



CITY OF HUNTINGTON BEACH *California*

Comprehensive Annual Financial Report



FOR THE YEAR ENDED
SEPTEMBER 30, 2015

CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015**

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INTRODUCTORY SECTION

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CITY OF HUNTINGTON BEACH

March 29, 2016

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, 2015.

As required by the City Charter, and to ensure the reliability of the information contained herein, the City of Huntington Beach contracted with the independent auditing firm of Vavrinek, Trine, Day & Co., LLP. The goal of the audit was to provide reasonable assurance that the City's financial statements are free from material misstatement. After examining on a test basis assessing the accounting principles used, as well as significant estimates made by management, Vavrinek, Trine, Day & Co., LLP granted the City an unmodified (clean) opinion for the fiscal year ended September 30, 2015. The auditor's opinion can be found in the Financial Section of this report. Management assumes full responsibility for the completeness and accuracy of the information presented in this document. This transmittal letter is designed to complement and should be read in conjunction with the Management's Discussion and Analysis Section of the report.

Profile of the City of Huntington Beach

The City of Huntington Beach is located on the Orange County coast, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of 198,389 residents, it is known as Surf City due to its abundance of beaches; the sunny, warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline to boast of, Huntington Beach plays host to over 13 million visitors annually. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the "Top Ten Safest Cities by City Crime Rankings" by the Federal Bureau of Investigation. The City boasts an annual median household income of \$84,915, and more than half of its residents, or 51 percent, have a college education, rendering it the "Second Best City to Live In" within Orange County by the *Orange County Register*.

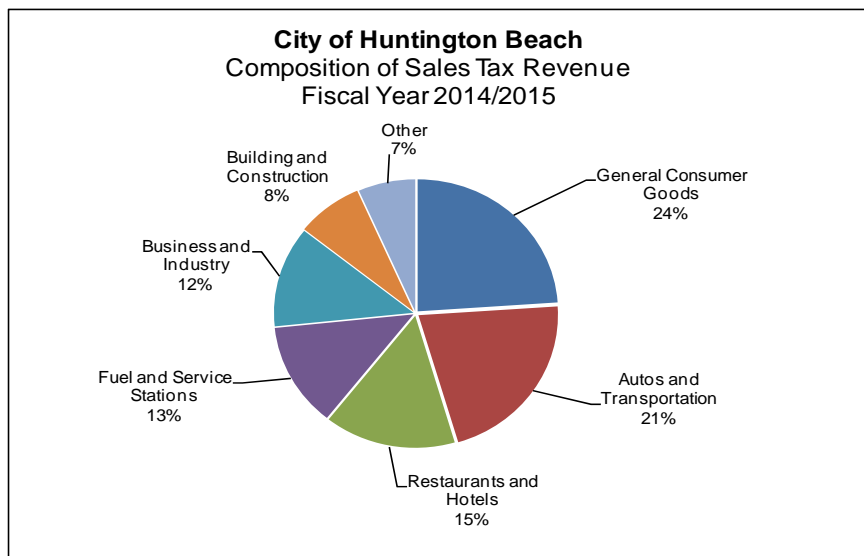
Founded in the late 1880s, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a Council/Manager form of government wherein seven City Council members are elected to four-year terms, and the Mayor is filled on a rotating basis from the incumbent Council Members. The City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

In 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, named “Best Beach in the United States” by Time Magazine, Huntington Beach is also home to numerous national events such as the U.S. Open of Surfing which attracts 500,000 visitors annually and the Surf City USA Marathon with over 16,000 runners. The City’s most iconic event, however, is its Fourth of July Fireworks Show and Parade ranked “Best Parade in Orange County” by the *Orange County Register’s Annual Reader Survey*, with over 1 million television viewers nationally through *ABC News* and 500,000 in-person attendees. The City also hosts the Annual Concours d’Elegance Car Show attracting 4,000 visitors. The annual AVP Beach Volleyball Tour also commands a strong presence totaling 4,000 visitors each year.

Huntington Beach is one of the leading commercial and industrial centers in Southern California. As the fourth largest city in Orange County, and the 24th largest of 482 cities in California, more than 104,000 people are employed by public and private entities in the City. With an unemployment rate of 3.9 percent, far below the national and state levels, the City’s labor force is well positioned to maintain a stable local economy and tax base. Moreover, the Huntington Beach business community is extremely diversified with no single industry or business dominating the local economy. Local businesses include aerospace and high technology, petroleum, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, large-scale retailers and surf apparel, just to name a few. The diversification of the City’s sales tax base is enviable, with no particular area of over-concentration thereby mitigating the impact of industry-specific downturns as shown below.



Factors Affecting Financial Condition

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

Economic Condition

Global and National Trends: Throughout the globe and the U.S., reduced oil prices, historically low interest rates and slower spending are keeping Gross Domestic Product (GDP) at between 2.0 to 2.5 percent for Fiscal Year 2015/16, consistent with a 2.4 percent GDP in 2014.

State Economy: The economy of California is the largest in the United States. It is also single handedly the eighth largest economy in the world. As such, California's economic condition has significant ramifications both locally and worldwide. A significant element of California's recovery is its job growth. The unemployment rate in California, after reaching a peak of 12.4 percent in 2010, has dropped to 5.8 percent. Economists are forecasting job growth between 2.2 and 2.9 percent. With projected job increases in construction, technical and professional services, and transportation and warehousing tied to international trade, the outlook for California is generally positive.

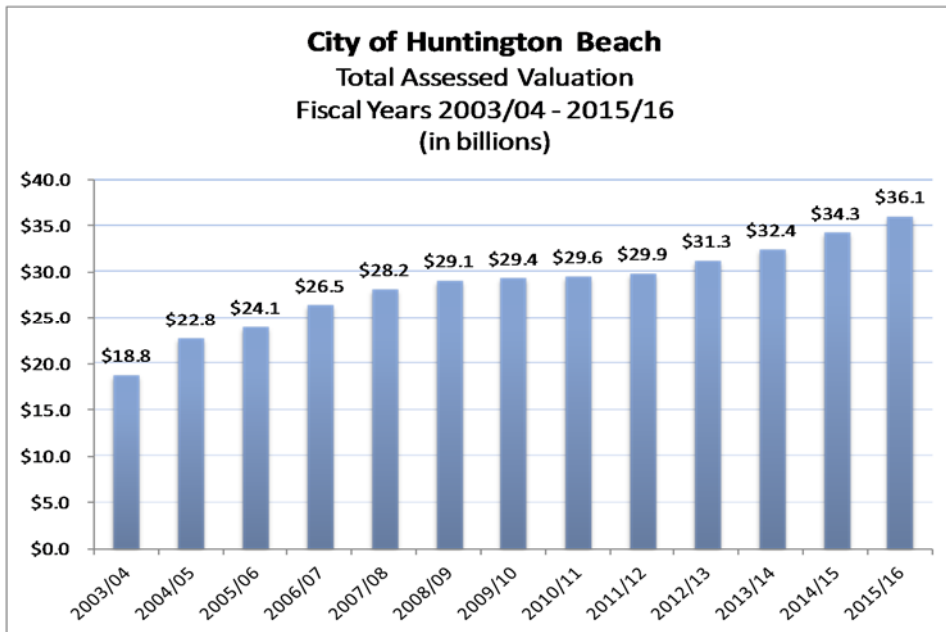
Orange County Forecast: As both the residential and commercial real estate markets continue to recover, Orange County is experiencing gradual increases in rental rates at both office and industrial properties. Industrial vacancy rates have experienced a decrease of about 2.3 percent signaling higher occupancy. However, the Chapman University Manufacturing Composite Index, the yardstick for the Orange County manufacturing industry, has shown declines in the first quarter of 2016 shrinking to 55.0 compared to 56.4 in the fourth quarter of 2015.

Local Economy: Huntington Beach has an unemployment rate of 3.9 percent, well below the California and national averages. Demographic factors in its favor include: higher personal median incomes than the State or the County; a stable property tax base; a diversified sales tax base; and a strong tourism and leisure industry that markets Huntington Beach as a desirable special events and vacation destination. That has helped the City achieve a AAA underlying credit rating from Fitch Ratings, strong and modestly growing reserves; and, balanced budgets.

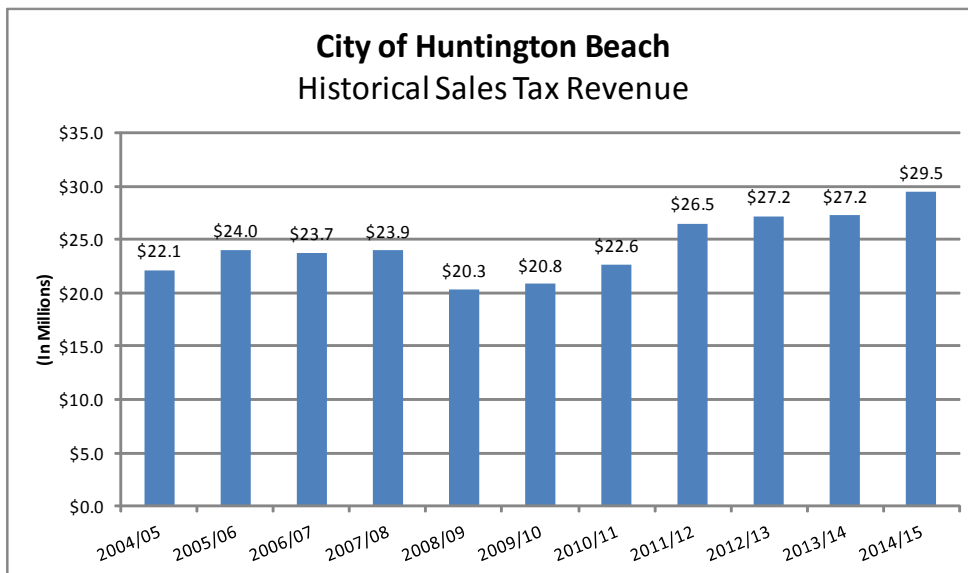
Against this national and regional economic backdrop, Huntington Beach's General Fund revenue has continued to rise, albeit modestly. The FY 2015/16 General Fund Adopted Budget reflects a projected 4.7 percent increase in General Fund revenue including increases in property, sales, transient occupancy and other taxes, as well as, planning and development permits. It is important to note, however, that the City's expenses will also continue to rise, particularly for labor costs, requiring continued financial prudence and restraint. Through the continued leadership of the City Council and the City's long standing culture of financial sustainability, the City will be able to weather the impacts of unanticipated economic storms.

Assessed valuations for Huntington Beach have increased steadily each year despite the impacts of the last recession. In fact, at no time in the City's history over the past 12 years have overall assessed valuations declined. This solid performance reflects a stable property tax base that can weather sharp declines in the real estate markets. For

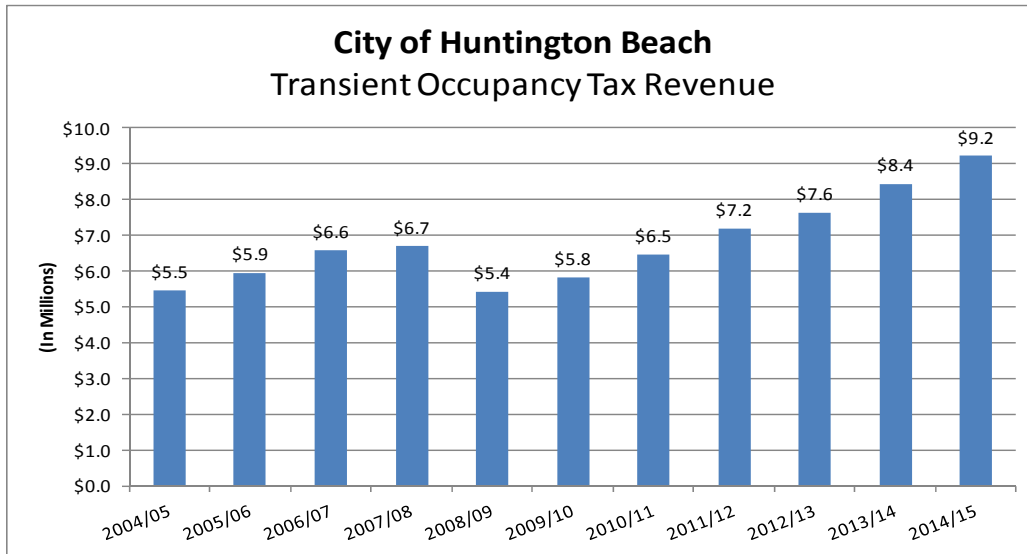
FY 2014/15, secured property tax revenue totaled \$45.4 million. For FY 2015/16, secured property taxes are estimated at \$47.4 million reflecting a 4.4 percent increase.



Sales tax revenue growth has increased 8.2 percent to \$29.5 million. Auto sales continue to outperform comprising about 21 percent of all sales tax revenue. As additional retailers come online in FY 2015/16, due to the grand opening of Pacific City, it is anticipated next year's sales tax revenue will grow by 28.8 percent due to these factors, and the receipt of one-time funds from the State's unwinding of the Triple Flip.



Transient Occupancy Tax, a 10 percent tax imposed on hotels within the City totaled \$9.2 million, as the hotel industry continues to thrive throughout the country and Huntington Beach continues to attract over 12 million visitors annually.



As a result of the improving economy, Huntington Beach was able to end the year with a \$3.9 million surplus as of September 30, 2015, that will be utilized to fund the construction of a new Animal Control Shelter, increase security in City facilities, fund additional capital projects and perform needed park improvements.

Budget Development and Monitoring

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

Cash Management Policies and Practices

Surplus cash is invested by the elected City Treasurer, in investments allowed by the City’s Investment Policy. The Investment Policy is adopted annually by the City Council after approval by the Investment Advisory Board. It outlines guidelines to meet the daily cash flow needs of the City, maximize the efficiency of the City’s cash management system, and identifies prudent investment vehicles for the City’s cash balances. The rate of return earned for the fiscal year ended September 30, 2015 was 1.01 percent. The City Treasurer, as required by California Government Code 53601, has prepared an annual Statement of Investment Policy which allows the City to meet current obligations while earning a market rate of return. Further information regarding the City’s cash and investments can be found in Note 2 of the financial statements.

Long-Term Financial Planning

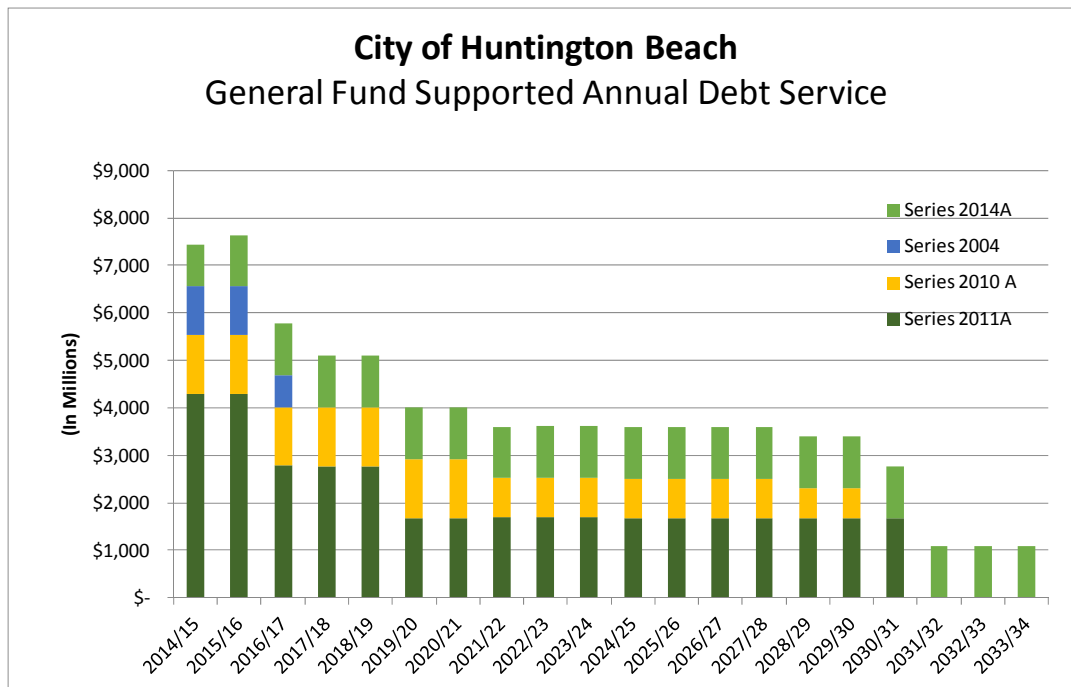
The Strategic Plan provides the framework for the goals and objectives of the City for the next three years. The City Council has five Strategic Plan goals as follows:

- Improve quality of life;
- Enhance and maintain infrastructure;
- Strengthen economic and financial sustainability;
- Enhance and maintain public safety; and,
- Enhance and maintain city service delivery.

This plan enables the City to forecast cause and effect relationships for important financial decisions such as employee labor contracts, capital projects and other initiatives. The City's Strategic Plan drives budgetary decisions and the day-to-day operations of the City by ensuring everyone is consistently working to achieve the goals outlined in the Plan. To meet the Strategic Plan goal of strengthening economic and financial sustainability, the City has implemented plans to reduce its unfunded liabilities and prepay its obligations.

Debt Management and Forecasting

The City has long practiced a commitment to prudent financial management. As a result, the City has a remarkably low debt burden of 1.63 percent direct and overlapping bonded debt. In the City's General Fund, significant debt service reductions are anticipated in the next three to five years allowing the City to reallocate resources to other high-priority needs. Huntington Beach also has no variable rate exposure, eliminating volatility in its debt service projections and ensuring reliable forecasting for future budgets. A \$15.3 million bond issuance in FY 2014/15 (Series 2014A) helped finance a new, state-of-the-art Senior Center to better serve the City's aging population.



GASB 68 – Transparency in Pension Reporting

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 (GASB 68) “Accounting and Financial Reporting for Pensions.” This new accounting standard was designed to enhance transparency in financial reporting for government agencies that offer pensions as an employee benefit. The City is required to implement GASB 68 in the CAFR for the fiscal year ended September 30, 2015. Hence, this is the first CAFR reflecting the new accounting requirement.

In prior years, information on the pension liabilities was disclosed only in the Notes to the financial statements and Required Supplementary Information sections of the CAFR. With the implementation of GASB 68, the net pension liability is now required to be reported on the face of the financial statements as well, namely on its balance sheet -- the Statement of Net Position. As a result, the Net Position of the City was reduced by \$357 million on the FY 2014/15 CAFR. The Net Position as of last year, September 30, 2014, was \$964 million and restated to \$607 million. The Net Position as of September 30, 2015 is one-third less, or \$642 million.

The GASB 68 impact on the City's Net Position reflects the net pension liabilities from the CalPERS Safety, CalPERS Miscellaneous and the City's separate Supplemental Retirement Plan. The pension liabilities for the Safety and Miscellaneous CalPERS Plans were obtained from the GASB 68 Accounting Valuation Report issued by CalPERS for the June 30, 2015 measurement date, reflecting the most recent information available. The pension liabilities for the Supplemental Retirement plan were obtained from the September 30, 2015 GASB 68 Accounting Valuation Report issued by the City's external independent actuary, Bartel Associates, LLC.

The new GASB 68 reporting requirement will impact the CAFR on an annual basis going forward. As in past practice, the City will continue to pay the annual required contribution plus any additional amounts as directed by the City Council.

Major Initiatives

Reducing Unfunded Liabilities

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

The value of the City's unfunded liabilities currently totals \$346.3 million. By 2024, the City plans to completely eliminate the unfunded liabilities for two of the City's three retiree benefit plans. Our unique three-pronged approach addresses the unfunded liabilities for the City's: 1) California Public Employees' Retirement (CalPERS) Safety Pension Plan; 2) Retiree Medical Plan; and, 3) Supplemental Pension Plan.

The “One Equals Five Plan,” the “25 to 10 Plan,” and the “16 to 10 Plan,” respectively, will reduce the unfunded liabilities for each of the City's retiree benefit plans over the next several years. At the center of each plan is the expedited pre-payment of unfunded

liabilities through significant reductions in each plan's amortization period. This strategy anticipates the elimination or near zeroing of the unfunded liabilities for the City's OPEB and Supplemental Pension Plans in 10 years; and, a significant decline in the CalPERS unfunded liability as well.

Please note that the City's plans to reduce unfunded liabilities is award winning. We received the prestigious "Innovation Award" from the California Society of Municipal Finance Officers in 2014. We also received a "Golden Hub of Innovation Award" from the Association of California Cities – Orange County for these plans as well.

"One Equals Five Plan"

The City implemented a unique "One Equals Five Plan" for reducing the \$294 million unfunded liability for the City's CalPERS pension plans. Based on an analysis conducted by the City's independent actuary, each additional \$1.0 million contributed to the City's safety pension plan will potentially shave off five years of payments resulting in taxpayer savings over a 25-year period.

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

"25 to 10 Plan" (Retiree Medical)

The City has negotiated via its Memoranda of Understanding to provide post-employment medical benefits to retirees. As of the most recent actuarial valuation, the City's Retiree Medical Plan had a \$10.1 million unfunded liability, reflecting a 67.3% funded status. The City has exceeded the Annually Required Contribution (ARC) payment for several years to expedite paying down this unfunded liability. To further expedite the prepayment of this unfunded liability, staff recommended that additional funds be deposited into the plan annually to reduce the amortization period from the previous 25-year schedule to a 10-year schedule. The City Council unanimously approved this plan. The new "25 to 10 Plan" reduces the amortization of the unfunded liability from 25 years to 10 years, immediately shaving off 15 years of payments and saving the taxpayers an estimated \$9.2 million over the long-term.

"16 to 10 Plan" (Supplemental Pension)

The City also administers a Supplemental Pension Plan for all employees hired prior to 1997. The City has added \$1.1 million to its budget to eliminate this liability in 10 years, versus the original amortization of 16 years. The "16 to 10 Plan" is projected to save taxpayers a net \$7.4 million in the long-term.

Enhance Public Safety

A major focus of the FY 2015/16 Adopted Budget is the enhancement of public safety services to the community. A strong public safety presence signals a safe community where families, businesses and tourists can come to live, work and play. The Police Department was provided eight additional police officer positions in the FY 2015/16 budget to enhance patrol presence. In addition, three Community Services Officer positions were also added to the Police Department's budget to handle administrative functions thereby allowing three existing officers to resume performing law enforcement duties and further increasing "boots on the street."

The combined staffing mix of sworn with non-sworn positions has the effect of enhancing the deployment of Police sworn staff to essential patrol duties. Two additional Communications Operator positions were also added to Police dispatch operations to create further efficiencies. In sum, new funding for a total of 13 positions was added to the Police Department in the FY 2015/16 Budget. With over half of the General Fund (53 percent) committed to Police and Fire services, the City has dedicated its greatest share of resources to this critical and core public service.

Capital Improvements and Infrastructure

Statistics show that it costs approximately \$2.00 per square foot to *repair* a street; however, it costs *over three times* that amount, or \$6.00 per square foot to *replace* it. This is precisely why every dollar spent to repair and maintain the City's aging infrastructure saves money in the future. The cost to actually replace and/or reconstruct the City's infrastructure including its residential and arterial streets, storm drain systems and drainage channels, parks, block walls, sidewalks and public facilities, is far in excess of the costs to maintain or repair these assets. As such, the FY 2015/16 Adopted Budget promotes the prudent use of resources to invest funds wisely -- into repairing and maintaining assets now before they fall into more costly disrepair and require expensive replacement.

