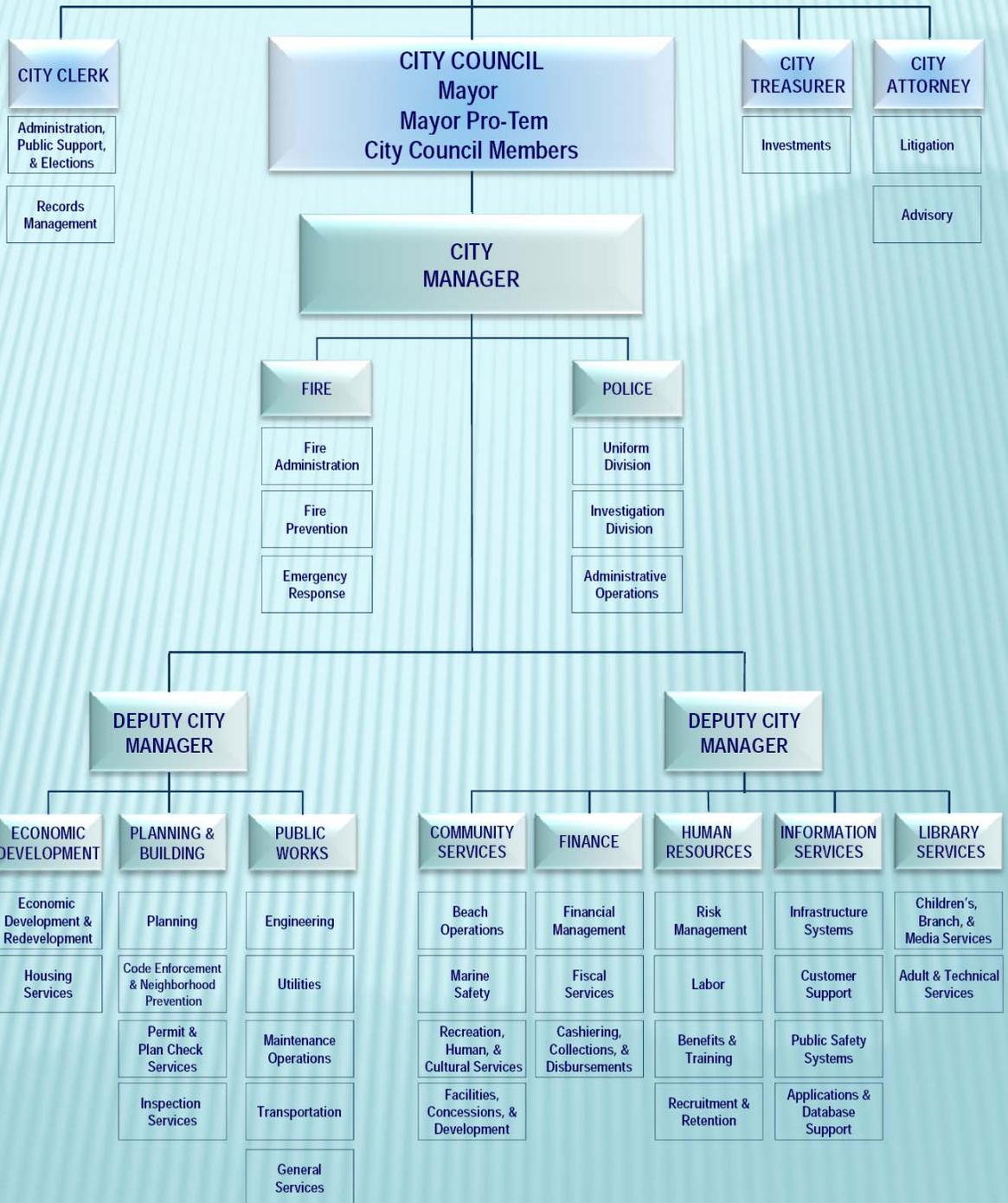
Joan L. Flynn, City Clerk  
Jennifer M. McGrath, City Attorney

## **Department Directors**

Stephanie Beverage, Library Services  
Michele Carr, Human Resources  
Janeen Laudenback, Community Services  
Lori Ann Farrell, Finance  
Robert Hall, Economic Development  
Scott Hess, Building & Planning  
Travis Hopkins, Public Works  
Jack Marshall, Information Services  
Chief Patrick McIntosh, Fire  
Chief Kenneth W. Small, Police

# City of Huntington Beach

## THE PEOPLE



# 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, 2011

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



*Christopher P. Mouill*

President

*Jeffrey R. Egan*

Executive Director

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# **FINANCIAL SECTION**

The Honorable Mayor and  
Members of City Council  
City of Huntington Beach, California

### Independent Auditor's Report

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 12 and 15b to the basic financial statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of Huntington Beach, became responsible for overseeing the dissolution process and the wind down of redevelopment activity.

As discussed in Note 15b to the basic financial statements, the Successor Agency to the Redevelopment Agency of the City of Huntington Beach, is in the process of resolving disagreements with the conclusions rendered by the California Department of Finance on the amounts due to taxing entities as noted in the Due Diligence Review for the Low and Moderate Income Housing Fund and on certain obligations listed on the Recognized Obligations Payment Schedule. On March 15, 2013, a petition for writ of mandate was filed with the Superior Court challenging the results of the determination letter issued by the Department of Finance. Further, the review for all other former Redevelopment Agency funds was submitted to the Department of Finance on January 15, 2013, which showed zero balances available to be remitted to taxing agencies. The Department of Finance's response is still pending as of the time of

statements. Due to the uncertainties surrounding the outcome of the dispute with the Department of Finance, the ultimate outcome of these issues cannot presently be determined, and accordingly, no provision for any liability that may result has been recorded in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Macias Jini & O'Connell LLP*

Newport Beach, California  
April 30, 2013

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## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

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, 2012. 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-viii 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, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,048,573	\$ 1,054,953	\$ (6,380)	-0.6%
Liabilities	113,290	170,892	(57,602)	-33.7%
Total Net Assets	935,283	884,061	51,222	5.8%
Unrestricted Net Assets	116,784	100,499	16,285	16.2%
Long-Term Obligations	93,676	149,259	(55,583)	-37.2%
Program Revenues	122,956	118,588	4,368	3.7%
Taxes	137,989	143,898	(5,909)	-4.1%
Other General Revenues	16,060	13,081	2,979	22.8%
Extraordinary Gain	23,960	-	23,960	N/A
Expenses	249,743	254,903	(5,160)	-2.0%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$935,283,000. Of this amount, \$116,784,000 may be used to meet the City's ongoing obligations to citizens and creditors. Net assets increased \$51,222,000 or 5.8%. This increase is due in large part to the transfer of long-term obligations to the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund (Successor Agency) as a result of the dissolution of the former Redevelopment Agency. Unrestricted net assets increased by \$16,285,000 or 16.2%.
- Long-term obligations decreased by \$55,583,000 or 37.2%. This decrease is primarily due to the dissolution of the former Redevelopment Agency where the debts of the former Redevelopment Agency were transferred to the Successor Agency. In addition, debt service payments reduced the long-term obligations.
- Program revenues increased by \$4,368,000 or 3.7%. This increase is primarily due to fees paid by developers for large scale developments on Edinger Corridor. Taxes decreased \$5,909,000 or 4.1% due in large part to the dissolution of the former Redevelopment Agency. Tax Increment is no longer recorded as a governmental revenue. Effective February 1, 2012, revenues in the former Redevelopment Agency were recorded in the Successor Agency Fund. Other General Revenues increased by \$2,979,000 or 22.8% primarily due to an increase in unrestricted revenues from other agencies.
- Expenses decreased by \$5,160,000 or 2.0% due to the dissolution of the former Redevelopment Agency. As of February 1, 2012, expenses in the former Redevelopment Agency were accounted for in the Successor Agency Fund.



## **City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012**

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

The statement of activities presents information on how the City's net assets 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 & 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. These entities are the former Redevelopment Agency of the City of Huntington Beach (which dissolved as of February 1, 2012), the Huntington Beach Public Financing Authority, and various assessment districts described in Note 1 to the financial statements.

The government-wide financial statements can be found on pages 21-22 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, 2012

### **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 23 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 20 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 107 and 108 of this report and demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 23 and 25 of this report.

### **Proprietary Funds**

Proprietary funds or enterprise funds are used to account for the same activities as the 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.

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, and Hazmat Service Funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 27-29 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



## **City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012**

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 30 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 33-102 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 budget-to-actual comparisons. Required supplementary information can be found on pages 110-111 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 115-122 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets 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 asset balances for both governmental and business-type activities, with total assets exceeding liabilities by \$935,283,000.



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

Below is a summary schedule of the City's net assets at September 30, 2012 (in thousands):

	September 30, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Governmental Activities</b>				
Current and Other Assets	\$ 154,811	\$ 152,402	\$ 2,409	1.6%
Capital Assets	660,641	672,119	(11,478)	-1.7%
<b>Total Assets</b>	<b>815,452</b>	<b>824,521</b>	<b>(9,069)</b>	<b>-1.1%</b>
Current and Other Liabilities	13,167	14,424	(1,257)	-8.7%
Long-Term Obligations	92,621	148,166	(55,545)	-37.5%
<b>Total Liabilities</b>	<b>105,788</b>	<b>162,590</b>	<b>(56,802)</b>	<b>-34.9%</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	612,346	569,497	42,849	7.5%
Restricted	44,220	51,195	(6,975)	-13.6%
Unrestricted	53,098	41,239	11,859	28.8%
<b>Total Net Assets</b>	<b>\$ 709,664</b>	<b>\$ 661,931</b>	<b>\$ 47,733</b>	<b>7.2%</b>

	September 30, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Business-Type Activities</b>				
Current and Other Assets	\$ 98,992	\$ 95,550	\$ 3,442	3.6%
Capital Assets	134,129	134,882	(753)	-0.6%
<b>Total Assets</b>	<b>233,121</b>	<b>230,432</b>	<b>2,689</b>	<b>1.2%</b>
Current and Other Liabilities	6,447	7,209	(762)	-10.6%
Long-Term Obligations	1,055	1,093	(38)	-3.5%
<b>Total Liabilities</b>	<b>7,502</b>	<b>8,302</b>	<b>(800)</b>	<b>-9.6%</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	134,129	134,882	(753)	-0.6%
Restricted	27,804	27,988	(184)	-0.7%
Unrestricted	63,686	59,260	4,426	7.5%
<b>Total Net Assets</b>	<b>\$ 225,619</b>	<b>\$ 222,130</b>	<b>\$ 3,489</b>	<b>1.6%</b>

### Analysis of the City's Net Assets

**Current and Other Assets:** The increase in current and other assets of \$2,409,000 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 Liabilities:** The decrease in current and other liabilities of \$1,257,000 is primarily due to decreases in accrued payroll costs as a result of personnel reductions due in part to the transfer of employee costs to the Successor Agency from the former Redevelopment Agency and cuts in personnel due to budget cost-saving measures implemented during the fiscal year.

**Long-Term Obligations:** The decrease in long-term obligations of \$55,545,000 is primarily due to the dissolution of the former Redevelopment Agency and the subsequent transfer of long-term liabilities to the Successor Agency.



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

**Invested in Capital Assets, Net of Related Debt:** The largest portion of the City's net assets 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 assets invested in capital assets net of related debt from governmental activities increased \$42,849,000 or 7.5%. The increase was primarily due to the transfer of outstanding debt related to capital assets of the former Redevelopment Agency which were transferred to the Successor Agency. Net assets invested in capital assets net of related debt from business-type activities decreased \$753,000 or 0.6% due to an increase in accumulated depreciation related to the City's water and sewer systems.

**Restricted Net Assets:** An additional portion of the City's net assets is subject to external (legally imposed or statutory) restrictions (\$44,220,000 for governmental activities, and \$27,804,000 for business-type activities). These amounts represent 6.2% and 12.3% of net assets for governmental activities and business-type activities, respectively. Restricted net assets from governmental activities decreased \$6,975,000 or 13.6%. The decrease is primarily due to a reduction in restricted receivables and funds restricted for debt service which were transferred to the Successor Agency as a result of the dissolution of the former Redevelopment Agency. Restricted net assets from business-type activities decreased by \$184,000 or 0.7% primarily due to restricted funds used for improvement to the City's water and sewer systems.

**Unrestricted Net Assets:** The unrestricted assets (\$53,098,000 for governmental activities and \$63,686,000 for business-type activities) represent 7.5% and 28.2% of net assets for governmental activities and business-type activities, respectively. Unrestricted net assets for governmental activities increased \$11,859,000 or 28.8% primarily due to an extraordinary gain as a result of the dissolution of the former Redevelopment Agency, pursuant to the enactment of the California Assembly Bill ABX1 26 that dissolved all redevelopment agencies in the State of California. Unrestricted net assets for business-type activities increased by \$4,426,000 or 7.5%. This increase was primarily due to increases in water and sewer operating revenue.



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

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

	Governmental Activities			
	September 30, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for Current Services	\$ 52,832	\$ 48,347	\$ 4,485	9.3%
Operating Grants and Contributions	5,088	8,914	(3,826)	-42.9%
Capital Grants and Contributions	6,624	5,198	1,426	27.4%
<b>Total Program Revenues</b>	<b>64,544</b>	<b>62,459</b>	<b>2,085</b>	<b>3.3%</b>
<b>General Revenues:</b>				
Property Taxes	74,856	86,056	(11,200)	-13.0%
Sales Taxes	30,051	25,339	4,712	18.6%
Utility Taxes	20,152	19,135	1,017	5.3%
Other Taxes	12,930	13,368	(438)	-3.3%
Use of Money and Property	3,434	3,239	195	6.0%
From Other Agencies - Unrestricted	6,585	5,647	938	16.6%
Other	4,941	3,060	1,881	61.5%
<b>Total General Revenues</b>	<b>152,949</b>	<b>155,844</b>	<b>(2,895)</b>	<b>-1.9%</b>
<b>Total Revenues</b>	<b>217,493</b>	<b>218,303</b>	<b>(810)</b>	<b>-0.4%</b>
<b>Expenses:</b>				
City Council	310	300	10	3.3%
City Manager	1,767	1,502	265	17.6%
City Treasurer	141	1,274	(1,133)	-88.9%
City Attorney	2,313	2,354	(41)	-1.7%
City Clerk	689	813	(124)	-15.3%
Finance	4,573	3,423	1,150	33.6%
Human Resources	4,743	4,792	(49)	-1.0%
Planning and Building	6,123	6,036	87	1.4%
Fire	35,336	35,393	(57)	-0.2%
Information Services	5,857	5,909	(52)	-0.9%
Police	60,690	60,192	498	0.8%
Economic Development	3,703	10,876	(7,173)	-66.0%
Community Services	15,586	16,104	(518)	-3.2%
Library Services	3,777	3,838	(61)	-1.6%
Public Works	26,508	27,232	(724)	-2.7%
Non-Departmental	19,190	19,595	(405)	-2.1%
Interest on Long-Term Debt	2,376	6,287	(3,911)	-62.2%
<b>Total Expenses</b>	<b>193,682</b>	<b>205,920</b>	<b>(12,238)</b>	<b>-5.9%</b>
<b>Change in Net Assets Before Transfers</b>	<b>23,811</b>	<b>12,383</b>		
Transfers	(38)	(38)		
<b>Change in Net Assets After Transfers</b>	<b>23,773</b>	<b>12,345</b>		
<b>Extraordinary Gain</b>	<b>23,960</b>	<b>-</b>		
<b>Change in Net Assets</b>	<b>47,733</b>	<b>12,345</b>		
<b>Net Assets - Beginning of Year</b>	<b>661,931</b>	<b>649,586</b>		
<b>Net Assets - End of Year</b>	<b>\$ 709,664</b>	<b>\$ 661,931</b>		

The cost of all governmental activities this year was \$193,682,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$129,138,000, because costs of \$52,832,000 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 \$5,088,000, and capital grants and contributions of \$6,624,000. Overall, the City's governmental program revenues were \$64,544,000. The City paid for the remaining "public benefit" portion of governmental activities with \$152,949,000 in taxes and general revenue (some of which



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

could only be used for certain programs) and with other revenues, such as interest and general entitlements. Charges for Current Services increased by \$4,485,000 or 9.3% due to increases in fire, community services, and building and planning revenues.

Operating Grants and Contribution decreased by \$3,826,000 or 42.9% primarily due to a decrease in public works grants from the prior year. Capital Grants and Contributions have increased by \$1,426,000 or 27.4% primarily due to increases in economic development and public works grants.

Program expenses decreased by \$12,238,000 due to the following:

- Economic Development decreased by \$7,173,000 due to the dissolution of the former Redevelopment Agency and the subsequent transfer of redevelopment expenses approved by the Department of Finance to the Successor Agency.
- Interest on Long-Term Debt decrease by \$3,911,000 due to the dissolution of the former Redevelopment Agency and the subsequent transfer interest expense related to former redevelopment long-term liabilities to the Successor Agency Private-Purpose Trust Fund.

Total resources available during the year to finance governmental operations were \$879,386,000 consisting of net assets at October 1, 2011, of \$661,931,000, program revenues of \$64,544,000, general revenues of \$152,949,000, less transfers of \$38,000. Total expenses for governmental activities during the year were \$193,682,000 and there was an extraordinary gain of \$23,960,000 thus, net assets were increased by \$47,733,000, to \$709,664,000.

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

	Business-Type Activities			
	September 30, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Program Revenues:</b>				
Charges for Current Services	\$ 58,412	\$ 56,129	\$ 2,283	4.1%
<b>Total Program Revenues</b>	<b>58,412</b>	<b>56,129</b>	<b>2,283</b>	<b>4.1%</b>
Use of Money and Property	1,100	1,135	(35)	-3.1%
<b>Total Revenues</b>	<b>59,512</b>	<b>57,264</b>	<b>2,248</b>	<b>3.9%</b>
<b>Expenses:</b>				
Water Utility	37,437	31,712	5,725	18.1%
Refuse Collection	10,785	10,690	95	0.9%
Sewer Service	7,623	6,338	1,285	20.3%
Hazmat Service	216	243	(27)	-11.1%
<b>Total Expenses</b>	<b>56,061</b>	<b>48,983</b>	<b>7,078</b>	<b>14.4%</b>
<b>Increase in Net Assets Before Transfers</b>	<b>3,451</b>	<b>8,281</b>		
Transfers	38	38		
<b>Total Change In Net Assets</b>	<b>3,489</b>	<b>8,319</b>		
<b>Net Assets - Beginning of Year</b>	<b>222,130</b>	<b>213,811</b>		
<b>Net Assets - End of Year</b>	<b>\$ 225,619</b>	<b>\$ 222,130</b>		

The City's net assets from business-type activities increased by \$3,451,000 before transfers. Contributing to this increase were net program revenue of \$2,351,000 and



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

interest income of \$1,100,000. Use of money and property decreased by \$35,000 due to a decrease in the rate of return of the City's cash and investments.

The cost of all Business-Type activities this year was \$56,061,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$58,412,000, there were no capital grants and contributions, other revenue was \$1,100,000, and transfers were \$38,000. Beginning net assets were \$222,130,000 and ending net assets were \$225,619,000. Of the ending net asset amount, \$134,129,000, or 59.5%, was invested in capital assets, \$27,804,000 or 12.3% was restricted for expenses for the Water Master Plan, and \$63,686,000, or 28.2% was unrestricted.

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

### 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):

	<b>GOVERNMENTAL FUNDS</b>			
	September 30, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Total Fund Equity:</b>				
General Fund	\$ 54,435	\$ 54,556	\$ (121)	-0.2%
Grants Special Revenue Fund	514	1,093	(579)	-53.0%
LMIHAF Capital Projects Fund	9,886	-	9,886	N/A
<b>Total Fund Equity</b>	<b>\$ 64,835</b>	<b>\$ 55,649</b>	<b>\$ 9,186</b>	<b>16.5%</b>

The General Fund Balance decreased by \$121,000 primarily due to the transfer of land held for resale from the General Fund to the Huntington Beach Redevelopment Successor Agency Private Purpose Trust as a result of the dissolution of the former Redevelopment Agency.

The Grants Special Revenue Fund Balance decreased by \$579,000 primarily due to grant-related expenditures incurred during the fiscal year which were not reimbursed until after the City's revenue recognition period.

The LMIHAF Capital Projects Fund Balance increased by \$9,886,000 due to the transfer of the assets and liabilities of the Low-Income Housing Capital Projects Fund to the LMIHAF Capital Projects Fund as a result of the dissolution of the former Redevelopment Agency. This fund was established in the current fiscal year to account for the housing activities of the former Redevelopment Agency.



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

### 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, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Net Assets:</b>				
Water Fund	\$ 163,583	\$ 164,199	\$ (616)	-0.4%
Sewer Fund	61,798	57,672	4,126	7.2%
Refuse Fund	83	31	52	167.7%
Hazmat Service Fund	155	228	(73)	-32.0%
<b>Total Net Assets</b>	<b>\$ 225,619</b>	<b>\$ 222,130</b>	<b>\$ 3,489</b>	<b>1.6%</b>
<b>Unrestricted Net Assets:</b>				
Water Fund	\$ 38,289	\$ 37,727	\$ 562	1.5%
Sewer Fund	25,159	21,274	3,885	18.3%
Refuse Fund	83	31	52	167.7%
Hazmat Service Fund	155	228	(73)	-32.0%
<b>Total Unrestricted Net Assets</b>	<b>\$ 63,686</b>	<b>\$ 59,260</b>	<b>\$ 4,426</b>	<b>7.5%</b>

The Water Fund total net assets decreased by \$616,000 and unrestricted net assets increased by \$562,000. Total net assets decreased in large part due to increases in repairs and maintenance costs. Unrestricted net assets increased in large part due to reimbursements from Sunset Beach Sanitary District.

The Sewer Fund net assets increased by \$4,126,000 and unrestricted net assets increased by \$3,885,000. This increase is due to continued reductions in repairs and maintenance costs and a one-time increase in revenue of \$850,000 due to litigation settled in the City's favor.

### Long-Term Obligations

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

	Balance October 1, 2011	Additions	Retirements	Dissolution of the Redevelopme nt Agency	Balance September 30, 2012
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 49,475	\$ -	\$ (2,755)	\$ -	\$ 46,720
Tax Allocation Bonds	19,705	-	-	(19,705)	-
Judgement Obligation Bonds	5,179	-	(840)	-	4,339
Claims Payable	17,135	8,004	(6,267)	-	18,872
Compensated Absences	11,131	2,981	(3,003)	(124)	10,985
Net Pension Obligation	4,031	4,482	(4,900)	-	3,613
Loans	32,870	2	(784)	(30,803)	1,285
Leases Payable	572	-	(282)	-	290
Pollution Remediation	2,200	-	-	(200)	2,000
PARS Payable	5,868	-	(1,351)	-	4,517
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>148,166</b>	<b>15,469</b>	<b>(20,182)</b>	<b>(50,832)</b>	<b>92,621</b>
<b>Business-Type Activities:</b>					
Compensated Absences	1,093	141	(179)	-	1,055
<b>Business-Type Activities</b>	<b>1,093</b>	<b>141</b>	<b>(179)</b>	<b>-</b>	<b>1,055</b>
<b>Total Long-Term Obligations</b>	<b>\$ 149,259</b>	<b>\$ 15,610</b>	<b>\$ (20,361)</b>	<b>\$ (50,832)</b>	<b>\$ 93,676</b>



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

Additional information on the City's long-term debt is shown in Note 11 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12% of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. This is shown on page 156 of the financial statements. The City's total long-term obligations decreased \$55,583,000 or 37.2% from the prior fiscal year. This decrease was due in large part to the following:

- Transfer of former Redevelopment Agency debt to the Huntington Beach Redevelopment Successor Agency Private Purpose Trust as a result of the dissolution of the former Redevelopment Agency.
- Current year debt service payments on Bonds, PARS payable, and various other loans.

The City continues to maintain strong credit ratings on all of its debt issues. The following are the ratings as determined by Moody's Investors Service and Standard and Poor's as of September 30, 2012.

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S &amp; P</u>
1999 Tax Allocation Refunding Bonds	Ba1	A
2002 Tax Allocation Refunding Bonds	Ba1	A
2004 Judgment Obligation Bonds	Aa2	AA
2010 Lease Revenue Bonds, Series A	Aa3	AA
2011 Lease Revenue Bonds, Series A	Aa3	AA

### 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.



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

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

	September 30, 2012	September 30, 2011	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Governmental Activities:</b>				
Land	\$ 352,833	\$ 366,751	\$ (13,918)	-3.8%
Buildings	130,555	133,074	(2,519)	-1.9%
Machinery and Equipment	8,930	8,836	94	1.1%
Construction in Progress	3,776	3,181	595	18.7%
Joint Venture	2,310	2,258	52	2.3%
Infrastructure	162,237	158,019	4,218	2.7%
<b>Total Governmental Activities</b>	<b>660,641</b>	<b>672,119</b>	<b>(11,478)</b>	<b>-1.7%</b>
<b>Business-Type Activities:</b>				
Land	3,907	3,907	-	0.0%
Buildings	38,678	39,523	(845)	-2.1%
Machinery and Equipment	2,337	2,582	(245)	-9.5%
Construction in Progress	21,111	19,382	1,729	8.9%
Infrastructure	68,096	69,488	(1,392)	-2.0%
<b>Total Business-Type Activities</b>	<b>134,129</b>	<b>134,882</b>	<b>(753)</b>	<b>-0.6%</b>
<b>Total Capital Assets</b>	<b>\$ 794,770</b>	<b>\$ 807,001</b>	<b>\$ (12,231)</b>	<b>-1.5%</b>

Capital assets from governmental activities decreased \$11,478,000 or 1.7%. This decrease is largely due to the transfer of capital assets to the Huntington Beach Redevelopment Successor Agency Private Purpose Trust as a result of the dissolution of the former Redevelopment Agency. Capital assets from business-type activities decreased \$753,000 or 0.6% due to depreciation outpacing acquisitions of capital assets as a result of deferral of capital project to future years. Further information on the City's capital assets can be found in Note 12 of the financial statements.