In Huntington Beach, the need to invest in the City's infrastructure is etched into the City Charter requirement that 15 percent of General Fund revenues be allocated to infrastructure spending based on a five-year rolling average. The FY 2015/16 General Fund Adopted Budget commits approximately \$35.7 million in funding across departments to the maintenance and improvement of the City's infrastructure. This amount exceeds the 15 percent requirement and includes \$3.2 million for new concrete, facilities, sand replenishment, campground expansion and arterial roadway projects.

Business Development

Business development, attraction and retention are the central tenets of the City's economic development platform. The City of Huntington Beach continues to invest in its local businesses and has created new initiatives to support local businesses. The City Council has reconfirmed the commitment to business development through the City Council's Three-Year Goal to "Strengthen Economic and Financial Sustainability."

The Office of Business Development in the City Manager's Office reflects the City's ongoing commitment to economic development. In 2014, the City adopted an Economic Development Strategy that is focused on how to continue supporting and growing local businesses. Two of the City Council's goals contained in the Economic Development

Strategy are to: 1) Develop and present a plan to create an incentive-based Business Retention, Attraction and Expansion Program; and 2) Attend relevant industrial trade shows to attract manufacturers and retailers to the City and report the results to the City Council. The City continues to promote economic development throughout the City reassuring the community that Huntington Beach remains committed to revitalizing its neighborhoods and enhancing its business development plans.

Pacific City

The Pacific City development has created an upscale retail village consisting of 191,000 square feet of unique and boutique retail and restaurant space with a breathtaking view of the Pacific Ocean. Tenants include Equinox, H&M, Bungalow, Lemonade, Simmzy's, Ways and Means Oyster House, Bear Flag Fish Company, MAC, LUSH, Francesca's, Tommy Bahamas and Sephora, among others. In May 2016, the Pasea Hotel and Spa, a high-end boutique hotel with 250 rooms, a Conference Center, and is part of the prestigious Mertiage Collection will open. The project will also feature 516 luxury residential units with concierge services that are currently under construction. All the penthouses have been leased and the apartments are scheduled to be open in 2017.

Bella Terra Phase II

The second phase of the successful Bella Terra Regional Center project featured the opening of Costco along with 467 luxury apartment units at the Residences at Bella Terra, a 24-hour gym, pool and park area. Bella Terra Phase II features 47,000 square feet of retail space adjacent to an open-space courtyard setting. The apartments have been fully-leased (year two) with a less than 1 percent vacancy rate. The commercial/retail additions are open and attracting additional retail and restaurant customers, such as Solita, Motherhood and Eureka.

Waterfront Hilton Tower Expansion

The acclaimed Waterfront Hilton Hotel Resort has commenced construction on a second hotel tower consisting of 151 suites, a state-of-the-art 20,000 square foot luxury spa and additional Conference Center space. In addition to the new tower, the existing Hilton tower will undergo a renovation including an enhanced pool, a new state-of-the-art spa, and restaurant improvements. Construction will be completed by June 2017.

Capital Improvement Projects and Infrastructure

The condition of a City's infrastructure is a hallmark of its financial strength. Many cities will focus resources on operating budgets while neglecting infrastructure and equipment assets resulting in greater expenses and disrepair. Neglecting infrastructure is problematic. Well-maintained capital assets are a vital and essential business attraction and retention tool. The FY 2015/16 Adopted Budget reinvests in one of its most vital resources for long-term success and sustainability – its infrastructure; and includes funding for the annual debt service payments associated with a new Senior Center.

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

Awards and Acknowledgements

The City of Huntington Beach has once again received the “Certificate of Achievement for Excellence in Financial Reporting” award bestowed by the Government Finance Officers’ Association (GFOA) of the United States and Canada for the 29th consecutive year. 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, 2014, is valid for one year only. The City believes that this Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to the GFOA for its consideration for another award.

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

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

Respectfully,



Lori Ann Farrell
Director of Finance

City of Huntington Beach

City Council

Jim Katapodis, Mayor
Dave Sullivan, Mayor Pro Tem

Barbara Delgleize, Councilmember
Jill Hardy, Councilmember
Billy O'Connell, Councilmember
Erik Peterson, Councilmember
Mike Posey, Councilmember

Executive Team

Fred A. Wilson, City Manager
Ken Domer, Assistant City Manager
Antonia Castro-Graham, Assistant to the City Manager
Julie Toledo, Community Relations Officer

City Treasurer

Alisa Cutchen

Elected Department Heads

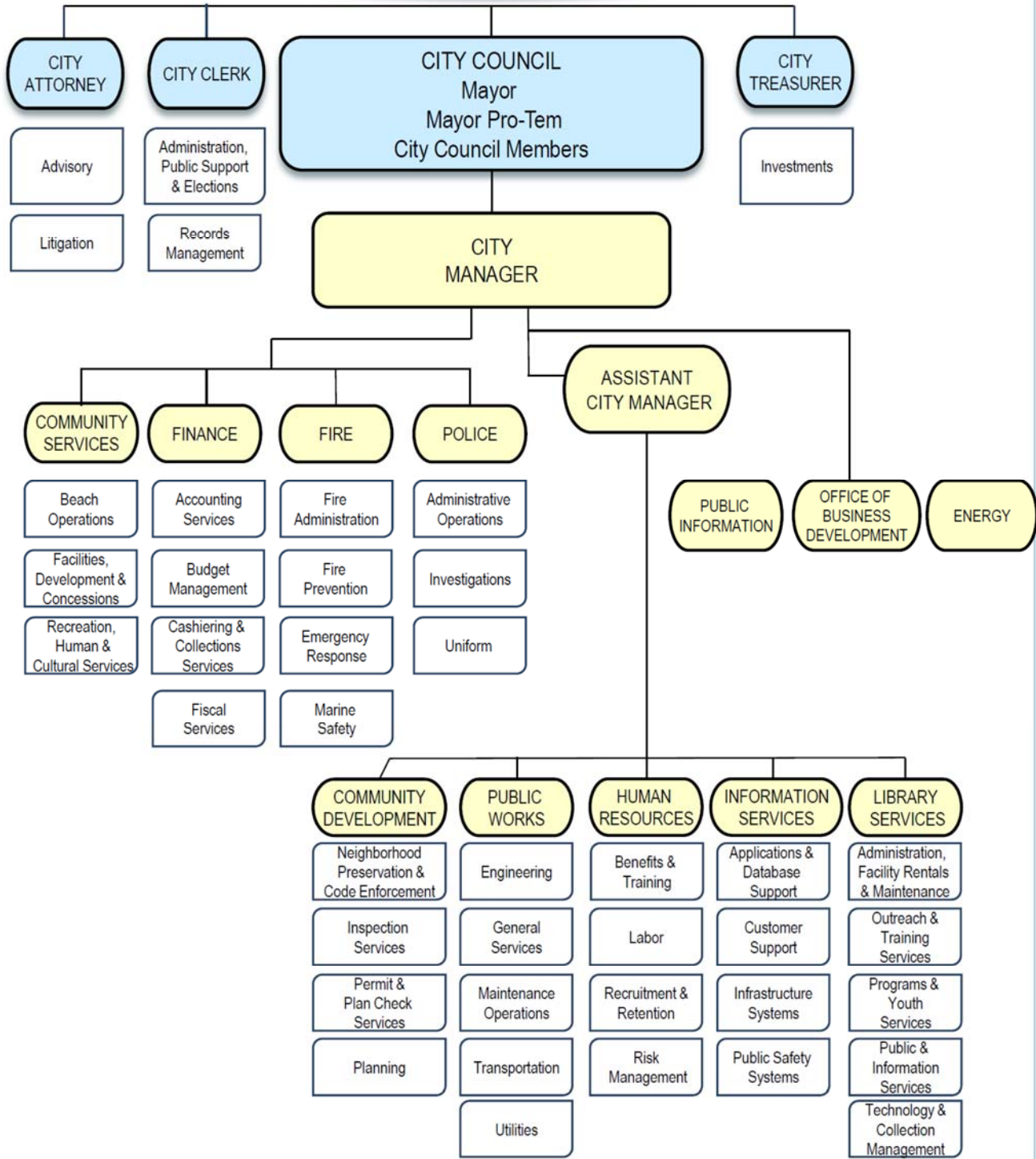
Joan L. Flynn, City Clerk
Michael Gates, City Attorney

Department Directors

Stephanie Beverage, Library Services
Lori Ann Farrell Harrison, Finance
Chief Robert Handy, Police
Scott Hess, Planning and Building
Travis Hopkins, Public Works
Janeen Laudenback, Community Services
Chief David Segura, Fire
Michele Warren, Human Resources
Behzad Zamanian, Information Services

**City of Huntington Beach
Organizational Chart
Adopted Budget – FY 2015/16**

THE PEOPLE





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Huntington Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable City Council
City of Huntington Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California, (City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, effective October 1, 2014. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the September 30, 2014 Pension Trust Fund – Retirement Supplemental Fund Fiduciary Net Position has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General Fund and major special revenue funds, schedule of funding progress, schedules of changes in the net pension liability and related ratios, schedules of contributions, and schedule of money-weighted rate of return identified in the accompanying table of contents on pages 5 through 20, 124 through 126, 127, 128 through 130, 131 through 133 and 133, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Laguna Hills, California
March 29, 2016

MANAGEMENT DISCUSSION AND ANALYSIS



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages iii-xiii of this report.

Financial Highlights

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

	Total Governmental and Business-Type Activities			
	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,116,580	\$ 1,070,234	\$ 46,346	4.3%
Deferred Outflows of Resources	\$ 11,215	-	11,215	N/A
Liabilities	462,753	105,980	356,773	336.6%
Deferred Inflows of Resources	22,806	-	22,806	N/A
Total Net Position	642,236	964,254	(322,018)	-33.4%
Unrestricted Net Position	(196,258)	142,690	(338,948)	-237.5%
Long-Term Obligations	432,385	81,680	350,705	429.4%
Program Revenues	133,467	129,220	4,247	3.3%
Taxes	152,371	146,820	5,551	3.8%
Other General Revenues	16,925	15,922	1,003	6.3%
Expenses	267,290	275,084	(7,794)	-2.8%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$642,236,000. Net position decreased \$322,018,000 or 33.4 percent. This decrease is due to the implementation of new Governmental Accounting Standards Board (GASB) Statement No. 68 during FY 2014/15, which required that the City begin reporting its net pension liabilities (\$336,223,000) on the Statement of Net Position. Although the situation surrounding the City's pension has not changed, the way in which this is accounted for and reported in the financial statements has changed based on the new guidance provided in GASB Statement No. 68. Unrestricted net position decreased by \$338,948,000 or 237.5 percent for the same reason. The deferred outflows and inflows are new in FY 2014/15 and is part of the GASB 68 implementation as well.
- Long-term obligations increased by \$350,705,000 or 429.4 percent. This increase is primarily due to the implementation of GASB 68 as noted above.
- Program revenues increased by \$4,247,000 or 3.3 percent. This increase is primarily due to \$2,094,000 capital contribution from the Successor Agency and a \$2,000,000 contribution from an external donor for the construction of the new Senior Center. Taxes increased by \$5,551,000 or 3.8 percent primarily due to a \$5,080,000 increase in sales tax and property tax revenue. Other General Revenues increased by \$1,003,000 or 6.3 percent primarily due to large developments in FY 2014/15.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

- Expenses decreased by \$7,794,000 or 2.8 percent primarily due to the implementation of GASB 68. A portion of the payments made to the pension plans are now recorded as a reduction to the net pension liability rather than an expense.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Governmental Funds

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

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

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

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue funds (Grants) are required to be presented and are included on pages 125 and 126 of this report and demonstrate compliance with the budget.

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

Proprietary Funds

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

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

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

Fiduciary Funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-121 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and General Fund and major special revenue funds budget-to-actual comparisons. Required supplementary information can be found on pages 124-133 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 137-154 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net position balances for both governmental and business-type activities, with total assets plus deferred outflows exceeding liabilities plus deferred inflows by \$642,236,000.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Below is a summary schedule of the City's net position at September 30, 2015 (in thousands):

	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 218,670	\$ 180,886	\$ 37,784	20.9%
Capital Assets	667,755	659,195	8,560	1.3%
Total Assets	886,425	840,081	46,344	5.5%
Deferred Outflows of Resources	10,444	-	10,444	N/A
Current and Other Liabilities	24,019	18,130	5,889	32.5%
Long-Term Obligations	408,549	79,584	328,965	413.4%
Total Liabilities	432,568	97,714	334,854	342.7%
Deferred Inflows of Resources	21,098	-	21,098	N/A
Net Position:				
Net Investment in Capital Assets	615,512	618,825	(3,313)	-0.5%
Restricted	52,270	34,018	18,252	53.7%
Unrestricted	(224,579)	89,524	(314,103)	-350.9%
Total Net Position	\$ 443,203	\$ 742,367	\$ (299,164)	-40.3%

	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Business-Type Activities				
Current and Other Assets	\$ 87,539	\$ 89,383	\$ (1,844)	-2.1%
Capital Assets	142,616	140,770	1,846	1.3%
Total Assets	230,155	230,153	2	0.0%
Deferred Outflows of Resources	771	-	771	N/A
Current and Other Liabilities	6,349	6,170	179	2.9%
Long-Term Obligations	23,836	2,096	21,740	1037.2%
Total Liabilities	30,185	8,266	21,919	265.2%
Deferred Inflows of Resources	1,708	-	1,708	N/A
Net Position:				
Net Investment in Capital Assets	142,616	140,770	1,846	1.3%
Restricted	28,096	27,951	145	0.5%
Unrestricted	28,321	53,166	(24,845)	-46.7%
Total Net Position	\$ 199,033	\$ 221,887	\$ (22,854)	-10.3%

Analysis of the City's Net position

Current and Other Assets: The increase in current and other assets of \$37,784,000 for governmental activities is primarily due to increases in cash and receivables as a result of improvements in revenue as well as \$15,011,000 in restricted cash in FY2014/15 from the issuance of the 2014(a) lease revenue bond to fund the construction of the Senior Center. Current and Other Assets for business-type activities decreased by \$1,844,000 due to reduction of water revenue due to city-wide conservation efforts as a result of the California drought.

Current and Other Liabilities: Current and other liabilities for governmental activities decreased by \$5,889,000 primarily due to normal fluctuations in the accounts payable cycle.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Deferred Outflows and Inflows of Resources: The increase in deferred outflows and inflows of resources of \$10,444,000 and \$21,098,000 for governmental activities and \$771,000 and \$1,708,000 for business-type activities, respectively, as shown on the Statement of Net Position are due to the requirements of GASB Statements No. 68 and 71 which have been implemented in the current fiscal year for the reporting of the City's single-employer plan (Supplemental) and multiple-employer defined-benefit pension plans (CalPERS plans). The Statements specifically identify the methods and assumptions that are to be used in calculating and disclosing these pension-related amounts in the financial statements. Refer to Notes 5 and 6 for additional note disclosures.

Long-Term Obligations: Long-term obligations for governmental activities increased by \$328,965,000 primarily due to the reporting of a Net Pension Liability as required by GASB 68. Long-term obligations for business-type activities increased by \$21,740,000 for the same reason.

Net Investment in Capital Assets: The largest portion of the City's net position reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets net of related debt from governmental activities decreased \$3,313,000 or 0.5 percent. The decrease was primarily due to increased debt associated with the Senior Center construction still in progress. Net position invested in capital assets net of related debt from business-type activities increased \$1,846,000 or 1.3 percent due to lift station construction and water pipeline replacements.

Restricted Net position: An additional portion of the City's net position is subject to external (legally imposed or statutory) restrictions (\$52,270,000 for governmental activities, and \$28,096,000 for business-type activities). These amounts represent 11.8 percent and 14.1 percent of net position for governmental activities and business-type activities, respectively. Restricted net position from governmental activities increased \$18,252,000 or 53.7 percent. The increase is primarily due to restricted funds used for public works and community services projects. Restricted net position from business-type activities increased by \$145,000 or 0.5 percent primarily due to an increase in restricted water master plan funds revenues available for capital projects.

Unrestricted Net position: The unrestricted net position (negative \$224,579,000 for governmental activities and \$28,321,000 for business-type activities) represent negative 50.7 percent and 14.2 percent of net position for governmental activities and business-type activities, respectively. Unrestricted net position for governmental activities decreased \$314,103,000 or 350.9 percent, primarily due to reporting the net pension liability on the financial statements as required by GASB 68. Unrestricted net position for



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

business-type activities decreased by \$24,845,000 or 46.7 percent primarily due to implementation of GASB 68.

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

	Governmental Activities			
	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 58,168	\$ 56,978	\$ 1,190	2.1%
Operating Grants and Contributions	7,458	7,958	(500)	-6.3%
Capital Grants and Contributions	9,809	5,486	4,323	78.8%
Total Program Revenues	75,435	70,422	5,013	7.1%
General Revenues:				
Property Taxes	82,615	81,355	1,260	1.5%
Sales Taxes	33,063	29,243	3,820	13.1%
Utility Taxes	20,229	20,621	(392)	-1.9%
Franchise Taxes	7,023	6,997	26	0.4%
Transient Occupancy Tax	9,215	8,440	775	9.2%
Other Taxes	226	164	62	100.0%
Use of Money and Property	5,551	3,725	1,826	49.0%
From Other Agencies - Unrestricted	5,653	4,279	1,374	32.1%
Other	4,440	6,903	(2,463)	-35.7%
Total General Revenues	168,015	161,727	6,288	3.9%
Total Revenues	243,450	232,149	11,301	4.9%
Expenses:				
City Council	270	258	12	4.7%
City Manager	3,302	3,878	(576)	-14.9%
City Treasurer	158	169	(11)	-6.5%
City Attorney	2,284	2,321	(37)	-1.6%
City Clerk	855	747	108	14.5%
Finance	5,208	5,314	(106)	-2.0%
Human Resources	5,169	4,616	553	12.0%
Planning and Building	6,605	7,091	(486)	-6.9%
Fire	42,162	43,194	(1,032)	-2.4%
Information Services	6,552	6,456	96	1.5%
Police	64,048	66,681	(2,633)	-3.9%
Community Services	13,809	12,509	1,300	10.4%
Library Services	4,246	4,024	222	5.5%
Public Works	27,979	31,691	(3,712)	-11.7%
Non-Departmental	24,080	21,602	2,478	11.5%
Interest on Long-Term Debt	2,245	1,946	299	15.4%
Total Expenses	208,972	212,497	(3,525)	-1.7%
Change in Net Position Before Transfers	34,478	19,652		
Transfers	35	(38)		
Change in Net Position	34,513	19,614		
Net Position - Beginning of Year	742,367	723,210		
Prior Period Adjustment	(333,677)	(457)		
Net Position - Beginning of Year as restated	408,690	722,753		
Net Position - End of Year	\$ 443,203	\$ 742,367		



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

The cost of all governmental activities this year was \$208,972,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$133,537,000, because costs of \$58,168,000 were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions of \$7,458,000, and capital grants and contributions of \$9,809,000. Overall, the City's governmental program revenues were \$75,435,000. The City paid for the remaining "public benefit" portion of governmental activities with \$168,015,000 in taxes and general revenue (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Charges for Current Services increased by \$1,190,000 or 2.1 percent due to increases in revenues from large development projects in the current fiscal year.

Operating Grants and Contributions decreased by \$500,000 or 6.3 percent primarily due to a decrease in community services grants from the prior year. Capital Grants and Contributions have increased by \$4,323,000 or 78.8 percent primarily due to capital contribution from the Huntington Beach Redevelopment Successor Agency Private Purpose Trust and a one-time donation received for the construction of the Senior Center.

Program expenses decreased by \$3,525,000 primarily due to a portion of the payments made to the pension plans are now recorded as a reduction to the net pension liability rather than an expense as a result of implementation of GASB 68.

Total resources available during the year to finance governmental operations were \$652,175,000 (restated) consisting of net position at October 1, 2014 of \$408,690,000 (restated), program revenues of \$75,435,000, general revenues of \$168,015,000, plus transfers of \$35,000. Total expenses for governmental activities during the year were \$208,972,000 thus, net position was increased by \$34,513,000, to \$443,203,000.

Beginning net position was restated due to the implementation of GASB 68. For additional information, please refer to Note 15 on pages 119-120.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

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

	Business-Type Activities			
	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 58,032	\$ 58,798	\$ (766)	-1.3%
Total Program Revenues	58,032	58,798	(766)	-1.3%
Use of Money and Property	1,281	1,015	266	26.2%
Total Revenues	59,313	59,813	(500)	-0.8%
Expenses:				
Water Utility	38,614	41,499	(2,885)	-7.0%
Sewer Service	8,192	9,712	(1,520)	-15.7%
Refuse Collection	11,308	11,145	163	1.5%
Hazmat Service	204	231	(27)	-11.7%
Total Expenses	58,318	62,587	(4,269)	-6.8%
Increase in Net Position Before Transfers	995	(2,774)		
Transfers	(35)	38		
Total Change In Net Position	960	(2,736)		
Net Position - Beginning of Year	221,887	238,969		
Prior Period Adjustment	(23,814)	(14,346)		
Net Position - Beginning of Year as restated	198,073	224,623		
Net Position - End of Year	\$ 199,033	\$ 221,887		

The City's net position from business-type activities increased by \$995,000 before transfers. This is mainly due to a deferred maintenance and repairs of equipment. Use of Money and Property increased by \$266,000 due to an increase in the rate of return for the City's cash and investments.

The cost of all Business-Type activities this year was \$58,318,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$58,032,000, other revenue was \$1,281,000, and transfers were \$35,000. Beginning net position was \$198,073,000 (restated) and ending net position was \$199,033,000. Of the ending net position amount, \$142,616,000, or 71.7 percent, was invested in capital assets, \$28,096,000 or 14.1 percent was restricted for expenses for the Water Master Plan, and \$28,321,000, or 14.2 percent was unrestricted.

The transfers for Business-Type activities were \$35,000 going out in the current year and \$38,000 coming in for the prior year.

Beginning net position was restated due to the implementation of GASB 68. For additional information, please refer to Note 15 on pages 119-120.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Financial Analysis of the City's Major Governmental Funds

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

GOVERNMENTAL FUNDS				
	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 64,792	\$ 61,054	\$ 3,738	6.1%
Grants Special Revenue Fund	3,421	1,524	1,897	124.5%
LMIHAF Capital Projects Fund	5,757	5,653	104	1.8%
Total Fund Equity	\$ 73,970	\$ 68,231	\$ 5,739	8.4%

The General Fund Balance increased by \$3,738,000 primarily due to strengthening property tax, sales tax, hotel tax and development related permits.

The Grants Special Revenue Fund Balance increased by \$1,897,000 primarily due to the proceeds received for the issuance of long-term debt for the LED streetlight retrofit project and reimbursement received from CalTrans for Public Works projects.

The LMIHAF Capital Projects Fund Balance increased by \$104,000 as a result of payments received from the down payment assistance program.

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, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Water Fund	\$ 134,670	\$ 153,565	\$ (18,895)	-12.3%
Sewer Fund	65,123	68,069	(2,946)	-4.3%
Refuse Fund	(552)	112	(664)	-592.9%
Hazmat Service Fund	(208)	141	(349)	-247.5%
Total Net Position	\$ 199,033	\$ 221,887	\$ (22,854)	-10.3%
Unrestricted Net Position:				
Water Fund	\$ 15,306	\$ 33,267	\$ (17,961)	-54.0%
Sewer Fund	13,775	19,646	(5,871)	-29.9%
Refuse Fund	(552)	112	(664)	-592.9%
Hazmat Service Fund	(208)	141	(349)	-247.5%
Total Unrestricted Net Position	\$ 28,321	\$ 53,166	\$ (24,845)	-46.7%

The Water Fund total net position decreased by \$18,895,000 and unrestricted net position decreased by \$17,961,000. This is due to the implementation of GASB 68. The Sewer Fund net position decreased by \$2,946,000 and unrestricted net position decreased by \$5,871,000. This is also due to the implementation of GASB 68.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Long-Term Obligations

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

	Balance October 1, 2014 (restated)	Additions	Retirements	Balance September 30, 2015
Governmental Activities:				
Judgement Obligation Bonds	\$ 2,574	\$ -	\$ (940)	\$ 1,634
Revenue Bonds	39,395	15,295	(4,315)	50,375
Compensated Absences	11,132	3,612	(3,327)	11,417
Net Pension Obligation (see note 15)	-	-	-	-
Claims Payable	20,296	13,005	(6,589)	26,712
Pollution Remediation	2,000	-	-	2,000
PARS Payable	29	-	(29)	-
Section 108 Loan City	975	-	(170)	805
LED Lighting Phase I	-	1,063	-	1,063
Total Long-Term Obligations - Governmental Activities	76,401	32,975	(15,370)	94,006
Business-Type Activities:				
Compensated Absences	1,296	346	(286)	1,356
Claims Payable	800	-	-	800
Business-Type Activities:	2,096	346	(286)	2,156
Total Long-Term Obligations	\$ 78,497	\$ 33,321	\$ (15,656)	\$ 96,162

Additional information on the City's long-term debt is shown in Note 10 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. The City's total long-term obligations increased \$17,665,000 or 22.5 percent from the prior fiscal year. This increase was primarily due to the issuance of the 2014(a) Lease Revenue Bonds to fund the construction of the new Senior Center.

The City continues to maintain strong credit ratings on all of its debt issues. Most notably, on August 27, 2014 Fitch Ratings issued an AAA Implied General Obligation Bond rating to the City of Huntington Beach and continues to maintain that same rating. The following are the ratings as determined by Moody's Investors Service and Standard and Poor's as of September 30, 2015.

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S & P</u>
1999 Tax Allocation Refunding Bonds	A2	A
2002 Tax Allocation Refunding Bonds	A2	A
2004 Judgment Obligation Bonds	Aa3	AA
2010 Lease Revenue Bonds, Series A	Aa3	AA
2011 Lease Revenue Bonds, Series A	Aa3	AA
2014 Lease Revenue Bonds, Series A	Aa3	AA



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Capital Assets

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

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

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

	September 30, 2015	September 30, 2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 354,927	\$ 352,833	\$ 2,094	0.6%
Buildings	123,709	124,995	(1,286)	-1.0%
Machinery and Equipment	11,347	10,086	1,261	12.5%
Construction in Progress	7,712	3,296	4,416	134.0%
Joint Venture	2,615	2,539	76	3.0%
Infrastructure	167,445	165,446	1,999	1.2%
Total Governmental Activities	667,755	659,195	8,560	1.3%
Business-Type Activities:				
Land	3,907	3,907	(0)	0.0%
Buildings	66,493	50,073	16,420	32.8%
Machinery and Equipment	2,494	2,087	407	19.5%
Construction in Progress	7,461	21,896	(14,435)	-65.9%
Infrastructure	62,261	62,807	(546)	-0.9%
Total Business-Type Activities	142,616	140,770	1,846	1.3%
Total Capital Assets	\$ 810,371	\$ 799,965	\$ 10,406	1.3%

Capital assets from governmental activities increased \$8,560,000 or 1.3 percent. This increase is largely due to the construction of the new Senior Center. Capital assets from business-type activities increased \$1,846,000 or 1.3 percent largely due lift station construction and water pipeline replacements in FY 2014/15. Further information on the City's capital assets can be found in Note 11 of the financial statements.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

General Fund Budgetary Highlights

Changes to Original Budget

Comparing the FY 2014/15 General Fund Original (i.e. Adopted) Budget expenditures amount of \$199,661,000 to the final budgeted amount of \$209,404,000 shows a net increase of \$9,743,000, or 4.9 percent. This overall increase was the result of budget carryovers from the previous year, the purchase of a replacement aerial ladder truck, and costs related to a comprehensive update of the City's General Plan.

Final budgeted revenues for the General Fund increased \$2,467,000 or 1.2 percent from the original (adopted) budget for the fiscal year ended September 30, 2015. The change from original to final budget occurred primarily as a result of adjustments made to budgeted property tax, sales tax, charges for current services, and one time revenues associated with the Senior Center project.

Variance with Final Budget

General Fund actual revenues were greater than the final budget by \$4,635,000 for the fiscal year ended September 30, 2015 due in large part to:

- Property Taxes of \$1,007,000 due to greater than expected increase in property tax revenue as a result of home value appreciation.
- Licenses and Permits of \$766,000 primarily due to increased building permits as a result of strong development in the City.
- Intergovernmental revenue of \$3,081,000 primarily due to one-time retroactive reimbursements from the State of California as part of the state mandated cost reimbursement program.

General Fund expenditures were \$12,152,000 less than the final budget. The favorable budget variance is due in large part to the following:

- The Planning and Building Department realized \$1,192,000 in savings from the deferral of various building and planning contracts.
- The Community Services Department realized \$1,217,000 in savings primarily due to deferral of the Senior Center Fitness program.
- The Public Works Department realized \$829,000 in savings primarily due to delays in design, construction, and maintenance contracts.
- Non-Departmental realized \$6,443,000 in savings primarily due timing differences in the actual replacement of certain equipment and completion of certain Capital Improvement Projects versus initial projections.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Analysis of City's Other Major Governmental Funds

Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund increased by \$1,897,000 due to \$1,063,000 in proceeds for the issuance of long term debt for the City's LED street lighting project and the inherent timing differences between when grant expenditures are incurred versus when the revenues are received. Significant grant expenditures in the current year were for police, community development, and street improvement grants.

LMIHAF Capital Projects Fund

The fund balance in the LMIHAF Capital Projects Fund increased by \$104,000 due to increased earnings from the Fund's investments and payments received to payoff down payment assistance loans.

Economic Factors and Next Year's Budget

The Adopted FY 2015/16 Budget is structurally balanced, totaling \$345.1 million in All Funds. This reflects a \$2.9 million, or 0.8 percent, increase from the FY 2014/15 Adopted All Funds Budget.

The General Fund, which provides the majority of public services to the community, totals \$216.7 million, reflecting a \$6.8 million, or 3.3 percent increase from the FY 2014/15 budget. Major highlights are as follows:

Public Safety: A major focus of the FY 2015/16 Adopted Budget is the enhancement of public safety services to the community. A strong public safety presence signals a safe community where families, businesses and tourists can come to live, work and play. Through a creative funding approach, the Police Department will be able to essentially add seven sworn Police Officer positions to enhance public safety. This is accomplished through a two-step funding strategy; first, the budget restores funding for four previously defunded Police Officer positions, and, secondly, it adds funding for three new Community Services Officers to handle operational and administrative duties, thereby enabling three existing Police Officers to assume essential patrol services.

In the Fire Department, additional funding is provided to support a permanent increase for the Junior Lifeguard Program to improve instructor-to-student ratios; increases in the Metro Cities JPA and ambulance billing contracts; and, additional emergency equipment. The Budget also contains funding for a five-year lease to purchase a new Fire Engine at a total cost of \$775,000. Increased funding for Fire Station – 8 Heil is also included in the CIP Budget to upgrade this 50 year-old station.

Budget Set Aside: An additional amount of \$3.0 million is included in the General Fund budget to support increased spending in one or more categories to be determined by the City Council. These funds are currently budgeted in the Non-Departmental budget for ease of identification.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

Infrastructure: The FY 2015/16 Adopted Budget exceeds the Charter mandated 15 percent spending requirement based on a five-year rolling average. It also reflects \$3.2 million in capital project spending that includes: \$1.0 million in street improvements; \$250,000 in sidewalk repairs; \$160,000 in sand replenishment and campground expansions; and \$1.8 million in facilities improvements for the Library, Huntington Beach Pier, City Hall roof and HVAC systems, and other smaller projects.

Pension Costs: An additional \$3.0 million is included in the General Fund budget (\$3.3 million in All Funds) to finance expenses related to year one of the five-year ramp up in the City's pension spending of 89 percent by 2024. FY 2015/16 CalPERS costs are expected to reach \$32.2 million in All Funds, an 11.3 percent increase from the FY 2014/15 budget of \$28.9 million due to funding methodologies changes.

Fixed and One-Time Costs: The Adopted Budget reflects a reduction of \$3.3 million from the FY 2014/15 Adopted Budget related to one-time costs associated with the construction of the new Senior Center. The removal of \$3.3 million in one-time funding is offset by approximately \$9.4 million in new spending next year for a net year-over-year increase of \$6.1 million in the General Fund. Fixed cost increases of \$381,600 are also included in the budget related to higher utility costs.

Community Development: The City's economic development efforts have spurred solid financial gains as evidenced in General Fund revenue increases. To further streamline permits and the timely processing of plans, the FY 2015/16 Adopted Budget re-brands the City's planning and building functions into a new Community Development Department. This reflects more than a change in naming conventions – it reflects a shift to a more community-oriented development approach that balances the needs of all stakeholders. To ensure succession planning in this critical area, the budget proposes a new Deputy Director of Community Development to help ensure business continuity over the long-term. This position is cost neutral as a vacant Inspection Manager and a 0.5 Senior Planner position have been eliminated to implement this change.

General Fund Revenue

General Fund revenue is projected to reach \$216.7 million, a 4.7 percent increase from the current year budget. General Fund revenue continues to perform well and reflects the improved tax bases resulting from recent economic development efforts.

- Property Taxes are estimated at \$84.1 million, reflecting 5.1 percent growth as increased home sales capture higher market valuations and newly constructed residential properties hit the property tax rolls.
- Sales Tax revenues are projected to increase by \$4.4 million or 15.4 percent, due to increased consumer confidence, plus the remittance of a one-time \$2.0 million accrual from the State associated with the unwinding of the Triple Flip program. Licenses and Permits, estimated at \$9.6 million, continue to show an upward trend due to the rise in home remodels and new construction.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2015

- Transient Occupancy Taxes are anticipated to reach an all-time high of \$10.3 million, a 16.8 percent increase due in large part to the successful marketing campaigns led by *Visit HB* and the Chamber of Commerce.
- On the downside, the State Highway Users' Tax has been drastically cut, resulting in the loss of a \$900,000 annual transfer to the General Fund from the Gas Tax Fund.

Pension Liabilities

The City's pension costs are expected to total \$32.2 million next year on an All Funds basis. This represents a significant increase of \$3.3 million or 11.5 percent as FY 2015/16 represents the first year of a long anticipated five-year ramp up of CalPERS increases to cities. Moreover, an actuarial valuation provided by the City's independent actuaries, Bartel Associates, estimated that the City's pension costs will continue to grow even beyond the five years to approximately \$49.3 million by Fiscal Year 2021/22. These steep cost increases are part of CalPERS' plans to improve the funded status of pension plans statewide, whose assets plummeted by over 35 percent during the Great Recession. The City's net pension liability is \$336 million as of September 30, 2015, which will reduce the City's Net Position by over one third.

To help reduce this unfunded liability, the FY 2015/16 Adopted Budget currently includes \$1.0 million to help expedite the pre-payment of the Safety Plan's unfunded liability five years ahead of schedule. If this contribution is made consistently over the next 23 years (years one and two have been funded), it is projected this will save the taxpayers a net \$53.7 million. To solidify its commitment, the City Council has approved an amendment to the City's Financial Policies to include an additional \$1.0 million for the "One Equals Five" Plan in each future year's budget.

Contacting the City's Financial Management Team

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

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BASIC FINANCIAL STATEMENTS

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015
(In Thousands)**

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 97,032	\$ 52,840	\$ 149,872
Receivables, Net	38,589	5,417	44,006
Advances to Successor Agency	1,363	-	1,363
Inventories	-	1,186	1,186
Prepays	5,079	-	5,079
Other Assets	2,411	-	2,411
Other Postemployment Benefits Asset	12,684	-	12,684
Subtotal	157,158	59,443	216,601
Restricted Assets:			
Cash and Investments	25,957	28,096	54,053
Cash and Investments with Fiscal Agent	21,063	-	21,063
Receivables, Net	14,492	-	14,492
Total Restricted Assets	61,512	28,096	89,608
Capital Assets:			
Non-Depreciable	365,254	11,368	376,622
Depreciable, Net	302,501	131,248	433,749
Total Capital Assets	667,755	142,616	810,371
Total Assets	886,425	230,155	1,116,580
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	10,444	771	11,215
 LIABILITIES			
Accounts Payable	5,655	4,481	10,136
Accrued Payroll	7,673	142	7,815
Deposits	1,449	1,726	3,175
Subtotal	14,777	6,349	21,126
Liabilities Payable from Restricted Assets:			
Accounts Payable	6,614	-	6,614
Accrued Interest Payable	217	-	217
Deposits	2,411	-	2,411
Total Liabilities Payable from Restricted Assets	9,242	-	9,242
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	14,715	1,170	15,885
Long-Term Obligations Due in More than One Year	79,291	986	80,277
Net Pension Liability	314,543	21,680	336,223
Total Long-Term Obligations	408,549	23,836	432,385
Total Liabilities	432,568	30,185	462,753
 DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	21,098	1,708	22,806
 NET POSITION			
Net Investment in Capital Assets	615,512	142,616	758,128
Restricted for:			
Debt Service	5,017	-	5,017
Capital Projects	5,877	28,096	33,973
Public Works and Community Services Projects	41,376	-	41,376
Total Restricted Net Position	52,270	28,096	80,366
Unrestricted	(224,579)	28,321	(196,258)
Total Net Position	\$ 443,203	\$ 199,033	\$ 642,236

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
City Council	\$ 270	\$ 71	\$ -	\$ -	\$ (199)	\$ -	\$ (199)
City Manager	3,302	2,994	413	-	105	-	105
City Treasurer	158	639	-	-	481	-	481
City Attorney	2,284	143	-	-	(2,141)	-	(2,141)
City Clerk	855	199	-	-	(656)	-	(656)
Finance	5,208	1,353	-	-	(3,855)	-	(3,855)
Human Resources	5,169	1,263	-	-	(3,906)	-	(3,906)
Planning & Building	6,605	10,670	-	-	4,065	-	4,065
Fire	42,162	8,625	198	-	(33,339)	-	(33,339)
Information Services	6,552	834	-	-	(5,718)	-	(5,718)
Police	64,048	5,512	1,493	-	(57,043)	-	(57,043)
Community Services	13,809	18,569	1,228	-	5,988	-	5,988
Library Services	4,246	495	65	-	(3,686)	-	(3,686)
Public Works	27,979	6,474	4,061	7,715	(9,729)	-	(9,729)
Non-Departmental	24,080	327	-	2,094	(21,659)	-	(21,659)
Interest on Long-Term Debt	2,245	-	-	-	(2,245)	-	(2,245)
Total Governmental Activities	208,972	58,168	7,458	9,809	(133,537)	-	(133,537)
Business-type Activities:							
Water Utility	38,614	35,350	-	-	-	(3,264)	(3,264)
Sewer Service	8,192	11,239	-	-	-	3,047	3,047
Refuse Collection	11,308	11,221	-	-	-	(87)	(87)
Hazmat Service	204	222	-	-	-	18	18
Total Business-Type Activities	58,318	58,032	-	-	-	(286)	(286)
Total Governmental and Business Type Activities	\$ 267,290	\$ 116,200	\$ 7,458	\$ 9,809	(133,537)	(286)	(133,823)
General Revenues:							
Taxes:							
Property Taxes					82,615	-	82,615
Sales Taxes					33,063	-	33,063
Utility Taxes					20,229	-	20,229
Franchise Taxes					7,023	-	7,023
Transient Occupancy Tax					9,215	-	9,215
Other Taxes					226	-	226
Total Taxes					152,371	-	152,371
Other:							
Use of Money and Property					5,551	1,281	6,832
From Other Agencies - Unrestricted					5,653	-	5,653
Other					4,440	-	4,440
Total General Revenues					168,015	1,281	169,296
Transfers					35	(35)	-
Total General Revenues and Transfers					168,050	1,246	169,296
Change in Net Position					34,513	960	35,473
Net Position - Beginning of Year					742,367	221,887	964,254
Prior Period Adjustment					(333,677)	(23,814)	(357,491)
Net Position - Beginning of Year as restated					408,690	198,073	606,763
Net Position - End of Year					\$ 443,203	\$ 199,033	\$ 642,236

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015
(In Thousands)**

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and Investments	\$ 62,358	\$ 2,130	\$ 4,391	\$ 43,349	\$ 112,228
Cash and Investments with Fiscal Agent	-	1,048	-	20,015	21,063
Taxes Receivable	32,241	-	-	256	32,497
Other Receivables, Net	6,348	4,206	9,786	224	20,564
Due from Other Funds	-	-	-	1,261	1,261
Advances to Successor Agency	-	-	1,363	-	1,363
Other Assets	-	-	-	2,411	2,411
Prepays	4,479	-	-	-	4,479
TOTAL ASSETS	\$ 105,426	\$ 7,384	\$ 15,540	\$ 67,516	\$ 195,866
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 5,655	\$ 553	\$ 1	\$ 5,608	\$ 11,817
Accrued Payroll	7,639	13	-	15	7,667
Due to Other Funds	-	-	-	1,261	1,261
Deposits Payable	1,449	-	-	2,411	3,860
Claims Payable	2,694	-	-	-	2,694
Total Liabilities	17,437	566	1	9,295	27,299
Deferred Inflows of Resources:					
Unavailable Revenue	23,197	3,397	9,782	64	36,440
Total Deferred Inflows of Resources	23,197	3,397	9,782	64	36,440
Fund Balances:					
Nonspendable					
Prepaid Insurance	4,479	-	-	-	4,479
Restricted					
Underground Utilities	364	-	-	-	364
Restitution	269	-	-	-	269
Senior Center Donations	685	-	-	-	685
Pollution Remediation	-	-	-	328	328
Debt Service	-	-	-	5,017	5,017
Highways, Streets and Transportation	-	-	-	14,128	14,128
Low Income Housing	-	-	5,757	1,085	6,842
Air Quality	-	-	-	847	847
Other Capital Projects	-	-	-	13,877	13,877
Other Purposes	1,553	3,421	-	1,055	6,029
Committed					
Economic Uncertainties	25,011	-	-	-	25,011
Parks	-	-	-	5,031	5,031
Other Capital Projects	-	-	-	16,628	16,628
Assigned					
Litigation Reserves	900	-	-	-	900
Capital Improvement Reserve	7,936	-	-	13	7,949
Equipment Replacement	8,295	-	-	-	8,295
Redevelopment Dissolution	1,323	-	-	-	1,323
General Plan Maintenance	720	-	-	-	720
Senior Center Debt Service Reserve	2,000	-	-	-	2,000
CalPERS One Equals Five Plan	500	-	-	-	500
CalPERS Rate Increase	1,287	-	-	-	1,287
Cityview Replacement	889	-	-	-	889
Animal Control	1,500	-	-	-	1,500
City Facility Security Enhancements	350	-	-	-	350
Sand Replenishment	150	-	-	-	150
Park Improvements	216	-	-	-	216
Section 115 Trust	1,000	-	-	-	1,000
Other Purposes	5,365	-	-	148	5,513
TOTAL FUND BALANCES	64,792	3,421	5,757	58,157	132,127
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 105,426	\$ 7,384	\$ 15,540	\$ 67,516	\$ 195,866

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015
(In Thousands)**

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

Total Fund Balances Governmental Funds	\$	132,127
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Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds

Capital Assets	973,569	
Accumulated Depreciation	(305,814)	
Total Capital Assets		667,755

Internal Services funds are used by management to charge the cost of various city activities to individual governmental and business-like funds. The assets and liabilities of the Internal Service fund must be added to the Statement of Net Position.		(11,874)
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Revenues that are measurable but not available are not recognized as revenue in governmental funds. Such amounts are recorded as unavailable revenue under the modified accrual basis of accounting.		36,440
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Deferred outflows related to pensions		10,408
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Governmental funds report all pension contributions as expenditures; however, in the statement of net position, the excess of the total pension liability over the plan fiduciary net position is reported as a net pension liability.		(313,498)
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Deferred inflows related to pensions		(21,015)
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Other Postemployment Benefit Asset is not a financial resource and, therefore, are not reported in the governmental funds.		12,684
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Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.

Accrued Interest Payable		(217)
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Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Amounts exclude Long-Term Obligation of the Internal Service Fund.