### General Fund Budgetary Highlights

#### Changes to Original Budget

Final budgeted revenues for the General Fund increased \$13,357,000 or 7.6% from the original (adopted) budget for the fiscal year ended September 30, 2012. The change from original to final budget occurred primarily as a result of adjustments made to budgeted sales tax, revenue from use of money and property, intergovernmental revenue, and charges for current services.

Comparing the fiscal year 2011/2012 original (or adopted) budget, General Fund expenditures amount of \$177,322,000 to the final budgeted amount of \$181,013,000 shows a net increase of \$3,691,000 (2.1%). This overall increase was the result of budget carryovers from the previous year.



## **City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012**

### Variance with Final Budget

General Fund actual revenues were less than the final budget by \$962,000 for the fiscal year ended September 30, 2012 due in large part to the following:

- Use of Money and Property: The net \$871,000 negative variance in actual vs. final budgeted revenue in this category was primarily due to lease revenues that were transferred over to the Successor Agency and budget in the General Fund.
- Charges for Current Services: The net \$292,000 negative variance in actual vs. final budgeted revenue in this category was primarily due to special events revenues that were budgeted but not received in the current year.

General Fund expenditures were \$4,300,000 less than the final budget. The favorable budget variance is due in large part to the following:

- Police realized \$1,545,000 in savings primarily due to lower personnel costs than anticipated.
- Planning and Building realized \$770,000 in savings from the deferral of various building and planning contracts.
- Continuing cost cutting measures in Community Services and Library Services programs generating \$1,563,000 in savings.

### **Analysis of City's Other Major Governmental Funds**

#### Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund decreased by \$579,000 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, HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), and Energy Efficiency grants.

#### LMIHAF Capital Projects Fund

The fund balance in the LMIHAF Capital Projects Fund increased by \$9,886,000 due to the transfer of the assets and liabilities of the Low-Income Housing Capital Projects Fund to the LMIHAF Capital Projects Fund as a result of the dissolution of the former Redevelopment Agency. This fund was established in the current fiscal year to account for the housing activities of the former Redevelopment Agency.



## City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012

### Economic Factors and Next Year's Budget

As the economy regains its foothold, the Budget for Fiscal Year 2012/13 reflects a stabilization of General Fund revenue and a conservative overall increase of 2.5 percent from the prior year's budget. This conservative budget strategy protects the City from unanticipated revenue declines or cost increases as well as the potential fiscal impacts associated with the State's "winding down" of redevelopment activities across the State.

On the expenditure side, the fiscal year 2012/13 Budget reflects a modest 1.4 percent increase largely reflecting additional infrastructure spending and higher fixed costs. In particular, the Capital Improvement Projects budget has increased from \$1.3 million to \$3.0 million, or 131 percent, in order to comply with the City Charter requirement that 15 percent of General Fund revenue is spent on infrastructure. Personnel Services is remains flat with no salary increases projected except for contractually required merit increases. The non-personnel services budget has increased slightly by 1.5 percent for mostly fixed costs associated with claims expenditures.

Key General Fund revenue highlights are discussed below:

- Secured property tax revenue reflects a flat year-over-year estimate as the real estate sector continues to rebuild and assessed valuations are slowly restored to Fiscal Year 2008/09 levels.
- Sales tax revenue is estimated to increase by 11.8 percent from the prior year due to the full annualization of sales tax revenue for multiple new retailers.
- A 7.7 percent increase is projected in Transient Occupancy Tax revenue as the Huntington Beach Marketing and Visitor's Bureau continues to promote the City as a tourist destination, and the Sunset Beach hotels are factored in for a full year of hotel tax receipts.
- Utility Taxes will remain relatively flat at less than a one percent increase as energy conservation efforts continue to suppress demand and prices.
- Licenses and Permits revenue reflects an almost 15 percent increase from the prior year due to multiple large-scale multi-use development projects currently underway.
- Fines and Forfeitures are projected to reach almost 14 percent over last year's levels due to changes in consumer behavior.

Lastly, the recent enactment of Assembly Bill 1X26 and the ensuing "clean up" legislation included in Assembly Bill 1484 continue to pose significant fiscal challenges to the City of Huntington Beach. As a result of the uncertainty regarding the eligibility of former redevelopment costs for continued funding, the City has created mechanisms to protect the General Fund budget from deleterious fiscal impacts. To that end, the City assigned \$3.1 million of its General Fund balance for Budget Stabilization as of September 30, 2012 to mitigate the impact of potential negative rulings by the State on the Fiscal Year 2012/13 Budget.



## **City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2012**

### **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 [nancy.albitre@surfcity-hb.org](mailto:nancy.albitre@surfcity-hb.org).

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# **BASIC FINANCIAL STATEMENTS**

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**  
(In Thousands)

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and Investments	\$ 52,081	\$ 64,284	\$ 116,365
Receivables, Net	35,354	5,728	41,082
Advances to Successor Agency	5,290	-	5,290
Inventories	-	1,176	1,176
Prepays	4,637	-	4,637
Other Assets	1,266	-	1,266
Other Postemployment Benefits Asset	9,359	-	9,359
<b>Subtotal</b>	<b>107,987</b>	<b>71,188</b>	<b>179,175</b>
Restricted Assets:			
Cash and Investments	24,939	27,804	52,743
Cash and Investments with Fiscal Agent	4,321	-	4,321
Receivables, Net	17,564	-	17,564
<b>Total Restricted Assets</b>	<b>46,824</b>	<b>27,804</b>	<b>74,628</b>
Capital Assets:			
Non-Depreciable	358,919	25,018	383,937
Depreciable, Net	301,722	109,111	410,833
<b>Total Capital Assets</b>	<b>660,641</b>	<b>134,129</b>	<b>794,770</b>
<b>Total Assets</b>	<b>815,452</b>	<b>233,121</b>	<b>1,048,573</b>
 <b>LIABILITIES</b>			
Accounts Payable	4,206	4,845	9,051
Accrued Payroll	4,846	-	4,846
Deposits	1,511	1,602	3,113
<b>Subtotal</b>	<b>10,563</b>	<b>6,447</b>	<b>17,010</b>
Liabilities Payable from Restricted Assets:			
Accounts Payable	1,067	-	1,067
Accrued Interest Payable	271	-	271
Deposits	1,266	-	1,266
<b>Total Liabilities Payable from Restricted Assets</b>	<b>2,604</b>	<b>-</b>	<b>2,604</b>
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	17,008	288	17,296
Long-Term Obligations Due in More than One Year	75,613	767	76,380
<b>Total Long-Term Obligations</b>	<b>92,621</b>	<b>1,055</b>	<b>93,676</b>
<b>Total Liabilities</b>	<b>105,788</b>	<b>7,502</b>	<b>113,290</b>
 <b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	612,346	134,129	746,475
Restricted for:			
Debt Service	4,343	-	4,343
Capital Projects	17,730	27,804	45,534
Public Works and Community Services Projects	22,147	-	22,147
<b>Total Restricted Net Assets</b>	<b>44,220</b>	<b>27,804</b>	<b>72,024</b>
Unrestricted	53,098	63,686	116,784
<b>Total Net Assets</b>	<b>\$ 709,664</b>	<b>\$ 225,619</b>	<b>\$ 935,283</b>

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
City Council	\$ 310	\$ 65	\$ -	\$ -	\$ (245)	\$ -	\$ (245)
City Manager	1,767	130	-	-	(1,637)	-	(1,637)
City Treasurer	141	585	-	-	444	-	444
City Attorney	2,313	131	-	-	(2,182)	-	(2,182)
City Clerk	689	170	-	-	(519)	-	(519)
Finance	4,573	1,238	-	-	(3,335)	-	(3,335)
Human Resources	4,743	1,150	-	-	(3,593)	-	(3,593)
Planning & Building	6,123	7,706	-	-	1,583	-	1,583
Fire	35,336	9,497	256	-	(25,583)	-	(25,583)
Information Services	5,857	763	-	-	(5,094)	-	(5,094)
Police	60,690	5,073	1,057	-	(54,560)	-	(54,560)
Economic Development	3,703	2,303	525	988	113	-	113
Community Services	15,586	17,792	187	-	2,393	-	2,393
Library Services	3,777	466	56	-	(3,255)	-	(3,255)
Public Works	26,508	5,482	3,007	5,636	(12,383)	-	(12,383)
Non-Departmental	19,190	281	-	-	(18,909)	-	(18,909)
Interest on Long-Term Debt	2,376	-	-	-	(2,376)	-	(2,376)
<b>Total Governmental Activities</b>	<b>193,682</b>	<b>52,832</b>	<b>5,088</b>	<b>6,624</b>	<b>(129,138)</b>	<b>-</b>	<b>(129,138)</b>
<b>Business-type Activities:</b>							
Water Utility	37,437	35,926	-	-	-	(1,511)	(1,511)
Sewer Service	7,623	11,546	-	-	-	3,923	3,923
Refuse Collection	10,785	10,786	-	-	-	1	1
Hazmat Service	216	154	-	-	-	(62)	(62)
<b>Total Business-Type Activities</b>	<b>56,061</b>	<b>58,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,351</b>	<b>2,351</b>
<b>Total Governmental and Business Type Activities</b>	<b>\$ 249,743</b>	<b>\$ 111,244</b>	<b>\$ 5,088</b>	<b>\$ 6,624</b>	<b>(129,138)</b>	<b>2,351</b>	<b>(126,787)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					74,856	-	74,856
Sales Taxes					30,051	-	30,051
Utility Taxes					20,152	-	20,152
Other Taxes					12,930	-	12,930
<b>Total Taxes</b>					<b>137,989</b>	<b>-</b>	<b>137,989</b>
<b>Other:</b>							
Use of Money and Property					3,434	1,100	4,534
From Other Agencies - Unrestricted					6,585	-	6,585
Other					4,941	-	4,941
<b>Total General Revenues</b>					<b>152,949</b>	<b>1,100</b>	<b>154,049</b>
<b>Transfers</b>					<b>(38)</b>	<b>38</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>152,911</b>	<b>1,138</b>	<b>154,049</b>
<b>Extraordinary Gain</b>					<b>23,960</b>	<b>-</b>	<b>23,960</b>
<b>Change in Net Assets</b>					<b>47,733</b>	<b>3,489</b>	<b>51,222</b>
<b>Net Assets - Beginning of Year</b>					<b>661,931</b>	<b>222,130</b>	<b>884,061</b>
<b>Net Assets - End of Year</b>					<b>\$ 709,664</b>	<b>\$ 225,619</b>	<b>\$ 935,283</b>

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012  
(In Thousands)**

<b>ASSETS</b>	<b>General Fund</b>	<b>Grants Special Revenue</b>	<b>LMIHAF Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Cash and Investments	\$ 52,081	\$ 439	\$ 4,605	\$ 19,895	\$ 77,020
Cash and Investments with Fiscal Agent	-	-	-	4,321	4,321
Taxes Receivable	29,549	-	-	1,277	30,826
Other Receivables, Net	5,805	5,763	10,141	383	22,092
Due from Other Funds	-	-	-	395	395
Advances to Successor Agency	-	-	5,290	-	5,290
Other Assets	-	-	-	1,266	1,266
Prepays	4,637	-	-	-	4,637
<b>TOTAL ASSETS</b>	<b>\$ 92,072</b>	<b>\$ 6,202</b>	<b>\$ 20,036</b>	<b>\$ 27,537</b>	<b>\$ 145,847</b>

**LIABILITIES AND FUND BALANCES**

**Liabilities:**

Accounts Payable	\$ 4,206	\$ 442	\$ 19	\$ 606	\$ 5,273
Accrued Payroll	4,846	-	-	-	4,846
Due to Other Funds	-	-	-	395	395
Deposits Payable	1,511	-	-	1,266	2,777
Deferred Revenue	19,612	5,246	10,131	417	35,406
Claims Payable	7,462	-	-	-	7,462
<b>Total Liabilities</b>	<b>37,637</b>	<b>5,688</b>	<b>10,150</b>	<b>2,684</b>	<b>56,159</b>

**Fund Balances:**

**Nonspendable**

Prepaid Insurance	4,033	-	-	-	4,033
Worker's Compensation Claims Deposit	600	-	-	-	600

**Restricted**

Underground Utilities	364	-	-	-	364
Restitution	263	-	-	-	263
Pollution Remediation	-	-	-	445	445
Debt Service	-	-	-	4,343	4,343
Highways, Streets and Transportation	-	-	-	8,266	8,266
Low Income Housing	-	-	9,886	-	9,886
Air Quality	-	-	-	686	686
Parks	-	-	-	3,582	3,582
Other Purposes	760	514	-	-	1,274

**Committed**

Other Capital Projects	-	-	-	6,745	6,745
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**Assigned**

Economic Uncertainties	24,011	-	-	-	24,011
Litigation Reserves	900	-	-	-	900
Capital Projects Reserve	5,970	-	-	1,099	7,069
Equipment Replacement	6,913	-	-	-	6,913
PARS Obligation	4,701	-	-	-	4,701
Budget Stabilization	3,100	-	-	-	3,100
Retiree Medical Unfunded Liability	698	-	-	-	698
General Plan Maintenance	323	-	-	-	323
Other Purposes	1,799	-	-	82	1,881

**Unassigned**

	-	-	-	(395)	(395)
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<b>TOTAL FUND BALANCES</b>	<b>54,435</b>	<b>514</b>	<b>9,886</b>	<b>24,853</b>	<b>89,688</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 92,072</b>	<b>\$ 6,202</b>	<b>\$ 20,036</b>	<b>\$ 27,537</b>	<b>\$ 145,847</b>

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012  
(In Thousands)**

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

<b>Total Fund Balances Governmental Funds</b>	<b>\$</b>	<b>89,688</b>
Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds		
Capital Assets		935,930
Accumulated Depreciation		<u>(275,289)</u>
Total Capital Assets		660,641
Long-term receivables are not available to pay for current-period expenditures and accordingly are deferred in the governmental funds.		
		35,406
Other Postemployment Benefit Asset is not a financial resource and, therefore, are not reported in the governmental funds.		
		9,359
Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.		
Accrued Interest Payable		(271)
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.		
Long-Term Obligations Due in One Year		(9,546)
Long-Term Obligations Due in More than One Year		(75,613)
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>709,664</u></b>

**CITY OF HUNTINGTON BEACH  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)**

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
<b>REVENUES</b>					
Property Taxes	\$ 67,880	\$ -	\$ -	\$ 6,674	\$ 74,554
Sales Taxes	26,517	-	-	2,609	29,126
Utility Taxes	20,152	-	-	-	20,152
Other Taxes	12,930	-	-	-	12,930
Licenses and Permits	7,731	-	-	42	7,773
Fines and Forfeitures	4,252	-	-	-	4,252
From Use of Money and Property	15,976	249	403	227	16,855
Intergovernmental	5,934	4,671	-	7,932	18,537
Charges for Current Services	25,404	-	-	2,399	27,803
Other	1,928	15	-	305	2,248
<b>Total Revenues</b>	<b>188,704</b>	<b>4,935</b>	<b>403</b>	<b>20,188</b>	<b>214,230</b>
<b>EXPENDITURES</b>					
Current:					
City Council	310	-	-	-	310
City Manager	1,490	268	-	-	1,758
City Treasurer	141	-	-	-	141
City Attorney	2,294	-	-	19	2,313
City Clerk	689	-	-	-	689
Finance	4,573	-	-	-	4,573
Human Resources	5,193	-	-	20	5,213
Planning & Building	6,119	-	-	-	6,119
Fire	34,652	476	-	17	35,145
Information Services	5,857	-	-	-	5,857
Police	58,933	1,303	-	13	60,249
Economic Development	1,551	1,017	362	459	3,389
Community Services	13,392	171	-	519	14,082
Library Services	3,492	-	-	-	3,492
Public Works	20,692	138	-	1,836	22,666
Non-Departmental	15,446	-	-	9	15,455
Capital Outlay	-	1,968	-	9,128	11,096
Debt Service:					
Principal	1,633	140	-	4,239	6,012
Interest	256	43	-	2,265	2,564
<b>Total Expenditures</b>	<b>176,713</b>	<b>5,524</b>	<b>362</b>	<b>18,524</b>	<b>201,123</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>11,991</b>	<b>(589)</b>	<b>41</b>	<b>1,664</b>	<b>13,107</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,063	67	10,249	7,525	18,904
Transfers Out	(7,197)	(57)	(404)	(11,284)	(18,942)
Total Other Financing Sources (Uses)	(6,134)	10	9,845	(3,759)	(38)
<b>EXTRAORDINARY ITEM:</b>					
Dissolution of Redevelopment Agency	(5,978)	-	-	(5,861)	(11,839)
<b>Net Change In Fund Balances</b>	<b>(121)</b>	<b>(579)</b>	<b>9,886</b>	<b>(7,956)</b>	<b>1,230</b>
<b>Fund Balances- Beginning Of Year</b>	<b>54,556</b>	<b>1,093</b>	<b>-</b>	<b>32,809</b>	<b>88,458</b>
<b>Fund Balances- End Of Year</b>	<b>\$ 54,435</b>	<b>\$ 514</b>	<b>\$ 9,886</b>	<b>\$ 24,853</b>	<b>\$ 89,688</b>

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, 2012  
(In Thousands)**

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

Net Changes in Fund Balances - Total Governmental funds \$ 1,230

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

Depreciable Assets Purchased	17,337
Non-Depreciable Assets Purchased	2,501
Non-Depreciable Assets Disposition	(739)
Non-Depreciable Assets Transfer to Successor Agency	(15,033)
Capital Asset Depreciation	(15,544)

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	19,321
Prior Year Property and Sales Tax Accrual	(18,094)
Current Year Grant and Other Revenue Accrual	2,413
Prior Year Grant and Other Revenue Accrual	(2,382)

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 assets. (47)

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. 567

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	(271)
Prior Year Interest Accrual	459

Repayments of long-term debt and the transfer of long-term obligations to the Successor Agency are expenditures in the governmental funds, but the repayment and transfer reduces long-term debt in the Statement of Net Assets. 56,844

Some 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. (829)

Change in Net Assets of Governmental Activities	\$ 47,733
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**CITY OF HUNTINGTON BEACH  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2012  
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total
<b>ASSETS</b>					
Current Assets:					
Cash and Investments	\$ 39,455	\$ 24,788	\$ -	\$ 41	\$ 64,284
Restricted Cash and Investments	27,804	-	-	-	27,804
Other Receivables, Net	2,036	460	504	119	3,119
Inventories	1,176	-	-	-	1,176
Unbilled Receivables	1,674	475	460	-	2,609
Due from Other Funds	16	-	-	-	16
<b>Total Current Assets</b>	<b>72,161</b>	<b>25,723</b>	<b>964</b>	<b>160</b>	<b>99,008</b>
Capital Assets:					
Land	3,907	-	-	-	3,907
Buildings and Improvements	40,576	13,505	-	-	54,081
Machinery and Equipment	9,197	996	-	-	10,193
Infrastructure	93,143	40,223	-	-	133,366
Construction in Progress	13,384	7,727	-	-	21,111
Less Accumulated Depreciation	(62,717)	(25,812)	-	-	(88,529)
<b>Total Capital Assets</b>	<b>97,490</b>	<b>36,639</b>	<b>-</b>	<b>-</b>	<b>134,129</b>
<b>Total Assets</b>	<b>169,651</b>	<b>62,362</b>	<b>964</b>	<b>160</b>	<b>233,137</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	3,693	310	842	-	4,845
Due to Other Funds	-	-	16	-	16
Deposits Payable	1,600	1	1	-	1,602
Current Portion of Compensated Absences and Capital Leases	212	69	6	1	288
<b>Total Current Liabilities</b>	<b>5,505</b>	<b>380</b>	<b>865</b>	<b>1</b>	<b>6,751</b>
Non-Current Liabilities:					
Compensated Absences	563	184	16	4	767
<b>Total Liabilities</b>	<b>6,068</b>	<b>564</b>	<b>881</b>	<b>5</b>	<b>7,518</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	97,490	36,639	-	-	134,129
Restricted for:					
Capital Projects	27,804	-	-	-	27,804
Unrestricted	38,289	25,159	83	155	63,686
<b>Total Net Assets</b>	<b>\$ 163,583</b>	<b>\$ 61,798</b>	<b>\$ 83</b>	<b>\$ 155</b>	<b>\$ 225,619</b>

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total
<b>OPERATING REVENUES</b>					
Sales	\$ 34,999	\$ -	\$ -	\$ -	\$ 34,999
Fees for Service	-	10,607	10,644	129	21,380
Other	927	939	142	25	2,033
<b>Total Operating Revenues</b>	<b>35,926</b>	<b>11,546</b>	<b>10,786</b>	<b>154</b>	<b>58,412</b>
<b>OPERATING EXPENSES</b>					
Water Purchases	13,074	-	-	-	13,074
Supplies and Operations	6,288	6,406	10,783	216	23,693
Engineering	1,723	-	-	-	1,723
Production and Distribution	6,715	-	-	-	6,715
Maintenance	882	-	-	-	882
Water Meters	4,475	-	-	-	4,475
Water Quality	639	-	-	-	639
Water Use Efficiency	580	-	-	-	580
Depreciation	3,061	1,217	-	-	4,278
<b>Total Operating Expenses</b>	<b>37,437</b>	<b>7,623</b>	<b>10,783</b>	<b>216</b>	<b>56,059</b>
<b>Operating Income (Loss)</b>	<b>(1,511)</b>	<b>3,923</b>	<b>3</b>	<b>(62)</b>	<b>2,353</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest Income	895	203	-	2	1,100
Interest Expense	-	-	(2)	-	(2)
Total Non-Operating Revenues (Expenses)	895	203	(2)	2	1,098
<b>Change In Net Assets Before Transfers</b>	<b>(616)</b>	<b>4,126</b>	<b>1</b>	<b>(60)</b>	<b>3,451</b>
<b>TRANSFERS</b>					
Transfers In	-	-	51	-	51
Transfers Out	-	-	-	(13)	(13)
Total Transfers	-	-	51	(13)	38
Total Change In Net Assets	(616)	4,126	52	(73)	3,489
<b>Net Assets - Beginning Of Year</b>	<b>164,199</b>	<b>57,672</b>	<b>31</b>	<b>228</b>	<b>222,130</b>
<b>Net Assets- End Of Year</b>	<b>\$ 163,583</b>	<b>\$ 61,798</b>	<b>\$ 83</b>	<b>\$ 155</b>	<b>\$ 225,619</b>

**CITY OF HUNTINGTON BEACH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers and Users	\$ 35,781	\$ 11,530	\$ 10,703	\$ 224	\$ 58,238
Cash Paid to Employees for Services	(7,916)	(2,726)	(254)	(220)	(11,116)
Cash Paid to Suppliers of Goods and Services	(26,879)	(3,946)	(10,542)	(21)	(41,388)
<b>Net Cash and Investment Provided (Used) by Operating Activities</b>	<b>986</b>	<b>4,858</b>	<b>(93)</b>	<b>(17)</b>	<b>5,734</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	-	-	51	-	51
Transfers Out	-	-	-	(13)	(13)
Cash Received (Paid) to Other Funds	(16)	-	14	-	(2)
<b>Net Cash and Investments Used by Noncapital Financing Activities</b>	<b>(16)</b>	<b>-</b>	<b>65</b>	<b>(13)</b>	<b>36</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of Capital Assets	(2,067)	(1,458)	-	-	(3,525)
<b>Net Cash and Investments Used by Capital and Related Financing Activities</b>	<b>(2,067)</b>	<b>(1,458)</b>	<b>-</b>	<b>-</b>	<b>(3,525)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	895	203	-	2	1,100
<b>Net Cash and Investments Provided (Used) by Investing Activities</b>	<b>895</b>	<b>203</b>	<b>-</b>	<b>2</b>	<b>1,100</b>
Net Increase (Decrease) in Cash and Investments	(202)	3,603	(28)	(28)	3,345
Cash and Investments - Beginning of Year	67,461	21,185	28	69	88,743
<b>Cash and Investments - End of Year</b>	<b>\$ 67,259</b>	<b>\$ 24,788</b>	<b>\$ -</b>	<b>\$ 41</b>	<b>\$ 92,088</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (1,511)	\$ 3,923	\$ 3	\$ (62)	\$ 2,353
<b>Adjustments to Reconcile Operating Income to Net Cash and Investments Provided (Used) by Operating Activities</b>					
Depreciation	3,061	1,217	-	-	4,278
Decrease (Increase) in Other Receivables, Net	(6)	24	(62)	70	26
Increase in Unbilled Receivables	(164)	(41)	(22)	-	(227)
Increase in Inventory	104	-	-	-	104
Decrease in Accounts Payable	(514)	(270)	(5)	-	(789)
Increase in Deposits Payable	25	1	1	-	27
Increase in Compensated Absences	(9)	4	(8)	(25)	(38)
<b>Net Cash and Investments Provided (Used) by Operating Activities</b>	<b>\$ 986</b>	<b>\$ 4,858</b>	<b>\$ (93)</b>	<b>\$ (17)</b>	<b>\$ 5,734</b>

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH  
STATEMENT OF FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2012  
(In Thousands)**

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
<b>ASSETS</b>			
Cash and Investments	\$ 4,231	\$ -	\$ 7,407
Cash and Investments with Fiscal Agent	3,738	-	2,423
Mutual Funds	-	30,986	-
Money Market Funds	-	968	-
Accounts Receivable, Net	1,040	3	122
Land Held for Resale	-	-	5,978
Land	-	-	15,033
<b>Total Assets</b>	<b>\$ 9,009</b>	<b>\$ 31,957</b>	<b>\$ 30,963</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 619	\$ -	\$ 670
Due to Bondholders	5,329	-	-
Advances from City of Huntington Beach	-	-	5,290
Held for Others	3,061	-	-
Deposits Payable	-	-	115
Benefits Due to Plan Members and Beneficiaries	-	3,613	-
Long-Term Obligations	-	-	48,091
<b>Total Liabilities</b>	<b>\$ 9,009</b>	<b>\$ 3,613</b>	<b>\$ 54,166</b>
<b>NET ASSETS</b>			
Held in Trust For Pension Benefits and Other Purposes		<b>\$ 28,344</b>	<b>\$ (23,203)</b>

**CITY OF HUNTINGTON BEACH  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)**

	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
<b>ADDITIONS</b>		
Employer Contributions	\$ 4,900	\$ -
Property Taxes	-	3,429
Interest Income	-	105
Rental Income	-	869
Other Income	456	47
Investment Income, Net	2,713	-
<b>Total Additions</b>	<b>8,069</b>	<b>4,450</b>
<b>DEDUCTIONS</b>		
Benefits	3,111	-
Administrative Costs	222	-
Economic Development	-	355
Interest and Fiscal Agency Expenses	-	3,338
<b>Total Deductions</b>	<b>3,333</b>	<b>3,693</b>
Extraordinary Loss	-	(23,960)
Change in Net Assets	4,736	(23,203)
<b>Net Assets- Beginning of Year</b>	<b>23,608</b>	<b>-</b>
<b>Net Assets- End of Year</b>	<b>\$ 28,344</b>	<b>\$ (23,203)</b>

See Notes to Financial Statements

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**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

<b>Footnote Number</b>	<b>Description</b>	<b>Page</b>
1.	Summary of Significant Accounting Policies.....	33-49
2.	Cash and Investments .....	50-55
3.	Other Receivables .....	56-57
4.	Deferred Revenue.....	58
5.	Retirement Plan – Normal .....	59-62
6.	Retirement Plan – Supplemental .....	63-65
7.	Postemployment Medical Insurance .....	65-68
8.	Risk Management .....	69-70
9.	Interfund Transactions.....	71-72
10.	Long-Term Obligations.....	73-90
11.	Capital Assets .....	91-92
12.	Successor Agency Trust for Assets of the Former Redevelopment Agency of the City of Huntington Beach.....	93-94
13.	Commitments and Contingencies .....	94-97
14.	Other Information .....	97
15.	Subsequent Events.....	98-102



# City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

## 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.

**Redevelopment Agency of the City of Huntington Beach** (the Redevelopment Agency) – This entity was formed in 1967 to renovate older areas in the City. The City Council serves as its governing body and adopts its annual budget. The Redevelopment Agency is financially dependent on the City for all of its operations.