Long-Term Obligations Due in One Year		(6,524)
Long-Term Obligations Due in More than One Year		(63,083)

Net Position of Governmental Activities	\$	443,203
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**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

REVENUES	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
Property Taxes	\$ 82,472	\$ -	\$ -	\$ -	\$ 82,472
Sales Taxes	29,460	-	-	2,774	32,234
Utility Taxes	20,229	-	-	-	20,229
Other Taxes	16,238	-	-	226	16,464
Licenses and Permits	9,215	-	-	55	9,270
Fines and Forfeitures	4,746	-	-	-	4,746
From Use of Money and Property	16,528	264	184	497	17,473
Intergovernmental	5,582	5,030	-	8,022	18,634
Charges for Current Services	26,298	-	-	6,212	32,510
Other	2,401	-	-	958	3,359
Total Revenues	213,169	5,294	184	18,744	237,391
EXPENDITURES					
Current:					
City Council	278	-	-	-	278
City Manager	2,065	588	-	50	2,703
City Treasurer	167	-	-	-	167
City Attorney	2,425	-	-	-	2,425
City Clerk	895	-	-	-	895
Finance	5,452	-	-	-	5,452
Human Resources	4,606	-	-	-	4,606
Planning & Building	6,954	-	-	-	6,954
Fire	44,892	116	-	-	45,008
Information Services	6,846	-	-	-	6,846
Police	67,792	1,148	-	-	68,940
Community Services	9,323	282	-	618	10,223
Library Services	3,984	69	-	93	4,146
Public Works	21,768	96	-	1,956	23,820
Non-Departmental	19,758	-	80	229	20,067
Capital Outlay	-	2,272	-	12,714	14,986
Debt Service:					
Principal	29	170	-	5,255	5,454
Interest	18	30	-	2,178	2,226
Total Expenditures	197,252	4,771	80	23,093	225,196
Excess (Deficiency) Of Revenues Over (Under) Expenditures	15,917	523	104	(4,349)	12,195
OTHER FINANCING SOURCES (USES)					
Transfers In	913	557	-	10,688	12,158
Issuance of Long-Term Debt	-	1,063	-	15,295	16,358
Issuance Premium	-	-	-	788	788
Transfers Out	(13,092)	(246)	-	(900)	(14,238)
Total Other Financing Sources (Uses)	(12,179)	1,374	-	25,871	15,066
Net Change In Fund Balances	3,738	1,897	104	21,522	27,261
Fund Balances- Beginning Of Year	61,054	1,524	5,653	36,635	104,866
Fund Balances- End Of Year	\$ 64,792	\$ 3,421	\$ 5,757	\$ 58,157	\$ 132,127

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, 2015
(In Thousands)**

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

Net Changes in Fund Balances - Total Governmental funds \$ 27,261

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

Depreciable Assets Purchased	15,653
Non-Depreciable Assets Purchased	9,211
Non-Depreciable Assets Disposition	(2,625)
Capital Asset Depreciation	(13,679)

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	21,843
Prior Year Property and Sales Tax Accrual	(20,871)
Current Year Grant and Other Revenue Accrual	1,852
Prior Year Grant and Other Revenue Accrual	(1,393)

Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. (232)

Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds. 3,587

Governmental funds report expenditures for retirement contributions whereas these amounts are reported as deferred outflows of resources on the Statement of Net Position. 8,020

Other Postemployment Benefits Payments - Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (expenses). (77)

Internal service funds are used by management to charge the costs of certain activities, such as self insurance workers' compensation charges. The net revenue of this internal service fund is reported as governmental activities. (1,521)

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	(217)
Prior Year Interest Accrual	198

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 5,454

Some expenses such as compensated absences, claims, and pension expenses, reported in the Statement of Activities, do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds. (17,951)

Change in Net Position of Governmental Activities	\$ 34,513
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See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015
(In Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
ASSETS						
Current Assets:						
Cash and Investments	\$ 32,269	\$ 20,568	\$ 3	\$ -	\$ 52,840	\$ 10,761
Restricted Cash and Investments	28,096	-	-	-	28,096	-
Other Receivables, Net	1,789	541	581	194	3,105	20
Prepays	-	-	-	-	-	600
Inventories	1,186	-	-	-	1,186	-
Unbilled Receivables	1,395	449	468	-	2,312	-
Due from Other Funds	188	-	-	-	188	-
Total Current Assets	64,923	21,558	1,052	194	87,727	11,381
Capital Assets:						
Land	3,907	-	-	-	3,907	-
Buildings and Improvements	52,047	35,201	-	-	87,248	-
Machinery and Equipment	9,416	2,141	-	-	11,557	-
Infrastructure	91,098	42,786	-	-	133,884	-
Construction in Progress	5,975	1,486	-	-	7,461	-
Less Accumulated Depreciation	(71,175)	(30,266)	-	-	(101,441)	-
Total Capital Assets	91,268	51,348	-	-	142,616	-
Total Assets	156,191	72,906	1,052	194	230,343	11,381
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	541	202	18	10	771	36
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,870	717	894	-	4,481	452
Accrued Payroll	99	37	3	3	142	6
Due to Other Funds	-	-	143	45	188	-
Deposits Payable	1,726	-	-	-	1,726	-
Current Portion of Claims Payable	-	800	-	-	800	5,485
Current Portion of Compensated Absences	271	84	10	5	370	12
Total Current Liabilities	4,966	1,638	1,050	53	7,707	5,955
Non-Current Liabilities:						
Compensated Absences	723	224	27	12	986	31
Net Pension Liability	15,178	5,676	505	321	21,680	1,045
Claims Payable	-	-	-	-	-	16,177
Total Non-Current Liabilities	15,901	5,900	532	333	22,666	17,253
Total Liabilities	20,867	7,538	1,582	386	30,373	23,208
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Pensions	1,195	447	40	26	1,708	83
NET POSITION						
Net Investment in Capital Assets	91,268	51,348	-	-	142,616	-
Restricted for:						
Capital Projects	28,096	-	-	-	28,096	-
Unrestricted	15,306	13,775	(552)	(208)	28,321	(11,874)
Total Net Position	\$ 134,670	\$ 65,123	\$ (552)	\$ (208)	\$ 199,033	\$ (11,874)

See Notes to Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
OPERATING REVENUES						
Sales	\$ 32,790	\$ -	\$ -	\$ -	\$ 32,790	\$ -
Fees and Charges for Service	-	10,644	11,046	222	21,912	6,669
Other	2,560	595	175	-	3,330	6
Total Operating Revenues	35,350	11,239	11,221	222	58,032	6,675
OPERATING EXPENSES						
Water Purchases	14,906	-	-	-	14,906	-
Supplies and Operations	7,447	6,278	11,308	204	25,237	1,175
Engineering	1,075	-	-	-	1,075	-
Production and Distribution	8,159	-	-	-	8,159	-
Maintenance	278	-	-	-	278	-
Water Meters	2,090	-	-	-	2,090	-
Water Quality	776	-	-	-	776	-
Water Use Efficiency	799	-	-	-	799	-
Claims and Judgments	-	-	-	-	-	9,230
Depreciation	3,084	1,914	-	-	4,998	-
Total Operating Expenses	38,614	8,192	11,308	204	58,318	10,405
Operating Income (Loss)	(3,264)	3,047	(87)	18	(286)	(3,730)
NON-OPERATING REVENUES (EXPENSES)						
Interest Income (Expense)	1,039	242	(1)	1	1,281	94
Income (Loss) Before Transfers	(2,225)	3,289	(88)	19	995	(3,636)
TRANSFERS						
Transfers In	-	-	51	-	51	2,115
Transfers Out	-	-	(73)	(13)	(86)	-
Total Transfers	-	-	(22)	(13)	(35)	2,115
Change in Net Position	(2,225)	3,289	(110)	6	960	(1,521)
Net Position - Beginning Of Year	153,565	68,069	112	141	221,887	(9,205)
Prior Period Adjustment	(16,670)	(6,235)	(554)	(355)	(23,814)	(1,148)
Net Position - Beginning of Year as Restated	136,895	61,834	(442)	(214)	198,073	(10,353)
Net Position- End Of Year	\$ 134,670	\$ 65,123	\$ (552)	\$ (208)	\$ 199,033	\$ (11,874)

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 35,835	\$ 11,236	\$ 11,154	\$ 201	\$ 58,426	\$ 6,667
Cash Paid to Employees for Services	(9,187)	(3,517)	(274)	(205)	(13,183)	(535)
Cash Paid to Suppliers of Goods and Services	(27,156)	(2,846)	(11,031)	(19)	(41,052)	(4,897)
Net Cash and Investment Provided (Used) by Operating Activities	(508)	4,873	(151)	(23)	4,191	1,235
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	51	-	51	2,115
Transfers Out	-	-	(73)	(13)	(86)	-
Cash Received (Paid) from/(to) Other Funds	(178)	-	143	35	-	-
Net Cash and Investments Used by Noncapital Financing Activities	(178)	-	121	22	(35)	2,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(2,005)	(4,839)	-	-	(6,844)	-
Net Cash and Investments Used by Capital and Related Financing Activities	(2,005)	(4,839)	-	-	(6,844)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received (Paid)	1,039	242	(1)	1	1,281	94
Net Cash and Investments Provided (Used) by Investing Activities	1,039	242	(1)	1	1,281	94
Net Increase (Decrease) in Cash and Investments	(1,652)	276	(31)	-	(1,407)	3,444
Cash and Investments - Beginning of Year	62,017	20,292	34	-	82,343	7,327
Cash and Investments - End of Year	\$ 60,365	\$ 20,568	\$ 3	\$ -	\$ 80,936	\$ 10,771
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (3,264)	\$ 3,047	\$ (87)	\$ 18	\$ (286)	\$ (3,730)
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities						
Depreciation	3,084	1,914	-	-	4,998	-
(Increase) Decrease in Other Receivables, Net	187	-	(65)	(21)	101	(8)
(Increase) Decrease in Unbilled Receivables	234	(3)	(2)	-	229	-
Decrease in Inventory	108	-	-	-	108	-
Increase (Decrease) in Accounts Payable	(184)	232	24	(7)	65	45
Increase in Accrued Payroll	35	12	1	1	49	2
Increase in Deposits Payable	64	-	-	-	64	-
Increase in Claims Payable	-	-	-	-	-	4,972
Increase (Decrease) in Compensated Absences	66	(15)	6	3	60	-
(Increase) in Deferred Pension Outflow	(287)	(107)	(10)	(4)	(408)	(8)
(Decrease) in Deferred Pension Inflow	(1,782)	(667)	(59)	(39)	(2,547)	(123)
Increase in Net Pension Liability	1,231	460	41	26	1,758	85
Net Cash and Investments Provided (Used) by Operating Activities	\$ (508)	\$ 4,873	\$ (151)	\$ (23)	\$ 4,191	\$ 1,235

See Notes to Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015
(In Thousands)

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ASSETS			
Cash and Investments	\$ 5,123	\$ 1	\$ 3,757
Cash and Investments with Fiscal Agent	3,401	-	2,419
Mutual Funds	-	41,681	-
Money Market Funds	-	1,280	-
Accounts Receivable, Net	1,285	5	34
Land	-	-	14,023
Total Assets	\$ 9,809	\$ 42,967	\$ 20,233
LIABILITIES			
Accounts Payable	\$ 777	\$ -	\$ 142
Accrued Payroll	2	-	5
Due to Bondholders	4,531	-	-
Advances from City of Huntington Beach	-	-	1,363
Held for Others	4,499	-	-
Long-Term Obligations			
Long-Term Obligations Due Within One Year	-	-	3,514
Long-Term Obligations Due in More than One Year	-	-	52,350
Total Liabilities	\$ 9,809	\$ -	\$ 57,374
NET POSITION			
Restricted for Pension Benefits		\$ 42,967	
Held in Trust For Other Purposes			\$ (37,141)

CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)

	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ADDITIONS		
Employer Contributions	\$ 4,678	\$ -
Property Taxes	-	6,694
Rental Income	-	917
Other Income	-	4
Total Additions Before Investment Income	<u>4,678</u>	<u>7,615</u>
Investment Income:		
Investment Income (Loss)	(1,218)	127
Less Investment Expense	(96)	-
Net Investment Income	<u>(1,314)</u>	<u>127</u>
Total Additions	<u>3,364</u>	<u>7,742</u>
DEDUCTIONS		
Benefits	3,587	-
Administrative Costs	170	-
Economic Development	-	516
Interest and Fiscal Agency Expenses	-	3,918
Disposition of Assets per AB1484	-	6,988
Total Deductions	<u>3,757</u>	<u>11,422</u>
Change in Net Position	<u>(393)</u>	<u>(3,680)</u>
Net Position - Beginning of Year	40,177	(33,461)
Prior Period Adjustment	3,183	-
Net Position - Beginning of Year as Restated	43,360	(33,461)
Net Position - End of Year	\$ 42,967	\$ (37,141)

See Notes to Financial Statements

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**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

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) or presented as a fiduciary trust fund with the primary government for financial reporting purposes. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. A legally separate, tax exempt organization should be reported as a blended component unit of the City if all of the following criteria are met:

1. The governing board is substantively the same as the primary government and there is a financial benefit or burden relationship between the primary government and the component unit;
2. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; and
3. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government.

Based on the application of the criteria listed above, the following component units have been included.

Huntington Beach Housing Authority

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

b. Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred inflows/outflows of resources, and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial Statement Classification

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

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

Restricted Net Position – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide Statement of Net Position reports \$52,270,000 of governmental activities restricted net position, of which \$26,565,000 is restricted by enabling legislation. The government-wide Statement of Net Position reports \$28,096,000 of business-type activities restricted net position, of which all is restricted by enabling legislation. This category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs.

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Financial Statements

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

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Encumbrances outstanding as of September 30, 2015, by major fund (in thousands):

General Fund	\$ 6,918
Grants Special Revenue	2,477
Other Governmental Funds	12,354
Total Encumbrance All Funds	<u>\$ 21,749</u>

Economic Uncertainties Reserve

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements

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

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

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

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

Fiduciary Funds Financial Statements

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major funds:

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

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

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

d. Cash and Investments

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

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

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State Treasurer of the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk. In addition, these structured notes and asset-backed securities are subject to interest rate risk as a result of changes in interest rates. The City's investment policy is further discussed in Note 2 on page 51.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2015.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions which are the result of the implementation of GASB Statement No. 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an outflow of resources (revenue) until that time. The City reported the following in this category:

1. Unavailable revenues (which include revenues, notes, and long-term receivables) measured under the modified accrual basis of accounting reported in governmental funds. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.
2. Changes in the net pension liability not included in pension expense.

g. Inventories

Proprietary fund inventories are valued at weighted-average cost.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Interfund Transactions

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

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

i. Long-Term Obligations

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

j. Employee Compensated Absences

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Property Tax Revenue

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

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

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Redevelopment Property Tax Trust Funds

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

The calendar for distribution of RPTTF funds is as follows:

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

m. Cash Flow Statements

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

n. Estimates

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS’ Financial Office and the City’s Defined Benefit Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	Supplemental Employee Retirement Plan	CalPERS Pension Plans
Valuation date (VD)	September 30, 2013	June 30, 2014
Measurement date (MD)	September 30, 2015	June 30, 2015
Measurement period (MP)	October 1, 2014 to September 30, 2015	July 1, 2014 to June 30, 2015



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Implementation of New Accounting Pronouncements

The City adopted the following new pronouncements issued by the GASB beginning in the fiscal year ended September 30, 2015:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement replaces the requirements of previously issued statements as they relate to governments that provide pensions through pension plans administered by trusts or similar arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability. As part of implementing this pronouncement, a prior period adjustment restating the City's net position was required (see Note 15). Governments will report in their financial statements a net pension liability that represents the difference between the total pension liability and the pension plan's fiduciary net position. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including descriptive information about the types of benefits available, how to determine the amount of pension plan contributions, and assumptions and methods used in calculating the pension liability. This statement requires the City to record a liability and expense equal to the net pension liability (i.e., the unfunded liability for the pension benefits promised to current employees, retirees, and their beneficiaries) and expense of the City's single-employer (Supplemental Plan) and multiple-employer defined benefit pension plans (CalPERS Plans).

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 pronouncement had no material impact on the City in fiscal year 2014/15.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. As part of implementing this pronouncement, a prior period adjustment restating the City's net position was required (see Note 15).



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

2. CASH AND INVESTMENTS

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

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

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
Bankers' Acceptances	180 days	25% (up to 40% with Council approval)	A1/P1, "A" Rating
Negotiable Certificates of Deposit	3 years (Up to 5 years with Council approval)	30%	A1/P1, "A" Rating
Commercial Paper	270 days	25%	A1, "A" Rating
State Obligations-- CA And Others	5 years	None	"A" Rating
City/Local Agency of CA Obligations	5 years	None	"A" Rating
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Obligations	5 years	None	None
Repurchase Agreements	3 Months	None	None
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio/Requires City Council Approval	None
Medium-Term Corporate Notes	5 years	20%/30% with City Council Approval	"A" Rating
Non-negotiable Certificates of Deposit	3 years	None	A1/P1, "A" Rating
Money Market Mutual Funds	60 days	15%	None
Local Agency Investment Fund (LAIF)	N/A	Up to \$50,000,000	None



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

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

N/A - Not Applicable



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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>Strategic Allocation</u>	<u>Maximum Allocation</u>
Cash or Equivalents	0%	5%
Fixed Income	25%	30%
Intermediate-Term Bond	25%	30%
Equity	58%	68%
Domestic	34%	39%
Foreign	24%	29%
Real Estate	9%	12%
Commodities	9%	12%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

2. CASH AND INVESTMENTS (Continued)

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

Primary Government:	
Cash and Investments	\$ 149,872
Restricted Assets (Cash and Investments)	54,053
Cash and Investments with Fiscal Agent - Restricted	21,063
Total Primary Government	224,988
Fiduciary Funds:	
Cash and Investments	8,881
Cash and Investments with Fiscal Agent - Restricted	48,781
Total Fiduciary Funds	57,662
Total Deposits and Investments	\$ 282,650

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

As of September 30, 2015, the City held \$119,167,160 in callable securities, which amounted to approximately 58.9% of investments.

Investment maturities are as follows (in thousands):

INVESTMENTS:	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
U.S. Agency Securities*	\$ 125,232	\$ -	\$ 65,159	\$ 59,062	\$ 1,011	\$ 125,232
Mutual Funds	41,681	41,681	-	-	-	41,681
Money Market Funds	5,308	5,308	-	-	-	5,308
Corporate Bonds	40,728	3,002	31,637	6,089	-	40,728
Local Agency Investment Fund	44,375	44,375	-	-	-	44,375
Total Investments	\$ 257,324	\$ 94,366	\$ 96,796	\$ 65,151	\$ 1,011	257,324
		Total Deposits				25,326
		Total Deposits and Investments				\$ 282,650

* Security is callable, but classified above according to original maturity date



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015

2. CASH AND INVESTMENTS (Continued)

Credit Risk - State law allows investment in United States Government-Sponsored Enterprise (GSE) obligations noted above as U.S. Agencies. As of year-end, the Standard and Poor's and Moody's ratings of the GSE's were AA+ and AAA, respectively. State law limits investments in commercial paper to those rated A-1 or P-1, and investments in Corporate Bonds to having an "A" rating, and issued by a nationally recognized statistical rating organization.

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 ratings for the City's investments in Corporate Bonds as of September 30, 2015, are listed below:

Corporate Bond Ratings as of September 30, 2015

Issuer	S&P	Moody's
Apple Inc	AA+	Aa1
Caterpillar Financial Corp	A	A2
Chevron Corp	AA	Aa1
EMC Corp	A	A1
General Electric Capital Corp	AA+	A1
Coca Cola Corp	AA	Aa3
Merck & Co Inc	AA	A2
Oracle Corp	AA-	A1
Occidental Petroleum	A	A2
Toyota Motor Credit	AA-	Aa3
Wal-Mart Stores	A	Aa2

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

Issuer	Investment Type	Fair Value Amount
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$31,130
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$51,022
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$33,052



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of September 30, 2015, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts were collateralized as described above. None of the City's investments were subject to custodial credit risk. Per the Investment Policy's statement, the City of Huntington Beach is the registered owner of all investments in the portfolio.

Local Agency Investment Fund – The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF had invested 1.21% of the pooled investments funds in Structured Notes and Asset-Backed Securities. This external investment pool is not rated and is not registered with the Securities and Exchange Commission.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

3. OTHER RECEIVABLES

a. Other Receivables

A summary of Other Receivables as of September 30, 2015 is as follows (in thousands):

<u>Description</u>	<u>Amount</u>
Developer Loans Receivable	\$ 38,675
Emerald Cove Loan Receivable	7,814
Housing Rehabilitation Loans Receivable	2,963
First Time Homebuyers and Down Payment Assistance Receivable	1,968
Emergency Medical Fee Receivable	554
CDBG Program Receivable	44
Other Grants Receivable	1,230
Other Receivables	5,991
Total Other Receivables	<u>59,239</u>
Allowance for Uncollectible Developer Loans	<u>(38,675)</u>
Net Other Receivables on Governmental Fund Financial Statements	<u><u>\$ 20,564</u></u>
<u>Other Receivables Reconciliation</u>	
Net Receivables - Governmental Activities	\$ 38,589
Net Receivables - Governmental Activities - Restricted	14,492
Net Receivable on Government-wide Financial Statements	<u>53,081</u>
Taxes Receivable on Governmental Fund Financial Statements	(32,497)
Other Receivables on Internal Service Fund - Self Insurance Workers' Comp	(20)
Net Other Receivables on Governmental Fund Financial Statements	<u><u>\$ 20,564</u></u>

b. Developer Loans

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$38,675,000 at year-end. These loans are allowed until a future event occurs. Loans to the Low and Moderate Income Housing Asset Fund total \$24,979,000 and loans made under the Home Program total \$13,696,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$38,675,000 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, 2015**

3. OTHER RECEIVABLES (Continued)

c. Emerald Cove Loan

On June 15, 2010, the former Redevelopment Agency loaned Emerald Cove, LP \$8,000,000 to acquire and rehabilitate Emerald Cove Senior Apartments. The loan has an interest rate of 3% and is to be repaid annually from residual receipts over 60 years. The loan was transferred to the Low and Moderate Income Housing Asset Fund in fiscal year 2011-12. The loan balance as of September 30, 2015 is \$7,814,000.

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 \$2,963,000 at year-end. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

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

Loans made for down payment assistance of qualified first time homebuyers under deferred loan agreements total \$1,968,000 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, 2015**

4. UNAVAILABLE REVENUE

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

	General Fund	Grants Special Revenue	LMIHAF	Other Governmental Funds	Total Unavailable Revenue
Property Taxes	\$ 16,827	\$ -	\$ -	\$ -	\$ 16,827
Sales Tax	5,016	-	-	-	5,016
Grants	-	434	-	-	434
Deferred Loans:					
Emerald Cove	-	-	7,814	-	7,814
Housing Rehabilitation	-	2,963	-	-	2,963
First Time Homebuyers	-	-	1,968	-	1,968
Other Unavailable Revenue	1,354	-	-	64	1,418
Total	\$ 23,197	\$ 3,397	\$ 9,782	\$ 64	\$ 36,440

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, 2015**

5. RETIREMENT PLAN – NORMAL

a. Summary

Net Pension Liability

Net Pension Liability is reported in the accompanying statement of net position as follows:

	Net Pension Liability
CalPERS Miscellaneous Plan	\$ 122,454
CalPERS Safety Plan	198,618
Supplemental Plan (Note 6)	15,151
Total	\$ 336,223

Deferred Outflows of Resources

Deferred Outflows of Resources are reported in the accompanying statement of net position as follows:

	Investment earnings less than expected earnings	Deferred employer pension contributions made after measurement date	Total
CalPERS Miscellaneous Plan	\$ -	\$ 2,961	\$ 2,961
CalPERS Safety Plan	-	5,060	5,060
Supplemental Plan (Note 6)	3,195	-	3,195
Total	\$ 3,195	\$ 8,020	\$ 11,215

Deferred Inflows of Resources

Deferred Inflows of Resources are reported in the accompanying statement of net position as follows:

	Investment earnings greater than expected earnings	Changes in assumptions	Differences between Expected and Actual Experience	Total
Miscellaneous Plan	\$ 3,389	\$ 5,139	\$ 1,740	\$ 10,268
Safety Plan	3,788	8,145	605	12,538
Total	\$ 7,177	\$ 13,284	\$ 2,345	\$ 22,806



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

5. RETIREMENT PLAN – NORMAL (Continued)

Pension Expense

Pension expenses are included in the accompanying financial statements as follows:

	Net Pension Expense
Miscellaneous Plan	\$ 4,365
Safety Plan	14,400
Supplemental Plan (Note 6)	<u>2,703</u>
Total	<u>\$ 21,468</u>

b. Plan Description

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Plan and Miscellaneous Plan Agent multiple-employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. Following the passage of AB340, Public Employees' Pension Reform Act (PEPRA) by the California Legislature, employees hired on or after January 1, 2013, who were not previously enrolled in the PERS system elsewhere, or who have had a break in service of at least six months are required to be enrolled in this retirement program which provides a benefit level that is lower than the benefits provided for CalPERS employees that do not meet the PEPRA qualifications previously described. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

5. RETIREMENT PLAN – NORMAL (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Benefit provisions and all other requirements are established by State statute and may be amended by city contracts with employee bargaining groups.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

5. RETIREMENT PLAN – NORMAL (Continued)

The Plans' provisions and benefits in effect at September 30, 2015 are summarized as follows:

	Miscellaneous Agent Plans	
	Classic	PEPRA
	Prior to January 1, 2013	January 1, 2013 and after
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%, 50 years - 63+ years, respectively	1.0% - 2.5%, 52 years - 67+ years, respectively
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates		
October 1, 2014 - June 30, 2015	21.938%	21.938%
July 1, 2015 - September 30, 2015	24.843%	24.843%
	Safety Agent Plans	
	Classic	PEPRA
	Prior to January 1, 2013	January 1, 2013 and after
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
Monthly benefits, as a % of eligible compensation	3%, 50+ years	2.0% - 2.7%, 50 years - 57+ years, respectively
Required employee contribution rates	9.000%	11.750%
Required employer contribution rates		
October 1, 2014 - June 30, 2015	39.051%	39.051%
July 1, 2015 - September 30, 2015	42.969%	42.969%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

5. RETIREMENT PLAN – NORMAL (Continued)

c. Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015, miscellaneous participants under the Classic and PEPRA plans are required to contribute 8% and 6.25% of their annual covered salary, respectively. Safety participants under the Classic and PEPRA plans are required to contribute 9% and 11.75% of their annual covered salary, respectively. In addition, the City is required to make employer contributions at the actuarially determined rates of 21.938% and 39.051% of annual covered payroll for the miscellaneous and safety plans, respectively, for the year ended September 30, 2015.

At June 30, 2014, the valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Active employees	586	359
Inactive employees receiving benefits	885	535
Inactive employees not receiving benefits	569	123
Total	2,040	1,017

For the year ended September 30, 2015, the contributions were:

	Miscellaneous	Safety	Aggregate Total
Contributions - employer	\$ 10,510	\$ 19,125	\$ 29,635



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

5. RETIREMENT PLAN – NORMAL (Continued)

d. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is illustrated below:

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuation, rolled forward to June 30, 2015 using standard update procedures, were determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

There was a change in the discount rate assumption for the June 30, 2015 measurement date. GASB 68, paragraph 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

5. RETIREMENT PLAN – NORMAL (Continued)

Discount Rate – The discount rate used to measure the total pension liability at June 30, 2015 was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Council action and proper stakeholder outreach. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015

5. RETIREMENT PLAN – NORMAL (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	10.00	6.83	6.95
Real Estate	10.00	4.50	5.13
Infrastructure and Forestland	2.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015

5. RETIREMENT PLAN – NORMAL (Continued)

d. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Miscellaneous Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 485,656	\$ 373,141	\$ 112,515
Changes in the year:			
Service cost	7,102	-	7,102
Interest on the total pension liabilities	35,653	-	35,653
Differences between expected and actual experience	(2,900)	-	(2,900)
Changes of Assumptions	(8,565)	-	(8,565)
Benefit payments, including refunds of members contributions	(23,377)	(23,377)	-
Plan to Plan Resource Movement	-	2	(2)
Contributions - employer	-	9,747	(9,747)
Contributions - employee	-	3,790	(3,790)
Net investment income	-	8,230	(8,230)
Administrative expenses	-	(418)	418
Net changes	7,913	(2,026)	9,939
Balance at June 30, 2015	<u>\$ 493,569</u>	<u>\$ 371,115</u>	<u>\$ 122,454</u>

	Safety Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 624,982	\$ 440,704	\$ 184,278
Changes in the year:			
Service cost	11,119	-	11,119
Interest on the total pension liabilities	46,160	-	46,160
Differences between expected and actual experience	(820)	-	(820)
Changes of Assumptions	(11,054)	-	(11,054)
Benefit payments, including refunds of members contributions	(30,535)	(30,535)	-
Contributions - employer	-	17,791	(17,791)
Contributions - employee	-	4,110	(4,110)
Net investment income	-	9,661	(9,661)
Administrative expenses	-	(497)	497
Net changes	14,870	530	14,339
Balance at June 30, 2015	<u>\$ 639,852</u>	<u>\$ 441,234</u>	<u>\$ 198,618</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

5. RETIREMENT PLAN – NORMAL (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's net pension liability, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.65%)	Rate (7.65%)	(8.65%)
Miscellaneous Plan	\$ 187,119	\$ 122,454	\$ 69,014
Safety Plan	\$ 282,353	\$ 198,618	\$ 129,538

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2015 (the measurement date), the City incurred pension expense in the amounts of \$4,365,000 and \$14,400,000 for the miscellaneous and safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years of active employees by the total number of plan participants (active, inactive, and retired) in the risk pool. For the 2014-15 measurement period, the EARSL for each plan is as follows:

	Miscellaneous	Safety
Expected Average Remaining Service Lifetime	2.5	3.8



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

5. RETIREMENT PLAN – NORMAL (Continued)

At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ -	\$ (3,389)
Changes in assumptions	-	(5,139)
Difference between expected and actual experience	-	(1,740)
Contributions made subsequent to the measurement date	2,961	-
Total	\$ 2,961	\$ (10,268)

Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ -	\$ (3,788)
Changes in assumptions	-	(8,145)
Difference between expected and actual experience	-	(605)
Contributions made subsequent to the measurement date	5,060	-
Total	\$ 5,060	\$ (12,538)

For the Miscellaneous Plan and Safety Plan, \$2,961,000 and \$5,060,000, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2016	\$ (7,033)	\$ (5,963)
2017	(4,740)	(5,963)
2018	(2,447)	(5,339)
2019	3,951	4,727
2020	-	-
Thereafter	-	-
	\$ (10,268)	\$ (12,538)



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

6. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description and Benefits

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

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

Employees Covered: At September 30, 2013, the valuation date, the following employees were covered by the benefit terms for the Plan:

Inactive employees receiving benefits	676
Active employees	267
Inactive employees not receiving benefits	-
Total	<u>943</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

b. Employer Contributions

The City's policy is to make required contributions as determined by the Supplemental Plan's actuary. The required contributions were determined as part of the September 30, 2013 actuarial valuation. The City is required to contribute the actuarially determined rate of 4.4% of total payroll for all permanent employees for the year ended September 30, 2015. There are no employee contributions required for the plan. Survivor and termination benefits are not included in the plan. Administrative costs of this plan are financed through investment earnings.

For the year ended September 30, 2015, the contributions were:

Contributions - employer \$ 4,678

c. Investments

Investments of the Supplemental Plan are held separately from those of other City funds by investment custodians. The Supplemental Employee Retirement Plan and Trust Board is responsible for supervising all investments. Changes to the Investment Policy require approval by the Board. There were no changes to the Policy during fiscal year 2014/15. Please refer to Note 2 for a detailed description of the Supplemental Plan's Investment Policy. The major asset class allocation for the Supplemental Plan as of September 30, 2015 is listed below:

Asset Class	Strategic Allocation	Allocation as of September 30, 2015	Long Term Expected Rate of Return
Fixed Income	25.00%	29.00%	1.55%
Equity	58.00%	57.87%	5.35%
Real Estate	9.00%	8.81%	0.00%
Commodities	8.00%	1.34%	0.00%
Cash and Equivalents	0.00%	2.98%	0.45%
Total	100.00%	100.00%	



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Quoted market prices have been used to value investments as of September 30, 2015. These investments are held by the Trust or by an agent in the Trust's name. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Governmental Accounting Standards Board (GASB) Statement No. 40 requires the disclosure of such risk. Please see below for a list of investments held in any one organization that represents five percent or more of the Plan's investment portfolio at September 30, 2015:

Concentration of Investments Equaling or Exceeding 5%

Vanguard Equity Income Fund Admiral Shares	5.90%
Golden Large Cap Core I Fund	5.91%
Dodge & Cox Stock Fund	5.92%
Fidelity Capital Appreciation Fund	5.92%
Columbia Corporate Income Y	7.67%
Amer Cent Diversified Bond Ins	7.68%
Baird Aggregate Bond Fd Instl	7.68%
T Rowe Price International Growth and Income Fund	7.87%
Laudus International Marketmasters	8.08%
Nuveen Real Estate Secur R6	8.81%

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

For the year ended September 30, 2015, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was -2.82%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

d. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of September 30, 2015, using an annual actuarial valuation as of September 30, 2013 rolled forward to September 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Actuarial Assumptions – The total pension liabilities in the September 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	3.00%
Salary Increases	CalPERS 1997-2007 Experience Study plus 3.25% aggregate increase
Investment Rate of Return	7.00% Net of Investment Expenses
Mortality Rate Table	CalPERS 1997-2007 Experience Study
Retirement, Disability, Withdrawal	CalPERS 1997-2007 Experience Study

There were no changes in assumptions, benefit terms or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date.

e. Discount Rate & Sensitivity

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

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. An investment return excluding administrative expenses would have been 7 percent.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

In determining the long-term expected rate of return, both short-term and long-term market return expectations were taken into account along with expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses

Asset Class	Target Allocation	Expected Real Rate of Return
Fixed Income Mutual Funds	28.60%	1.55%
Equity Mutual Funds	70.90	5.35
Cash	0.50	0.45



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Supplemental Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at September 30, 2014	\$ 57,292	\$ 40,177	\$ 17,115
Changes in the year:			
Service cost	494	-	494
Interest on the total pension liabilities	3,919	-	3,919
Benefit payments, including refunds of members contributions	(3,587)	(3,587)	-
Contributions - employer	-	4,678	(4,678)
Contributions - employee	-	-	-
Net investment income	-	(1,314)	1,314
Administrative expenses	-	(170)	170
Other - Prior period adjustment	-	3,183	(3,183)
Net changes	826	2,790	(1,964)
Balance at September 30, 2015	<u>\$ 58,118</u>	<u>\$ 42,967</u>	<u>\$ 15,151</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's net pension liability, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.0%)	Current Discount Rate (7.0%)	Discount Rate + 1% (8.0%)
\$ 21,000	\$ 15,151	\$ 10,152



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

f. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense in the amount of \$2,703,000, for the Supplemental plan.

At September 30, 2015 the City reported deferred outflows of resources related to the supplemental pension plan from the following source:

		<u>Deferred outflows of Resources</u>
Difference between projected and actual earnings on pension plan investments	\$	3,195

For the Supplemental Plan, \$3,195,000 was reported as deferred outflows of resources related to pensions resulting from the difference in projected and actual earnings on pension plan investments which will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>		<u>Deferred Outflows of Resources</u>
2016	\$	799
2017		799
2018		799
2019		798
2020		-
Thereafter		-
	<u>\$</u>	<u>3,195</u>



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

7. OTHER POST EMPLOYMENT BENEFITS

a. Plan Description

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

Postemployment Medical Insurance

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

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

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

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

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

PEMHCA

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Below is the plan participant data as of June 30, 2015:

	Postemployment Medical Insurance	PEMHCA
Retirees and beneficiares receiving benefits	236	159
Active Plan Members	883	382
Total Plan Participants	<u>1,119</u>	<u>541</u>

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

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 \$715,000 for fiscal year 2014-15. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov. The City's policy is to make 100% of each year's ARC, with an additional amount to prefund benefits as determined annually by City Council in order to improve the funded status of the plan.

For PEMHCA, the City selected the "unequal" method for the contribution. Under this method, the City offered a lesser contribution for retirees than for active employees. The City paid the PEMHCA minimum for actives (\$115 in 2013, \$119 in 2014, and \$122 in 2015). Beginning in 2008, Assembly Bill 2544 changed the computation for annual increases to annuitant health care under the unequal method. Under the new provisions, the City increases annuitant health care contributions equal to an amount not less than five percent of the active employee contributions, multiplied by the number of years in PEMHCA. The City's contribution for retirees is \$24.40 per employee for the Huntington Beach Firefighter's Association (HBFA) and \$67.10 for all other Safety groups in 2015. The annual increase in minimum PEMHCA contribution to CalPERS will continue until the time that the City contribution for retirees equals the City contribution paid for active employees.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

The actuarial cost method used for determining the benefit obligations for the June 30, 2015 valuation were determined using the Entry Age Normal Actuarial Cost Method, which is a projected benefit full-cost method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions used were:

- Amortization of unfunded liability – 7 year, level percentage of pay, amortization of initial unfunded liabilities from September 30, 2015 with assumption changes and gains/losses amortized over 15 years
- Discount rate – 6.00%
- Projected salary increases for covered employees due to inflation – aggregate increases of 3.25% per annum
- All other retirement assumptions equivalent to CalPERS’ assumptions used for the City’s normal retirement plans (refer to Note 5c)
- PEMCHA minimum increases for actives - \$122 in 2015, \$125 in 2016, with 4.5% annual increases beginning in 2017
- The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets for the inflation trend assumption used for the valuation:

Calendar Year	Annual Rate		Year	Annual Rate	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2017	7.0%	7.2%	2020	5.5%	5.6%
2018	6.5%	6.7%	2021+	5.0%	5.0%
2019	6.0%	6.1%			



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Employer Contribution	
Direct Contributions - City health plan contributions	2,251
Implicit subsidy	283
Total Employer Contributions	2,534
 Development of Annual OPEB Cost (AOC)	
Amortization of Actuarially Accrued Liability	823
Normal Cost	717
Total Annual Required Contribution (ARC)	1,540
Interest on Net OPEB Assets (NOA)	(798)
Adjustment to the Annual Required Contribution (ARC)	1,869
Total Annual OPEB Cost (AOC)	2,611
 Development of Net OPEB Asset (NOA)	
Net OPEB Asset (NOA), beginning of year	(12,761)
Annual OPEB Cost (AOC)	2,611
Employer Contribution	(2,534)
Net OPEB Asset (NOA), end of year	(12,684)

The City's actual contributions of \$2,534,000 are greater than the annual required contribution. The Annual OPEB Cost is reported as expenses in the non-departmental governmental activities program.

c. Other Disclosures

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Asset (NOA)
9/30/2013	\$1,484	\$2,683	180.80%	(\$10,558)
9/30/2014	\$2,999	\$5,202	173.46%	(\$12,761)
9/30/2015	\$2,611	\$2,534	97.05%	(\$12,684)



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

d. Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 67.3% funded. The actuarial accrued liability for benefits was \$30.8 million, and the actuarial value of assets was \$20.7 million, resulting in an unfunded accrued liability (UAAL) of \$10.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$85.7 million, and the ratio of the UAAL to the covered payroll was 11.7%.

The annual required contribution was determined as part of an independent actuarial valuation as of June 30, 2015 using the assumptions as noted in Note 7b.

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

8. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City records the liability claims as expenditures in the General Fund and the workers' compensation claims in the Self Insurance Workers' Comp Internal Service Fund. The liability for these claims is recorded as part of long-term obligations in the government-wide financial statements. The City records the amount of liability claims payable at year-end that is due and payable at year-end in the fund financial statements. The full amount of claims is reported as a liability in the government-wide financial statements. Liabilities include amounts incurred, but not reported.

The Self Insurance Workers' Comp Internal Service Fund has an \$11.9 million deficit at year-end. The City has established plans to reduce and eliminate the deficit in this fund. This will be accomplished by additional transfers from the General Fund, Proprietary funds, and other governmental funds in which employees are charged over the next ten years.

Liability Claims

Claims up to \$1,000,000 are paid from the General Fund. The City is also a participant in the Big Independent Cities Excess Pool Joint Powers Authority (BICEP), which purchases insurance for the layer between \$1,000,000 and \$2,000,000. It also provides general liability insurance of \$25,000,000 above the City's retention of \$1,000,000. BICEP was created by a joint powers agreement between the City of Huntington Beach and five other local entities for the purpose of providing joint insurance coverage and related risk management services for member cities. BICEP allows member entities to finance a claims payment pool for certain liability claims in excess of \$1,000,000 to a limit of \$27,000,000. BICEP's governing board has one representative from each city (either a member of the City Council or designee). Current members must approve any changes to the board. Each participating city pays an insurance premium to BICEP that is used to fund the operating and debt service requirements. Payments for claims beyond what is covered by BICEP, from \$27,000,000 to \$37,000,000, are paid by excess insurance coverage to July 1, 2015. Subsequent to that date, claims that exceed \$27,000,000 is covered by the City's General Fund. There were no liability claims in the last three years that exceeded the coverage limit.

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



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015

8. RISK MANAGEMENT (Continued)

Workers' Compensation Claims

Workers' compensation claims of up to \$1,000,000 per claim are paid from the Self Insured Workers' Comp Internal Service Fund. The City is a participant in the BICEP for workers' compensation claims. 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.

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

Governmental Activities:

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2013	\$ 16,183	\$ 6,805	\$ 22,988
Additions	5,690	797	6,487
Reductions	(5,183)	(3,996)	(9,179)
Net Increase (Decrease)	507	(3,199)	(2,692)
Balance September 30, 2014	16,690	3,606	20,296
Additions	11,177	1,828	13,005
Reductions	(6,205)	(384)	(6,589)
Net Increase	4,972	1,444	6,416
Balance September 30, 2015	\$ 21,662	\$ 5,050	\$ 26,712

Business-Type Activities:

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2013	\$ -	\$ -	\$ -
Additions	-	800	800
Reductions	-	-	-
Net Increase	-	800	800
Balance September 30, 2014	-	800	800
Additions	-	-	-
Reductions	-	-	-
Net Increase (Decrease)	-	-	-
Balance September 30, 2015	\$ -	\$ 800	\$ 800



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

9. INTERFUND TRANSACTIONS

a. Due To/From Other Funds

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

		Due to (Payable):			
Other Governmental Funds		Enterprise Funds			Total Due from (Receivable):
Senior Center Development		Refuse Fund	Hazmat Service Fund		
Due from (Receivable):					
Other Governmental Funds					
Sewer Development	\$ 1,261	\$ -	\$ -	\$ -	\$ 1,261
Enterprise Funds					
Water	-	143	45	-	188
Total Due to (Payable):	\$ 1,261	\$ 143	\$ 45	\$ -	\$ 1,449

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

b. Advances to/from Other Funds

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

		Advances to (Payable):
		Redevelopment Agency Private Purpose Trust
Advances from (Receivable):		
Major Governmental Funds		
LMIHAF Capital Projects	\$	<u>1,363</u>

There is a \$1,363,000 advance from the LMIHAF Capital Projects Fund to the Redevelopment Agency Private Purpose Trust Fund as of September 30, 2015 for Main Pier property acquisitions prior to the dissolution of the Redevelopment Agency on February 1, 2012.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

9. INTERFUND TRANSACTIONS (Continued)

c. Transfers In/Out

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

Transfers In	Transfers Out			
	General Fund	Grants Special Revenue	Other Governmental Funds	Total Governmental Funds
General Fund	\$ -	\$ -	\$ 900	\$ 900
Grants Special Revenue	484	-	-	484
Other Governmental Funds	10,442	246	-	10,688
Total Governmental Funds	10,926	246	900	12,072
Refuse Enterprise Fund	51	-	-	51
Workers' Comp Internal Service Fund	2,115	-	-	2,115
Total Transfers Out	\$ 13,092	\$ 246	\$ 900	\$ 14,238

Transfers In	Transfer Out			
	Refuse Fund	Hazmat Service Fund	Total Enterprise Funds	Total Transfers In
General Fund	\$ -	\$ 13	\$ 13	\$ 913
Grants Special Revenue	73	-	73	557
Other Governmental Funds	-	-	-	10,688
Total Governmental Funds	73	13	86	12,158
Refuse Enterprise Fund	-	-	-	51
Workers' Comp Internal Service Fund	-	-	-	2,115
Total Transfers Out	\$ 73	\$ 13	\$ 86	\$ 14,324

The following is a summary of the significant transfers:

- \$484,000 was transferred from the General Fund to the Grants Special Revenue Fund to close out grant funds that are no longer active.
- \$10,442,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$7,442,000 and an infrastructure fund transfer of \$3,000,000 infrastructure maintenance and repairs.
- \$51,000 was transferred from the General Fund to the Refuse Enterprise Fund to fund the senior citizen rate reduction on refuse charges.
- \$2,115,000 was transferred from the General Fund to the Self Insurance Workers' Compensation Internal Service Fund to provide additional funds to offset the workers' compensation claim liabilities.
- \$246,000 was transferred from the Grants Special Revenue Fund to the Other Governmental Fund to reimburse for eligible grant expenditures and to close out the Water Quality Project and return funds to the Infrastructure Fund.
- \$900,000 was transferred from Other Governmental Funds to the General Fund for General Fund expenditures of Gas Tax Fund related projects.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

9. INTERFUND TRANSACTIONS (Continued)

- \$73,000 was transferred from the Refuse Fund to the Grants Special Revenue Fund to track the CalRecycle Grant Program within the Grants Special Revenue Fund.
- \$13,000 was transferred from the Hazmat Service Enterprise Fund to the General Fund for administrative overhead charges.

10. LONG-TERM OBLIGATIONS

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

	September 30, 2014 (restated)	Additions	Retirements	September 30, 2015	Accrued Interest	Due Within One Year
Governmental Activities:						
Judgment Obligation Bonds	\$ 2,574	\$ -	\$ (940)	\$ 1,634	\$ 31	\$ 975
Public Financing Authority:						
2010(a) Lease Revenue Bonds	11,230	-	(705)	10,525	42	730
2011(a) Lease Revenue Bonds	28,165	-	(3,180)	24,985	80	3,335
2014(a) Lease Revenue Bonds	-	15,295	(430)	14,865	45	550
Total Public Financing Authority	39,395	15,295	(4,315)	50,375	167	4,615
Other Long-Term Obligations:						
Compensated Absences	11,132	3,612	(3,327)	11,417	-	1,708
Net Pension Obligation (see Note 15)	-	-	-	-	-	-
Claims Payable	20,296	13,005	(6,589)	26,712	-	7,105
Pollution Remediation	2,000	-	-	2,000	-	-
PARS Payable	29	-	(29)	-	-	-
Section 108 Loan City	975	-	(170)	805	4	180
LED Lighting Phase I	-	1,063	-	1,063	15	132
Total Other Long-Term Obligations	34,432	17,680	(10,115)	41,997	19	9,125
Total Long-Term Obligations - Governmental Activities	\$ 76,401	\$ 32,975	\$ (15,370)	\$ 94,006	\$ 217	\$ 14,715



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

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

Increase in Compensated Absences	\$ 285
Increase in Claims Payable	6,416
Increase in Lease Revenue Bonds	15,295
Increase in LED Lighting Phase I	1,063
Increase in Above Schedule	<u>23,059</u>
Increase in Current Portion of Claims Payable reported in the Governmental Fund Financial Statement	(136)
Internal Service Fund:	
Increase in Current Portion of Claims Payable	(270)
Increase in Non-Current Portion of Claims Payable	(4,702)
Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements	<u>\$ 17,951</u>
Principal Paid in Governmental Fund Financial Statements	\$ 5,454
Decreases in Above Schedule	<u>\$ 5,454</u>
Long-Term Obligations Due Within One Year in Above Schedule	\$ 14,715
Claims Payable on the Governmental Fund Statements	(2,694)
Internal Service Fund:	
Current Portion of Compensated Absences	(12)
Current Portion of Claims Payable	(5,485)
Reconciliation of the Long-Term Obligation Due Within One Year to the Statement of Net Position	<u>\$ 6,524</u>
Long-Term Obligations Due in More than One Year in Above Schedule	\$ 79,291
Internal Service Fund:	
Non Current Portion of Compensated Absences	(31)
Non Current Portion of Claims Payable	(16,177)
Reconciliation of the Long-Term Obligation Due in More than One Year to the Statement of Net Position	<u>\$ 63,083</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

a. Judgment Obligation Bonds

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 975	\$ 46	\$ 1,021
2017	659	13	672
Total	\$ 1,634	\$ 59	\$ 1,693



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

b. Public Financing Authority

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

Year of Issuance	2010
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$14,745,000
Security	Lease with City
Interest Rates	2.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Defeasance 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
2016	\$ 730	\$ 503	\$ 1,233
2017	765	474	1,239
2018	795	444	1,239
2019	825	412	1,237
2020	865	371	1,236
2021-2025	3,275	1,285	4,560
2026-2030	3,270	478	3,748
Total	\$ 10,525	\$ 3,967	\$ 14,492



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 3,335	\$ 962	\$ 4,297
2017	1,915	862	2,777
2018	1,965	804	2,769
2019	2,045	725	2,770
2020	1,060	623	1,683
2021-2025	5,920	2,510	8,430
2026-2030	7,135	1,281	8,416
2031	1,610	72	1,682
Total	\$ 24,985	\$ 7,839	\$ 32,824



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

(3) 2014(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2014
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$15,295,000
Security	Lease with City
Interest Rates	3.0% to 5.0%
Interest Payment Dates	March 1 st , September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Finance the construction of a new Senior Center

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 550	\$ 540	\$ 1,090
2017	575	512	1,087
2018	595	496	1,091
2019	615	472	1,087
2020	650	440	1,090
2021-2025	3,605	1,827	5,432
2026-2030	4,305	1,132	5,437
2031-2034	3,970	382	4,352
Total	\$ 14,865	\$ 5,801	\$ 20,666

c. Other Long-Term Obligations

(1) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$11,417,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

(2) Claims Payable

There is no repayment schedule for the claims payable for governmental activities of \$26,712,000 described in Note 8. The City pays the claims upon final settlement. The General Fund typically liquidates the claims payable liability.