On June 28, 2011, the Governor of the State of California signed two bills that impacted redevelopment agencies throughout the State, Assembly Bills X1 26 (ABX1 26) or the Dissolution Bill and Assembly Bills X1 27 (ABX1 27) or the Continuation Bill, as part of the 2011-2012 State's budget package. The California Redevelopment Association (CRA) and League of California Cities filed a lawsuit (CRA v Matosantos) challenging the constitutionality of this legislation. Subsequently on December 29, 2011, the Supreme Court issued its ruling and upheld ABX1 26 but struck down ABX1 27. Accordingly, the Redevelopment Agency was dissolved on December 29, 2011. On January 9, 2012, the City adopted a resolution declaring its intent to serve as the Successor Agency to the RDA (Successor Agency). The Redevelopment Agency's financial data and transactions are included with the debt service funds and capital projects funds until the date of dissolution on February 1, 2012. There is no separate Component Unit Financial Report (CUFR) prepared for the Redevelopment Agency.

### **Huntington Beach Successor Agency**

The Successor Agency is a separate legal entity from the City and its financial data and transactions are included within the Huntington Beach Redevelopment Successor Agency Private-Purpose Trust Fund (See Note 12 on page 94). There is no separate Component Unit Financial Report (CUFR) prepared for the Successor Agency.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **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 nine 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 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.

#### **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' debt is 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 Administrator (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.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b. Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Assets 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 Assets. The Statement of Activities presents changes in net assets. 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.

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.

Government-wide financial statements do not provide information by fund. They simply distinguish between governmental and business-type activities. The City’s Statement of Net Assets includes both current and non-current assets and liabilities.

#### **Financial Statement Classification**

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

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



# City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Restricted Net Assets** – 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 Assets reports \$44,220,000 of governmental activities restricted net assets, of which \$28,058,000 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 Assets** – This category represents the net assets 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.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements (including all National Council on Governmental Accounting NCGA Statements and Interpretations currently in effect) as well as the pronouncements issued on or before November 30, 1989, to the governmental activities, business-type activities, and proprietary funds, unless those pronouncements conflict with or contradict GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The City has elected not to follow applicable FASB Statements and Interpretations issued after November 30, 1989 for business-type activities and enterprise funds.

### **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 and current liabilities 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.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

#### **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 assets and changes in net assets 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 typically includes inventories, prepaid items, and other items that by definition are not in spendable form.
- 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 through the passage of an ordinance, the city's highest level of decision-making authority.
- 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 Council with a lesser action than an ordinance, City Manager or designee has the authority to establish, modify, or rescind a fund balance assignment.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.

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 Agency 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, 2012, by major fund (in thousands):

General Fund	\$	2,678
Grants Special Revenue		1,745
Other Governmental Funds		6,068
<b>Total Encumbrance All Funds</b>	<b>\$</b>	<b>10,491</b>

**Economic Uncertainties Reserve**

The City Council established an Economic Uncertainty Reserve in the General Fund with a goal to commit the value of two months of the General Fund expenditure adopted budget amount. 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 taken by another government entity
- Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

#### **Proprietary Fund Financial Statements**

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, 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 Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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.

#### **Fiduciary Funds Financial Statements**

Fiduciary Funds Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets 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 assets. The Retirement 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 made are funded by a percentage of the Retirement Trust payroll and are recognized when the payroll is incurred. The Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund accounts for the Successor Agency for the former Redevelopment Agency pursuant to the Dissolution Act. Fiduciary funds are not presented in the government-wide financial statements because these funds do not represent net assets available to the City.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**The City reports the following major funds:**

**Governmental Funds**

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

**Grant Special Revenue** – accounts for grant revenues received from federal, state, and local agencies and 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 the receipts for and payment of general long-term debt.

**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, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fiduciary Funds**

**General Deposit Fund** – accounts for the deposit of general monies held by the City for private individuals and businesses.

**Community Facilities Districts Funds** – accounts for the debt service activity of the City's community facilities districts where the City is not obligated in any manner for the outstanding debt.

**Huntington Beach Business Improvement Districts Fund** – accounts for the activities of the City's business improvement districts.

**Central Net Operations Authority Fund** – accounts for the activities of the Central Net Operations Authority.

**Parking Structures Fund** – accounts for the activities of the Bella Terra Parking Structure and Strand Parking Structure.

**West Orange County Water Board** – accounts for the West Orange County Water Board.

**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 Dissolution Act.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Cash and Investments**

The City records investments at fair value except for guaranteed investment contracts (GICs), which are reported at cost, because the investments are not transferable and the fair values are not affected by changes in interest rates. 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, except for GICs, 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 50.

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, 2012

## 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, 2012.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f. Inventories**

Proprietary fund inventories are valued at weighted-average cost. There are no inventories in governmental funds.

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

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.

**h. Long-Term Obligations**

In the government-wide and proprietary funds financial statements, long-term obligations are recorded as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. In the governmental fund financial statements, bond discounts and premiums are recognized as an other financing source or use. Issuance costs are recorded as a current year debt service expenditure.

**i. 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, 2012

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j. 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. Deferred 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 Assets.

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, 4<sup>th</sup> Monday in September - 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

The taxes are paid to the local governments periodically during the year. Below are the dates of the payments from the County:

- |                                  |                      |
|----------------------------------|----------------------|
| • Payments of First Installment  | November to December |
| • Balance of First Installment   | February 1           |
| • Payments of Second Installment | March to April       |
| • Balance of Second Installment  | July 26              |



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k. 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, October 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

**l. 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. They are either deposits or investments with original maturities of less than 90 days.

**m. 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, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### n. Implementation of New Accounting Pronouncements

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

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this Statement is effective for the City's fiscal year ending September 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the City's fiscal year ending September 30, 2013.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2013.

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 requirements of this Statement are effective for the City's fiscal year ending September 30, 2014.

In March 2012, GASB issued Statement No. 66, *an Amendment of GASB Statement No. 10 and No.62*. This Statement resolves the conflicting guidance that resulted from the issuance of two 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. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2014.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2012, GASB issued Statement No. 68. This Statement provides guidance for employers offering defined benefit pensions through plans administered as trusts or equivalent arrangements. It replaces certain requirements related to plan trusts in Statement No. 27 *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2015.

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. This requirement 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, 2012

### 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 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	\$60 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) 20%

(f) 30%



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**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 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, 2012**

**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>
<b>Fixed Income</b>		<b>30%</b>
Money Market & Cash Equivalents	13 months/A-1 P-1/AAA	1%
Investment Grade	BBB or higher	16%
High Yield	N/A	3%
Inflation Protected Securities	N/A	2%
Foreign Sovereign	N/A	8%
<b>Equity</b>	<b>N/A</b>	<b>59%</b>
<b>Real Estate</b>	<b>N/A</b>	<b>7%</b>
<b>Commodities</b>	<b>N/A</b>	<b>4%</b>

N/A - Not Applicable



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 2. CASH AND INVESTMENTS (Continued)

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

**Primary Government:**

Cash and Investments	\$ 116,365
Restricted Assets (Cash and Investments)	52,743
Cash and Investments with Fiscal Agent - Restricted	4,321
<b>Total Primary Government</b>	<b>173,429</b>

**Fiduciary Funds:**

Cash and Investments	11,638
Cash and Investments with Fiscal Agent - Restricted	38,115
<b>Total Fiduciary Funds</b>	<b>49,753</b>
<b>Total Deposits and Investments</b>	<b>\$ 223,182</b>

*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 total portfolio.

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	\$ 126,389	\$ 3,024	\$ 28,065	\$ 95,300	\$ -	\$ 126,389
Guaranteed Investment Contracts	1,019		-	-	1,019	1,019
Mutual Funds	30,822	30,822	-	-	-	30,822
Money Market Funds	2,687	2,687	-	-	-	2,687
Medium Term Notes	20,211	5,532	11,584	3,095	-	20,211
Local Agency Investment Fund	26,488	26,488	-	-	-	26,488
<b>Total Investments</b>	<b>\$ 207,616</b>	<b>\$ 68,553</b>	<b>\$ 39,649</b>	<b>\$ 98,395</b>	<b>\$ 1,019</b>	<b>207,616</b>
						Total Deposits
						15,566
						<b>Total Deposits and Investments</b>
						<b>\$ 223,182</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**2. CASH AND INVESTMENTS (Continued)**

*Credit Risk* – State law allows investments in United States Government Sponsored Enterprise (GSE) obligations noted above as U.S. Agency Securities. As of year-end, the Standard and Poor’s and Moody’s ratings of the GSE’s were AA and AAA, respectively. Investments in guaranteed investment contracts (GIC) are backed by collateral of either 104% or 107% depending on the type of collateral and the GIC provider. The GIC provider is rated by Standard and Poor’s and Moody’s at A+ and A2. 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, as 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/A1 or better, by Standard and Poor’s and Moody’s rating agencies, respectively, in accordance with State requirements.

*Concentration of Credit Risk* – The City’s investment policy limits investments in any one issuer, except for U.S. Treasury securities, U.S. government agency securities, and Local Agency Investment Fund to no more than 10% of the investments in the portfolio. In addition, no more than 50% can be invested in a single security type or with a 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 mutual funds) that represent 5% or more of total City’s investments are as follows (amounts in thousands):

Issuer	Investment Type	Fair Value Amount
Federal Farm Credit Bank	U.S. Government Sponsored Enterprise Securities	\$23,074
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$50,180
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$48,145

*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.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 2. CASH AND INVESTMENTS (Continued)

*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. The total amount invested by all public agencies in LAIF as of September 30, 2012 was \$20,393,209,000. LAIF is part of the California Pooled Money Investment Account (PMIA), which at September 30, 2012 had a balance of \$62,181,874,000. Of that amount, 2.25% was invested in Structured Notes and Asset-Backed Securities. This external investment pool is not rated.

*Guaranteed Investment Contracts (GIC)* – The City records GICs at cost versus fair value because the investments are not transferable and the fair values are not affected by changes in interest rates. GICs held by the City are either collateralized with government securities that under the GIC agreement are required to have a higher market value than cost or fully guaranteed by a government entity and no losses are expected.

As of September 30, 2012, the City held \$126,389,000 in callable securities, which amounted to approximately 61% of investments.



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2012**

**3. OTHER RECEIVABLES**

**a. Other Receivables**

A summary of Other Receivables as of September 30, 2012 is as follows (in thousands):

<u>Description</u>	<u>Amount</u>
Developer Loans Receivable	\$ 36,325
Emerald Cove Loan Receivable	8,164
Housing Rehabilitation Loans Receivable	3,541
First Time Homebuyers Receivable	1,967
Emergency Medical Fee Receivable	1,899
Franchise Fee Receivable	1,135
Edison Youth Sport Receivable	972
Homeland Security Receivable	604
Other Receivables	3,810
Total Other Receivables	<u>58,417</u>
Allowance for Uncollectible Developer Loans	<u>(36,325)</u>
<b>Net Other Receivables on Governmental Fund Financial Statements</b>	<b><u>\$ 22,092</u></b>
<b><u>Other Receivables Reconciliation</u></b>	
Net Receivables - Governmental Activities	\$ 35,354
Net Receivables - Governmental Activities - Restricted	17,564
<b>Net Receivable on Government-wide Financial Statements</b>	<b><u>52,918</u></b>
Taxes Receivable on Governmental Fund Financial Statements	<u>(30,826)</u>
<b>Net Other Receivables on Governmental Fund Financial Statements</b>	<b><u>\$ 22,092</u></b>

**b. Developer Loans**

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$36,325,000 at year-end. These loans are allowed until a future event occurs. Loans made by the Agency and in the current year transferred to the Low and Moderate Income Housing Asset Fund total \$25,086,000 and loans made under the Home Program total \$11,239,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$36,325,000 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, 2012**

**3. OTHER RECEIVABLES (Continued)**

**c. Emerald Cove Loan**

On June 15, 2010, the 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, 2012 is \$8,164,000.

**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 \$3,541,000 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**

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, 2012**

**4. DEFERRED REVENUE**

Certain revenues in governmental funds are deferred 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 deferred 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):

	<b>General Fund</b>	<b>Grants Special Revenue</b>	<b>LMIHAF</b>	<b>Total Major Governmental Funds</b>
Property Taxes	\$ 14,436	\$ -	\$ -	\$ 14,436
Sales Tax	4,885	-	-	4,885
Grants	-	1,705	-	1,705
Deferred Loans:				
Emerald Cove	-	-	8,164	8,164
Housing Rehabilitation	-	3,541	-	3,541
First Time Homebuyers	-	-	1,967	1,967
Other Deferred Revenue	291	-	-	291
<b>Total</b>	<b>\$ 19,612</b>	<b>\$ 5,246</b>	<b>\$ 10,131</b>	<b>\$ 34,989</b>

	<b>Total Major Governmental Funds</b>	<b>Other Governmental Funds</b>	<b>Total Deferred Revenue</b>
Property Taxes	\$ 14,436	\$ -	\$ 14,436
Sales Tax	4,885	-	4,885
Grants	1,705	10	1,715
Deferred Loans:			
Emerald Cove	8,164	-	8,164
Housing Rehabilitation	3,541	-	3,541
First Time Homebuyers	1,967	-	1,967
Other Deferred Revenue	291	407	698
<b>Total</b>	<b>\$ 34,989</b>	<b>\$ 417</b>	<b>\$ 35,406</b>

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, 2012**

**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](http://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 reimbursed to the employee by the City (the member rate). The member rate is set by contract and normally remains unchanged.

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, 2012 are:

	<b>10/1/2011 - 6/30/2012</b>	<b>7/1/2012 - 9/30/2012</b>
<b>Local Miscellaneous</b>	<b>15.311%</b>	<b>16.306%</b>
<b>Local Safety</b>	<b>34.196%</b>	<b>35.012%</b>

The member rates are as follows:

	<b>Rate</b>
<b>Local Miscellaneous</b>	<b>8.000%</b>
<b>Local Safety</b>	<b>9.000%</b>



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 5. RETIREMENT PLAN – NORMAL (Continued)

#### c. Annual Pension Cost

The City's annual pension cost of \$24,348,000 was equal to the City's required and actual contributions. The required contributions for the October 2011 - June 2012 and July - September 2012 periods are determined by the June 30, 2009 and 2010 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, 2012 were as follows:

- Average remaining amortization periods - 19 years for the Miscellaneous Plan and 30 years for the Safety Plan
- Asset valuation method - 15 years smoothed market
- Investment Rate of Return - 7.75%
- Projected salary increases - 3.55% to 13.15% (safety) and 3.55% to 14.45% (miscellaneous) depending on age, service, and type of employment
- Inflation – 3.00%
- Payroll growth - 3.25%
- Individual salary growth - A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% 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, 2011. Significant assumptions for the June 30, 2011 valuation are as follows:

- Average remaining amortization periods - 22 years for the Miscellaneous Plan and 32 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%.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**5. RETIREMENT PLAN – NORMAL (Continued)**

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 percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years special gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If the plan's accrued liability exceeds the actuarial value of the 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.

**d. Trend Information**

<b>Local Miscellaneous</b>			
Fiscal Year	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
9/30/2010	\$ 5,380	100%	\$ -
9/30/2011	\$ 8,163	100%	\$ -
9/30/2012	\$ 8,542	100%	\$ -

<b>Local Safety</b>			
Fiscal Year	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
9/30/2010	\$ 11,826	100%	\$ -
9/30/2011	\$ 15,200	100%	\$ -
9/30/2012	\$ 15,806	100%	\$ -



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**5. RETIREMENT PLAN – NORMAL (Continued)**

**e. Funded Status and Funding Progress**

Below is the funding progress based on the June 30, 2011 actuarial valuations for the miscellaneous and the safety plans (in thousands):

<b>Plan</b>	<b>Entry Age Normal Actuarial Accrued Liability (AAL)</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Liability (UL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UL as a Percentage of Covered Payroll</b>
Safety	\$ 531,801	\$ 402,867	\$ (128,934)	75.8%	\$ 39,337	-327.8%
Miscellaneous	415,178	347,820	(67,358)	83.8%	42,063	-160.1%
<b>Total</b>	<b>\$ 946,979</b>	<b>\$ 750,687</b>	<b>\$ (196,292)</b>	<b>79.3%</b>	<b>\$ 81,400</b>	<b>-241.1%</b>

The schedule of funding progress presented as Required Supplementary Information (RSI) 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.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**6. RETIREMENT PLAN – SUPPLEMENTAL**

**a. Plan Description**

The City administers a supplemental single-employer defined benefit retirement plan for all employees hired prior to 1997 (exact dates are different for various associations). The supplemental plan will pay the retiree an additional amount to his or her CalPERS retirement benefit for life. The amount will cease upon the employee's death. 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. 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. Of the 1,001 active employees reported on the September 30, 2011 data, only 319 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. Prior to fiscal year 2008-09, the City had prefunded these benefits and recorded the amounts in a fiduciary fund. 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.

Below is the plan participant data as of September 30, 2011\*:

Retirees and beneficiaries receiving benefits	643
Active Plan Members	<u>319</u>
Total Plan Participants	<u><u>962</u></u>

\* Actuarial valuation as of September 30, 2011 provides the most recent information available.

Effective in 1998 (exact dates are different for various associations), new City employees are ineligible to participate in the Supplemental Employee Retirement Plan.

**b. Employer Obligations and Funding Status and Progress**

The City annually transfers amounts from the various City funds to the pension trust fund. The City is required to contribute the actuarially determined rate of 5.6% of total payroll for all permanent employees for the year ended September 30, 2012. Administrative costs of this plan are financed through investment earnings.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)**

**c. Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost and net pension obligation for this plan fiscal year 2011/12 were (in thousands):

Annual required contribution	\$ 4,646
Interest on net pension obligation	221
Adjustment to annual required contribution	(385)
Annual pension cost	4,482
Contributions made	(4,900)
Decrease in net pension obligation	(418)
Net Pension Obligation – Beginning of Year	4,031
<b>Net Pension Obligation – End of Year</b>	<b>\$ 3,613</b>

The annual required contribution was determined as part of an independent actuarial valuation as of September 30, 2011 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:

- Rate of return on present and future assets - 5.5% per annum
- Projected salary increases for covered employees due to inflation – aggregate increases of 3.25% per annum
- Projected salary increases due to merit - 0%
- Inflation rate - 3.0%
- Postemployment benefit increases - 0%
- Amortization of unfunded liability - level percentage of pay ending in 2027 (closed)
- Actuarial value of assets - market value

**d. 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
9/30/10	\$3,831	104%	\$4,176
9/30/11	\$3,812	104%	\$4,031
9/30/12	\$4,482	109%	\$3,613



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)**

**e. Funded Status and Funding Progress**

Below is the funding progress as of September 30, 2011, the most recent actuarial valuation date (dollar amounts in thousands):

Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
\$ 64,382	\$ 27,639	\$ (36,743)	42.9%	\$ 34,098	-107.8%

The assumptions and actuarial methods for the September 30, 2011 actuarial valuation are disclosed in note 7c. 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.

**f. Accounting for Plan**

Since the City is required to adopt GASB Statement Nos. 27 and 50 for the supplemental pension plan, the difference between the ARC and the amount of pension cost funded for the years must be recorded as a liability in the government-wide financial statements. The amount of this liability is \$3,613,000 (see Note 10). Contributions are recognized when due and payable. Benefits are recognized when due and payable under plan provisions.

**7. POSTEMPLOYMENT MEDICAL INSURANCE**

**a. Plan Description**

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, 2012**

**7. POSTEMPLOYMENT MEDICAL INSURANCE (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
- 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 18 months. The retiree may use the subsidy for any of the medical insurance plans that the City's active employees may enroll.

**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 \$888,000 for fiscal year 2011-12. 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](http://www.calpers.ca.gov). The City's policy is to make 100% of each year's ARC. Actuarial assumptions for the June 30, 2011 valuation were:

- Entry age normal – 30 year amortization of unfunded liabilities
- Discount rate – 6.25%
- All other retirement assumptions equivalent to CalPERS assumptions used for the City's normal retirement plans
- 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 forth the inflation trend assumption used for the valuation:

<u>Year</u>	<u>Annual Rate</u>	<u>Year</u>	<u>Annual Rate</u>
2012/13	9.0%	2017/18	6.5%
2013/14	8.5%	2018/19	6.0%
2014/15	8.0%	2019/20	5.5%
2015/16	7.5%	2020/21+	5.0%
2016/17	7.0%		



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**7. POSTEMPLOYMENT MEDICAL INSURANCE (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	\$ 1,526
Implicit subsidy	479
Total Employer Contributions	\$ 2,005

**Development of Annual OPEB Cost (AOC)**

Amortization of Actuarially Accrued Liability	\$ 692
Normal Cost	820
Total Annual Required Contribution (ARC)	1,512
Interest on Net OPEB Assets (NOA)	(559)
Adjustment to the Annual Required Contribution (ARC)	485
Total Annual OPEB Cost (AOC)	\$ 1,438

**Development of Net OPEB Asset (NOA)**

Net OPEB Asset (NOA), beginning of year	\$ (8,792)
Annual OPEB Cost (AOC)	1,438
Employer Contribution	(2,005)
Net OPEB Asset (NOA), end of year	\$ (9,359)

The City's actual contributions of \$2,005,000 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)
9/30/2010	\$1,320	\$1,603	121.40%	(\$8,661)
9/30/2011	\$1,428	\$1,559	109.20%	(\$8,792)
9/30/2012	\$1,438	\$2,005	139.40%	(\$9,359)



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 7. POSTEMPLOYMENT MEDICAL INSURANCE (Continued)

#### d. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 47.5% funded. The actuarial accrued liability for benefits was \$20.2 million, and the actuarial value of assets was \$9.6 million, resulting in an unfunded accrued liability (UAAL) of \$10.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$82.4 million, and the ratio of the UAAL to the covered payroll was 12.9%.

The annual required contribution was determined as part of an independent actuarial valuation as of June 30, 2011 using the assumptions as noted in Note 8b.

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, 2012

### 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 all of these claims as expenditures in the General 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 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 of 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 shares payments for claims 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 four 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 million 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 designate). 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.