(3) 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.

(4) 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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

10. LONG-TERM OBLIGATIONS (Continued)

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

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

The City is funding the cost of this program through an annuity that requires a one-time payment of \$82,000 in September 2010 and \$1,587,000 fixed annual payments over five years due in October of each year starting in 2010. During the fiscal year ended September 20, 2013, the City made a lump-sum accelerated payment to reduce the City's liability for this benefit. In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, a liability of the accrual cost for this benefit has been recognized in the amount of \$ 7,231,000 in September 2010 and the balance as of September 30, 2015 is \$0 as the note was paid in full during the FY 2014-15.

(6) Section 108 Loan City

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Annual Payments
2016	\$ 180	\$ 24	\$ 204
2017	195	19	214
2018	210	14	224
2019	220	7	227
Total	\$ 805	\$ 64	\$ 869



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

(7) LED Lighting Phase I

Year of Issuance	2014
Type of Debt	Leaseback from Capital One Public Funding, LLC
Principal Amount	Original \$1,062,924
Security	Loan Agreement with Capital One Public Funding, LLC
Interest Rates	Original 3.4%
Interest Payment Dates	May 1 st and November 1 st
Principal Payment Dates	May 1 st and November 1 st
Purpose of Debt	To upgrade City-owned street, area and pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 132	\$ 35	\$ 167
2017	100	32	132
2018	103	29	132
2019	107	25	132
2020	110	21	131
2021-2025	511	48	559
Total	\$ 1,063	\$ 190	\$ 1,253



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

e. Long-Term Obligations – Business-Type Activities

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

Long-Term Obligations - Business-Type Activities:	September 30,			September 30,		Due Within
	2014	Additions	Retirements	2015	One Year	
Compensated Absences	\$ 1,296	\$ 346	\$ (286)	\$ 1,356	\$ 370	
Claims Payable	800	-	-	800	800	
Total Long-Term Obligations - Business-Type Activities	\$ 2,096	\$ 346	\$ (286)	\$ 2,156	\$ 1,170	

(1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,356,000 relating to business-type activities. The balance for the outstanding business-type compensated absences is predominately related to the Water and Sewer funds.

(2) Claims Payable

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

f. Long-Term Conduit Debt Obligations

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

Community Facilities Districts: (in thousands)	September 30, 2014	Additions	Retirements	September 30, 2015
Community Facilities District No. 1990-1				
Special Tax Refunding Bonds	\$ 900	\$ -	\$ (130)	\$ 770
Community Facilities District No. 2000-1				
2013 Special Tax Refunding Bonds	12,490	-	(535)	11,955
Community Facilities District No. 2002-1				
Special Assessment Tax Bonds	4,525	-	(90)	4,435
Community Facilities District No. 2003-1				
2013 Special Tax Refunding Bonds	20,245	-	(715)	19,530
Total Community Facilities Districts	38,160	-	(1,470)	36,690
Residential Redevelopment Bonds	7,000	-	(2,800)	4,200
Total Obligations Not Recorded in Financial Statements	\$ 45,160	\$ -	\$ (4,270)	\$ 40,890



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 140	\$ 38	\$ 178
2017	145	30	175
2018	155	22	177
2019	160	14	174
2020	170	5	175
Total	\$ 770	\$ 109	\$ 879



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 545	\$ 545	\$ 1,090
2017	560	529	1,089
2018	575	512	1,087
2019	600	489	1,089
2020	625	465	1,090
2021-2025	3,615	1,906	5,521
2026-2030	4,400	963	5,363
2031	1,035	53	1,088
Total	\$ 11,955	\$ 5,462	\$ 17,417



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

(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 st and September 1 st
Principal Payment Dates	September 1 st

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 100	\$ 275	\$ 375
2017	115	269	384
2018	130	263	393
2019	145	255	400
2020	160	247	407
2021-2025	1,105	1,062	2,167
2026-2030	1,745	642	2,387
2031-2032	935	89	1,024
Total	\$ 4,435	\$ 3,102	\$ 7,537



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 740	\$ 938	\$ 1,678
2017	765	916	1,681
2018	790	885	1,675
2019	820	853	1,673
2020	855	821	1,676
2021-2025	4,845	3,535	8,380
2026-2030	6,180	2,208	8,388
2031-2033	4,535	496	5,031
Total	\$ 19,530	\$ 10,652	\$ 30,182



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

10. LONG-TERM OBLIGATIONS (Continued)

(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	\$4,200	\$9,500

11. CAPITAL ASSETS

a. Changes in Capital Assets

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

	September 30, 2014	Additions	Dispositions	September 30, 2015
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 352,833	\$ 2,094	\$ -	\$ 354,927
Construction in Progress	3,296	7,041	(2,625)	7,712
Joint Ventures	2,539	76		2,615
Total Capital Assets -Not Depreciated	358,668	9,211	(2,625)	365,254
Capital Assets Being Depreciated				
Buildings	185,274	2,624	-	187,898
Machinery and Equipment	50,779	4,111	-	54,890
Infrastructure	357,936	8,918	(1,327)	365,527
Total Capital Assets Being Depreciated	593,989	15,653	(1,327)	608,315
Less Accumulated Depreciation:				
Buildings	(60,279)	(3,910)	-	(64,189)
Machinery and Equipment	(40,693)	(2,850)	-	(43,543)
Infrastructure	(192,490)	(6,919)	1,327	(198,082)
Total Accumulated Depreciation	(293,462)	(13,679)	1,327	(305,814)
Total Depreciated - Net	300,527	1,974	-	302,501
Total Capital Assets	952,657	24,864	(3,952)	973,569
Total Accumulated Depreciation	(293,462)	(13,679)	1,327	(305,814)
Capital Assets of Governmental Activities - Net	\$ 659,195	\$ 11,185	\$ (2,625)	\$ 667,755



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015

11. CAPITAL ASSETS (Continued)

	September 30, 2014	Additions	Dispositions	September 30, 2015
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	21,896	1,740	(16,175)	7,461
Total Capital Assets -Not Depreciated	25,803	1,740	(16,175)	11,368
Capital Assets Being Depreciated				
Buildings	68,701	18,547	-	87,248
Machinery and Equipment	10,549	1,008	-	11,557
Infrastructure	132,377	1,724	(217)	133,884
Total Capital Assets Being Depreciated	211,627	21,279	(217)	232,689
Less Accumulated Depreciation:				
Buildings	(18,628)	(2,127)	-	(20,755)
Machinery and Equipment	(8,463)	(600)	-	(9,063)
Infrastructure	(69,569)	(2,271)	217	(71,623)
Total Accumulated Depreciation	(96,660)	(4,998)	217	(101,441)
Total Depreciated - Net	114,967	16,281	-	131,248
Total Capital Assets	237,430	23,019	(16,392)	244,057
Total Accumulated Depreciation	(96,660)	(4,998)	217	(101,441)
Capital Assets of Business Activities - Net	\$ 140,770	\$ 18,021	\$ (16,175)	\$ 142,616

b. Depreciation Expense

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

Department:

City Manager	\$ 29
Fire	519
Police	308
Community Services	1,492
Library Services	285
Public Works	9,384
Non-Departmental	1,662
Total	\$ 13,679

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

Fund:

Water	\$ 3,084
Sewer Service	1,914
Total	\$ 4,998



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

11. CAPITAL ASSETS (continued)

c. Joint Ventures

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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

a. General Discussion

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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

b. Capital Assets

Capital Assets of the Successor Agency for the year ended September 30, 2015, consisted of the following:

	September 30, 2014	Additions	Dispositions	September 30, 2015
Capital Asset - Land	\$ 15,033	\$ -	\$ (1,010)	\$ 14,023

c. Long-Term Debt

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

	September 30, 2014	Additions	Retirements	September 30, 2015	Accrued Interest	Due Within One Year
Bonds Payable						
1999 Tax Allocation Refunding Bonds	\$ 4,775	\$ -	\$ (515)	\$ 4,260	\$ 35	\$ 540
2002 Tax Allocation Refunding Bonds	10,410	-	(1,115)	9,295	77	1,180
Total Bonds Payable	15,185	-	(1,630)	13,555	112	1,720
Other Long-Term Obligations						
Mayer DDA	4,625	-	(441)	4,184	-	443
Bella Terra OPA (Parking)	12,910	-	(331)	12,579	-	332
Bella Terra AHA (Phase II)	16,961	-	(340)	16,621	-	340
CIM DDA (Parking & Infrastructure)	6,749	-	(206)	6,543	-	220
CIM DDA (Additional Parking)	415	-	(9)	406	-	8
Section 108 Loan RDA	2,300	-	(400)	1,900	10	430
Pollution Remediation	90	-	(90)	-	-	-
Compensated Absences	71	19	(14)	76	-	21
Total Other Long-Term Obligations	44,121	19	(1,831)	42,309	10	1,794
Total Long-Term Obligations	\$ 59,306	\$ 19	\$ (3,461)	\$ 55,864	\$ 122	\$ 3,514



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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

(1) 1999 Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 540	\$ 211	\$ 751
2017	565	185	750
2018	595	157	752
2019	625	128	753
2020	365	97	462
2021-2024	1,570	195	1,765
Total	\$ 4,260	\$ 973	\$ 5,233



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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

(2) 2002 Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 1,180	\$ 464	\$ 1,644
2017	1,235	405	1,640
2018	1,295	344	1,639
2019	1,370	279	1,649
2020	800	211	1,011
2021-2024	3,415	424	3,839
Total	\$ 9,295	\$ 2,127	\$ 11,422

Pledged Revenues

The Successor Agency will repay a total of \$16,655,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of September 30, 2015 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, 2015**

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

(3) Mayer Disposition and Development Agreement

In fiscal year 1996-97, the Agency entered into a disposition and development agreement (DDA) with Robert Mayer Corporation (Corporation) concerning additional development adjacent to the Waterfront Hotel. Under the agreement, the Corporation would advance payments for the project costs with the Agency reimbursing up to \$16,750,000 of the costs. As of year-end, the Successor Agency obligation under the agreement amounted to \$4,184,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.32%. The DDA has been approved as an enforceable obligation by the DOF.

(4) Bella Terra Parking Structure

In fiscal year 2005-06, the Agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement, the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year-end, the Successor Agency obligation under the agreement amounted to \$12,579,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.94%. The agreement has been approved as an enforceable obligation by the DOF.

(5) Bella Terra Phase II

In fiscal year 2010-11, the Agency entered into an affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement would facilitate the construction of a 467 unit mixed use project, including 43 moderate units and 28 very low units. Under the terms of the agreement, the Agency would reimburse DJM for the construction of the affordable units up to \$17,000,000. DJM has transferred the site to UDR, and as of year-end, the Successor Agency obligation under the agreement amounted to \$16,621,000. Reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as the 20% housing fund from the site-generated Bella Terra I. The interest rate of this obligation is 4.00%. The agreement has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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

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

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

As of year-end, the Successor Agency obligation under the agreement amounted to \$6,543,000. 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, 2015**

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

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

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

As of year-end, the Successor Agency obligation under the agreement amounted to \$406,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4 for the January 2 distribution and March 3 for the June 1 distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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

(8) Section 108 Loan Redevelopment Agency

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2016	\$ 430	\$ 57	\$ 487
2017	460	46	506
2018	490	32	522
2019	520	17	537
Total	\$ 1,900	\$ 152	\$ 2,052

(9) Pollution Remediation – Redevelopment Agency

The Redevelopment Agency purchased property on Edinger Avenue to consolidate land for redevelopment on January 28, 2009. The Successor Agency obligation amounted to \$90,000, which was eliminated with the disposition of the Agency's property at 7872 Edinger Avenue. This liability had been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

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

d. Advances from the City Housing Fund

The Successor Agency has recorded advances from the City Housing Fund totaling \$1,362,000 from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.

13. COMMITMENTS AND CONTINGENCIES

a. Legal Actions

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

b. Sales Tax Sharing Agreements

City Council agreed to provide sales tax rebates to various companies. The sales tax rebates serve to attract and retain various companies in the City of Huntington Beach. The City of Huntington Beach has two sales tax sharing agreements that extend until 2020 and 2024. Sales tax rebates totaled \$916,501 in fiscal year ended September 30, 2015. The City Council authorized the execution of a revised sales tax sharing agreement with Pinnacle Petroleum in order for the City to remain competitive in its efforts to retain this business in the community. The revised agreement replaced the agreement previously authorized in 2007, provides for sharing of sales tax through 2024, and revises the former sharing formula to a 35%/65% City/Pinnacle split, with a mandated base generation amount of \$100,000 per year. The existing Agreement with ACS continues through 2020.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

13. COMMITMENTS AND CONTINGENCIES (Continued)

c. Cooperation and Owner Participation Agreements

On September 2, 2003, the Redevelopment Agency Approved a Cooperation Agreement Regarding Capital Improvements in the Southeast Coastal Redevelopment Project with the City. This agreement commits the Redevelopment Agency to reimburse the City for a number of capital improvement projects to be undertaken as part of the Five Year Capital Improvement Program in the Southeast Redevelopment project area starting in FY 2003/04 as they are undertaken. Based on the DOF's opinion, this agreement is null and void. The Successor Agency received its Finding of Completion notice from the Department of Finance on May 13, 2014. The Successor Agency has completed the repayment of the Supplemental Education Revenue Augmentation Fund (SERAF) loans in FY 2014/15.

d. Redevelopment Successor Agency Debt to City

The City has advanced money to the Redevelopment Agency for major capital improvements, economic development projects, and operations. In January 2011, the City Council and Redevelopment Agency Board approved a revised Cooperation Agreement, which included a Promissory Note that memorialized indebtedness previously incurred by the Agency and owed to the City from a series of loans made from the City to the Agency from 1982 to present. The City and Successor Agency have not recorded the advances in the accompanying financial statements due to uncertainties related to Health and Safety Code Section 34191.4, which establishes certain restrictions and limitations on the repayment of city-agency loans. In accordance with Health and Safety Code Section 34191.4(b)(3), all other loans between the city and former Redevelopment Agency will begin to be repaid, at a 3% interest rate, as determined by SB 107 upon approval of the Oversight Board and the Department of Finance. It is estimated that the Successor Agency will begin repayment of all other loans by FY 2016-17. Below is a schedule of the activity for the year (in thousands):



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

13. COMMITMENTS AND CONTINGENCIES (Continued)

d. Redevelopment Successor Agency Debt to City (Continued)

	September 30, 2014	Additions	Reductions	September 30, 2015
General Fund				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	25,467	185	-	25,652
Total General Fund	67,179	185	-	67,364
Sewer Fund				
Direct Advances	278	1	-	279
Deferred Development Fees	172	0	-	173
Total Sewer Fund	450	1	-	451
Drainage Fund				
Direct Advances	670	2	-	672
Deferred Development Fees	184	0	-	185
Total Drainage Fund	854	2	-	856
Park Acquisition and Development Fund				
Direct Advances	5,516	15	-	5,531
Deferred Development Fees	410	1	-	411
Total Park Acquisition and Development Fund	5,926	16	-	5,942
Water Fund				
Direct Advances	4,151	12	-	4,163
Total Water Fund	4,151	12	-	4,163
Total All Funds	\$ 78,560	\$ 217	\$ -	\$ 78,777

e. Low Moderate Income Housing Asset Fund Debt to City

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

	September 30, 2014	Additions	Reductions	September 30, 2015
General Fund				
Emerald Cove	\$ 3,245	\$ -	\$ -	\$ 3,245



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

13. COMMITMENTS AND CONTINGENCIES (Continued)

f. Successor Agency Litigation

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

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

14. SUBSEQUENT EVENTS

a. IBank CLEEN Center Loan

In November 2015, the California Infrastructure and Economic Development Bank (“IBank”) approved a loan to the City of Huntington Beach in an amount not to exceed \$7.69M to finance a portion of the City’s Streetlight Acquisition and LED Retrofit Project. This loan was financed under the California Lending for Energy and Environmental Need Center (“CLEEN Center”) program run by IBank. The loan has an interest rate of 2.32%, with maturity dates from August 2016-2025. The loan is expected to close in May 2016.

b. California Energy Commission Loan

In January 2016, the California Energy Commission (“CEC”) approved a \$3M loan to the City of Huntington Beach to finance a portion of the City’s Streetlight LED Retrofit Project. The loan was funded under CEC’s Energy Efficiency Financing program. The loan has an interest rate of 1%, with maturity dates from December 2018-2029.

c. Strand Project Disposition and Development Agreements

Department of Finance approved the Successor Agency’s Long Range Property Management Plan on March 24, 2015. The Successor Agency negotiated purchase and sale agreements for the Hilton/Parcel C property and the Hyatt property, with the Waterfront Hotel LLC and PCH Beach Resorts LLC, respectively, which were approved by City Council and the Oversight Board in December 2015. Escrow closed on the Hilton property in February 2016 and is expected to close on the Hyatt property in May 2016.

d. Section 115 Trust

In December 2015, City Council authorized the creation of an irrevocable Section 115 Trust to help pre-fund the City’s unfunded pension and retiree medical liabilities and to help mitigate future rate increases. A \$1M assignment of the City’s General Fund balance at September 30, 2015 was set aside for the initial funding of the trust. Use of the trust will be restricted to the following: transferring proceeds to CalPERS and/or directly reimbursing the employer for CalPERS or other retiree pension and retiree medical contributions. Creation of the trust will occur in fiscal year 2015/16.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2015

15. RESTATEMENT OF NET POSITION

For the fiscal year ended September 30, 2015, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB statement No. 27, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB Statement No. 68). Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

The implementation of the GASB Statement No. 68 required the City to record a beginning net pension liability and a deferred outflow of resources for contributions made after the measurement date.

The restatement of beginning net position of the governmental and business-type activities, and individual funds, is summarized as follows:

	Governmental Activities	Business-Type Activities	Total
Net position as October 1, 2014, as previously stated	742,367	221,887	964,254
Net Pension Liability	(290,802)	(19,922)	(310,724)
Deferred Outflow adjustment - Contributions subsequent to the measurement date	5,545	363	5,908
Deferred Inflow adjustment - Differences between projected and actual earnings	(51,603)	(4,255)	(55,858)
Adjustment to Supplemental Net Pension Obligation	3,183	-	3,183
Total adjustments	<u>(333,677)</u>	<u>(23,814)</u>	<u>(357,491)</u>
Net position at October 1, 2014, as restated	<u>408,690</u>	<u>198,073</u>	<u>606,763</u>

	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Business-Type Total	Self-Insurance Workers' Comp
Net position as October 1, 2014, as previously stated	153,565	68,069	112	141	221,887	(9,205)
Net Pension Liability	(13,947)	(5,216)	(464)	(295)	(19,922)	(960)
Deferred Outflow adjustment - Contributions subsequent to the measurement date	254	95	8	6	363	18
Deferred Inflow adjustment - Differences between projected and actual earnings	(2,977)	(1,114)	(99)	(65)	(4,255)	(206)
Total adjustments	<u>(16,670)</u>	<u>(6,235)</u>	<u>(554)</u>	<u>(355)</u>	<u>(23,814)</u>	<u>(1,148)</u>
Net position at October 1, 2014, as restated	<u>136,895</u>	<u>61,834</u>	<u>(442)</u>	<u>(214)</u>	<u>198,073</u>	<u>(10,353)</u>



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015

15. RESTATEMENT OF NET POSITION (continued)

Following is the pro forma effect of the retroactive application:

	<u>September 30,</u> <u>2014</u>	<u>Restatement</u>	<u>September 30,</u> <u>2014 (Restated)</u>
Governmental Activities			
Net Pension Liability	\$ -	\$ (290,802)	\$ (290,802)
Deferred Outflows of Resources	-	5,545	5,545
Deferred Inflows of Resources	-	(51,603)	(51,603)
Long Term Obligation Due in More than One Year (for Supplemental Net Pension Obligation)	(63,792)	3,183	(60,609)
Business-type Activities			
Net Pension Liability	\$ -	\$ (19,922)	(19,922)
Deferred Outflows of Resources	-	363	\$ 363
Deferred Inflows of Resources	-	(4,255)	(4,255)
Water Fund			
Net Pension Liability	\$ -	\$ (13,947)	(13,947)
Deferred Outflows of Resources	-	254	\$ 254
Deferred Inflows of Resources	-	(2,977)	(2,977)
Sewer Service Fund			
Net Pension Liability	\$ -	\$ (5,216)	(5,216)
Deferred Outflows of Resources	-	95	\$ 95
Deferred Inflows of Resources	-	(1,114)	(1,114)
Refuse Fund			
Net Pension Liability	\$ -	\$ (464)	(464)
Deferred Outflows of Resources	-	8	\$ 8
Deferred Inflows of Resources	-	(99)	(99)
Hazmat Service Fund			
Net Pension Liability	\$ -	\$ (295)	(295)
Deferred Outflows of Resources	-	6	\$ 6
Deferred Inflows of Resources	-	(65)	(65)
Self-Insurance Workers' Comp			
Net Pension Liability	\$ -	\$ (960)	(960)
Deferred Outflows of Resources	-	18	\$ 18
Deferred Inflows of Resources	-	(206)	(206)



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2015**

15. RESTATEMENT OF NET POSITION (continued)

The City reviewed the Benefits Due to Plan Members and Beneficiaries recorded in the Pension Trust Fund – Retirement Supplemental Fiduciary Fund and determined that this amount should have been recorded as part of the government-wide long-term liabilities as net pension obligation in prior years. Accordingly, the beginning net position of the Pension Trust Fund – Retirement Supplemental Fund and Long-Term Debt schedule have been restated.

	Pension Trust Fund- Retirement Supplemental Fund
Net position at October 1, 2014, as previously stated	40,177
Effect of removal of Benefits Due to Plan Members and Beneficiaries	3,183
Net position at October 1, 2014, as restated	<u>43,360</u>

REQUIRED SUPPLEMENTARY INFORMATION

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City of Huntington Beach Required Supplementary Information For the Year Ended September 30, 2015

Budgetary Information

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

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

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

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

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

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

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

General Fund

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property Taxes	\$ 79,983	\$ 81,465	\$ 82,472	\$ 1,007
Sales Taxes	28,775	29,313	29,460	147
Utility Taxes	21,480	20,764	20,229	(535)
Other Taxes	15,926	16,835	16,238	(597)
Licenses and Permits	8,998	8,449	9,215	766
Fines, Forfeitures and Penalties	4,540	4,407	4,746	339
Use of Money and Property	16,497	15,975	16,528	553
Intergovernmental	2,645	2,501	5,582	3,081
Charges for Current Service	25,925	26,392	26,298	(94)
Other	1,298	2,433	2,401	(32)
Total Revenues	206,067	208,534	213,169	4,635
EXPENDITURES				
Current:				
City Council	259	326	278	48
City Manager	2,114	2,184	2,065	119
City Treasurer	150	170	167	3
City Attorney	2,379	2,425	2,425	-
City Clerk	927	952	895	57
Finance	5,436	5,454	5,452	2
Human Resources	5,326	5,352	4,606	746
Planning & Building	6,811	8,146	6,954	1,192
Fire	43,713	44,924	44,892	32
Information Services	6,621	6,846	6,846	-
Police	67,270	67,876	67,792	84
Community Services	9,587	10,540	9,323	1,217
Library Services	4,048	4,670	3,984	686
Public Works	21,874	22,597	21,768	829
Non-Departmental	22,381	26,201	19,758	6,443
Debt Service:				
Principal	765	705	29	676
Interest	-	36	18	18
Total Expenditures	199,661	209,404	197,252	12,152
Excess of Revenues				
Over Expenditures	6,406	(870)	15,917	16,787
OTHER FINANCING SOURCES (USES)				
Transfers In	1,340	1,992	913	(1,079)
Transfers Out	(10,618)	(14,200)	(13,092)	1,108
Total Other Financing Sources (Uses)	(9,278)	(12,208)	(12,179)	29
Net Change In Fund Balances	(2,872)	(13,078)	3,738	16,816
Fund Balance - Beginning of Year	61,054	61,054	61,054	-
Fund Balance - End of Year	\$ 58,182	\$ 47,976	\$ 64,792	\$ 16,816

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

Grants Special Revenue

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Use of Money and Property	\$ 75	\$ 75	\$ 264	\$ 189
Intergovernmental	3,807	10,828	5,030	(5,798)
Total Revenues	3,882	10,903	5,294	(5,609)
EXPENDITURES				
Current:				
City Manager	1,586	1,860	588	1,272
Fire	-	208	116	92
Police	341	2,259	1,148	1,111
Community Services	-	516	282	234
Library Services	-	93	69	24
Public Works	76	281	96	185
Capital Outlay	2,148	11,435	2,272	9,163
Debt Service:				
Principal	-	170	170	-
Interest	5	33	30	3
Total Expenditures	4,156	16,855	4,771	12,084
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(274)	(5,952)	523	6,475
OTHER FINANCING USES				
Transfers In	-	75	557	482
Issuance of Long-Term Debt	-	1,063	1,063	-
Transfers Out	-	(246)	(246)	-
Total Other Financing Uses	-	892	1,374	482
Net Change In Fund Balances	(274)	(5,060)	1,897	6,957
Fund Balance - Beginning of Year	1,524	1,524	1,524	-
Fund Balance - End Of Year	\$ 1,250	\$ (3,536)	\$ 3,421	\$ 6,957

**CITY OF HUNTINGTON BEACH
OTHER POST EMPLOYMENT BENEFITS - MEDICAL INSURANCE
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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%	85,330	-12.4%
6/30/2013 Actual*	11,541	17,400	(5,859)	66.3%	81,724	-7.2%
6/30/2015 Actual*	20,689	30,760	(10,071)	67.3%	85,719	-11.7%

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

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

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

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended September 30, 2015
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

Total Pension Liability	2014-15	2013-14
Service cost	\$ 7,102	\$ 7,263
Interest on total pension liability	35,653	34,413
Differences between expected and actual experience	(2,900)	-
Changes in assumptions	(8,565)	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(23,377)	(22,444)
Net change in total pension liability	7,913	19,232
Total pension liability - beginning	485,656	466,425
Total pension liability - ending (a)	\$ 493,569	\$ 485,656
 Plan fiduciary net position		
Contributions - employer	\$ 9,747	\$ 9,066
Contributions - employee	3,790	3,909
Investment income	8,230	56,429
Administrative Expense	(418)	(472)
Benefit payments	(23,377)	(22,444)
Other	2	-
Net change in plan fiduciary net position	(2,026)	46,488
Plan fiduciary net position - beginning	373,141	326,653
Plan fiduciary net position - ending (b)	\$ 371,115	\$ 373,141
 Net pension liability - beginning	112,515	139,771
Net pension liability - ending (a)-(b)	\$ 122,454	\$ 112,515
 Plan fiduciary net position as a percentage of the total pension liability	75.19%	76.83%
Covered-employee payroll	\$ 53,864	\$ 50,525
Net pension liability as a percentage of covered-employee payroll	227.34%	222.69%

Notes to Schedule:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended September 30, 2015
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

Total Pension Liability	2014-15	2013-14
Service cost	\$ 11,119	\$ 11,096
Interest on total pension liability	46,160	44,247
Differences between expected and actual experience	(820)	-
Changes in assumptions	(11,054)	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(30,535)	(29,540)
Net change in total pension liability	14,870	25,802
Total pension liability - beginning	624,982	599,180
Total pension liability - ending (a)	\$ 639,852	\$ 624,982
Plan fiduciary net position		
Contributions - employer	\$ 17,791	\$ 15,152
Contributions - employee	4,110	3,850
Investment income	9,661	66,805
Administrative Expense	(497)	(555)
Benefit payments	(30,535)	(29,540)
Other	-	-
Net change in plan fiduciary net position	530	55,712
Plan fiduciary net position - beginning	440,704	384,992
Plan fiduciary net position - ending (b)	\$ 441,234	\$ 440,704
Net pension liability - beginning	184,279	214,188
Net pension liability - ending (a)-(b)	\$ 198,618	\$ 184,279
Plan fiduciary net position as a percentage of the total pension liability	68.96%	70.51%
Covered-employee payroll	\$ 53,450	\$ 50,602
Net pension liability as a percentage of covered-employee payroll	371.60%	364.17%

Notes to Schedule:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended September 30, 2015
(in Thousands)

Last Ten Fiscal Years*
Supplemental Plan

Total Pension Liability	2014-15	2013-14
Service cost	\$ 495	\$ 544
Interest on total pension liability	3,919	3,828
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(3,588)	(3,548)
Net change in total pension liability	826	824
Total pension liability - beginning	57,292	56,468
Total pension liability - ending (a)	\$ 58,118	\$ 57,292
Plan fiduciary net position		
Contributions - employer	\$ 4,678	\$ 4,539
Contributions - employee	-	-
Investment income	(1,313)	3,465
Administrative Expense	(170)	(176)
Benefit payments	(3,588)	(3,548)
Other	3,183	258
Net change in plan fiduciary net position	2,790	4,538
Plan fiduciary net position - beginning	40,177	35,639
Plan fiduciary net position - ending (b)	\$ 42,967	\$ 40,177
Net pension liability - beginning	17,115	20,829
Net pension liability - ending (a)-(b)	\$ 15,151	\$ 17,115
Plan fiduciary net position as a percentage of the total pension liability	73.93%	70.13%
Covered-employee payroll	\$ 26,716	\$ 26,843
Net pension liability as a percentage of covered-employee payroll	56.71%	63.76%

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended September 30, 2015
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 10,510	\$ 8,685
Contributions in relation to the actuarially determined contributions	(10,510)	(8,685)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 54,586	\$ 51,173
Contributions as a percentage of covered-employee payroll	19.25%	16.97%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation dates: 6/30/2012 and 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 and June 30, 2013 Funding Valuation Reports
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-9/30/15, Market Value (for details, see June 30, 2013 Funding Valuation Report).
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.30% to 14.20% depending on Age, Service, and type of employment
Discount Rate	7.5%, net of administrative expenses
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

*Beginning with the June 30, 2013 valuations, CalPERS employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended September 30, 2015
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

	2014-15¹	2013-14¹
Actuarially determined contribution	\$ 18,125	\$ 14,759
Contributions in relation to the actuarially determined contributions	(19,125)	(14,759)
Contribution deficiency (excess)	\$ (1,000)	\$ -
Covered-employee payroll	\$ 54,222	\$ 51,521
Contributions as a percentage of covered-employee payroll	35.27%	28.65%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation dates: 6/30/2012 and 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 and June 30, 2013 Funding Valuation Reports
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-9/30/15, Market Value (for details, see June 30, 2013 Funding Valuation Report).
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.30% to 14.20% depending on Age, Service, and type of employment
Discount Rate	7.5%, net of administrative expenses
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

*Beginning with the June 30, 2013 valuations, CalPERS employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended September 30, 2015
(in Thousands)

Last Ten Fiscal Years*
Supplemental Retirement Plan

	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 3,634	\$ 4,534
Contributions in relation to the actuarially determined contributions	(4,678)	(4,539)
Contribution deficiency (excess)	<u>\$ (1,044)</u>	<u>\$ (5)</u>
Covered-employee payroll	\$ 26,716	\$ 26,843
Contributions as a percentage of covered-employee payroll	17.51%	16.91%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation date: 9/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	Level dollar/ 9/30/12 UAAL: fixed 10-year period, Gains/Losses: fixed 15-year period
Asset valuation method	Investment gains/losses spread over a 3-year rolling period beginning 9/30/11; Not less than 80% nor more than 120% of market value
Inflation	3.00%
Salary increases	Varies by entry age and service
Payroll growth	CalPERS 1997-2007 Experience Study plus 3.25% aggregate increase
Investment rate of return	7.0%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of Money Weighted Rate of Return

	<u>2015</u>	<u>2014</u>
Annual Money Weighted Rate of Return, net of investment expense	-2.82%	9.20%

SUPPLEMENTARY INFORMATION

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City of Huntington Beach Other Governmental Funds

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

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

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

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

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

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

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2015
(In Thousands)**

SPECIAL REVENUE FUNDS						
ASSETS	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
Cash and Investments	\$ 800	\$ 2,897	\$ 27	\$ 791	\$ 64	\$ 5,223
Cash and Investments with Fiscal Agent	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-
Other Receivables	115	7	-	2	8	12
Due from Other Funds	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	\$ 915	\$ 2,904	\$ 27	\$ 793	\$ 72	\$ 5,235
LIABILITIES						
Accounts Payable	\$ 4	\$ 3	\$ -	\$ -	\$ -	\$ 688
Accrued Payroll	-	1	-	-	-	2
Due to Other Funds	-	-	-	-	-	-
Deposits Payable	-	-	-	-	-	-
Total Liabilities	4	4	-	-	-	690
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	64	-	-	-	-	-
Total Deferred Inflows of Resources	64	-	-	-	-	-
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	4,545
Low Income Housing	-	-	-	-	-	-
Air Quality	847	-	-	-	-	-
Other Capital Projects	-	2,900	-	793	-	-
Other Purposes	-	-	27	-	-	-
Committed						
Parks	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	-	-
Assigned						
Capital Improvement Reserve	-	-	-	-	-	-
Other Purposes	-	-	-	-	72	-
Total Fund Balances	847	2,900	27	793	72	4,545
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 915	\$ 2,904	\$ 27	\$ 793	\$ 72	\$ 5,235

CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2015
(In Thousands)
(continued)

SPECIAL REVENUE FUNDS					
Housing Residual Receipt	Park Acquisition and Development	Safe and Sane Fireworks	Self Insurance Liability Claim	Traffic Congestion Relief	Traffic Impact Fee
\$ 963	\$ 5,630	\$ 76	\$ 1,028	\$ 1,679	\$ 4,032
-	-	-	-	-	-
2	14	-	-	4	10
-	-	-	-	-	-
-	2,411	-	-	-	-
<u>\$ 965</u>	<u>\$ 8,055</u>	<u>\$ 76</u>	<u>\$ 1,028</u>	<u>\$ 1,683</u>	<u>\$ 4,042</u>
\$ -	\$ 285	\$ -	\$ -	\$ 923	\$ 1
-	-	-	-	2	-
-	-	-	-	-	-
-	2,411	-	-	-	-
-	2,696	-	-	925	1
-	-	-	-	-	-
-	-	-	-	-	-
-	328	-	-	-	-
-	-	-	-	-	-
-	-	-	-	758	4,041
965	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,028	-	-
-	5,031	-	-	-	-
-	-	-	-	-	-
-	-	76	-	-	-
<u>965</u>	<u>5,359</u>	<u>76</u>	<u>1,028</u>	<u>758</u>	<u>4,041</u>
<u>\$ 965</u>	<u>\$ 8,055</u>	<u>\$ 76</u>	<u>\$ 1,028</u>	<u>\$ 1,683</u>	<u>\$ 4,042</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2015
(In Thousands)
(continued)**

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS
	Transportation	Total Special Revenue Funds	Property Tax Refund	Public Financing Authority	Total Debt Service Fund	Affordable Housing In-Lieu
ASSETS						
Cash and Investments	\$ 4,539	\$ 27,749	\$ 2	\$ 11	\$ 13	\$ 120
Cash and Investments with Fiscal Agent	-	-	1	5,003	5,004	-
Taxes Receivable	256	256	-	-	-	-
Other Receivables	11	185	-	2	2	-
Due from Other Funds	-	-	-	-	-	-
Other Assets	-	2,411	-	-	-	-
Total Assets	\$ 4,806	\$ 30,601	\$ 3	\$ 5,016	\$ 5,019	\$ 120
LIABILITIES						
Accounts Payable	\$ 12	\$ 1,916	\$ 2	\$ -	\$ 2	\$ -
Accrued Payroll	10	15	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Deposits Payable	-	2,411	-	-	-	-
Total Liabilities	22	4,342	2	-	2	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	64	-	-	-	-
Total Deferred Inflows of Resources	-	64	-	-	-	-
FUND BALANCES						
Restricted						
Pollution Remediation	-	328	-	-	-	-
Debt Service	-	-	1	5,016	5,017	-
Highways, Streets and Transportation	4,784	14,128	-	-	-	-
Low Income Housing	-	965	-	-	-	120
Air Quality	-	847	-	-	-	-
Other Capital Projects	-	3,693	-	-	-	-
Other Purposes	-	1,055	-	-	-	-
Committed						
Parks	-	5,031	-	-	-	-
Other Capital Projects	-	-	-	-	-	-
Assigned						
Capital Improvement Reserve	-	-	-	-	-	-
Other Purposes	-	148	-	-	-	-
Total Fund Balances	4,784	26,195	1	5,016	5,017	120
Total Liabilities and Fund Balances	\$ 4,806	\$ 30,601	\$ 3	\$ 5,016	\$ 5,019	\$ 120

**CITY OF HUNTINGTON BEACH
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 September 30, 2015
 (In Thousands)
 (continued)**

CAPITAL PROJECT FUNDS							Total Other Governmental Funds
Energy Efficiency	Infrastructure	Parking in-lieu	Senior Center Development	Sewer Development	Total Capital Projects Funds		
\$ 13	\$ 9,651	\$ 920	\$ -	\$ 4,883	\$ 15,587	\$ 43,349	
-	-	-	15,011	-	15,011	20,015	
-	-	-	-	-	-	256	
-	22	-	-	15	37	224	
-	-	-	-	1,261	1,261	1,261	
-	-	-	-	-	-	2,411	
<u>\$ 13</u>	<u>\$ 9,673</u>	<u>\$ 920</u>	<u>\$ 15,011</u>	<u>\$ 6,159</u>	<u>\$ 31,896</u>	<u>\$ 67,516</u>	
-	121	1	3,566	2	3,690	5,608	
-	-	-	-	-	-	15	
-	-	-	1,261	-	1,261	1,261	
-	-	-	-	-	-	2,411	
-	<u>121</u>	<u>1</u>	<u>4,827</u>	<u>2</u>	<u>4,951</u>	<u>9,295</u>	
-	-	-	-	-	-	64	
-	-	-	-	-	-	<u>64</u>	
-	-	-	-	-	-	328	
-	-	-	-	-	-	5,017	
-	-	-	-	-	-	14,128	
-	-	-	-	-	120	1,085	
-	-	-	-	-	-	847	
-	-	-	10,184	-	10,184	13,877	
-	-	-	-	-	-	1,055	
-	-	-	-	-	-	5,031	
-	9,552	919	-	6,157	16,628	16,628	
13	-	-	-	-	13	13	
-	-	-	-	-	-	148	
<u>13</u>	<u>9,552</u>	<u>919</u>	<u>10,184</u>	<u>6,157</u>	<u>26,945</u>	<u>58,157</u>	
<u>\$ 13</u>	<u>\$ 9,673</u>	<u>\$ 920</u>	<u>\$ 15,011</u>	<u>\$ 6,159</u>	<u>\$ 31,896</u>	<u>\$ 67,516</u>	

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
5 FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
REVENUES						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Licenses and Permits	-	-	20	-	-	-
Use of Money and Property	9	31	-	7	33	53
Intergovernmental	302	-	-	-	70	3,529
Charges for Current Service	-	1,295	-	488	163	-
Other	-	-	-	-	106	195
Total Revenues	<u>311</u>	<u>1,326</u>	<u>20</u>	<u>495</u>	<u>372</u>	<u>3,777</u>
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Community Services	-	105	-	-	363	-
Library Services	-	93	-	-	-	-
Public Works	96	-	-	-	-	450
Non-Departmental	-	-	8	-	-	-
Capital Outlay	141	33	-	-	-	1,170
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>237</u>	<u>231</u>	<u>8</u>	<u>-</u>	<u>363</u>	<u>1,620</u>
Excess Of Revenues Over (Under) Expenditures	<u>74</u>	<u>1,095</u>	<u>12</u>	<u>495</u>	<u>9</u>	<u>2,157</u>
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Issuance of Long-Term Debt	-	-	-	-	-	-
Issuance Premium	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	(900)
Total Other Financing Sources Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900)</u>
Net Change in Fund Balances	<u>74</u>	<u>1,095</u>	<u>12</u>	<u>495</u>	<u>9</u>	<u>1,257</u>
Fund Balances - Beginning Of Year	<u>773</u>	<u>1,805</u>	<u>15</u>	<u>298</u>	<u>63</u>	<u>3,288</u>
Fund Balances - End Of Year	<u>\$ 847</u>	<u>\$ 2,900</u>	<u>\$ 27</u>	<u>\$ 793</u>	<u>\$ 72</u>	<u>\$ 4,545</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS					
Housing Residual Receipt	Park Acquisiton and Development	Safe and Sane Fireworks	Self Insurance Liability Claim	Traffic Congestion Relief	Traffic Impact Fee
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
19	55	1	4	21	43
-	-	-	-	1,903	-
-	1,861	-	-	-	1,098
462	184	-	-	-	-
<u>481</u>	<u>2,100</u>	<u>1</u>	<u>4</u>	<u>1,924</u>	<u>1,141</u>
-	-	-	-	-	-
-	150	-	-	-	-
-	-	-	-	374	7
-	-	-	-	-	-
-	255	-	-	2,406	157
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>405</u>	-	-	<u>2,780</u>	<u>164</u>
<u>481</u>	<u>1,695</u>	<u>1</u>	<u>4</u>	<u>(856)</u>	<u>977</u>
-	10	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	10	-	-	-	-
<u>481</u>	<u>1,705</u>	<u>1</u>	<u>4</u>	<u>(856)</u>	<u>977</u>
<u>484</u>	<u>3,654</u>	<u>75</u>	<u>1,024</u>	<u>1,614</u>	<u>3,064</u>
<u>\$ 965</u>	<u>\$ 5,359</u>	<u>\$ 76</u>	<u>\$ 1,028</u>	<u>\$ 758</u>	<u>\$ 4,041</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)
(continued)**

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS
	Transportation	Total Special Revenue Funds	Property Tax Refund	Public Financing Authority	Total Debt Service Funds	Affordable Housing In-Lieu
REVENUES						
Sales Taxes	\$ 2,774	\$ 2,774	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Licenses and Permits	-	20	-	-	-	-
Use of Money and Property	43	319	-	9	9	1
Intergovernmental	206	6,010	-	-	-	-
Charges for Current Service	-	4,905	-	-	-	-
Other	-	947	-	-	-	-
Total Revenues	3,023	14,975	-	9	9	1
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Community Services	-	618	-	-	-	-
Library Services	-	93	-	-	-	-
Public Works	912	1,839	-	-	-	-
Non-Departmental	-	8	4	217	221	-
Capital Outlay	419	4,581	-	-	-	-
Debt Service:						
Principal	-	-	940	4,315	5,255	-
Interest	-	-	84	2,094	2,178	-
Total Expenditures	1,331	7,139	1,028	6,626	7,654	-
Excess Of Revenues Over (Under) Expenditures	1,692	7,836	(1,028)	(6,617)	(7,645)	1
Other Financing Sources (Uses):						
Transfers In	-	10	1,029	6,413	7,442	-
Issuance of Long-Term Debt	-	-	-	295	295	-
Issuance Premium	-	-	-	788	788	-
Transfers Out	-	(900)	-	-	-	-
Total Other Financing Sources (Uses)	-	(890)	1,029	7,496	8,525	-
Net Change in Fund Balances	1,692	6,946	1	879	880	1
Fund Balances - Beginning of Year	3,092	19,249	-	4,137	4,137	119
Fund Balances - End of Year	\$ 4,784	\$ 26,195	\$ 1	\$ 5,016	\$ 5,017	\$ 120

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS							Total Other Governmental Funds
Energy Efficiency	Infrastructure	Parking In-Lieu	Senior Center Development	Sewer Development	Total Capital Projects Funds		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,774	
-	-	-	-	226	226	226	
-	-	35	-	-	35	55	
-	90	-	11	67	169	497	
-	-	-	2,000	12	2,012	8,022	
-	-	-	-	1,307	1,307	6,212	
-	11	-	-	-	11	958	
<u>-</u>	<u>101</u>	<u>35</u>	<u>2,011</u>	<u>1,612</u>	<u>3,760</u>	<u>18,744</u>	
-	-	50	-	-	50	50	
-	-	-	-	-	-	618	
-	-	-	-	-	-	93	
-	17	-	24	76	117	1,956	
-	-	-	-	-	-	229	
-	1,328	-	6,803	2	8,133	12,714	
-	-	-	-	-	-	5,255	
-	-	-	-	-	-	2,178	
<u>-</u>	<u>1,345</u>	<u>50</u>	<u>6,827</u>	<u>78</u>	<u>8,300</u>	<u>23,093</u>	
<u>-</u>	<u>(1,244)</u>	<u>(15)</u>	<u>(4,816)</u>	<u>1,534</u>	<u>(4,540)</u>	<u>(4,349)</u>	
-	3,236	-	-	-	3,236	10,688	
-	-	-	15,000	-	15,000	15,295	
-	-	-	-	-	-	788	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900)</u>	
<u>-</u>	<u>3,236</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>18,236</u>	<u>25,871</u>	
<u>-</u>	<u>1,992</u>	<u>(15)</u>	<u>10,184</u>	<u>1,534</u>	<u>13,696</u>	<u>21,522</u>	
<u>13</u>	<u>7,560</u>	<u>934</u>	<u>-</u>	<u>4,623</u>	<u>13,249</u>	<u>36,635</u>	
<u>\$ 13</u>	<u>\$ 9,552</u>	<u>\$ 919</u>	<u>\$ 10,184</u>	<u>\$ 6,157</u>	<u>\$ 26,945</u>	<u>\$ 58,157</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, 2015
(In Thousands)

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 4	\$ 4	\$ 9	\$ 5
Intergovernmental	185	185	302	117
TOTAL REVENUES	189	189	311	122
EXPENDITURES:				
Current:				
Public Works	188	134	96	38
Capital Outlay	-	517	141	376
TOTAL EXPENDITURES	188	651	237	414
NET CHANGE IN FUND BALANCE	1	(462)	74	536
Fund Balance - Beginning of Year	773	773	773	-
Fund Balance - End of Year	\$ 774	\$ 311	\$ 847	\$ 536