#### **Workers' Compensation Claims**

Workers' compensation claims of up to \$1,000,000 per claim are paid from the General 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, 2012**

**8. RISK MANAGEMENT (Continued)**

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

	<b>Workers' Compensation</b>	<b>Liability Insurance</b>	<b>Total</b>
<b>Balance September 30, 2010</b>	<b>\$ 8,785</b>	<b>\$ 5,142</b>	<b>\$ 13,927</b>
Additions	2,979	5,968	8,947
Reductions	(4,749)	(990)	(5,739)
Net Increase (Decrease)	(1,770)	4,978	3,208
<b>Balance September 30, 2011</b>	<b>7,015</b>	<b>10,120</b>	<b>17,135</b>
Additions	9,262	2,836	12,098
Reductions	(5,393)	(4,968)	(10,361)
Net Increase (Decrease)	3,869	(2,132)	1,737
<b>Balance September 30, 2012</b>	<b>\$ 10,884</b>	<b>\$ 7,988</b>	<b>\$ 18,872</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**9. INTERFUND TRANSACTIONS**

**a. Due To/From Other Funds**

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

	<b>Due to (Payable):</b>			<b>Total Due from (Receivable):</b>
	<b>Drainage</b>	<b>Highway Safety &amp; Traffic Reduction</b>	<b>Refuse</b>	
<b>Due from (Receivable):</b>				
Other Governmental Fund				
Traffic Congestion Relief	\$ 275	\$ 120	\$ -	\$ 395
Proprietary Funds				
Water	-	-	16	16
<b>Total Due to (Payable):</b>	<b>\$ 275</b>	<b>\$ 120</b>	<b>\$ 16</b>	<b>\$ 411</b>

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):

	<b>Advances to (Payable):</b>
	<b>Redevelopment Agency Private Purpose Trust</b>
<b>Advances from (Receivable):</b>	
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, 2012 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. The amount will be repaid by fiscal year ending September 30, 2015.

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, 2012**

**9. INTERFUND TRANSACTIONS (Continued)**

**c. Transfers In/Out**

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

Transfers In	Transfers Out			
	General Fund	Grant Special Revenue	LMIHAF Capital Projects	Total Major Governmental Funds
General Fund	\$ -	\$ 23	\$ -	\$ 23
Grants Special Revenue	59	-	-	59
LMIHAF	-	-	-	-
Other Governmental Funds	7,087	34	404	7,525
<b>Total Governmental Funds</b>	<b>7,146</b>	<b>57</b>	<b>404</b>	<b>7,607</b>
Refuse Enterprise Fund	51	-	-	51
<b>Total Transfers Out</b>	<b>\$ 7,197</b>	<b>\$ 57</b>	<b>\$ 404</b>	<b>\$ 7,658</b>

Transfers In	Transfer Out				
	Total Major Governmental Funds	Other Governmental Funds	Total Governmental Funds	Hazmat Service Enterprise Fund	Total Transfers In
General Fund	\$ 23	\$ 1,027	\$ 1,050	\$ 13	\$ 1,063
Grants Special Revenue	59	8	67	-	67
LMIHAF	-	10,249	10,249	-	10,249
Other Governmental Funds	7,525	-	7,525	-	7,525
<b>Total Governmental Funds</b>	<b>7,607</b>	<b>11,284</b>	<b>18,891</b>	<b>13</b>	<b>18,904</b>
Refuse Enterprise Fund	51	-	51	-	51
<b>Total Transfers Out</b>	<b>\$ 7,658</b>	<b>\$ 11,284</b>	<b>\$ 18,942</b>	<b>\$ 13</b>	<b>\$ 18,955</b>

The following is a summary of the significant transfers:

- \$7,087,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$5,258,000 and an infrastructure fund transfer of \$1,829,000.
- \$10,249,000 was transferred from the Other Governmental Funds primarily due to the transfer of assets to the LMIHAF Capital Projects Fund as a result of the dissolution of the Redevelopment Agency.
- \$404,000 was transferred from the Low and Moderate Income Housing Asset Fund to Other Governmental Funds for debt service payments.
- \$1,027,000 was transferred from Other Governmental Funds to the General Fund primarily for General Fund expenditures of Gas Tax Fund related projects.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 10. LONG-TERM OBLIGATIONS

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

	September 30, 2011	Additions	Retirements	Dissolution of the Redevelopment Agency	September 30, 2012	Accrued Interest	Due Within One Year
<b>Governmental Activities:</b>							
Judgment Obligation Bonds	\$ 5,179	\$ -	\$ (840)	\$ -	\$ 4,339	\$ 104	\$ 865
<b>Public Financing Authority:</b>							
2010(a) Lease Revenue Bonds	13,200	-	(635)	-	12,565	49	655
2011(a) Lease Revenue Bonds	36,275	-	(2,120)	-	34,155	112	2,960
<b>Total Public Financing Authority</b>	<b>49,475</b>	<b>-</b>	<b>(2,755)</b>	<b>-</b>	<b>46,720</b>	<b>161</b>	<b>3,615</b>
<b>Redevelopment Agency:</b>							
1999 Tax Allocation Refunding Bonds	6,180	-	-	(6,180)	-	-	-
2002 Tax Allocation Refunding Bonds	13,525	-	-	(13,525)	-	-	-
Mayer DDA	5,803	-	-	(5,803)	-	-	-
Bella Terra OPA (Parking)	13,922	-	-	(13,922)	-	-	-
CIM DDA (Parking & Infrastructure)	7,288	-	-	(7,288)	-	-	-
CIM DDA (Additional Parking)	435	-	-	(435)	-	-	-
Section 108 Loan RDA/Bowen Court	3,997	2	(644)	(3,355)	-	-	-
Pollution Remediation	200	-	-	(200)	-	-	-
<b>Total Redevelopment Agency</b>	<b>51,350</b>	<b>2</b>	<b>(644)</b>	<b>(50,708)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Long-Term Obligations:</b>							
Leases Payable	572	-	(282)	-	290	-	290
Compensated Absences	11,131	2,981	(3,003)	(124)	10,985	-	3,200
Net Pension Obligation	4,031	4,482	(4,900)	-	3,613	-	-
Claims Payable	17,135	12,098	(10,361)	-	18,872	-	7,462
Pollution Remediation	2,000	-	-	-	2,000	-	-
PARS Payable	5,868	-	(1,351)	-	4,517	-	1,426
Section 108 Loan City	1,425	-	(140)	-	1,285	6	150
<b>Total Other Long-Term Obligations</b>	<b>42,162</b>	<b>19,561</b>	<b>(20,037)</b>	<b>(124)</b>	<b>41,562</b>	<b>6</b>	<b>12,528</b>
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>\$ 148,166</b>	<b>\$ 19,563</b>	<b>\$ (24,276)</b>	<b>\$ (50,832)</b>	<b>\$ 92,621</b>	<b>\$ 271</b>	<b>\$ 17,008</b>



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 10. LONG-TERM OBLIGATIONS (Continued)

Below is a schedule of changes in long-term obligations of the private-purpose trust fund for the year (in thousands):

Private Purpose Trust Fund: (in thousands)	September 30, 2011	Transfer in from the former Redevelop ment Agency	Additions	Retirements	September 30, 2012	Accrued Interest	Due Within One Year
<b>Bonds Payable</b>							
1999 Tax Allocation							
Refunding Bonds	\$ -	\$ 6,180	\$ -	\$ (450)	\$ 5,730	\$ 46	\$ 465
2002 Tax Allocation							
Refunding Bonds	-	13,525	-	(995)	12,530	100	1,040
<b>Total Bonds Payable</b>	<b>-</b>	<b>19,705</b>	<b>-</b>	<b>(1,445)</b>	<b>18,260</b>	<b>146</b>	<b>1,505</b>
<b>Other Long-Term Obligations</b>							
Mayer DDA	\$ -	\$ 5,803	\$ -	\$ (370)	\$ 5,433	\$ -	\$ 370
Bella Terra OPA (Parking)	-	13,922	-	(376)	13,546	-	500
CIM DDA (Parking & Infrastructure)	-	7,288	-	(168)	7,120	-	179
CIM DDA (Additional Parking)	-	435	-	(6)	429	-	7
Section 108 Loan RDA	-	3,355	-	(330)	3,025	13	350
Pollution Remediation	-	200	-	-	200	-	-
Compensated Absences	-	124	-	(46)	78	-	21
<b>Total Other Long-Term Obligations</b>	<b>-</b>	<b>31,127</b>	<b>-</b>	<b>(1,296)</b>	<b>29,831</b>	<b>13</b>	<b>1,427</b>
<b>Total Long-Term Obligations - Private Purpose Trust Fund</b>	<b>\$ -</b>	<b>\$ 50,832</b>	<b>\$ -</b>	<b>\$ (2,741)</b>	<b>\$ 48,091</b>	<b>\$ 159</b>	<b>\$ 2,932</b>

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	\$ (418)
Increase in Compensated Absences	(22)
Increase in Claims Payable	1,737
Increase in Section 108 Loan/Bowen Court	2
<b>Increases in Above Schedule</b>	<b>1,299</b>
Increase in Current Portion of Claims Payable reported in the Governmental Fund Financial Statement	(470)
<b>Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements</b>	<b>\$ 829</b>
Principal Paid in Governmental Fund Financial Statements	\$ 6,012
Extraordinary Loss from Transfer of Long-Term Obligations to Successor Agency	50,832
<b>Decreases in Above Schedule</b>	<b>\$ 56,844</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	February 1 <sup>st</sup>
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
2013	\$ 865	\$ 156	\$ 1,021
2014	900	121	1,021
2015	940	84	1,024
2016	975	46	1,021
2017	659	13	672
<b>Total</b>	<b>\$ 4,339</b>	<b>\$ 420</b>	<b>\$ 4,759</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**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 <sup>st</sup> , September 1 <sup>st</sup>
Principal Payment Dates	September 1 <sup>st</sup>
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
2013	\$ 655	\$ 585	\$ 1,240
2014	680	559	1,239
2015	705	532	1,237
2016	730	503	1,233
2017	765	474	1,239
2018-2022	3,940	1,836	5,776
2023-2027	3,185	970	4,155
2028-2030	1,905	184	2,089
<b>Total</b>	<b>\$ 12,565</b>	<b>\$ 5,643</b>	<b>\$ 18,208</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**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 <sup>st</sup> , September 1 <sup>st</sup>
Principal Payment Dates	September 1 <sup>st</sup>
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
2013	\$ 2,960	\$ 1,346	\$ 4,306
2014	3,030	1,272	4,302
2015	3,180	1,121	4,301
2016	3,335	962	4,297
2017	1,915	862	2,777
2018-2022	7,315	3,280	10,595
2023-2027	6,360	2,064	8,424
2028-2031	6,060	671	6,731
<b>Total</b>	<b>\$ 34,155</b>	<b>\$ 11,578</b>	<b>\$ 45,733</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

**c. Other Long-Term Obligations**

**(1) Leases Payable**

The City entered into capital leases for various items:

Years of Issuance	2001 through 2007
Type of Debt	Capital Leases
Original Principal Amount	Various (\$10,000 to \$1,800,000)
Security	Asset
Interest Rates	4.2% to 6.9%
Interest Payment Dates	Monthly, Quarterly, Semi-Annually
Principal Payment Dates	Monthly, Quarterly, Semi-Annually
Purpose of Debt	Equipment Financing

Future minimum lease payments to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2013	\$ 290	\$ 8	\$ 298
<b>Total</b>	<b>\$ 290</b>	<b>\$ 8</b>	<b>\$ 298</b>

**(2) Compensated Absences**

There is no repayment schedule to pay the compensated absences amount of \$10,985,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.

**(3) Net Pension Obligation**

There is no fixed repayment schedule to fund the liability for the unfunded net pension obligation totaling \$3,613,000 for the City's Pension Trust Fund - Retirement Supplemental Plan described in Note 6. The 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).



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 10. LONG-TERM OBLIGATIONS (Continued)

#### (4) Claims Payable

There is no repayment schedule for the claims payable of \$18,872,000 described in Note 8. The City pays the claims upon final settlement.

#### (5) 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.

#### (6) 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,



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

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

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. 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, 2012 is \$4,517,000. The cash flows associated with the five year funding were discounted at a rate of 5.5% in the table below (in thousands):

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Payments</b>
2013	\$ 1,426	\$ 161	\$ 1,587
2014	1,504	83	1,587
2015	1,587	-	1,587
<b>Total</b>	<b>\$ 4,517</b>	<b>\$ 244</b>	<b>\$ 4,761</b>

**(7) 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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	August 1 <sup>st</sup>
Purpose of Debt	Capital Improvements. Section 108 Loan



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Annual Payments
2013	\$ 150	\$ 33	\$ 183
2014	160	31	191
2015	170	28	198
2016	180	24	204
2017	195	19	214
2018-2019	430	21	451
<b>Total</b>	<b>\$ 1,285</b>	<b>\$ 156</b>	<b>\$ 1,441</b>

**d. Private-Purpose Trust Fund**

**(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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	August 1 <sup>st</sup>
Purpose of Debt	Prepay Agency's 1992 Loans to Public Financing Authority

Debt service requirements to maturity are (in thousands):

2013	\$ 465	\$ 278	\$ 743
2014	490	257	747
2015	515	234	749
2016	540	211	751
2017	565	185	750
2018-2022	2,370	520	2,890
2023-2024	785	57	842
<b>Total</b>	<b>\$ 5,730</b>	<b>\$ 1,742</b>	<b>\$ 7,472</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**10. LONG-TERM OBLIGATIONS (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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	August 1 <sup>st</sup>
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):

2013	\$ 1,040	\$ 601	\$ 1,641
2014	1,080	558	1,638
2015	1,115	512	1,627
2016	1,180	464	1,644
2017	1,235	405	1,640
2018-2022	5,180	1,134	6,314
2023-2024	1,700	124	1,824
<b>Total</b>	<b>\$ 12,530</b>	<b>\$ 3,798</b>	<b>\$ 16,328</b>

***Pledged Revenues***

The Successor Agency will repay a total of \$23,800,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of September 30, 2012 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, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

ABX1 26 was enacted in late June 2011 as part of the fiscal year 2011-12 state budget package and was upheld by the California Supreme Court to be largely constitutional on December 29, 2011. Under ABX1 26, each of California's redevelopment agencies was dissolved as of February 1, 2012. On January 9, 2012, the City adopted a resolution declaring its intent to serve as the Successor Agency. Pursuant to ABX1 26 on August 15, 2011 (prior to the dissolution), the Dissolved RDA prepared initial Enforceable Obligation Payment Schedule (the "EOPS") and subject to update by the Successor Agency. The Successor Agency is required to submit an 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 distribution revenues have been pledged until the year 2024 for the 1999 and 2002 Tax Allocation Refunding Bonds in accordance with the EOPS and ROPS. These bonds have been approved as enforceable obligations by the DOF.

**(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 February 1, 2012, the principal balance of \$5,803,000 was transferred to the Successor Agency and is recorded in the Huntington Beach Redevelopment Successor Agency Private Purpose Trust. As of year-end, the Successor Agency obligation under the agreement amounted to \$5,433,000. 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%. DOF has approved this liability as an enforceable obligation. 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, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

**(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 February 1, 2012, the principal balance of \$13,922,000 was transferred to the Successor Agency and is recorded in the Huntington Beach Redevelopment Successor Agency Private Purpose Trust. As of year-end, the Successor Agency obligation under the agreement amounted to \$13,546,000. 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) 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 <sup>th</sup>
Principal Payment Dates	September 30 <sup>th</sup>
Purpose of Debt	Strand Parking Structure and Infrastructure

As of February 1, 2012, the principal balance of \$7,288,000 was transferred to the Successor Agency and is recorded in the Huntington Beach Redevelopment Successor Agency Private Purpose Trust. As of year-end, the Successor Agency obligation under the agreement amounted to \$7,120,000. 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, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

**(6) 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 <sup>th</sup>
Principal Payment Dates	September 30 <sup>th</sup>
Purpose of Debt	Additional Strand Parking Structure and Infrastructure

As of February 1, 2012, the principal balance of \$435,000 was transferred to the Successor Agency and is recorded in the Huntington Beach Redevelopment Successor Agency Private Purpose Trust. As of year-end, the Successor Agency obligation under the agreement amounted to \$429,000. 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.

**(7) Section 108 Loan Redevelopment Agency/Help Loan - Bowen Court**

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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	August 1 <sup>st</sup>
Purpose of Debt	Capital Improvements.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

Year of Issuance	2002
Type of Debt	HELP Loan – Bowen Court
Principal Amount	\$500,000
Security	Note with developer
Interest Rates	3.0%
Repayment terms	Deferred for 10 years
Purpose of Debt	Affordable Housing

In October 2011, CalHFA offered an Early Payoff Discount to all HELP loan holders, discounting the accrued interest based on the number of months the loan was paid off prior to maturity. The Agency elected the early payoff option and in November 2011, the HELP loan was paid in full. The loan was approved and paid as an enforceable obligation by the DOF.

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2013	\$ 350	\$ 78	\$ 428
2014	375	73	448
2015	400	66	466
2016	430	57	487
2017	460	46	506
2018-2019	1,010	49	1,059
<b>Total</b>	<b>\$ 3,025</b>	<b>\$ 369</b>	<b>\$ 3,394</b>

**(8) 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 \$200,000 and is reported as a long-term liability in the government-wide statements. The cleanup cost will not exceed the estimated amount as an environmental insurance policy taken by the Agency will indemnify itself against further liability. As of February 1, 2012, the principal balance of \$200,000 was transferred to the Successor Agency and is recorded in the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund. 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, 2012**

**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, 2011	Additions	Retirements	September 30, 2012	Due Within One Year
Compensated Absences	\$ 1,093	\$ 141	\$ (179)	\$ 1,055	\$ 288
<b>Total Long-Term Obligations - Business-Type Activities</b>	<b>\$ 1,093</b>	<b>\$ 141</b>	<b>\$ (179)</b>	<b>\$ 1,055</b>	<b>\$ 288</b>

**(1) Compensated Absences**

There is no repayment schedule for the compensated absences amount of \$1,055,000 relating to business-type activities.

**f. Long-Term Conduit Debt Obligations for which City is not Liable in any Manner**

Community Facilities Districts: (in thousands)	September 30, 2011	Additions	Retirements	September 30, 2012
Community Facilities District No. 1990-1				
Special Tax Refunding Bonds	\$ 1,250	\$ -	\$ (110)	\$ 1,140
Community Facilities District No. 2000-1				
Special Assessment Tax Bonds	13,690	-	(360)	13,330
Community Facilities District No. 2002-1				
Special Assessment Tax Bonds	4,725	-	(55)	4,670
Community Facilities District No. 2003-1				
Special Assessment Tax Bonds	22,140	-	(545)	21,595
<b>Total Community Facilities Districts</b>	<b>41,805</b>	<b>-</b>	<b>(1,070)</b>	<b>40,735</b>
Residential Redevelopment Bonds	9,500	-	-	9,500
<b>Total Obligations Not Recorded in Financial Statements</b>	<b>\$ 51,305</b>	<b>\$ -</b>	<b>\$ (1,070)</b>	<b>\$ 50,235</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**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 <sup>st</sup> and October 1 <sup>st</sup>
Principal Payment Dates	October 1 <sup>st</sup>

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2013	\$ 120	\$ 59	\$ 179
2014	120	52	172
2015	130	45	175
2016	140	38	178
2017	145	30	175
2018-2020	485	41	526
<b>Total</b>	<b>\$ 1,140</b>	<b>\$ 265</b>	<b>\$ 1,405</b>

**(2) Community Facilities District 2000-1 2001 Special Tax Bonds**

Year of Issuance	2001
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$16,000,000
Security	Special Tax Levies
Interest Rates	3.80% to 6.40%
Interest Payment Dates	September 1 <sup>st</sup> and March 1 <sup>st</sup>
Principal Payment Dates	September 1 <sup>st</sup>
Purpose of Debt	Public Improvements for Grand Coast Resort



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2013	\$ 380	\$ 855	\$ 1,235
2014	405	832	1,237
2015	430	807	1,237
2016	455	780	1,235
2017	485	752	1,237
2018-2022	2,930	3,248	6,178
2023-2027	4,010	2,174	6,184
2028-2031	4,235	704	4,939
<b>Total</b>	<b>\$ 13,330</b>	<b>\$ 10,152</b>	<b>\$ 23,482</b>

**(3) 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 <sup>st</sup> and September 1 <sup>st</sup>
Principal Payment Dates	September 1 <sup>st</sup>

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2013	\$ 65	\$ 288	\$ 353
2014	80	284	364
2015	90	280	370
2016	100	275	375
2017	115	269	384
2018-2022	815	1,228	2,043
2023-2027	1,335	918	2,253
2028-2032	2,070	412	2,482
<b>Total</b>	<b>\$ 4,670</b>	<b>\$ 3,954</b>	<b>\$ 8,624</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**10. LONG-TERM OBLIGATIONS (Continued)**

**(4) 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 <sup>st</sup> and September 1 <sup>st</sup>
Principal Payment Dates	September 1 <sup>st</sup>

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2013	\$ 570	\$ 1,236	\$ 1,806
2014	595	1,209	1,804
2015	625	1,180	1,805
2016	660	1,148	1,808
2017	695	1,114	1,809
2018-2022	4,095	4,936	9,031
2023-2027	5,430	3,598	9,028
2028-2032	7,220	1,813	9,033
2033	1,705	100	1,805
<b>Total</b>	<b>\$ 21,595</b>	<b>\$ 16,334</b>	<b>\$ 37,929</b>

**(5) 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	\$9,500	\$9,500



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 11. CAPITAL ASSETS

#### a. Changes in Capital Assets

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

Governmental Activities	September 30, 2011	Additions	Dispositions	Dissolution of the	September 30, 2012
				Huntington Beach Redevelopment Agency	
<b>Capital Assets, Not Depreciated:</b>					
Land	\$ 366,751	\$ 1,115	\$ -	\$ (15,033)	\$ 352,833
Construction in Progress	3,181	1,334	(739)	-	3,776
Joint Ventures	2,258	52	-	-	2,310
<b>Total Capital Assets -Not Depreciated</b>	<b>372,190</b>	<b>2,501</b>	<b>(739)</b>	<b>(15,033)</b>	<b>358,919</b>
<b>Capital Assets Being Depreciated</b>					
Buildings	179,426	3,826	-	-	183,252
Machinery and Equipment	47,555	2,094	-	-	49,649
Infrastructure	334,294	11,417	(1,601)	-	344,110
<b>Total Capital Assets Being Depreciated</b>	<b>561,275</b>	<b>17,337</b>	<b>(1,601)</b>	<b>-</b>	<b>577,011</b>
<b>Less Accumulated Depreciation:</b>					
Buildings	(46,352)	(6,345)	-	-	(52,697)
Machinery and Equipment	(38,719)	(2,000)	-	-	(40,719)
Infrastructure	(176,275)	(7,199)	1,601	-	(181,873)
<b>Total Accumulated Depreciation</b>	<b>(261,346)</b>	<b>(15,544)</b>	<b>1,601</b>	<b>-</b>	<b>(275,289)</b>
Total Depreciated - Net	299,929	1,793	-	-	301,722
<b>Total Capital Assets</b>	<b>933,465</b>	<b>19,838</b>	<b>(2,340)</b>	<b>(15,033)</b>	<b>935,930</b>
Total Accumulated Depreciation	(261,346)	(15,544)	1,601	-	(275,289)
<b>Capital Assets of Governmental Activities - Net</b>	<b>\$ 672,119</b>	<b>\$ 4,294</b>	<b>\$ (739)</b>	<b>\$ (15,033)</b>	<b>\$ 660,641</b>

Business-Type Activities:	September 30, 2011	Additions	Dispositions	September 30, 2012
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	19,382	2,490	(761)	21,111
<b>Total Capital Assets -Not Depreciated</b>	<b>23,289</b>	<b>2,490</b>	<b>(761)</b>	<b>25,018</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	53,575	506	-	54,081
Machinery and Equipment	9,875	318	-	10,193
Infrastructure	132,394	974	(2)	133,366
<b>Total Capital Assets Being Depreciated</b>	<b>195,844</b>	<b>1,798</b>	<b>(2)</b>	<b>197,640</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	(14,052)	(1,351)	-	(15,403)
Machinery and Equipment	(7,293)	(563)	-	(7,856)
Infrastructure	(62,906)	(2,364)	-	(65,270)
<b>Total Accumulated Depreciation</b>	<b>(84,251)</b>	<b>(4,278)</b>	<b>-</b>	<b>(88,529)</b>
Total Depreciated - Net	111,593	(2,480)	(2)	109,111
<b>Total Capital Assets</b>	<b>219,133</b>	<b>4,288</b>	<b>(763)</b>	<b>222,658</b>
Total Accumulated Depreciation	(84,251)	(4,278)	-	(88,529)
<b>Capital Assets of Business Activities - Net</b>	<b>\$ 134,882</b>	<b>\$ 10</b>	<b>\$ (763)</b>	<b>\$ 134,129</b>

Fiduciary Fund:	September 30, 2011	Additions	Dispositions	Transfer in	September 30, 2012
				from Former Redevelopment Agency	
Capital Asset - Land	\$ -	\$ -	\$ -	\$ 15,033	\$ 15,033



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**11. CAPITAL ASSETS (continued)**

**b. Depreciation Expense**

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

**Department:**

City Manager	\$	9
Fire		415
Information Services		42
Police		222
Economic Development		20
Community Services		1,456
Library Services		285
Public Works		11,856
Non-Departmental		1,241
<b>Total</b>	<b>\$</b>	<b><u>15,544</u></b>

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

**Fund:**

Water	\$	3,061
Sewer Service		1,217
<b>Total</b>	<b>\$</b>	<b><u>4,278</u></b>

**c. Capital Assets Acquired via Capital Leases**

At year-end, the City's assets acquired through outstanding capital leases (see Note 10) were (in thousands):

	<b>Governmental Activities</b>	
Machinery and Equipment	\$	1,869
Buildings		3,449
Less: Accumulated Depreciation		(1,723)
<b>Total</b>	<b>\$</b>	<b><u>3,595</u></b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

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

On December 29, 2011, the California Supreme Court upheld ABX1 26 that provides 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.

In accordance with the timeline set forth in ABX1 26 (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final four months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

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

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012, from governmental funds of the City to fiduciary funds was reported in the governmental funds of the City to fiduciary funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012, was reported in the Huntington Beach Successor Agency Private-Purpose Trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Reconciliation of the Extraordinary Loss Reported in the Governmental Funds to the Extraordinary Loss Recognized in the Successor Agency Private-Purpose Trust Fund Financial Statements	
Total extraordinary loss reported in governmental funds-	
Increase to net assets of the Successor Agency Trust Fund	\$ 11,839
Capital assets recorded in the government-wide financial statements-	
Increase to net assets of the Successor Agency Trust Fund	15,033
Long-term debt reported in the government-wide financial statements-	
Decrease to net assets of the Successor Agency Trust Fund	<u>(50,832)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers equal to amount of extraordinary gain reported in the government-wide financial statements of the City	<u>\$ (23,960)</u>

**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.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 13. COMMITMENTS AND CONTINGENCIES (continued)

#### 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 sales tax agreements that extend until 2020. Sales tax rebates total \$586,000 in fiscal year ended September 30, 2012.

#### 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. Loans made previous to January 1, 2011 will start to be repaid in FY 2014/15 (or in future years).

On October 16, 2006, the Redevelopment Agency approved an Owner Participation Agreement with Makallon Atlanta Huntington Beach, LLC (also known as Makar) to develop a 31-acre site in the Main-Pier sub-area of the Huntington Beach Redevelopment Project (Pacific City). Makar was to advance \$5,500,000 to the Redevelopment Agency to fund the Agency's obligation for the Regional Urban Runoff Treatment System and the Pacific View Drive Extension. The advance will be repaid over 20 years from tax increment generated from the site. Current development of the site is on hold and will proceed in the future as economic conditions permit. Currently, Crescent Heights has purchased the property from Makallon. On August 20, 2012, the OPA was terminated. The advance will not be paid to the City.

#### **Bella Terra Phase II**

On October 4, 2010, the Agency approved the affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement will facilitate the construction of a 467 mixed-use unit project, including 43 moderate units and 28 very low units. This agreement will reimburse DJM for construction of the affordable units only up to \$17 million plus 4% interest. The agreement also includes payment from DJM to the City for up to \$250,000 for the pedestrian access crossing between the Levitz site and the Village at Bella Terra if construction is within 10 years of the affordable housing agreement. The reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**13. COMMITMENTS AND CONTINGENCIES (Continued)**

the 20% housing fund from the site-generated Bella Terra I. Construction is underway. DMJ has transferred the site to UDR and opening of the project will be in May 2013.

As of September 30, 2012, the City has no outstanding obligations related to the cooperation and owner participation agreements discussed above.

**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. Based on this Cooperation Agreement, the interest rate for the loan is 3.81% and the loan is scheduled to be fully repaid by September 2030. The City has not recorded the advances in the accompanying financial statements due to uncertainties surrounding ABX1 26 and the introduction of Assembly Bill 1484 (see Notes 12 and 15). Below is a schedule of the activity for the year (in thousands):

	September 30, 2011	Additions	Reductions	September 30, 2012
<b>General Fund</b>				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	24,880	246	-	25,126
<b>Total General Fund</b>	<b>66,592</b>	<b>246</b>	<b>-</b>	<b>66,838</b>
<b>Sewer Fund</b>				
Direct Advances	275	-	-	275
Deferred Development Fees	171	-	-	171
<b>Total Sewer Fund</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>446</b>
<b>Drainage Fund</b>				
Direct Advances	663	2	-	665
Deferred Development Fees	182	1	-	183
<b>Total Drainage Fund</b>	<b>845</b>	<b>3</b>	<b>-</b>	<b>848</b>
<b>Park Acquisition and Development Fund</b>				
Direct Advances	5,468	21	-	5,489
Deferred Development Fees	406	2	-	408
<b>Total Park Acquisition and Development Fund</b>	<b>5,874</b>	<b>23</b>	<b>-</b>	<b>5,897</b>
<b>Water Fund</b>				
Direct Advances	4,115	15	-	4,130
<b>Total Water Fund</b>	<b>4,115</b>	<b>15</b>	<b>-</b>	<b>4,130</b>
<b>Total All Funds</b>	<b>\$ 77,872</b>	<b>\$ 287</b>	<b>\$ -</b>	<b>\$ 78,159</b>

The cash repayments are recorded as transfers from the Redevelopment Agency to the fund receiving the repayment.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**13. COMMITMENTS AND CONTINGENCIES (Continued)**

**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. Below is a schedule of the activity for the year (in thousands):

	September 30, 2011	Additions	Reductions	September 30, 2012
<b>General Fund</b>				
Emerald Cove	\$ 4,054	\$ -	\$ (404)	\$ 3,650

**14. OTHER INFORMATION**

**a. Fund and Accumulated Deficits**

The following funds have total fund deficits at year-end (in thousands):

Special Revenue Fund	
Drainage	\$ 275
Highway Safety & Traffic Reduction	120

The City has established plans to reduce and eliminate deficits in these Funds. Expenditures are not authorized in the Drainage Fund until annual revenues eliminate the negative fund balance. Highway Safety & Traffic Reduction will be receiving sufficient revenues in fiscal year 2012/13 to eliminate the deficit balance.



## **City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012**

### **15. SUBSEQUENT EVENTS**

#### **a. HB Auto I**

In October 2011, The City entered into a Settlement Agreement with HB Auto I regarding the purchase and sale of 7872 Edinger Avenue regarding retention in escrow of Environmental Remediation funds in the amount of \$240,000.

The funds have been pledged to Campbell Lodging, through a Purchase and Sale Agreement for the site, approved on January 27, 2012. At escrow closing the funds will be transferred for remediation of the site. Escrow cannot close until the Successor Agency has been awarded a Certificate of Completion from the State of California and has a Long Range Property Management Plan approved.

#### **b. Legislation Dissolving California Redevelopment Agencies**

On June 29, 2011, the Governor of the State of California signed ABX1 26 and ABX1 27 as part of the State's budget package. ABX1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. ABX1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn ABX1 26 and ABX1 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the Court ruled that ABX1 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to ABX1 27, which was invalidated in its entirety by the Court. Accordingly, the Agency is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in ABX1 26. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

During the City Council's January 9, 2012 meeting, the City approved two resolutions designating the City as a Successor Agency to the Redevelopment Agency, and the Huntington Beach Housing Authority as the Successor Agency for housing-related items. As of February 1, 2012, the Redevelopment Agency was dissolved pursuant to Health and Safety Code Section 34172(a) and ABX1 26. As of this date, the City began implementing its duties as Successor Agency under the direction of an Oversight Board, the California State Controller's Office, and the California Department of Finance.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**15. SUBSEQUENT EVENTS (Continued)**

The following is a summary of the significant provisions of ABX1 26:

**Assembly Bill X1 26**

*Suspends Redevelopment Activity* - As of June 29, 2011, the Agency cannot incur new obligations and debt. More specifically, the Agency cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. Agencies are required to continue to make scheduled payments on bonds and other legally binding agreements, and to manage existing contracts, projects, and other agreements.

*Dissolves Redevelopment Agencies* - ABX1 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

*Creates Successor Agencies* - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency. The City has been designated the Successor Agency. The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations.

Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the housing functions to its sponsoring community, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the "Oversight Board."

*Transfer of Housing Functions* - The sponsoring community may choose to assume the housing functions and the housing assets of the dissolved agency. Should the sponsoring community choose not to assume these responsibilities, all assets and functions would be transferred to the local housing authority. The City has elected to continue to administer the housing functions and assets of the former agency.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 15. SUBSEQUENT EVENTS (Continued)

*Creation of Oversight Boards* - The Oversight Board, which is comprised of seven member representatives from local government bodies, is tasked with reviewing and approving the actions of the Successor Agency. Two of the seven members would be City representatives appointed by the Mayor--one of which must be an employee from the recognized employee organization representing the largest number of employees working for the redevelopment agency as of the date of dissolution. The remaining members are appointed by the County (2), the County Superintendent of Education (1), the Chancellor of California Community Colleges (1), and the largest special district taxing entity in the territorial jurisdiction of the former redevelopment agency which is eligible to receive property tax revenues pursuant to Section 34188. The Successor Agency's Oversight Board has been established.

#### **Additional Legislation Related to Assembly Bill X1 26**

As part of the fiscal year 2012/13 state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the act. As a budget "trailer bill", AB 1484 took immediate effect upon signature by the Governor. A summary of AB 1484 is provided briefly below:

Affordable Housing – AB 1484 modified and provided clarification to the treatment of housing assets under the Dissolution Act. It clarified the definition of the Housing Assets, set forth explicit procedures with respect to transfer of housing assets to occur by August 1, 2012, provided greater flexibility and procedural steps regarding the use of housing bond proceeds and established a new Low and Moderate Income Housing Asset Fund (LMIHAF) to be administered by the Housing Successor and clarified that no future deposits are required to be made to the Low-Income Housing Capital Projects Fund (the "Low-Income Housing Fund"). Once approved, the LMIHAF will consist of all housing assets. All funds generated by the Housing Successor are to be placed in the LMIHAF. All payments made to repay amounts previously borrowed from, or owed to, the Low-Income Housing Fund, as of February 1, 2012 shall be placed in the LMIHAF. In addition, twenty percent (20%) of all loan repayments made by the Successor Agency to the City will be deducted from the repayment and transferred to the LMIHAF. All monies in the LMIHAF must be used in accordance with the applicable housing-related provision of the Community Redevelopment law.



## City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2012

### 15. SUBSEQUENT EVENTS (Continued)

AB 1484 clarified the legal status of the Successor Agency. AB 1484 declares that “a successor agency is a separate legal entity from the public agency that provides for its governance.” AB 1484 established the role and status of the Oversight Board and their ability to enter into agreements.

AB 1484 had numerous substantive changes to the definition of the term “enforceable obligation”. In addition, AB 1484 established that amounts borrowed from and payments owing to the Low-Income Housing Fund are enforceable obligation and are payable to the Housing Successor Agency. It grants the DOF additional authority and time to review and approve the Recognized Obligation Payment Schedule (ROPS and established new timeframes.

AB 1484 also created a “Meet and Confer” process for disputes with interpretations of the ROPS and the required submittals.

AB 1484 created a Fiscal Year 2011 true-up payment to pass through agencies from the first ROPS period of January through June 2012.

AB 1484 created two reviews: (1) housing and (2) all other funds. The reviews requires a licensed accountant to provide an accounting of cash and cash equivalents, all transfers, general ledger and separate accounting review, legally restricted accounts and bond proceeds. Both reviews are to determine if there are any current balances that needed to be transferred to the taxing agencies. AB 1484 also provided a “claw-back” provision for payment of the amount owed to taxing agencies. If in the case of nonpayment by the Successor Agency, DOF can request that the Board of Equalization hold back sales tax from the Successor Agency. This issue is currently under litigation.

AB 1484 creates a Finding of Completion and the ability to create a Long Range Property Management Plan to dispose of Agency real property assets.

In addition, AB 1484 allows for the Successor Agency to pay back recognized loans between the Successor Agency and City once they receive a Finding of Completion.



**City of Huntington Beach  
Notes to Financial Statements  
For the Year Ended September 30, 2012**

**15. SUBSEQUENT EVENTS (Continued)**

**Due Diligence Reviews Required by AB 1484**

As mentioned in the note above, AB 1484 placed additional requirements on successor agencies. Health and Safety Code Section 34179.5, as amended by AB 1484, requires each successor agency to retain the services of a licensed accountant to conduct due diligence reviews to determine the balances available for distribution to taxing entities for (1) the Low and Moderate Income Housing Fund, and (2) all other former Redevelopment Agency funds.

The first review for the Low and Moderate Income Housing Fund was submitted to the Department of Finance (DOF) on November 16, 2012, which showed zero balances to be remitted to taxing agencies. After the receipt of an initial determination letter and meet and confer, the DOF sent a letter on January 17, 2013 indicating that \$4,861,000 was due to be distributed to taxing agencies from the Low and Moderate Income Housing Fund. The Agency responded to the letter on January 22, 2013, vigorously disputing the DOF's determination. The Agency retained a total of \$3,650,000 for use in meeting certain long-term obligations relating to housing activities. The remaining balance due of \$1,211,000 was remitted to the Orange County Auditor-Controller under protest on January 25, 2013. On March 15, 2013, a petition for writ of mandate was filed with the Superior Court challenging the results of the determination letter issued by the DOF.

The review for all other former Redevelopment Agency funds was submitted to DOF on January 15, 2013, which showed zero balances available to be remitted to taxing agencies. The DOF's response is still pending as of the time of issuance of the financial statements.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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## City of Huntington Beach Required Supplementary Information For the Year Ended September 30, 2012

### **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 with 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, Special Revenue, Capital Projects and Debt Service Funds. 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, Grant, and LMIHAF 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, 2012  
(In Thousands)**

**General Fund**

<b>REVENUES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Property Taxes	\$ 68,422	\$ 67,935	\$ 67,880	\$ (55)
Sales Taxes	22,775	26,517	26,517	-
Utility Taxes	20,200	20,152	20,152	-
Other Taxes	13,020	12,930	12,930	-
Licenses and Permits	6,270	7,731	7,731	-
Fines, Forfeitures and Penalties	4,078	4,252	4,252	-
Use of Money and Property	13,753	16,847	15,976	(871)
Intergovernmental	3,575	5,739	5,934	195
Charges for Current Service	23,281	25,696	25,404	(292)
Other	935	1,867	1,928	61
<b>Total Revenues</b>	<b>176,309</b>	<b>189,666</b>	<b>188,704</b>	<b>(962)</b>
<b>EXPENDITURES</b>				
Current:				
City Council	299	310	310	-
City Manager	1,548	1,610	1,490	120
City Treasurer	133	141	141	-
City Attorney	2,162	2,278	2,294	(16)
City Clerk	708	746	689	57
Finance	5,015	5,145	4,573	572
Human Resources	4,843	4,972	5,193	(221)
Planning & Building	6,177	6,889	6,119	770
Fire	33,112	33,829	34,652	(823)
Information Services	5,844	6,181	5,857	324
Police	59,129	60,478	58,933	1,545
Economic Development	1,596	1,644	1,551	93
Community Services	12,978	14,185	13,392	793
Library Services	3,714	4,220	3,492	728
Public Works	20,825	21,196	20,692	504
Non-Departmental	17,199	15,149	15,446	(297)
Debt Service:				
Principal	2,040	1,805	1,633	172
Interest	-	235	256	(21)
<b>Total Expenditures</b>	<b>177,322</b>	<b>181,013</b>	<b>176,713</b>	<b>4,300</b>
Excess of Revenues				
Over Expenditures	(1,013)	8,653	11,991	3,338
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	6,835	1,174	1,063	(111)
Transfers Out	(6,733)	(13,200)	(7,197)	6,003
Total Other Financing Sources (Uses)	102	(12,026)	(6,134)	5,892
<b>EXTRAORDINARY ITEM:</b>				
Dissolution of Redevelopment Agency	-	-	(5,978)	(5,978)
Net Change In Fund Balances	(911)	(3,373)	(121)	3,252
<b>Fund Balance - Beginning of Year</b>	<b>54,556</b>	<b>54,556</b>	<b>54,556</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 53,645</b>	<b>\$ 51,183</b>	<b>\$ 54,435</b>	<b>\$ 3,252</b>

**CITY OF HUNTINGTON BEACH  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)**

**Grants Special Revenue**

<b>REVENUES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Use of Money and Property	\$ 212	\$ 212	\$ 249	\$ 37
Intergovernmental	1,966	7,647	4,671	(2,976)
Other	5	5	15	10
<b>Total Revenues</b>	<b>2,183</b>	<b>7,864</b>	<b>4,935</b>	<b>(2,929)</b>
 <b>EXPENDITURES</b>				
Current:				
City Manager	-	813	268	545
Fire	-	903	476	427
Police	829	2,618	1,303	1,315
Economic Development	2,456	2,663	1,017	1,646
Community Services	-	294	171	123
Library Services	-	11	-	11
Public Works	24	563	138	425
Capital Outlay	4,662	7,707	1,968	5,739
Debt Service:				
Principal	-	140	140	-
Interest	-	34	43	(9)
<b>Total Expenditures</b>	<b>7,971</b>	<b>15,746</b>	<b>5,524</b>	<b>10,222</b>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(5,788)	(7,882)	(589)	7,293
 <b>OTHER FINANCING USES</b>				
Transfers In	-	60	67	7
Transfers Out	-	(44)	(57)	(13)
Total Other Financing Uses	-	16	10	(6)
Net Change In Fund Balances	(5,788)	(7,866)	(579)	7,287
<b>Fund Balance - Beginning of Year</b>	<b>1,093</b>	<b>1,093</b>	<b>1,093</b>	<b>-</b>
<b>Fund Balance - End Of Year</b>	<b>\$ (4,695)</b>	<b>\$ (6,773)</b>	<b>\$ 514</b>	<b>\$ 7,287</b>

**CITY OF HUNTINGTON BEACH  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)**

**LMIHAF Capital Projects Fund**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ 204	\$ 403	\$ 199
From Other Agencies	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>204</u>	<u>403</u>	<u>199</u>
<b>EXPENDITURES:</b>				
Current:				
Economic Development	-	395	362	33
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>395</u>	<u>362</u>	<u>33</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(191)</u>	<u>41</u>	<u>232</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	10,925	10,249	(676)
Transfers Out	-	(1,080)	(404)	676
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,845</u>	<u>9,845</u>	<u>-</u>
<b>EXTRAORDINARY ITEMS:</b>				
Dissolution of Redevelopment Agency	-	-	-	-
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>9,654</u>	<u>9,886</u>	<u>232</u>
<b>Fund Balance - Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ 9,654</u>	<u>\$ 9,886</u>	<u>\$ 232</u>

**CITY OF HUNTINGTON BEACH  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of
<b>6/30/2009</b>						
Safety	\$ 478,818	\$ 370,250	\$ (108,568)	77.3%	\$ 40,384	-268.8%
Miscellaneous	363,638	321,435	(42,203)	88.4%	48,439	-87.1%
<b>Total</b>	<b>\$ 842,456</b>	<b>\$ 691,685</b>	<b>\$ (150,771)</b>	<b>82.1%</b>	<b>\$ 88,823</b>	<b>-169.7%</b>
<b>6/30/2010</b>						
Safety	\$ 500,725	\$ 384,956	\$ (115,769)	76.9%	\$ 41,015	-282.3%
Miscellaneous	382,671	334,778	(47,893)	87.5%	47,596	-100.6%
<b>Total</b>	<b>\$ 883,396</b>	<b>\$ 719,734</b>	<b>\$ (163,662)</b>	<b>81.5%</b>	<b>\$ 88,611</b>	<b>-184.7%</b>
<b>6/30/2011</b>						
Safety	\$ 531,801	\$ 402,867	\$ (128,934)	75.8%	\$ 39,337	-327.8%
Miscellaneous	415,178	347,820	(67,358)	83.8%	42,063	-160.1%
<b>Total</b>	<b>\$ 946,979</b>	<b>\$ 750,687</b>	<b>\$ (196,292)</b>	<b>79.3%</b>	<b>\$ 81,400</b>	<b>-241.1%</b>

**CITY OF HUNTINGTON BEACH  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(Continued)**

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

<b>Actuarial Valuation Date</b>	<b>Entry Age Normal Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
9/30/2006 Update	\$ 43,066	\$ 16,821	\$ (26,245)	39.1%	\$ 40,563	-64.7%
9/30/2007 Actual	51,028	20,452	(30,576)	40.1%	43,516	-70.3%
9/30/2008 Update	52,777	22,722	(30,055)	43.1%	44,822	-67.1%
9/30/2009 Actual*	59,576	24,980	(34,596)	41.9%	44,978	-76.9%
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%

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
9/30/2009 Actual*	\$ 8,727	\$ 19,474	\$ (10,747)	44.8%	\$ 88,923	-12.1%
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%

\* 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.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
RETIREMENT PLAN - SUPPLEMENTAL  
(In Thousands)**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
9/30/2006	\$ 3,022	130.48%
9/30/2007	2,850	156.63%
9/30/2008	3,419	106.08%
9/30/2009	3,476	100.00%
9/30/2010	3,967	100.00%
9/30/2011	3,957	100.00%
9/30/2012	4,646	105.47%

# **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 **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 **Drainage Fund** accounts for fees received from developers to construct and maintain the City's drainage system.
- 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.
- The **Air Quality Fund** accounts for revenues from the local agencies used to improve local air quality.
- The **Traffic Impact Fee Fund** accounts for moneys received from the traffic impact fee levied on new developments in the City.
- The **Fourth of July Parade Fund** accounts for the activities of the City's annual parade.
- The **Park Acquisition and Development Fund** accounts for fees received from developers to develop and maintain the City's park system.
- 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 **Traffic Congestion Relief Fund** accounts for moneys allocated for roadway maintenance as established by Assembly Bill 2928.
- The **Partnership Fund** accounts for activities related to public and private partnerships with the City.
- The **Safe and Sane Fireworks Fund** accounts for activities involved in the regulation of safe and sane fireworks within the City.

**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.
- The **Redevelopment Agency Debt Service Fund** records payment of obligations of the Redevelopment Agency.

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

- 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.
- The **Infrastructure Fund** records activity for certain designate infrastructure related expenditures.
- The **Energy Efficiency Fund** records activities to implement energy efficiency and infrastructure measures.
- The **Redevelopment Agency Capital Projects Fund** accounts for capital activities of the Redevelopment Agency.
- The **Low-Income Housing Capital Projects Fund** accounts for low and moderate income housing activities of the Redevelopment Agency.

**CITY OF HUNTINGTON BEACH  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
September 30, 2012  
(In Thousands)**

SPECIAL REVENUE FUNDS					
	Gas Tax	Drainage	Transportation	Air Quality	Traffic Impact Fee
<b>ASSETS</b>					
Cash and Investments	\$ 1,831	\$ -	\$ 2,260	\$ 715	\$ 266
Cash and Investments with Fiscal Agent	-	-	-	-	-
Taxes Receivable	500	-	688	-	-
Other Receivables	43	-	153	59	-
Due from Other Funds	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,374</b>	<b>\$ -</b>	<b>\$ 3,101</b>	<b>\$ 774</b>	<b>\$ 266</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 3	\$ -	\$ 31	\$ 30	\$ -
Due to Other Funds	-	275	-	-	-
Deposits Payable	-	-	-	-	-
Deferred Revenue	10	-	253	58	-
<b>Total Liabilities</b>	<b>13</b>	<b>275</b>	<b>284</b>	<b>88</b>	<b>-</b>
<b>FUND BALANCES</b>					
<b>Restricted</b>					
Pollution Remediation	-	-	-	-	-
Debt Service	-	-	-	-	-
Highways, Streets and Transportation	2,361	-	2,817	-	266
Air Quality	-	-	-	686	-
Parks	-	-	-	-	-
<b>Committed</b>					
Other Capital Projects	-	-	-	-	-
<b>Assigned</b>					
Capital Projects	-	-	-	-	-
Other Purposes	-	-	-	-	-
<b>Unassigned</b>	-	(275)	-	-	-
<b>Total Fund Balances</b>	<b>2,361</b>	<b>(275)</b>	<b>2,817</b>	<b>686</b>	<b>266</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,374</b>	<b>\$ -</b>	<b>\$ 3,101</b>	<b>\$ 774</b>	<b>\$ 266</b>

**CITY OF HUNTINGTON BEACH  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
September 30, 2012  
(In Thousands)  
(continued)**

SPECIAL REVENUE FUNDS						
Fourth of July Parade	Park Acquisition and Development	Highway Safety & Traffic Reduction	Traffic Congestion Relief	Partnership	Safe and Sane Fireworks	Total Special Revenue Funds
\$ 56	\$ 4,018	\$ -	\$ 2,763	\$ 8	\$ 26	\$ 11,943
-	-	-	-	-	-	-
-	-	-	89	-	-	1,277
-	105	-	6	-	-	366
-	-	-	395	-	-	395
-	1,266	-	-	-	-	1,266
<u>\$ 56</u>	<u>\$ 5,389</u>	<u>\$ -</u>	<u>\$ 3,253</u>	<u>\$ 8</u>	<u>\$ 26</u>	<u>\$ 15,247</u>
\$ -	\$ -	\$ -	\$ 431	\$ 8	\$ -	\$ 503
-	-	120	-	-	-	395
-	1,266	-	-	-	-	1,266
-	96	-	-	-	-	417
-	<u>1,362</u>	<u>120</u>	<u>431</u>	<u>8</u>	<u>-</u>	<u>2,581</u>
-	445	-	-	-	-	445
-	-	-	-	-	-	-
-	-	-	2,822	-	-	8,266
-	-	-	-	-	-	686
-	3,582	-	-	-	-	3,582
-	-	-	-	-	-	-
-	-	-	-	-	-	-
56	-	-	-	-	26	82
-	-	(120)	-	-	-	(395)
<u>56</u>	<u>4,027</u>	<u>(120)</u>	<u>2,822</u>	<u>-</u>	<u>26</u>	<u>12,666</u>
<u>\$ 56</u>	<u>\$ 5,389</u>	<u>\$ -</u>	<u>\$ 3,253</u>	<u>\$ 8</u>	<u>\$ 26</u>	<u>\$ 15,247</u>

**CITY OF HUNTINGTON BEACH  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
September 30, 2012  
(In Thousands)  
(continued)**

	DEBT SERVICE FUNDS				CAPITAL PROJECT FUNDS
	Property Tax Refund	Public Financing Authority	Redevelopment Agency Debt Service	Total Debt Service Fund	Parking in-lieu
<b>ASSETS</b>					
Cash and Investments	\$ -	\$ 19	\$ -	\$ 19	\$ 870
Cash and Investments with Fiscal Agent	1	4,320	-	4,321	-
Taxes Receivable	-	-	-	-	-
Other Receivables	-	5	-	5	2
Due from Other Funds	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 1</u></b>	<b><u>\$ 4,344</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,345</u></b>	<b><u>\$ 872</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1	\$ 1	\$ -	\$ 2	\$ -
Due to Other Funds	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>1</u></b>	<b><u>1</u></b>	<b><u>-</u></b>	<b><u>2</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>					
<b>Restricted</b>					
Pollution Remediation	-	-	-	-	-
Debt Service	-	4,343	-	4,343	-
Highways, Streets and Transportation	-	-	-	-	-
Air Quality	-	-	-	-	-
Parks	-	-	-	-	-
<b>Committed</b>					
Other Capital Projects	-	-	-	-	872
<b>Assigned</b>					
Capital Projects	-	-	-	-	-
Other Purposes	-	-	-	-	-
<b>Unassigned</b>	-	-	-	-	-
<b>Total Fund Balances</b>	<b><u>-</u></b>	<b><u>4,343</u></b>	<b><u>-</u></b>	<b><u>4,343</u></b>	<b><u>872</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1</u></b>	<b><u>\$ 4,344</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,345</u></b>	<b><u>\$ 872</u></b>

**CITY OF HUNTINGTON BEACH  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 September 30, 2012  
 (In Thousands)  
 (continued)**

CAPITAL PROJECT FUNDS						
Sewer Development	Infrastructure	Energy Efficiency	Redevelopment Agency Capital Projects	Low-Income Housing Capital Projects	Total Capital Projects Funds	Total Other Governmental Funds
\$ 1,986	\$ 3,889	\$ 1,188	\$ -	\$ -	\$ 7,933	\$ 19,895
-	-	-	-	-	-	4,321
-	-	-	-	-	-	1,277
4	4	2	-	-	12	383
-	-	-	-	-	-	395
-	-	-	-	-	-	1,266
<u>\$ 1,990</u>	<u>\$ 3,893</u>	<u>\$ 1,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,945</u>	<u>\$ 27,537</u>
\$ 10	\$ -	\$ 91	\$ -	\$ -	\$ 101	\$ 606
-	-	-	-	-	-	395
-	-	-	-	-	-	1,266
-	-	-	-	-	-	417
<u>10</u>	<u>-</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>101</u>	<u>2,684</u>
-	-	-	-	-	-	445
-	-	-	-	-	-	4,343
-	-	-	-	-	-	8,266
-	-	-	-	-	-	686
-	-	-	-	-	-	3,582
1,980	3,893	-	-	-	6,745	6,745
-	-	1,099	-	-	1,099	1,099
-	-	-	-	-	-	82
-	-	-	-	-	-	(395)
<u>1,980</u>	<u>3,893</u>	<u>1,099</u>	<u>-</u>	<u>-</u>	<u>7,844</u>	<u>24,853</u>
<u>\$ 1,990</u>	<u>\$ 3,893</u>	<u>\$ 1,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,945</u>	<u>\$ 27,537</u>

**CITY OF HUNTINGTON BEACH  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)**

	SPECIAL REVENUE FUNDS				
	Gas Tax	Drainage	Transportation	Air Quality	Traffic Impact Fee
<b>REVENUES</b>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	2,609	-	-
Licenses and Permits	-	-	-	-	-
Use of Money and Property	21	-	15	5	2
Intergovernmental	3,760	-	344	239	134
Charges for Current Service	-	98	-	-	157
Other	201	-	-	-	-
<b>Total Revenues</b>	<b>3,982</b>	<b>98</b>	<b>2,968</b>	<b>244</b>	<b>293</b>
<b>EXPENDITURES</b>					
Current:					
City Attorney	-	-	-	-	-
Human Resources	-	-	-	20	-
Fire	-	-	-	-	-
Police	-	-	-	-	-
Economic Development	-	-	-	-	-
Community Services	-	-	-	-	-
Public Works	469	-	714	148	57
Non-Departmental	-	-	-	-	-
Capital Outlay	2,523	-	1,526	155	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,992</b>	<b>-</b>	<b>2,240</b>	<b>323</b>	<b>57</b>
<b>Excess Of Revenues Over (Under) Expenditures</b>	<b>990</b>	<b>98</b>	<b>728</b>	<b>(79)</b>	<b>236</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	-	-	-	-
Transfers Out	(900)	-	-	-	-
<b>Total Other Financing Sources Sources (Uses)</b>	<b>(900)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXTRAORDINARY ITEMS:</b>					
Dissolution of Redevelopment Agency	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>90</b>	<b>98</b>	<b>728</b>	<b>(79)</b>	<b>236</b>
<b>Fund Balances - Beginning Of Year</b>	<b>2,271</b>	<b>(373)</b>	<b>2,089</b>	<b>765</b>	<b>30</b>
<b>Fund Balances - End Of Year</b>	<b>\$ 2,361</b>	<b>\$ (275)</b>	<b>\$ 2,817</b>	<b>\$ 686</b>	<b>\$ 266</b>

**CITY OF HUNTINGTON BEACH  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)  
(continued)**

SPECIAL REVENUE FUNDS						
Fourth of July Parade	Park Acquisition and Development	Highway Safety & Traffic Reduction	Traffic Congestion Relief	Partnership	Safe and Sane Fireworks	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	2,609
-	-	-	-	-	-	-
28	41	-	23	8	-	143
79	-	19	2,773	-	-	7,348
166	923	-	-	-	56	1,400
83	11	-	-	-	-	295
<u>356</u>	<u>975</u>	<u>19</u>	<u>2,796</u>	<u>8</u>	<u>56</u>	<u>11,795</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	20
-	-	-	-	-	17	17
-	-	-	-	-	13	13
-	-	-	-	8	-	8
336	183	-	-	-	-	519
-	-	7	340	-	-	1,735
-	-	-	-	-	-	-
-	25	989	3,198	-	-	8,416
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>336</u>	<u>208</u>	<u>996</u>	<u>3,538</u>	<u>8</u>	<u>30</u>	<u>10,728</u>
<u>20</u>	<u>767</u>	<u>(977)</u>	<u>(742)</u>	<u>-</u>	<u>26</u>	<u>1,067</u>
-	-	-	-	-	-	-
-	(128)	-	-	-	-	(1,028)
-	(128)	-	-	-	-	(1,028)
-	-	-	-	-	-	-
<u>20</u>	<u>639</u>	<u>(977)</u>	<u>(742)</u>	<u>-</u>	<u>26</u>	<u>39</u>
<u>36</u>	<u>3,388</u>	<u>857</u>	<u>3,564</u>	<u>-</u>	<u>-</u>	<u>12,627</u>
<u>\$ 56</u>	<u>\$ 4,027</u>	<u>\$ (120)</u>	<u>\$ 2,822</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 12,666</u>

**CITY OF HUNTINGTON BEACH  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)  
(continued)**

	DEBT SERVICE FUNDS				CAPITAL PROJECT FUNDS
	Property Tax Refund	Public Financing Authority	Redevelopment Agency Debt Service	Total Debt Service Funds	Parking In-Lieu
<b>REVENUES</b>					
Property Taxes	\$ -	\$ -	\$ 6,674	\$ 6,674	\$ -
Sales Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	42
Use of Money and Property	-	12	14	26	7
Intergovernmental	-	-	572	572	-
Charges for Current Service	-	-	-	-	-
Other	-	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>12</u>	<u>7,260</u>	<u>7,272</u>	<u>49</u>
<b>EXPENDITURES</b>					
Current:					
City Attorney	-	-	-	-	-
Human Resources	-	-	-	-	-
Fire	-	-	-	-	-
Police	-	-	-	-	-
Economic Development	-	-	227	227	-
Community Services	-	-	-	-	-
Public Works	-	-	-	-	-
Non-Departmental	3	6	-	9	-
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal	840	2,755	-	3,595	-
Interest	188	1,888	188	2,264	-
<b>Total Expenditures</b>	<u>1,031</u>	<u>4,649</u>	<u>415</u>	<u>6,095</u>	<u>-</u>
<b>Excess Of Revenues Over (Under) Expenditures</b>	<u>(1,031)</u>	<u>(4,637)</u>	<u>6,845</u>	<u>1,177</u>	<u>49</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	1,031	4,631	-	5,662	-
Transfers Out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>1,031</u>	<u>4,631</u>	<u>-</u>	<u>5,662</u>	<u>-</u>
<b>EXTRAORDINARY ITEM:</b>					
Dissolution of Redevelopment Agency	-	-	(5,348)	(5,348)	-
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>(6)</u>	<u>1,497</u>	<u>1,491</u>	<u>49</u>
<b>Fund Balances - Beginning of Year</b>	<u>-</u>	<u>4,349</u>	<u>(1,497)</u>	<u>2,852</u>	<u>823</u>
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ 4,343</u>	<u>\$ -</u>	<u>\$ 4,343</u>	<u>\$ 872</u>

**CITY OF HUNTINGTON BEACH  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(In Thousands)  
(continued)**

CAPITAL PROJECT FUNDS						
Sewer Development	Infrastructure	Energy Efficiency	Redevelopment Agency Capital Projects	Low-Income Housing Capital Projects	Total Capital Projects Funds	Total Other Governmental Funds
\$ -		\$ -	\$ -	\$ -	\$ -	\$ 6,674
-	-	-	-	-	-	2,609
-	-	-	-	-	42	42
17	16	8	-	10	58	227
12	-	-	-	-	12	7,932
999	-	-	-	-	999	2,399
-	10	-	-	-	10	305
<u>1,028</u>	<u>26</u>	<u>8</u>	<u>-</u>	<u>10</u>	<u>1,121</u>	<u>20,188</u>
-	-	-	19	-	19	19
-	-	-	-	-	-	20
-	-	-	-	-	-	17
-	-	-	-	-	-	13
-	-	-	153	71	224	459
-	-	-	-	-	-	519
101	-	-	-	-	101	1,836
-	-	-	-	-	-	9
19	109	584	-	-	712	9,128
-	-	-	-	644	644	4,239
-	-	-	-	1	1	2,265
<u>120</u>	<u>109</u>	<u>584</u>	<u>172</u>	<u>716</u>	<u>1,701</u>	<u>18,524</u>
<u>908</u>	<u>(83)</u>	<u>(576)</u>	<u>(172)</u>	<u>(706)</u>	<u>(580)</u>	<u>1,664</u>
-	1,829	-	-	34	1,863	7,525
-	(7)	-	-	(10,249)	(10,256)	(11,284)
-	<u>1,822</u>	-	-	<u>(10,215)</u>	<u>(8,393)</u>	<u>(3,759)</u>
-	-	-	(513)	-	(513)	(5,861)
<u>908</u>	<u>1,739</u>	<u>(576)</u>	<u>(685)</u>	<u>(10,921)</u>	<u>(9,486)</u>	<u>(7,956)</u>
<u>1,072</u>	<u>2,154</u>	<u>1,675</u>	<u>685</u>	<u>10,921</u>	<u>17,330</u>	<u>32,809</u>
<u>\$ 1,980</u>	<u>\$ 3,893</u>	<u>\$ 1,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,844</u>	<u>\$ 24,853</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, 2012  
(In Thousands)**

**Gas Tax**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 12	\$ 12	\$ 21	\$ 9
Intergovernmental	3,183	3,183	3,760	577
Other	-	-	201	201
<b>TOTAL REVENUES</b>	<u>3,195</u>	<u>3,195</u>	<u>3,982</u>	<u>787</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	422	469	(47)
Capital Outlay	2,820	4,067	2,523	1,544
<b>TOTAL EXPENDITURES</b>	<u>2,820</u>	<u>4,489</u>	<u>2,992</u>	<u>1,497</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>375</b>	<b>(1,294)</b>	<b>990</b>	<b>2,284</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	(900)	(922)	(900)	22
<b>NET CHANGE IN FUND BALANCE</b>	<u>(525)</u>	<u>(2,216)</u>	<u>90</u>	<u>2,306</u>
<b>Fund Balance - Beginning of Year</b>	<u>2,271</u>	<u>2,271</u>	<u>2,271</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,746</u>	<u>\$ 55</u>	<u>\$ 2,361</u>	<u>\$ 2,306</u>

**Drainage**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Charges for Current Service	\$ 50	\$ 50	\$ 98	\$ 48
<b>Fund Balance - Beginning of Year</b>	<u>(373)</u>	<u>(373)</u>	<u>(373)</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ (323)</u>	<u>\$ (323)</u>	<u>\$ (275)</u>	<u>\$ 48</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, 2012**

(In Thousands)  
(continued)

**Transportation**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Sales Taxes	\$ 2,500	\$ 2,500	\$ 2,609	\$ 109
Use of Money and Property	14	14	15	1
Intergovernmental	-	-	344	344
<b>TOTAL REVENUES</b>	<u>2,514</u>	<u>2,514</u>	<u>2,968</u>	<u>454</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	1,017	1,120	714	406
Capital Outlay	1,350	3,386	1,526	1,860
<b>TOTAL EXPENDITURES</b>	<u>2,367</u>	<u>4,506</u>	<u>2,240</u>	<u>2,266</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>147</u>	<u>(1,992)</u>	<u>728</u>	<u>2,720</u>
<b>Fund Balance - Beginning of Year</b>	<u>2,089</u>	<u>2,089</u>	<u>2,089</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,236</u>	<u>\$ 97</u>	<u>\$ 2,817</u>	<u>\$ 2,720</u>

**Air Quality**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 8	\$ 8	\$ 5	\$ (3)
Intergovernmental	240	240	239	(1)
<b>TOTAL REVENUES</b>	<u>248</u>	<u>248</u>	<u>244</u>	<u>(4)</u>
<b>EXPENDITURES:</b>				
Current:				
Human Resources	107	57	20	37
Public Works	204	212	148	64
Capital Outlay	274	429	155	274
<b>TOTAL EXPENDITURES</b>	<u>585</u>	<u>698</u>	<u>323</u>	<u>375</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(337)</u>	<u>(450)</u>	<u>(79)</u>	<u>371</u>
<b>Fund Balance - Beginning of Year</b>	<u>765</u>	<u>765</u>	<u>765</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 428</u>	<u>\$ 315</u>	<u>\$ 686</u>	<u>\$ 371</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, 2012**  
(In Thousands)  
(continued)

**Traffic Impact Fee**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 4	\$ 4	\$ 2	\$ (2)
Intergovernmental	-	-	134	134
Charges for Current Service	75	75	157	82
<b>TOTAL REVENUES</b>	<u>79</u>	<u>79</u>	<u>293</u>	<u>214</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	71	57	14
Capital Outlay	-	61	-	61
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>132</u>	<u>57</u>	<u>75</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>79</u>	<u>(53)</u>	<u>236</u>	<u>289</u>
<b>Fund Balance - Beginning of Year</b>	<u>30</u>	<u>30</u>	<u>30</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 109</u>	<u>\$ (23)</u>	<u>\$ 266</u>	<u>\$ 289</u>

**Fourth of July Parade**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 28	\$ 28
Intergovernmental	-	-	79	79
Charges for Current Service	-	-	166	166
Other	400	400	83	(317)
<b>TOTAL REVENUES</b>	<u>400</u>	<u>400</u>	<u>356</u>	<u>(44)</u>
<b>EXPENDITURES:</b>				
Current:				
Community Services	400	405	336	69
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(5)</u>	<u>20</u>	<u>25</u>
<b>Fund Balance - Beginning of Year</b>	<u>36</u>	<u>36</u>	<u>36</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 36</u>	<u>\$ 31</u>	<u>\$ 56</u>	<u>\$ 25</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, 2012  
(In Thousands)  
(continued)**

**Park Acquisition and Development**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 15	\$ 15	\$ 41	\$ 26
Charges for Current Service	100	100	923	823
Other	-	-	11	11
<b>TOTAL REVENUES</b>	<b>115</b>	<b>115</b>	<b>975</b>	<b>860</b>
<b>EXPENDITURES:</b>				
Current:				
Community Services	127	663	183	480
Capital Outlay	20	217	25	192
<b>TOTAL EXPENDITURES</b>	<b>147</b>	<b>880</b>	<b>208</b>	<b>672</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(32)</b>	<b>(765)</b>	<b>767</b>	<b>1,532</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	(681)	(146)	(128)	18
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(681)</b>	<b>(146)</b>	<b>(128)</b>	<b>18</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(713)</b>	<b>(911)</b>	<b>639</b>	<b>1,550</b>
Fund Balance - Beginning of Year	3,388	3,388	3,388	-
Fund Balance - End of Year	<u>\$ 2,675</u>	<u>\$ 2,477</u>	<u>\$ 4,027</u>	<u>\$ 1,550</u>

**Highway Safety & Traffic Reduction**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 5	\$ 5	-	(5)
Intergovernmental	-	-	19	19
<b>TOTAL REVENUES</b>	<b>5</b>	<b>5</b>	<b>19</b>	<b>14</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	-	7	(7)
Capital Outlay	-	992	989	3
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>992</b>	<b>996</b>	<b>(4)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5</b>	<b>(987)</b>	<b>(977)</b>	<b>10</b>
Fund Balance - Beginning of Year	857	857	857	-
Fund Balance - End of Year	<u>\$ 862</u>	<u>\$ (130)</u>	<u>\$ (120)</u>	<u>\$ 10</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, 2012  
(In Thousands)  
(continued)**

**Traffic Congestion Relief**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 25	\$ 25	\$ 23	\$ (2)
Intergovernmental	2,250	2,250	2,773	523
<b>TOTAL REVENUES</b>	<u>2,275</u>	<u>2,275</u>	<u>2,796</u>	<u>521</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	215	579	340	239
Capital Outlay	2,500	5,203	3,198	2,005
<b>TOTAL EXPENDITURES</b>	<u>2,715</u>	<u>5,782</u>	<u>3,538</u>	<u>2,244</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(440)</u>	<u>(3,507)</u>	<u>(742)</u>	<u>2,765</u>
<b>Fund Balance - Beginning of Year</b>	<u>3,564</u>	<u>3,564</u>	<u>3,564</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3,124</u>	<u>\$ 57</u>	<u>\$ 2,822</u>	<u>\$ 2,765</u>

**Partnership**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ 8	\$ 8	\$ -
<b>EXPENDITURES:</b>				
Current:				
Economic Development	-	8	8	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012  
(In Thousands)  
(continued)**

**Safe and Sane Fireworks**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Charges for Current Service	\$ -	\$ 56	\$ 56	\$ -
<b>EXPENDITURES:</b>				
Current:				
Fire	-	23	17	6
Police	-	32	13	19
Public Works	-	1	-	1
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>56</u>	<u>30</u>	<u>26</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 26</u>

**Property Tax Refund**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	6	6	3	3
Debt Service:				
Principal	840	840	840	-
Interest	188	188	188	-
<b>TOTAL EXPENDITURES</b>	<u>1,034</u>	<u>1,034</u>	<u>1,031</u>	<u>3</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,034)</u>	<u>(1,034)</u>	<u>(1,031)</u>	<u>3</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,034	1,034	1,031	(3)
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012**  
(In Thousands)  
(continued)

**Public Financing Authority**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 6	\$ 6	\$ 12	\$ 6
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	12	16	6	10
Debt Service:				
Principal	3,752	3,057	2,755	302
Interest	895	1,587	1,888	(301)
<b>TOTAL EXPENDITURES</b>	<u>4,659</u>	<u>4,660</u>	<u>4,649</u>	<u>11</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,653)</u>	<u>(4,654)</u>	<u>(4,637)</u>	<u>17</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	4,653	4,653	4,631	(22)
<b>NET CHANGE IN FUND BALANCE</b>	-	(1)	(6)	(5)
<b>Fund Balance - Beginning of Year</b>	4,349	4,349	4,349	-
<b>Fund Balance - End of Year</b>	<u>\$ 4,349</u>	<u>\$ 4,348</u>	<u>\$ 4,343</u>	<u>\$ (5)</u>

**Redevelopment Agency Debt Service**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property Taxes	\$ 17,395	\$ 17,395	\$ 6,674	\$ (10,721)
Use of Money and Property	30	30	14	(16)
Intergovernmental	-	-	572	572
<b>TOTAL REVENUES</b>	<u>17,425</u>	<u>17,425</u>	<u>7,260</u>	<u>(10,165)</u>
<b>EXPENDITURES:</b>				
Current:				
Economic Development	9,031	2,243	227	2,016
Debt Service:				
Principal	3,969	-	-	-
Interest	1,572	188	188	-
<b>TOTAL EXPENDITURES</b>	<u>14,572</u>	<u>2,431</u>	<u>415</u>	<u>2,016</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,853</u>	<u>14,994</u>	<u>6,845</u>	<u>(8,149)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,200	1,200	-	(1,200)
Transfers Out	(4,914)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,714)</u>	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>
<b>EXTRAORDINARY ITEM:</b>				
Dissolution of Redevelopment Agency	-	(5,404)	(5,348)	(56)
<b>NET CHANGE IN FUND BALANCE</b>	(861)	10,790	1,497	(9,293)
<b>Fund Balance - Beginning of Year</b>	(1,497)	(1,497)	(1,497)	-
<b>Fund Balance - End of Year</b>	<u>\$ (2,358)</u>	<u>\$ 9,293</u>	<u>\$ -</u>	<u>\$ (9,293)</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, 2012  
(In Thousands)  
(continued)**

**Parking in-Lieu**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Licenses and Permits	\$ 50	\$ 50	\$ 42	\$ (8)
Use of Money and Property	11	11	7	(4)
<b>TOTAL REVENUES</b>	<u>61</u>	<u>61</u>	<u>49</u>	<u>(12)</u>
<b>EXPENDITURES:</b>				
Current:				
Capital Outlay	50	50	-	50
<b>NET CHANGE IN FUND BALANCE</b>	<u>11</u>	<u>11</u>	<u>49</u>	<u>38</u>
<b>Fund Balance - Beginning of Year</b>	<u>823</u>	<u>823</u>	<u>823</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 834</u>	<u>\$ 834</u>	<u>\$ 872</u>	<u>\$ 38</u>

**Sewer Development**

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 10	\$ 10	\$ 17	\$ 7
Intergovernmental	12	12	12	-
Charges for Current Service	125	125	999	874
<b>TOTAL REVENUES</b>	<u>147</u>	<u>147</u>	<u>1,028</u>	<u>881</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	716	101	615
Capital Outlay	400	423	19	404
<b>TOTAL EXPENDITURES</b>	<u>400</u>	<u>1,139</u>	<u>120</u>	<u>1,019</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(253)</u>	<u>(992)</u>	<u>908</u>	<u>1,900</u>
<b>Fund Balance - Beginning of Year</b>	<u>1,072</u>	<u>1,072</u>	<u>1,072</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 819</u>	<u>\$ 80</u>	<u>\$ 1,980</u>	<u>\$ 1,900</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, 2012  
(In Thousands)  
(continued)**

**Infrastructure**

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 16	\$ 16
Other	-	-	10	10
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
<b>EXPENDITURES:</b>				
Capital Outlay	-	1,438	109	1,329
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(1,438)</u>	<u>(83)</u>	<u>1,355</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	1,829	1,829	-
Transfers Out	-	-	(7)	(7)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>1,829</u>	<u>1,822</u>	<u>(7)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	391	1,739	1,348
Fund Balance - Beginning of Year	2,154	2,154	2,154	-
Fund Balance - End of Year	<u>\$ 2,154</u>	<u>\$ 2,545</u>	<u>\$ 3,893</u>	<u>\$ 1,348</u>

**Energy Efficiency**

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 8	\$ 8
<b>EXPENDITURES:</b>				
Capital Outlay	-	1,675	584	1,091
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>1,675</u>	<u>584</u>	<u>1,091</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(1,675)</u>	<u>(576)</u>	<u>1,099</u>
Fund Balance - Beginning of Year	1,675	1,675	1,675	-
Fund Balance - End of Year	<u>\$ 1,675</u>	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 1,099</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, 2012  
(In Thousands)  
(continued)**

**Redevelopment Agency Capital Projects**

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 580	\$ 580	\$ -	\$ (580)
Other	660	660	-	(660)
<b>TOTAL REVENUES</b>	<u>1,240</u>	<u>1,240</u>	<u>-</u>	<u>(1,240)</u>
<b>EXPENDITURES:</b>				
Current:				
City Attorney	150	174	19	155
Economic Development	644	861	153	708
Capital Outlay	-	163	-	163
<b>TOTAL EXPENDITURES</b>	<u>794</u>	<u>1,198</u>	<u>172</u>	<u>1,026</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>446</u>	<u>42</u>	<u>(172)</u>	<u>(214)</u>
<b>EXTRAORDINARY ITEM:</b>				
Dissolution of Redevelopment Agency	-	(513)	(513)	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>446</u>	<u>(471)</u>	<u>(685)</u>	<u>(214)</u>
Fund Balance - Beginning of Year	685	685	685	-
Fund Balance - End of Year	<u>\$ 1,131</u>	<u>\$ 214</u>	<u>\$ -</u>	<u>\$ (214)</u>

**Low-Income Housing Capital Projects**

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 175	\$ 5	\$ 10	\$ 5
<b>EXPENDITURES:</b>				
Current:				
Economic Development	2,086	716	71	645
Debt Service:				
Principal	-	-	644	(644)
Interest	-	-	1	(1)
<b>TOTAL EXPENDITURES</b>	<u>2,086</u>	<u>716</u>	<u>716</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,911)</u>	<u>(711)</u>	<u>(706)</u>	<u>5</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	3,980	34	(3,946)
Transfers Out	(405)	(14,230)	(10,249)	3,981
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(405)</u>	<u>(10,250)</u>	<u>(10,215)</u>	<u>35</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,316)</u>	<u>(10,961)</u>	<u>(10,921)</u>	<u>40</u>
Fund Balance - Beginning of Year	10,921	10,921	10,921	-
Fund Balance - End of Year	<u>\$ 8,605</u>	<u>\$ (40)</u>	<u>\$ -</u>	<u>\$ 40</u>

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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 NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2012**

	Agency Funds						
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	Total Agency Funds
<b>Assets:</b>							
Cash and Investments	\$ 239	\$ 706	\$ 220	\$ 1,178	\$ 1,626	\$ 262	\$ 4,231
Cash with Fiscal Agent	-	3,738	-	-	-	-	3,738
Accounts Receivable, Net	-	1,030	6	-	4	-	1,040
<b>Total Assets</b>	<b>\$ 239</b>	<b>\$ 5,474</b>	<b>\$ 226</b>	<b>\$ 1,178</b>	<b>\$ 1,630</b>	<b>\$ 262</b>	<b>\$ 9,009</b>
<b>Liabilities:</b>							
Accounts Payable	\$ 5	\$ 145	\$ 226	\$ 15	\$ 221	\$ 7	\$ 619
Due to Bondholders	-	5,329	-	-	-	-	5,329
Held for others	234	-	-	1,163	1,409	255	3,061
<b>Total Liabilities</b>	<b>\$ 239</b>	<b>\$ 5,474</b>	<b>\$ 226</b>	<b>\$ 1,178</b>	<b>\$ 1,630</b>	<b>\$ 262</b>	<b>\$ 9,009</b>

**CITY OF HUNTINGTON BEACH**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
<b>General Deposit</b>				
<b>Assets:</b>				
Cash and Investments	\$ 159	\$ 123	\$ (43)	\$ 239
<b>Total Assets</b>	<b>\$ 159</b>	<b>\$ 123</b>	<b>\$ (43)</b>	<b>\$ 239</b>
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ 5	\$ -	\$ 5
Held for others	159	75	-	234
<b>Total Liabilities</b>	<b>\$ 159</b>	<b>\$ 80</b>	<b>\$ -</b>	<b>\$ 239</b>
<b>Community Facilities Districts</b>				
<b>Assets:</b>				
Cash and Investments	\$ 255	\$ 10,658	\$ (10,207)	\$ 706
Cash with Fiscal Agent	4,132	2	(396)	3,738
Accounts Receivable, Net	67	1,030	(67)	1,030
<b>Total Assets</b>	<b>\$ 4,454</b>	<b>\$ 11,690</b>	<b>\$ (10,670)</b>	<b>\$ 5,474</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 1	\$ 5,720	\$ (5,576)	\$ 145
Due to Bondholders	4,453	876	-	5,329
<b>Total Liabilities</b>	<b>\$ 4,454</b>	<b>\$ 6,596</b>	<b>\$ (5,576)</b>	<b>\$ 5,474</b>
<b>Business Improvement Districts</b>				
<b>Assets:</b>				
Cash and Investments	\$ 452	\$ 1,697	\$ (1,929)	\$ 220
Accounts Receivable, Net	18	279	(291)	6
<b>Total Assets</b>	<b>\$ 470</b>	<b>\$ 1,976</b>	<b>\$ (2,220)</b>	<b>\$ 226</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 470	\$ 3,280	\$ (3,524)	\$ 226
<b>Total Liabilities</b>	<b>\$ 470</b>	<b>\$ 3,280</b>	<b>\$ (3,524)</b>	<b>\$ 226</b>
<b>Central Net Operations Authority</b>				
<b>Assets:</b>				
Cash and Investments	\$ 1,316	\$ 1,430	\$ (1,568)	\$ 1,178
Accounts Receivable, Net	-	64	(64)	-
<b>Total Assets</b>	<b>\$ 1,316</b>	<b>\$ 1,494</b>	<b>\$ (1,632)</b>	<b>\$ 1,178</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 6	\$ 343	\$ (334)	\$ 15
Held for others	1,310	-	(147)	1,163
<b>Total Liabilities</b>	<b>\$ 1,316</b>	<b>\$ 343</b>	<b>\$ (481)</b>	<b>\$ 1,178</b>

**CITY OF HUNTINGTON BEACH**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**(CONTINUED)**

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
<b>Parking Structures</b>				
<b>Assets:</b>				
Cash and Investments	\$ 1,021	\$ 2,524	\$ (1,919)	\$ 1,626
Accounts Receivable, Net	2	39	(37)	4
<b>Total Assets</b>	<b>\$ 1,023</b>	<b>\$ 2,563</b>	<b>\$ (1,956)</b>	<b>\$ 1,630</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 246	\$ 1,761	\$ (1,786)	\$ 221
Held for others	777	632	-	1,409
<b>Total Liabilities</b>	<b>\$ 1,023</b>	<b>\$ 2,393</b>	<b>\$ (1,786)</b>	<b>\$ 1,630</b>
<b>West Orange County Water Board</b>				
<b>Assets:</b>				
Cash and Investments	\$ 228	\$ 861	\$ (827)	\$ 262
Accounts Receivable, Net	2	63	(65)	-
<b>Total Assets</b>	<b>\$ 230</b>	<b>\$ 924</b>	<b>\$ (892)</b>	<b>\$ 262</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 1	\$ 119	\$ (113)	\$ 7
Held for others	229	26	-	255
<b>Total Liabilities</b>	<b>\$ 230</b>	<b>\$ 145</b>	<b>\$ (113)</b>	<b>\$ 262</b>
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash and Investments	\$ 3,431	\$ 17,293	\$ (16,493)	\$ 4,231
Cash with Fiscal Agent	4,132	2	(396)	3,738
Accounts Receivable, Net	89	1,475	(524)	1,040
<b>Total Assets</b>	<b>\$ 7,652</b>	<b>\$ 18,770</b>	<b>\$ (17,413)</b>	<b>\$ 9,009</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 724	\$ 11,228	\$ (11,333)	\$ 619
Due to Bondholders	4,453	876	-	5,329
Held for others	2,475	733	(147)	3,061
<b>Total Liabilities</b>	<b>\$ 7,652</b>	<b>\$ 12,837</b>	<b>\$ (11,480)</b>	<b>\$ 9,009</b>

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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.

<b>Financial Trends</b> – contain trend information to aid the reader understand how the City's financial performance has changed over time.
<b>Revenue Capacity</b> – contain information to help the reader assess the City's most significant local revenue source, the property tax.
<b>Debt Capacity</b> – 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.
<b>Demographic and Economic Information</b> – offers information to help the reader understand the environment within which the City's financial activities take place.
<b>Operating Information</b> – 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. The City implemented GASB 34 in the 2002 fiscal year; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 612,346	\$ 569,497	\$ 567,351	\$ 559,059	\$ 521,654
Restricted	44,220	51,195	49,100	48,198	69,126
Unrestricted	53,098	41,239	33,135	36,319	35,615
<b>Total Governmental Activities Net Assets</b>	<b>\$ 709,664</b>	<b>\$ 661,931</b>	<b>\$ 649,586</b>	<b>\$ 643,576</b>	<b>\$ 626,395</b>
<b>Business - Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 134,129	\$ 134,882	\$ 121,576	\$ 118,059	\$ 118,671
Restricted	27,804	27,988	30,512	30,794	32,665
Unrestricted	63,686	59,260	61,723	59,810	57,704
<b>Total Business - Type Activities Net Assets</b>	<b>\$ 225,619</b>	<b>\$ 222,130</b>	<b>\$ 213,811</b>	<b>\$ 208,663</b>	<b>\$ 209,040</b>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 746,475	\$ 704,379	\$ 688,927	\$ 677,118	\$ 640,325
Restricted	72,024	79,183	79,612	78,992	101,791
Unrestricted	116,784	100,499	94,858	96,129	93,319
<b>Total Primary Government Net Assets</b>	<b>\$ 935,283</b>	<b>\$ 884,061</b>	<b>\$ 863,397</b>	<b>\$ 852,239</b>	<b>\$ 835,435</b>

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

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
City Council	\$ 310	\$ 300	\$ 301	\$ 295	\$ 295
City Manager	1,767	1,502	1,674	1,861	1,652
City Treasurer	141	1,274	1,532	1,308	1,408
City Attorney	2,313	2,354	2,772	2,877	2,914
City Clerk	689	813	883	1,099	1,020
Administrative Services	-	-	-	-	-
Finance	4,573	3,423	4,309	4,479	4,944
Human Resources	4,743	4,792	5,284	4,749	4,725
Planning & Building*	6,123	6,036	3,170	3,232	3,881
Building	-	-	4,608	9,549	5,747
Fire	35,336	35,393	33,545	33,942	27,299
Information Services	5,857	5,909	6,812	7,377	7,311
Police	60,690	60,192	59,049	60,551	58,378
Economic Development	3,703	10,876	11,891	15,758	18,031
Community Services	15,586	16,104	16,147	17,110	18,565
Library Services	3,777	3,838	4,519	4,574	5,607
Public Works	26,508	27,232	26,483	29,514	31,246
Non-Departmental	19,190	19,595	24,303	21,196	30,814
Interest on Long-Term Debt	2,376	6,287	6,146	5,232	5,291
<b>Total Governmental Activities</b>	<b>193,682</b>	<b>205,920</b>	<b>213,428</b>	<b>224,703</b>	<b>229,128</b>
<b>Business-type Activities:</b>					
Water Utility	37,437	31,712	34,902	34,290	32,701
Sewer Service	7,623	6,338	6,575	7,306	7,120
Refuse Collection	10,785	10,690	10,585	10,623	10,561
Emerald Cove Housing	-	-	-	306	893
Emergency Fire Medical	-	-	-	-	6,933
Hazmat Service	216	243	315	196	249
Ocean View Estates	-	-	-	-	117
<b>Total Business Type Activities</b>	<b>56,061</b>	<b>48,983</b>	<b>52,377</b>	<b>52,721</b>	<b>58,574</b>
<b>Total Business and Government Type Activities</b>	<b>\$ 249,743</b>	<b>\$ 254,903</b>	<b>\$ 265,805</b>	<b>\$ 277,424</b>	<b>\$ 287,702</b>

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

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

	Fiscal Year Ended September 30,				
	2007	2006	2005	2004	2003
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 486,552	\$ 472,372	\$ 479,897	\$ 448,217	\$ 446,061
Restricted	73,541	68,381	39,227	61,051	51,261
Unrestricted	59,182	34,269	40,226	(9,278)	(12,924)
<b>Total Governmental Activities Net Assets</b>	<b>\$ 619,275</b>	<b>\$ 575,022</b>	<b>\$ 559,350</b>	<b>\$ 499,990</b>	<b>\$ 484,398</b>
<b>Business - Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 119,874	\$ 111,651	\$ 102,068	\$ 92,890	\$ 88,884
Restricted	33,546	31,109	34,085	32,968	30,946
Unrestricted	54,822	53,020	41,563	33,664	25,671
<b>Total Business - Type Activities Net Assets</b>	<b>\$ 208,242</b>	<b>\$ 195,780</b>	<b>\$ 177,716</b>	<b>\$ 159,522</b>	<b>\$ 145,501</b>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 606,426	\$ 584,023	\$ 581,965	\$ 541,107	\$ 534,945
Restricted	107,087	99,490	73,312	94,019	82,207
Unrestricted	114,004	87,289	81,789	24,386	12,747
<b>Total Primary Government Net Assets</b>	<b>\$ 827,517</b>	<b>\$ 770,802</b>	<b>\$ 737,066</b>	<b>\$ 659,512</b>	<b>\$ 629,899</b>

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

	Fiscal Year Ended September 30,				
	2007	2006	2005	2004	2003
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
City Council	\$ 287	\$ 271	\$ 254	\$ 280	\$ 267
City Manager	1,442	5,540	1,990	1,188	1,587
City Treasurer	1,088	1,479	1,568	1,541	1,341
City Attorney	2,534	2,317	2,852	2,775	2,899
City Clerk	950	756	685	717	559
Administrative Services	-	-	5,554	6,348	8,357
Finance	4,454	3,306	2,501	-	-
Human Resources	4,202	-	-	-	-
Planning & Building	3,098	2,813	2,559	2,396	3,633
Building	4,899	3,930	3,321	2,858	3,045
Fire	27,247	24,787	23,365	20,000	19,490
Information Services	6,591	7,361	6,806	6,423	4,401
Police	56,988	50,877	47,029	40,686	41,104
Economic Development	9,209	4,977	4,199	19,372	3,830
Community Services	16,482	15,777	13,693	15,735	9,989
Library Services	5,586	4,829	4,394	4,138	6,721
Public Works	34,581	49,654	33,018	30,277	25,386
Non-Departmental	15,131	11,263	12,024	4,054	25,604
Interest on Long-Term Debt	5,875	5,575	6,810	6,001	6,199
<b>Total Governmental Activities</b>	<b>200,644</b>	<b>195,512</b>	<b>172,622</b>	<b>164,789</b>	<b>164,412</b>
<b>Business-type Activities:</b>					
Water Utility	32,606	28,117	22,349	24,643	24,943
Sewer Service	5,766	3,855	5,924	4,042	3,775
Refuse Collection	10,542	10,289	9,826	9,806	9,681
Emerald Cove Housing	936	551	399	409	401
Emergency Fire Medical	5,347	5,637	5,497	5,605	3,765
Hazmat Service	194	163	141	204	150
Ocean View Estates	84	120	118	62	58
<b>Total Business Type Activities</b>	<b>55,475</b>	<b>48,732</b>	<b>44,254</b>	<b>44,771</b>	<b>42,773</b>
<b>Total Business and Government Type Activities</b>	<b>\$ 256,119</b>	<b>\$ 244,244</b>	<b>\$ 216,876</b>	<b>\$ 209,560</b>	<b>\$ 207,185</b>

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

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
Charges for Services					
City Council	\$ 65	\$ 63	\$ 62	\$ 94	\$ 103
City Manager	130	127	126	370	404
City Treasurer	585	568	566	765	720
City Attorney	131	127	456	50	47
City Clerk	170	98	106	108	168
Finance	1,238	1,202	1,234	1,264	1,354
Human Resources	1,150	1,117	1,103	1,254	1,391
Planning & Building*	7,706	6,084	682	801	1,987
Building	-	-	4,126	3,665	4,582
Fire	9,497	8,632	8,504	7,978	1,423
Information Services	763	741	731	674	697
Police	5,073	5,207	4,849	5,083	5,159
Economic Development	2,303	2,800	2,685	3,049	3,001
Community Services	17,792	15,345	15,470	15,278	15,383
Library Services	466	325	415	437	851
Public Works	5,482	5,638	4,850	4,328	6,000
Non-Departmental	281	273	269	216	239
Total Charges for Services	52,832	48,347	46,234	45,414	43,509
Operating Grants	5,088	8,914	7,069	4,181	7,684
Capital Grants	6,624	5,198	7,418	25,625	14,284
<b>Total Governmental Activities Program Revenue</b>	<b>64,544</b>	<b>62,459</b>	<b>60,721</b>	<b>75,220</b>	<b>65,477</b>
<b>Business-Type Activities:</b>					
Water Utility	35,926	34,583	34,394	34,200	35,751
Sewer Service	11,546	10,532	10,565	10,535	9,906
Refuse Collection	10,786	10,631	10,506	10,386	10,521
Emerald Cove Housing	-	-	-	843	1,180
Emergency Fire Medical	-	-	-	-	6,762
Hazmat Service	154	383	198	204	185
Ocean View Estates	-	-	-	-	337
<b>Total Business-Type Activities Program Revenues</b>	<b>58,412</b>	<b>56,129</b>	<b>55,663</b>	<b>56,168</b>	<b>64,642</b>
Total Primary Government Program Revenue	122,956	118,550	116,346	138,563	139,713
<b>Net (Expense) Revenue:</b>					
Governmental Activities:	(129,138)	(143,499)	(145,237)	(142,308)	(149,632)
Business-Type Activities	2,351	7,146	6,680	3,791	11,921
<b>Total Net (Expense) Revenue</b>	<b>(126,787)</b>	<b>(136,353)</b>	<b>(138,557)</b>	<b>(138,517)</b>	<b>(137,711)</b>
<b>General Revenue and Other Changes in Net Assets</b>					
<b>Governmental Activities:</b>					
Property Taxes	74,856	86,056	85,552	84,010	84,016
Sales Taxes	30,051	25,339	23,646	21,427	25,560
Utility Taxes	20,152	19,135	19,757	20,616	21,591
Other Taxes	12,930	13,368	11,629	12,085	15,065
Use of Money and Property	3,434	3,239	4,043	5,002	5,714
From Other Agencies	6,585	5,647	4,184	8,500	6,899
Participation Payments	-	-	4,496	-	-
Other	4,941	3,060	5,448	7,849	2,332
Transfers	(38)	(38)	(38)	7,175	9,594
<b>Total Governmental Activities General Revenues</b>	<b>152,911</b>	<b>155,806</b>	<b>158,717</b>	<b>166,664</b>	<b>170,771</b>
<b>Business-Type Activities:</b>					
Use of Money and Property	1,100	1,135	1,824	3,351	4,324
Transfers	38	38	38	(7,175)	(9,594)
<b>Total Business-Type Activities General Revenues</b>	<b>1,138</b>	<b>1,173</b>	<b>1,862</b>	<b>(3,824)</b>	<b>(5,270)</b>
<b>Total General Revenues and Transfers</b>	<b>154,049</b>	<b>157,017</b>	<b>160,617</b>	<b>155,665</b>	<b>155,907</b>
<b>Extraordinary Gain</b>	<b>23,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in Net Assets - Governmental Activities</b>	<b>47,733</b>	<b>12,345</b>	<b>13,518</b>	<b>17,181</b>	<b>11,545</b>
<b>Changes in Net Assets - Business-Type Activities</b>	<b>3,489</b>	<b>8,319</b>	<b>8,542</b>	<b>(33)</b>	<b>6,651</b>
<b>Net Assets - Beginning of Year</b>	<b>884,061</b>	<b>863,397</b>	<b>852,239</b>	<b>835,435</b>	<b>827,517</b>
<b>Net Assets - End of Year</b>	<b>\$ 935,283</b>	<b>\$ 884,061</b>	<b>\$ 874,299</b>	<b>\$ 852,583</b>	<b>\$ 845,713</b>

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

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

Program Revenues:	Fiscal Year Ended September 30,				
	2007	2006	2005	2004	2003
<b>Governmental Activities:</b>					
Charges for Services					
City Council	\$ 99	\$ 90	\$ -	\$ -	\$ -
City Manager	392	1,612	-	-	-
City Treasurer	698	1,332	-	-	-
City Attorney	46	43	-	-	-
City Clerk	210	95	111	-	82
Finance	1,312	325	-	-	-
Human Resources	1,347	-	-	-	-
Planning & Building	4,223	825	1,024	1,403	752
Building	5,450	4,859	5,068	4,513	3,067
Fire	1,267	1,086	1,095	1,183	1,157
Information Services	675	641	-	-	-
Police	4,890	5,355	5,254	1,605	4,176
Economic Development	2,944	505	385	5	257
Community Services	15,036	14,644	13,376	12,611	9,433
Library Services	835	714	714	4,290	673
Public Works	5,016	4,784	1,781	4,220	3,356
Non-Departmental	232	229	-	589	5
Total Charges for Services	<u>44,672</u>	<u>37,139</u>	<u>28,808</u>	<u>30,419</u>	<u>22,958</u>
Operating Grants	1,996	917	1,657	6,343	1,736
Capital Grants	5,154	6,893	43,341	7,384	6,955
<b>Total Governmental Activities Program Revenue</b>	<u><b>51,822</b></u>	<u><b>44,949</b></u>	<u><b>73,806</b></u>	<u><b>44,146</b></u>	<u><b>31,649</b></u>
<b>Business-Type Activities:</b>					
Water Utility	37,962	37,946	40,371	40,172	37,943
Sewer Service	7,242	7,873	8,512	6,373	5,876
Refuse Collection	10,550	10,292	9,985	10,412	9,123
Emerald Cove Housing	1,037	960	866	781	746
Emergency Fire Medical	6,068	6,145	5,725	5,650	4,103
Hazmat Service	210	182	110	187	233
Ocean View Estates	324	273	263	258	245
<b>Total Business-Type Activities Program Revenues</b>	<u>63,393</u>	<u>63,671</u>	<u>65,832</u>	<u>63,833</u>	<u>58,269</u>
Total Primary Government Program Revenue	<u>115,215</u>	<u>108,620</u>	<u>139,638</u>	<u>107,979</u>	<u>89,918</u>
<b>Net (Expense) Revenue:</b>					
Governmental Activities:	(148,822)	(150,563)	(98,816)	(120,643)	(132,763)
Business-Type Activities	7,918	14,939	21,578	19,062	15,496
<b>Total Net (Expense) Revenue</b>	<u><b>(140,904)</b></u>	<u><b>(135,624)</b></u>	<u><b>(77,238)</b></u>	<u><b>(101,581)</b></u>	<u><b>(117,267)</b></u>
<b>General Revenue and Other Changes in Net Assets</b>					
<b>Governmental Activities:</b>					
Property Taxes	79,369	66,598	61,466	47,405	40,633
Sales Taxes	30,608	26,448	24,340	28,273	28,011
Utility Taxes	21,479	21,170	20,004	19,424	18,310
Other Taxes	13,776	13,226	14,952	11,365	13,337
Use of Money and Property	7,895	4,310	3,137	3,528	9,923
From Other Agencies	12,689	10,390	8,186	14,406	16,414
Participation Payments	1,564	6,221	12,697	-	-
Other	2,696	9,278	8,510	7,328	5,491
Transfers	491	464	4,884	-	-
<b>Total Governmental Activities General Revenues</b>	<u>170,567</u>	<u>158,105</u>	<u>158,176</u>	<u>131,729</u>	<u>132,119</u>
<b>Business-Type Activities:</b>					
Use of Money and Property	5,035	3,589	1,500	1,085	1,482
Transfers	(491)	(464)	(4,884)	-	-
<b>Total Business-Type Activities General Revenues</b>	<u>4,544</u>	<u>3,125</u>	<u>(3,384)</u>	<u>1,085</u>	<u>1,482</u>
<b>Total General Revenues and Transfers</b>	<u>175,111</u>	<u>161,230</u>	<u>154,792</u>	<u>132,814</u>	<u>133,601</u>
Extraordinary Gain	-	-	-	-	-
<b>Changes in Net Assets - Governmental Activities</b>	21,745	7,542	59,360	11,086	(644)
<b>Changes in Net Assets - Business-Type Activities</b>	12,462	18,064	18,194	20,147	16,978
<b>Net Assets - Beginning of Year</b>	<u>793,310</u>	<u>745,196</u>	<u>659,512</u>	<u>628,279</u>	<u>613,565</u>
<b>Net Assets - End of Year</b>	<u><b>\$ 827,517</b></u>	<u><b>\$ 770,802</b></u>	<u><b>\$ 737,066</b></u>	<u><b>\$ 659,512</b></u>	<u><b>\$ 629,899</b></u>

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

	Fiscal Year Ended September 30,			
	2012	2011	2010	2009 (b)
<b>General Fund:</b>				
Nonspendable	\$ 4,633	\$ 10,841	\$ 4,605	\$ 4,834
Restricted	1,387	1,304	1,452	1,921
Committed	-	-	30,493	20,600
Assigned	48,415	42,411	4,802	11,733
<b>Total General Fund</b>	<b>\$ 54,435</b>	<b>\$ 54,556</b>	<b>\$ 41,352</b>	<b>\$ 39,088</b>
<b>Other Governmental Funds:</b>				
Nonspendable	\$ -	\$ -	\$ 6,576	\$ 11,328
Restricted	27,722	32,519	33,319	11,509
Committed	6,745	4,049	1,755	7,545
Assigned	1,181	1,711	3,914	24,437
Unassigned	(395)	(4,377)	(4,319)	(1,557)
<b>Total Other Governmental Funds</b>	<b>\$ 35,253</b>	<b>\$ 33,902</b>	<b>\$ 41,245</b>	<b>\$ 53,262</b>

	Fiscal Year Ended September 30,					
	2008	2007	2006	2005	2004	2003 (a)
<b>General Fund:</b>						
Reserved	\$ 10,967	\$ 10,679	\$ 7,382	\$ 5,915	\$ 2,113	\$ 2,757
Unreserved	33,476	33,017	33,204	32,371	24,219	12,217
<b>Total General Fund</b>	<b>\$ 44,443</b>	<b>\$ 43,696</b>	<b>\$ 40,586</b>	<b>\$ 38,286</b>	<b>\$ 26,332</b>	<b>\$ 14,974</b>
<b>Other Governmental Funds:</b>						
Reserved	\$ 35,445	\$ 42,013	\$ 25,472	\$ 35,458	\$ 30,143	\$ 35,470
Unreserved, Reported in:						
Special Revenue Funds	11,307	13,500	20,631	17,833	11,810	10,399
Debt Service Funds	5,467	5,484	4,022	3,916	4,434	10,992
Capital Projects Funds	15,316	18,286	27,096	16,820	10,242	8,553
<b>Total Other Governmental Funds</b>	<b>\$ 67,535</b>	<b>\$ 79,283</b>	<b>\$ 77,221</b>	<b>\$ 74,027</b>	<b>\$ 56,629</b>	<b>\$ 65,414</b>

Notes:

(a) In fiscal year 2002-2003 the City changed accounting for interfund advances and eliminated the advances to/from in each fund. This results in a smaller reserved fund balance in the General Fund and eliminates the deficit in the Redevelopment Agency Debt Service Fund

(b) 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,				
	2012	2011	2010	2009	2008
<b>REVENUES:</b>					
Property Taxes	\$ 74,554	\$ 85,869	\$ 85,072	\$ 85,612	\$ 82,138
Sales Taxes	29,126	25,034	22,582	22,356	26,377
Utility Taxes	20,152	19,135	19,757	20,616	21,591
Other Taxes	12,930	13,368	11,629	12,085	15,065
Licenses and Permits	7,773	6,728	6,204	5,879	7,924
Fines and Forfeitures	4,252	4,334	3,965	4,144	4,060
From Use of Money and Property	16,855	15,660	16,330	17,285	18,221
From Other Agencies	18,537	17,659	19,893	21,152	19,231
Charges for Current Service/Other Revenue	30,051	26,996	26,401	24,894	20,645
<b>TOTAL REVENUES</b>	<b>214,230</b>	<b>214,783</b>	<b>211,833</b>	<b>214,023</b>	<b>215,252</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
City Council	310	300	301	295	295
City Manager	1,758	1,493	1,652	1,839	1,588
City Treasurer	141	1,274	1,532	1,308	1,357
City Attorney	2,313	2,354	2,772	2,877	2,881
City Clerk	689	798	868	1,084	992
Administrative Services	-	-	-	-	-
Finance*	4,573	3,423	4,286	4,456	4,792
Human Resources	5,213	6,106	5,284	4,749	4,725
Planning & Building**	6,119	6,034	3,170	3,232	3,859
Building	-	-	3,449	4,176	3,957
Fire	35,145	34,546	32,816	33,596	27,146
Information Systems	5,857	5,879	6,782	7,339	6,741
Police	60,249	59,546	58,566	59,686	56,535
Economic Development	3,389	13,784	14,704	11,086	16,228
Community Services	14,082	13,724	14,501	15,407	15,666
Library Services	3,492	3,546	4,158	4,336	4,962
Public Works	22,666	19,006	20,466	22,143	23,528
Non-Departmental	15,455	14,914	14,832	16,710	21,519
Capital Outlay	11,096	6,872	17,175	38,494	21,525
Debt Service:					
Principal	6,012	9,446	7,351	11,480	8,234
Interest	2,564	6,397	6,368	5,383	5,345
<b>TOTAL EXPENDITURES</b>	<b>201,123</b>	<b>209,442</b>	<b>221,033</b>	<b>249,676</b>	<b>231,875</b>
<b>EXCESS (DEFICIENCY) OF</b>					
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>13,107</b>	<b>5,341</b>	<b>(9,200)</b>	<b>(35,653)</b>	<b>(16,623)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	18,904	27,385	20,850	27,125	24,278
Reclassification of Interfund Advances	-	-	-	-	-
Proceeds of Long-Term Debt	-	36,275	14,745	8,850	-
Issuance Premium	-	1,884	707	-	-
Capital Assets Reclassification for Changes in Fund Type	-	-	-	-	-
Payments to Escrow	-	(37,601)	(15,967)	-	-
Transfers Out	(18,942)	(27,423)	(20,888)	(19,950)	(18,656)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(38)</b>	<b>520</b>	<b>(553)</b>	<b>16,025</b>	<b>5,622</b>
<b>Extraordinary Item - Dissolution of RDA</b>	<b>(11,839)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) IN FUND BALANCES</b>	<b>\$ 1,230</b>	<b>\$ 5,861</b>	<b>\$ (9,753)</b>	<b>\$ (19,628)</b>	<b>\$ (11,001)</b>
<b>DEBT SERVICE AS A PERCENTAGE OF</b>					
<b>NON-CAPITAL EXPENDITURES</b>	<b>4.7%</b>	<b>8.5%</b>	<b>7.2%</b>	<b>8.7%</b>	<b>6.9%</b>

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

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

<b>Fiscal Year Ended September 30,</b>				
<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 75,916	\$ 69,065	\$ 59,716	\$ 43,501	\$ 38,983
26,271	26,448	24,340	28,273	28,011
21,479	21,170	20,004	19,424	18,310
13,776	13,226	13,068	11,365	13,337
10,131	7,432	7,457	7,736	8,045
4,165	4,288	4,365	4,342	3,815
19,796	16,461	12,733	11,856	9,923
19,304	16,611	20,179	26,321	25,103
23,270	27,237	33,950	17,553	14,140
<b>214,108</b>	<b>201,938</b>	<b>195,812</b>	<b>170,371</b>	<b>159,667</b>
287	271	254	280	269
1,490	5,508	1,917	1,165	1,559
1,060	1,446	1,547	1,519	1,377
2,526	2,313	2,848	2,771	2,836
932	828	679	712	555
-	-	5,731	6,295	8,323
4,400	3,283	2,501	-	-
4,202	-	-	-	-
3,092	2,800	2,548	2,382	2,544
4,670	3,729	3,291	2,938	3,043
26,438	24,334	22,365	19,018	19,021
6,437	6,540	5,726	5,315	3,619
55,461	50,151	45,778	39,414	41,184
8,292	4,172	2,866	5,132	3,616
14,744	14,382	12,321	11,718	10,182
5,097	4,359	3,969	3,745	4,215
25,248	28,448	21,535	16,756	19,832
12,977	13,831	13,039	23,809	31,236
16,142	30,174	9,065	29,484	24,217
10,453	9,406	8,474	8,718	7,427
5,514	6,512	5,999	5,987	6,273
<b>209,462</b>	<b>212,487</b>	<b>172,453</b>	<b>187,158</b>	<b>191,328</b>
<b>4,646</b>	<b>(10,549)</b>	<b>23,359</b>	<b>(16,787)</b>	<b>(31,661)</b>
16,313	21,531	20,890	30,274	54,463
-	-	-	-	16,018
35	15,579	1,102	13,236	24,582
-	-	-	-	-
-	-	-	-	(1,743)
-	-	-	-	-
(15,822)	(20,075)	(16,006)	(24,148)	(57,096)
526	17,035	5,986	19,362	36,224
-	-	-	-	-
<b>\$ 5,172</b>	<b>\$ 6,486</b>	<b>\$ 29,345</b>	<b>\$ 2,575</b>	<b>\$ 4,563</b>
9.0%	9.6%	9.7%	10.3%	8.9%

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

<b>Fiscal Year</b>	<b>Common Property</b>	<b>Public Utilities</b>	<b>Total Secured</b>	<b>Unsecured</b>	<b>Total Assessed Valuation</b>	<b>Total Direct Tax Rate</b>
2002-2003	\$ 17,949,445	\$ 2,428	\$ 17,951,873	\$ 820,219	\$ 18,772,092	1.02571
2003-2004	17,987,861	2,876	17,990,737	911,027	18,901,764	1.06575
2004-2005	19,532,238	3,524	19,535,762	877,078	20,412,840	1.06575
2005-2006	20,925,190	1,522	20,926,712	790,513	21,717,225	1.06487
2006-2007	22,817,616	1,458	22,819,074	962,198	23,781,272	1.06487
2007-2008	24,294,404	305	24,294,709	1,066,668	25,361,377	1.07024
2008-2009	25,062,579	263	25,062,842	1,039,636	26,102,478	1.06855
2009-2010	25,324,857	263	25,325,120	1,086,770	26,411,890	1.08082
2010-2011	25,513,584	70	25,513,654	1,090,869	26,604,523	1.08252
2011-2012	25,480,770	73	25,480,843	1,170,004	26,723,376	1.08299

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**

<b>Fiscal Year</b>	<b>Direct</b>		<b>Overlapping</b>			<b>Total Direct and Overlapping</b>
	<b>City Basic Rate (1), (2)</b>	<b>City Other</b>	<b>School Districts</b>	<b>Metro Water District</b>	<b>Others</b>	
2002-2003	0.15300	-	0.54852	0.00670	0.31080	1.01902
2003-2004	0.15300	0.00696	0.54834	0.00610	0.31131	1.02571
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

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	
<b>Secured Taxes</b>									
2002-2003	\$ 27,634	\$ 26,765	96.9%	\$ -	\$ 26,765	96.9%	\$ 507	1.8%	
2003-2004	31,024	30,033	96.8%	-	30,033	96.8%	441	1.4%	
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%	
<b>Unsecured Taxes</b>									
2002-2003	1,467	1,343	91.5%	-	1,343	91.5%	42	2.9%	
2003-2004	1,507	1,382	91.7%	-	1,382	91.7%	34	2.3%	
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%	
<b>Reservoir Hill</b>									
2002-2003	192	189	98.4%	-	189	98.4%	3	1.6%	
2003-2004	191	190	99.5%	-	190	99.5%	1	0.5%	
2004-2005	-	-	0.0%	-	-	0.0%	-	0.0%	
2005-2006	-	-	0.0%	-	-	0.0%	-	0.0%	
2006-2007	-	-	0.0%	-	-	0.0%	-	0.0%	
2007-2008	-	-	0.0%	-	-	0.0%	-	0.0%	
2008-2009	-	-	0.0%	-	-	0.0%	-	0.0%	
2009-2010	-	-	0.0%	-	-	0.0%	-	0.0%	
2010-2011	-	-	0.0%	-	-	0.0%	-	0.0%	
2011-2012	-	-	0.0%	-	-	0.0%	-	0.0%	
<b>Community Facilities Districts</b>									
2002-2003	538	534	99.3%	-	534	99.3%	1	0.2%	
2003-2004	1,797	1,789	99.6%	-	1,789	99.6%	2	0.1%	
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%	

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

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

<b>2011-2012</b>		
	<b>Revenue (In Thousands)</b>	<b>Percent of Total</b>
Bella Terra Associates LLC	\$ 2,651	3.56%
Mayer Financial LP	1,947	2.61%
CIM Huntington LLC	1,480	1.99%
NF Huntington Plaza	520	0.70%
Mc Donnell Douglas	501	0.67%
Waterfront Construction	441	0.59%
Essex Huntington Breakers	327	0.44%
Pierside Pavilion LLC	303	0.41%
Atlanta Huntington Beach LLC	302	0.41%
BTDJM Phase II	182	0.24%
<b>Total Top Ten</b>	<b>8,654</b>	<b>11.61%</b>
All Other Property Taxpayers	65,900	88.39%
<b>City Total</b>	<b>\$ 74,554</b>	<b>100.00%</b>

<b>2002-2003</b>		
	<b>Revenue (In Thousands)</b>	<b>Percent of Total</b>
Mayer Financial Limited Partnership	\$ 592	1.52%
McDonnell Douglas Corporation	509	1.31%
AES Huntington Beach LLC	381	0.98%
Huntington Center	348	0.89%
Water Construction 1A California LP	299	0.77%
Mullrock Mortgage LLC	268	0.69%
Essex Huntington Breakers	218	0.56%
Atlanta Huntington Beach LLC	211	0.54%
Pierside	177	0.45%
Liu Corporation	131	0.34%
<b>Total Top Ten</b>	<b>3,134</b>	<b>8.04%</b>
All Other Property Taxpayers	35,849	91.96%
<b>City Total</b>	<b>\$ 38,983</b>	<b>100.00%</b>

**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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Long-Term Indebtedness</b>										
<b>Governmental Activities:</b>										
Judgment Obligation Bonds	\$ 4,339	\$ 5,179	\$ 5,989	\$ 6,774	\$ 10,050	\$ 10,795	\$ 11,525	\$ 12,245	\$ 12,500	\$ -
<b>Public Financing Authority:</b>										
1997 Leasehold Revenue Bond	-	-	-	2,860	2,945	3,025	3,690	4,330	4,940	5,515
2000 Lease Revenue Bond	-	-	-	12,785	13,515	14,215	14,885	15,525	16,140	16,730
2001(a) Lease Revenue Bond	-	-	25,650	26,375	27,075	27,750	28,400	29,030	29,635	30,220
2001(b) Lease Revenue Bond	-	-	15,915	17,795	19,595	21,340	23,030	24,670	26,265	27,800
2010(a) Lease Revenue Bond	12,565	13,200	13,820	-	-	-	-	-	-	-
2011(a) Lease Revenue Bond	34,155	36,275	-	-	-	-	-	-	-	-
<b>Total Public Financing Authority</b>	<b>46,720</b>	<b>49,475</b>	<b>55,385</b>	<b>59,815</b>	<b>63,130</b>	<b>66,330</b>	<b>70,005</b>	<b>73,555</b>	<b>76,980</b>	<b>80,265</b>
<b>Civic Improvement Corporation:</b>										
Reservoir Hill Assessment Bonds	-	-	-	-	-	-	-	-	-	360
<b>Total Civic Improvement Corporation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>360</b>
<b>Redevelopment Agency:</b>										
1999 Tax Allocation Refunding Bonds	-	6,180	6,610	7,020	7,410	7,790	8,155	8,505	8,840	9,160
2002 Tax Allocation Refunding Bonds	-	13,525	14,470	15,380	16,250	17,095	17,910	18,700	19,465	20,215
Mayer Disposition and Development Agreement	-	5,803	6,153	6,503	6,810	7,101	8,197	10,083	10,730	10,549
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	7,850	7,630
<b>Total Redevelopment Agency</b>	<b>-</b>	<b>51,150</b>	<b>54,918</b>	<b>57,459</b>	<b>51,532</b>	<b>53,736</b>	<b>56,497</b>	<b>44,838</b>	<b>46,885</b>	<b>47,554</b>
<b>Other Long-Term Obligations:</b>										
Notes Payable	-	-	-	-	-	-	-	116	337	545
Energy Financing Loan	-	-	-	-	-	-	-	-	-	-
Capital Leases Payable	290	572	857	1,161	1,681	2,281	2,975	3,461	4,885	6,420
Property Tax Claims	-	-	-	-	-	-	-	-	-	22,138
PARS Payable	4,517	5,868	7,149	-	-	-	-	-	-	-
Section 108 Loan City	1,285	1,425	-	-	-	-	-	-	-	-
<b>Total Other Long-Term Obligations</b>	<b>6,092</b>	<b>7,865</b>	<b>8,006</b>	<b>1,161</b>	<b>1,681</b>	<b>2,281</b>	<b>2,975</b>	<b>3,577</b>	<b>5,222</b>	<b>29,103</b>
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>\$ 57,151</b>	<b>\$ 113,669</b>	<b>\$ 124,298</b>	<b>\$ 125,209</b>	<b>\$ 126,393</b>	<b>\$ 133,142</b>	<b>\$ 141,002</b>	<b>\$ 134,215</b>	<b>\$ 141,587</b>	<b>\$ 157,282</b>
<b>Long-Term Obligations - Business-Type Activities:</b>										
Leases Payable	\$ -	\$ -	\$ 3	\$ 6	\$ 9	\$ 12	\$ 40	\$ 112	\$ 183	\$ 250
<b>Total Long Term Obligations - Governmental Activities and Business-Type Activities</b>	<b>\$ 57,151</b>	<b>\$ 113,669</b>	<b>\$ 113,672</b>	<b>\$ 124,304</b>	<b>\$ 125,218</b>	<b>\$ 126,405</b>	<b>\$ 133,182</b>	<b>\$ 141,114</b>	<b>\$ 134,398</b>	<b>\$ 141,837</b>
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Population*	192,524	190,377	203,484	202,480	201,993	202,250	201,000	200,023	198,996	197,263
Debt Per Capita	\$ 297	\$ 300	\$ 559	\$ 578	\$ 712	\$ 619	\$ 623	\$ 705	\$ 675	\$ 719
Total Personal Income (In Thousands)**	\$ 7,573,894	\$ 7,356,548	\$ 8,440,720	\$ 8,207,324	\$ 8,000,943	\$ 7,626,443	\$ 7,436,799	\$ 7,284,238	\$ 7,246,837	\$ 7,456,541
Per Capita Personal Income**	\$ 39,340	\$ 38,642	\$ 41,481	\$ 40,534	\$ 39,610	\$ 37,708	\$ 36,999	\$ 36,417	\$ 36,417	\$ 37,800
Unemployment Rate***	6.30%	7.40%	7.80%	7.90%	4.70%	3.40%	2.70%	3.00%	3.20%	3.80%
Total Employment***	115,100	110,600	112,100	114,100	119,300	121,100	121,400	119,600	117,200	114,400

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
2002-2003	\$ 18,772,092	\$ 2,252,651	-	\$ 2,252,651
2003-2004	18,901,764	2,268,212	-	2,268,212
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	26,604,523	3,192,543	-	3,192,543
2011-2012	26,723,376	3,206,805	-	3,206,805

**CITY OF HUNTINGTON BEACH  
STATEMENT OF DIRECT AND  
OVERLAPPING BONDED DEBT  
SEPTEMBER 30, 2012**

2011-12 Assessed Valuation \$26,975,874,798 (after deducting \$1,715,252,414 of incremental redevelopment valuation)

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

<b>Overlapping Tax and Assessment Debt</b>	<b>Percent Applicable (1)</b>	<b>Debt Applicable to City</b>
Metropolitan Water District	1.4920%	\$ 2,932,451
Coast Community College District	30.1180%	92,678,768
Huntington Beach Union High School District	77.6060%	173,717,149
Huntington Beach City School District	97.1180%	23,015,958
Westminster School District	41.4340%	13,978,042
Los Alamitos Unified School District School Facilities District No. 1	1.2130%	831,161
Los Alamitos Unified School District Comm Facilities Dist. 1990-1	1.0980%	73,182
City of Huntington Beach Community Facilities Districts	100.0000%	40,850,000
<b>Total Overlapping Tax and Assessment Debt</b>		<b>\$ 348,076,711</b>

**Ratios to 2011-2012 Assessed Valuation**

Total Overlapping Tax and Assessment Debt 1.21%

**Direct and Overlapping General Fund Debt**

Orange County General Fund Obligations	\$ 15,374,382
Orange County Pension Obligations	14,592,599
Orange County Board of Education Certificates of Participation	1,145,600
MWDOC Facilities Corporation	847,255
North Orange County Regional Occupation Program Certificates of Participation	11,684
Coast Community College District Certificates of Participation	6,095,883
Huntington Beach Union High School District Certificates of Participation	46,160,895
Los Alamitos Unified School District Certificates of Participation	516,462
Fountain Valley School Districts Certificates of Participation	2,841,322
Huntington Beach City School District Certificates of Participation	16,014,758
Ocean View School District Certificates of Participation	5,873,364
Westminster School District Certificates of Participation	9,836,432
City of Huntington Judgement Obligation Bonds	4,339,000
City of Huntington Reporting Entity Beach General Fund Obligations:	46,720,000
<b>Total Gross Direct and Overlapping General Fund Debt</b>	<b>170,369,636</b>
Less Self Supporting Debt of MWDOC Water Facilities Corporation	(847,255)
<b>Total Net Direct and Overlapping General Fund Debt</b>	<b>\$ 169,522,381</b>

Total Direct Debt	<b>\$ 51,059,000</b>
Total Gross Overlapping Debt	467,387,347
Total Net Overlapping Debt	466,540,092

Gross Combined Total Debt	\$ 518,446,347 (2)
Net Combined Total Debt	517,599,092

(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 (\$54,654,000)	0.19%
Gross Combined Total Debt	1.92%
Net Combined Total Debt	1.92%

Source: California Municipal Statistics and City of Huntington Beach Finance Department

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

	<b>2012</b>	<b>% of total</b>
Boeing	4,676	4.06%
Quiksilver	1,594	1.38%
Cambro MFG Co.	951	0.83%
Ensign United States Drilling	925	0.80%
Hyatt Regency Huntington Beach	641	0.56%
C & D Aerospace	555	0.48%
Huntington Beach Hospital	520	0.45%
Rainbow Disposal	408	0.35%
Huntington Beach Healthcare	381	0.33%
Wal-Mart	379	0.33%
<b>Total of top 10</b>	<b>11,030</b>	<b>9.58%</b>
All others	104,070	90.42%
<b>Total employment (public and private)</b>	<b>115,100</b>	<b>100.00%</b>

	<b>2005</b>	<b>% of total</b>
Boeing	4,282	3.58%
Quiksilver	1,550	1.30%
Cambro Manufacturing	886	0.74%
Dynamic Cooking Systems	706	0.59%
Triad Financial	637	0.53%
Verizon	556	0.46%
E-Trade Mortgage	554	0.46%
C & D Aerospace	554	0.46%
Huntington Beach Hospital	513	0.43%
Rainbow Disposal	408	0.34%
<b>Total of top 10</b>	<b>10,646</b>	<b>8.90%</b>
All others	108,954	91.10%
<b>Total employment (public and private)</b>	<b>119,600</b>	<b>100.00%</b>

Source: Economic Development Department, City of Huntington Beach

Note: Information on the principal private employers in not readily available for fiscal year ending September 2004 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**

	<b>Actual</b>			<b>Budgeted</b>						
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
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	7.00	7.00	6.00	9.00	9.00	8.00	7.00	8.00	8.00	34.00
City Treasurer	1.50	1.50	10.00	10.00	10.00	10.00	10.00	16.00	16.00	16.00
City Attorney	11.00	11.00	17.00	18.00	18.00	18.00	17.00	17.00	15.00	15.00
City Clerk	4.00	4.00	8.00	8.00	8.00	7.50	7.50	7.50	7.50	7.50
Finance	29.50	29.50	32.00	33.00	33.00	33.00	31.00	22.00	18.00	20.00
Human Resources	15.00	15.00	20.50	20.50	20.50	20.00	22.00	21.00	22.00	-
Planning	42.75	43.75	26.00	28.00	28.00	28.00	28.00	26.50	25.00	26.00
Building *	-	-	25.75	30.50	31.50	31.50	31.50	29.50	27.50	27.50
Information Systems	29.50	29.50	39.00	40.00	39.00	38.00	37.00	36.00	37.00	18.50
Economic Development	5.50	11.50	14.00	14.00	14.00	13.00	13.00	14.00	14.00	15.00
Library Services	27.75	29.75	32.25	37.25	37.25	37.25	37.25	37.25	37.25	37.25
Fire	176.50	176.50	176.00	185.00	185.00	184.00	157.00	156.00	155.00	156.00
Police	363.00	367.00	355.00	381.00	381.00	376.00	371.50	371.00	367.00	369.00
Community Services	61.00	61.00	65.75	69.75	69.75	69.75	66.50	62.25	63.25	63.25
Public Works	196.00	203.00	227.00	258.00	258.00	255.00	247.00	239.00	235.00	231.00
	<b>971.00</b>	<b>991.00</b>	<b>1,055.25</b>	<b>1,143.00</b>	<b>1,143.00</b>	<b>1,130.00</b>	<b>1,084.25</b>	<b>1,064.00</b>	<b>1,048.50</b>	<b>1,037.00</b>

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.

**CITY OF HUNTINGTON BEACH**

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

<b>Function/Program</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Finance:</b>								
Water Bills Processed	646,229	630,268	640,351	641,602	642,883	630,228	626,903	586,000
Business Licenses Issued	22,304	21,903	21,045	20,841	21,129	20,670	19,746	20,184
Accounts Receivable Billings Processed	45,422	42,968	37,146	31,894	26,263	21,352	22,453	22,768
<b>City Clerk:</b>								
Passports Issued	3,850	3,082	3,251	3,186	4,386	5,687	3,416	3,672
<b>Planning:</b>								
Entitlements Processed	205	195	353	465	674	504	566	523
Plan Reviews	1,184	1,524	2,216	1,447	1,941	1,456	2,105	2,296
Field Inspection Complaints	6,105	6,064	8,187	9,345	7,932	5,273	5,926	5,550
Code Violation Cases	2,573	2,521	3,315	3,876	3,385	2,231	3,580	3,906
<b>Building:</b>								
Number of Permits Issued	8,444	8,413	8,037	8,114	9,254	4,355	11,210	12,082
Number of Inspections Completed	31,224	29,905	29,792	33,734	40,510	42,181	43,905	49,737
Value of Construction Permits (Thousands of Dollars)	190,992	104,238	91,049	72,727	123,843	141,277	196,453	169,570
Processed Number of Certificate of Occupancies	647	765	796	484	540	590	307	683
Automated Information Requests	n/a	n/a	n/a	n/a	n/a	78,243	77,006	78,868
Counter Visits	19,777	20,288	20,272	19,149	18,775	n/a	n/a	n/a
<b>Fire:</b>								
Inspections	6,974	7,858	7,450	6,375	6,203	4,900	4,300	4,100
Responses	15,040	15,940	15,629	14,130	13,879	12,400	12,100	12,100
<b>Police:</b>								
Physical Arrests	5,774	6,457	5,695	6,380	6,930	5,576	6,368	5,282
Parking Violations	77,282	77,261	74,115	55,840	67,270	123,096	68,712	112,698
Traffic Violations	16,916	16,770	22,660	19,433	18,882	19,859	22,755	25,902
<b>Community Services:</b>								
Acreage of Parks	1,062	998	1,003	999	1,001	999	999	998
Estimated Beach Visitors	8,906,592	7,840,968	8,208,477	9,922,165	10,452,461	10,363,719	10,085,358	8,727,369
Enrollment in Recreation Classes	32,817	32,565	31,743	32,906	35,537	34,932	25,447	22,346
Ocean Recues	4,669	3,845	2,822	6,047	n/a	n/a	n/a	n/a
<b>Public Works:</b>								
Water Sold (Acre Feet)	27,784	26,868	27,268	30,537	30,518	31,128	29,246	29,730
Gallons of Sewage Pumped Per Day	22 million	22 million	22 million	23 million				
<b>Library:</b>								
Items in Collection	420,956	427,707	437,603	440,578	438,467	431,304	437,472	441,523
Items Borrowed	888,019	943,695	1,009,634	944,492	879,225	826,921	823,116	931,347

Source: Various departments of the City of Huntington Beach

**CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY  
SEPTEMBER 30, 2012**

<b>Library Services</b>	One Main Library and Four Branches
<b>Fire:</b>	
Fire Stations	8
<b>Police:</b>	
Stations	One Main Station and Three Substations
<b>Community Services:</b>	
Acreage of Parks	1062
Community Centers	6
Miles of Beach Maintained	4.7
<b>Public Works:</b>	
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