Development Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 31	\$ 31
Charges for Current Service	100	100	1,295	1,195
TOTAL REVENUES	100	100	1,326	1,226
EXPENDITURES:				
Current:				
Community Services	123	131	105	26
Library Services	-	100	93	7
Capital Outlay	10	39	33	6
Debt Service:				
Principal	277	273	-	273
TOTAL EXPENDITURES	410	543	231	312
NET CHANGE IN FUND BALANCE	(310)	(443)	1,095	1,538
Fund Balance - Beginning of Year	1,805	1,805	1,805	-
Fund Balance - End of Year	\$ 1,495	\$ 1,362	\$ 2,900	\$ 1,538

Disability Access

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 21	\$ 21	\$ 20	\$ (1)
EXPENDITURES:				
Current:				
Non-Departmental	21	21	8	13
NET CHANGE IN FUND BALANCE	-	-	12	12
Fund Balance - Beginning of Year	15	15	15	-
Fund Balance - End of Year	\$ 15	\$ 15	\$ 27	\$ 12

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, 2015
(In Thousands)

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 7	\$ 7
Charges for Current Service	-	-	488	488
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>495</u>	<u>495</u>
Fund Balance - Beginning of Year	<u>298</u>	<u>298</u>	<u>298</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 298</u>	<u>\$ 298</u>	<u>\$ 793</u>	<u>\$ 495</u>

Fourth of July Parade

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 33	\$ 33
Intergovernmental	-	-	70	70
Charges for Current Service	-	-	163	163
Other	400	400	106	(294)
TOTAL REVENUES	<u>400</u>	<u>400</u>	<u>372</u>	<u>(28)</u>
EXPENDITURES:				
Current:				
Community Services	407	407	363	44
NET CHANGE IN FUND BALANCE	<u>(7)</u>	<u>(7)</u>	<u>9</u>	<u>16</u>
Fund Balance - Beginning of Year	<u>63</u>	<u>63</u>	<u>63</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ 72</u>	<u>\$ 16</u>

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 10	\$ 10	\$ 53	\$ 43
Intergovernmental	3,686	3,686	3,529	(157)
Other	1	1	195	194
TOTAL REVENUES	<u>3,697</u>	<u>3,697</u>	<u>3,777</u>	<u>80</u>
EXPENDITURES:				
Current:				
Public Works	263	450	450	-
Capital Outlay	1,883	2,513	1,170	1,343
TOTAL EXPENDITURES	<u>2,146</u>	<u>2,963</u>	<u>1,620</u>	<u>1,343</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,551</u>	<u>734</u>	<u>2,157</u>	<u>1,423</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(900)	(900)	(900)	-
NET CHANGE IN FUND BALANCE	<u>651</u>	<u>(166)</u>	<u>1,257</u>	<u>1,423</u>
Fund Balance - Beginning of Year	<u>3,288</u>	<u>3,288</u>	<u>3,288</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,939</u>	<u>\$ 3,122</u>	<u>\$ 4,545</u>	<u>\$ 1,423</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, 2015
(In Thousands)**

Housing Residual Receipt

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 19	\$ 19
Other	419	419	462	43
TOTAL REVENUES	419	419	481	62
Fund Balance - Beginning of Year	484	484	484	-
Fund Balance - End of Year	<u>\$ 903</u>	<u>\$ 903</u>	<u>\$ 965</u>	<u>\$ 62</u>

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 55	\$ 55
Charges for Current Service	-	-	1,861	1,861
Other	-	-	184	184
TOTAL REVENUES	-	-	2,100	2,100
EXPENDITURES:				
Current:				
Community Services	20	248	150	98
Capital Outlay	1,350	2,107	255	1,852
Debt Service:				
Principal	71	71	-	71
TOTAL EXPENDITURES	1,441	2,426	405	2,021
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,441)	(2,426)	1,695	4,121
OTHER FINANCING SOURCES (USES):				
Transfers In	-	10	10	-
NET CHANGE IN FUND BALANCE	(1,441)	(2,416)	1,705	4,121
Fund Balance - Beginning of Year	3,654	3,654	3,654	-
Fund Balance - End of Year	<u>\$ 2,213</u>	<u>\$ 1,238</u>	<u>\$ 5,359</u>	<u>\$ 4,121</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, 2015
(In Thousands)

Safe and Sane Fireworks

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 1	\$ 1
Fund Balance - Beginning of Year	75	75	75	-
Fund Balance - End of Year	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ 76</u>	<u>\$ 1</u>

Self Insurance Liability Claims

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 4	\$ 4
Fund Balance - Beginning of Year	1,024	1,024	1,024	-
Fund Balance - End of Year	<u>\$ 1,024</u>	<u>\$ 1,024</u>	<u>\$ 1,028</u>	<u>\$ 4</u>

Traffic Congestion Relief

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 18	\$ 18	\$ 21	\$ 3
Intergovernmental	2,082	2,082	1,903	(179)
TOTAL REVENUES	<u>2,100</u>	<u>2,100</u>	<u>1,924</u>	<u>(176)</u>
EXPENDITURES:				
Current:				
Public Works	-	374	374	-
Capital Outlay	2,100	3,122	2,406	716
TOTAL EXPENDITURES	<u>2,100</u>	<u>3,496</u>	<u>2,780</u>	<u>716</u>
NET CHANGE IN FUND BALANCE	-	(1,396)	(856)	540
Fund Balance - Beginning of Year	1,614	1,614	1,614	-
Fund Balance - End of Year	<u>\$ 1,614</u>	<u>\$ 218</u>	<u>\$ 758</u>	<u>\$ 540</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, 2015
(In Thousands)

Traffic Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 2	\$ 2	\$ 43	\$ 41
Charges for Current Service	200	200	1,098	898
TOTAL REVENUES	202	202	1,141	939
EXPENDITURES:				
Current:				
Public Works	-	218	7	211
Capital Outlay	650	729	157	572
TOTAL EXPENDITURES	650	947	164	783
NET CHANGE IN FUND BALANCE	(448)	(745)	977	1,722
Fund Balance - Beginning of Year	3,064	3,064	3,064	-
Fund Balance - End of Year	\$ 2,616	\$ 2,319	\$ 4,041	\$ 1,722

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 3,107	\$ 3,107	\$ 2,774	\$ (333)
Use of Money and Property	7	7	43	36
Intergovernmental	-	-	206	206
TOTAL REVENUES	3,114	3,114	3,023	(91)
EXPENDITURES:				
Current:				
Public Works	1,213	1,213	912	301
Capital Outlay	2,200	3,279	419	2,860
TOTAL EXPENDITURES	3,413	4,492	1,331	3,161
NET CHANGE IN FUND BALANCE	(299)	(1,378)	1,692	3,070
Fund Balance - Beginning of Year	3,092	3,092	3,092	-
Fund Balance - End of Year	\$ 2,793	\$ 1,714	\$ 4,784	\$ 3,070

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, 2015
(In Thousands)

Property Tax Refund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
Non-Departmental	2	4	4	-
Debt Service:				
Principal	940	940	940	-
Interest	84	84	84	-
TOTAL EXPENDITURES	<u>1,026</u>	<u>1,028</u>	<u>1,028</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,026)</u>	<u>(1,028)</u>	<u>(1,028)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,026	1,029	1,029	-
NET CHANGE IN FUND BALANCE	-	1	1	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

Public Financing Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 9	\$ 9
EXPENDITURES:				
Current:				
Non-Departmental	4	270	217	53
Debt Service:				
Principal	5,085	4,637	4,315	322
Interest	1,652	2,094	2,094	-
TOTAL EXPENDITURES	<u>6,741</u>	<u>7,001</u>	<u>6,626</u>	<u>375</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,741)</u>	<u>(7,001)</u>	<u>(6,617)</u>	<u>384</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	6,541	6,538	6,413	(125)
Issuance of Long Term Debt	-	295	295	-
Issuance Premium	-	788	788	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,541</u>	<u>7,621</u>	<u>7,496</u>	<u>(125)</u>
NET CHANGE IN FUND BALANCE	(200)	620	879	259
Fund Balance - Beginning of Year	4,137	4,137	4,137	-
Fund Balance - End of Year	<u>\$ 3,937</u>	<u>\$ 4,757</u>	<u>\$ 5,016</u>	<u>\$ 259</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, 2015
(In Thousands)

Affordable Housing In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 1	\$ 1
Fund Balance - Beginning of Year	119	119	119	-
Fund Balance - End of Year	<u>119</u>	<u>119</u>	<u>120</u>	<u>1</u>

Energy Efficiency

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning of Year	\$ 13	\$ 13	\$ 13	\$ -
Fund Balance - End of Year	<u>13</u>	<u>13</u>	<u>13</u>	<u>-</u>

Infrastructure

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 90	\$ 90
Other	-	-	11	11
TOTAL REVENUES	-	-	101	101
EXPENDITURES:				
Current:				
Public Works	-	92	17	75
Capital Outlay	4,170	9,645	1,328	8,317
TOTAL EXPENDITURES	<u>4,170</u>	<u>9,737</u>	<u>1,345</u>	<u>8,392</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,170)</u>	<u>(9,737)</u>	<u>(1,244)</u>	<u>8,493</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	3,000	3,237	3,236	(1)
NET CHANGE IN FUND BALANCE	<u>(1,170)</u>	<u>(6,500)</u>	<u>1,992</u>	<u>8,492</u>
Fund Balance - Beginning of Year	7,560	7,560	7,560	-
Fund Balance - End of Year	<u>6,390</u>	<u>1,060</u>	<u>9,552</u>	<u>8,492</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, 2015
(In Thousands)

Parking in-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ 3	\$ 35	\$ 32
Use of Money and Property	-	-	-	-
TOTAL REVENUES	-	3	35	32
EXPENDITURES:				
Current:				
City Manager	50	53	50	3
NET CHANGE IN FUND BALANCE	(50)	(50)	(15)	32
Fund Balance - Beginning of Year	934	934	934	-
Fund Balance - End of Year	<u><u>\$ 884</u></u>	<u><u>\$ 884</u></u>	<u><u>\$ 919</u></u>	<u><u>\$ 35</u></u>

Senior Center Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 11	\$ 11
Intergovernmental	-	2,000	2,000	-
TOTAL REVENUES	-	2,000	2,011	11
EXPENDITURES:				
Current:				
Public Works	-	24	24	-
Capital Outlay	-	16,976	6,803	10,173
TOTAL EXPENDITURES	-	17,000	6,827	10,173
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(15,000)	(4,816)	10,184
OTHER FINANCING SOURCES (USES):				
Issuance of Long-Term Debt	-	-	15,000	15,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	15,000	15,000
NET CHANGE IN FUND BALANCE	-	(15,000)	10,184	25,184
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ (15,000)</u></u>	<u><u>\$ 10,184</u></u>	<u><u>\$ 25,184</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, 2015
(In Thousands)**

Sewer Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Other Taxes	\$ -	\$ -	\$ 226	\$ 226
Use of Money and Property	6	6	67	61
Intergovernmental	-	-	12	12
Charges for Current Service	394	394	1,307	913
TOTAL REVENUES	400	400	1,612	1,212
EXPENDITURES:				
Current:				
Public Works	400	410	76	334
Capital Outlay	-	2	2	-
TOTAL EXPENDITURES	400	412	78	334
NET CHANGE IN FUND BALANCE	-	(12)	1,534	1,546
Fund Balance - Beginning of Year	4,623	4,623	4,623	-
Fund Balance - End of Year	<u>\$ 4,623</u>	<u>\$ 4,611</u>	<u>\$ 6,157</u>	<u>\$ 1,546</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)**

LMIHAF Capital Projects Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 400	\$ 400	\$ 184	\$ (216)
 EXPENDITURES:				
Current:				
Non-Departmental	85	85	80	5
Net Change in Fund Balance	315	315	104	(211)
Fund Balance - Beginning of Year	5,653	5,653	5,653	-
Fund Balance - End of Year	\$ 5,968	\$ 5,968	\$ 5,757	\$ (211)

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City of Huntington Beach Fiduciary Funds

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

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

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CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	Agency Funds						Total Agency Funds
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	
Assets:							
Cash and Investments	\$ 531	\$ 109	\$ 356	\$ 775	\$ 2,965	\$ 387	\$ 5,123
Cash with Fiscal Agent	-	3,401	-	-	-	-	3,401
Accounts Receivable, Net	-	1,029	249	-	7	-	1,285
Total Assets	<u>\$ 531</u>	<u>\$ 4,539</u>	<u>\$ 605</u>	<u>\$ 775</u>	<u>\$ 2,972</u>	<u>\$ 387</u>	<u>\$ 9,809</u>
Liabilities:							
Accounts Payable	\$ -	\$ 8	\$ 557	\$ 12	\$ 200	\$ -	\$ 777
Accrued Payroll	-	-	-	2	-	-	2
Due to Bondholders	-	4,531	-	-	-	-	4,531
Held for others	531	-	48	761	2,772	387	4,499
Total Liabilities	<u>\$ 531</u>	<u>\$ 4,539</u>	<u>\$ 605</u>	<u>\$ 775</u>	<u>\$ 2,972</u>	<u>\$ 387</u>	<u>\$ 9,809</u>

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
General Deposit				
Assets:				
Cash and Investments	\$ 269	\$ 881	\$ (619)	\$ 531
Total Assets	\$ 269	\$ 881	\$ (619)	\$ 531
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Held for others	269	350	(88)	531
Total Liabilities	\$ 269	\$ 350	\$ (88)	\$ 531
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 66	\$ 4,850	\$ (4,807)	\$ 109
Cash with Fiscal Agent	3,437	1	(37)	3,401
Accounts Receivable, Net	724	1,739	(1,434)	1,029
Total Assets	\$ 4,227	\$ 6,590	\$ (6,278)	\$ 4,539
Liabilities:				
Accounts Payable	\$ 2	\$ 2,077	\$ (2,071)	\$ 8
Due to Bondholders	4,225	306	-	4,531
Total Liabilities	\$ 4,227	\$ 2,383	\$ (2,071)	\$ 4,539
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 243	\$ 2,894	\$ (2,781)	\$ 356
Accounts Receivable, Net	152	456	(359)	249
Total Assets	\$ 395	\$ 3,350	\$ (3,140)	\$ 605
Liabilities:				
Accounts Payable	\$ 369	\$ 3,309	\$ (3,121)	\$ 557
Held for others	26	22	-	48
Total Liabilities	\$ 395	\$ 3,331	\$ (3,121)	\$ 605
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 969	\$ 1,461	\$ (1,655)	\$ 775
Accounts Receivable, Net	-	45	(45)	-
Total Assets	\$ 969	\$ 1,506	\$ (1,700)	\$ 775
Liabilities:				
Accounts Payable	\$ 18	\$ 277	\$ (283)	\$ 12
Accrued Payroll	\$ -	\$ 2	\$ -	\$ 2
Held for others	951	-	(190)	761
Total Liabilities	\$ 969	\$ 279	\$ (473)	\$ 775

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Parking Structures				
Assets:				
Cash and Investments	\$ 2,820	\$ 2,244	\$ (2,099)	\$ 2,965
Accounts Receivable, Net	10	54	(57)	7
Total Assets	\$ 2,830	\$ 2,298	\$ (2,156)	\$ 2,972
Liabilities:				
Accounts Payable	\$ 219	\$ 1,877	\$ (1,896)	\$ 200
Held for others	2,611	161	-	2,772
Total Liabilities	\$ 2,830	\$ 2,038	\$ (1,896)	\$ 2,972
West Orange County Water Board				
Assets:				
Cash and Investments	\$ 233	\$ 922	\$ (768)	\$ 387
Accounts Receivable, Net	-	89	(89)	-
Total Assets	\$ 233	\$ 1,011	\$ (857)	\$ 387
Liabilities:				
Accounts Payable	\$ -	\$ 28	\$ (28)	\$ -
Held for others	233	154	-	387
Total Liabilities	\$ 233	\$ 182	\$ (28)	\$ 387
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 4,600	\$ 13,252	\$ (12,729)	\$ 5,123
Cash with Fiscal Agent	3,437	1	(37)	3,401
Accounts Receivable, Net	886	2,383	(1,984)	1,285
Total Assets	\$ 8,923	\$ 15,636	\$ (14,750)	\$ 9,809
Liabilities:				
Accounts Payable	\$ 608	\$ 7,568	\$ (7,399)	\$ 777
Accrued Payroll	-	2	-	2
Due to Bondholders	4,225	306	-	4,531
Held for others	4,090	687	(278)	4,499
Total Liabilities	\$ 8,923	\$ 8,563	\$ (7,677)	\$ 9,809

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City of Huntington Beach Statistical Section

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

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

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

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

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
Governmental Activities					
Net investment in capital assets	\$ 615,512	\$ 618,825	\$ 617,267	\$ 612,346	\$ 569,497
Restricted	52,270	34,018	51,867	44,220	51,195
Unrestricted	(224,579)	89,524	54,076	53,098	41,239
Total Governmental Activities Net Position	\$ 443,203	\$ 742,367	\$ 723,210	\$ 709,664	\$ 661,931
Business - Type Activities					
Net investment in capital assets	\$ 142,616	\$ 140,770	\$ 145,886	\$ 134,129	\$ 134,882
Restricted	28,096	27,951	27,488	27,804	27,988
Unrestricted	28,321	53,166	65,595	63,686	59,260
Total Business - Type Activities Net Position	\$ 199,033	\$ 221,887	\$ 238,969	\$ 225,619	\$ 222,130
Primary Government					
Net investment in capital assets	\$ 758,128	\$ 759,595	\$ 763,153	\$ 746,475	\$ 704,379
Restricted	80,366	61,969	79,355	72,024	79,183
Unrestricted	(196,258)	142,690	119,671	116,784	100,499
Total Primary Government Net Position	\$ 642,236	\$ 964,254	\$ 962,179	\$ 935,283	\$ 884,061

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

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
Expenses:					
Governmental Activities:					
City Council	\$ 270	\$ 258	\$ 271	\$ 310	\$ 300
City Manager	3,302	3,878	1,583	1,767	1,502
City Treasurer	158	169	132	141	1,274
City Attorney	2,284	2,321	2,221	2,313	2,354
City Clerk	855	747	797	689	813
Administrative Services	-	-	-	-	-
Finance	5,208	5,314	4,825	4,573	3,423
Human Resources	5,169	4,616	5,032	4,743	4,792
Planning & Building*	6,605	7,091	6,155	6,123	6,036
Building	-	-	-	-	-
Fire	42,162	43,194	36,323	35,336	35,393
Information Services	6,552	6,456	6,096	5,857	5,909
Police	64,048	66,681	60,466	60,690	60,192
Economic Development**	-	-	8,395	3,703	10,876
Community Services	13,809	12,509	15,521	15,586	16,104
Library Services	4,246	4,024	3,873	3,777	3,838
Public Works	27,979	31,691	28,500	26,508	27,232
Non-Departmental	24,080	21,602	25,563	19,190	19,595
Interest on Long-Term Debt	2,245	1,946	2,289	2,376	6,287
Total Governmental Activities	208,972	212,497	208,042	193,682	205,920
Business-type Activities:					
Water Utility	38,614	41,499	38,446	37,437	31,712
Sewer Service	8,192	9,712	7,253	7,623	6,338
Refuse Collection	11,308	11,145	10,882	10,785	10,690
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	204	231	220	216	243
Ocean View Estates	-	-	-	-	-
Total Business Type Activities	58,318	62,587	56,801	56,061	48,983
Total Business and Government Type Activities	\$ 267,290	\$ 275,084	\$ 264,843	\$ 249,743	\$ 254,903

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

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

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

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Governmental Activities					
Net investment in capital assets	\$ 567,351	\$ 559,059	\$ 521,654	\$ 486,552	\$ 472,372
Restricted	49,100	48,198	69,126	73,541	68,381
Unrestricted	33,135	36,319	35,615	59,182	34,269
Total Governmental Activities Net Position	\$ 649,586	\$ 643,576	\$ 626,395	\$ 619,275	\$ 575,022
Business - Type Activities					
Net investment in capital assets	\$ 121,576	\$ 118,059	\$ 118,671	\$ 119,874	\$ 111,651
Restricted	30,512	30,794	32,665	33,546	31,109
Unrestricted	61,723	59,810	57,704	54,822	53,020
Total Business - Type Activities Net Position	\$ 213,811	\$ 208,663	\$ 209,040	\$ 208,242	\$ 195,780
Primary Government					
Net investment in capital assets	\$ 688,927	\$ 677,118	\$ 640,325	\$ 606,426	\$ 584,023
Restricted	79,612	78,992	101,791	107,087	99,490
Unrestricted	94,858	96,129	93,319	114,004	87,289
Total Primary Government Net Position	\$ 863,397	\$ 852,239	\$ 835,435	\$ 827,517	\$ 770,802

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

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Expenses:					
Governmental Activities:					
City Council	\$ 301	\$ 295	\$ 295	\$ 287	\$ 271
City Manager	1,674	1,861	1,652	1,442	5,540
City Treasurer	1,532	1,308	1,408	1,088	1,479
City Attorney	2,772	2,877	2,914	2,534	2,317
City Clerk	883	1,099	1,020	950	756
Administrative Services	-	-	-	-	-
Finance	4,309	4,479	4,944	4,454	3,306
Human Resources	5,284	4,749	4,725	4,202	-
Planning & Building	3,170	3,232	3,881	3,098	2,813
Building	4,608	9,549	5,747	4,899	3,930
Fire	33,545	33,942	27,299	27,247	24,787
Information Services	6,812	7,377	7,311	6,591	7,361
Police	59,049	60,551	58,378	56,988	50,877
Economic Development**	11,891	15,758	18,031	9,209	4,977
Community Services	16,147	17,110	18,565	16,482	15,777
Library Services	4,519	4,574	5,607	5,586	4,829
Public Works	26,483	29,514	31,246	34,581	49,654
Non-Departmental	24,303	21,196	30,814	15,131	11,263
Interest on Long-Term Debt	6,146	5,232	5,291	5,875	5,575
Total Governmental Activities	213,428	224,703	229,128	200,644	195,512
Business-type Activities:					
Water Utility	34,902	34,290	32,701	32,606	28,117
Sewer Service	6,575	7,306	7,120	5,766	3,855
Refuse Collection	10,585	10,623	10,561	10,542	10,289
Emerald Cove Housing	-	306	893	936	551
Emergency Fire Medical	-	-	6,933	5,347	5,637
Hazmat Service	315	196	249	194	163
Ocean View Estates	-	-	117	84	120
Total Business Type Activities	52,377	52,721	58,574	55,475	48,732
Total Business and Government Type Activities	\$ 265,805	\$ 277,424	\$ 287,702	\$ 256,119	\$ 244,244

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

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 71	\$ 68	\$ 66	\$ 65	\$ 63
City Manager	2,994	2,835	134	130	127
City Treasurer	639	621	602	585	568
City Attorney	143	139	135	131	127
City Clerk	199	321	248	170	98
Finance	1,353	1,313	1,275	1,238	1,202
Human Resources	1,263	2,499	1,236	1,150	1,117
Planning & Building*	10,670	9,357	9,411	7,706	6,084
Building	-	-	-	-	-
Fire	8,625	8,672	9,482	9,497	8,632
Information Services	834	809	786	763	741
Police	5,512	5,170	4,653	5,073	5,207
Economic Development**	-	-	2,505	2,303	2,800
Community Services	18,569	18,055	17,832	17,792	15,345
Library Services	495	434	634	466	325
Public Works	6,474	6,367	7,315	5,482	5,638
Non-Departmental	327	318	306	281	273
Total Charges for Services	58,168	56,978	56,620	52,832	48,347
Operating Grants	7,458	7,958	7,303	5,088	8,914
Capital Grants	9,809	5,486	7,191	6,624	5,198
Total Governmental Activities Program Revenue	75,435	70,422	71,114	64,544	62,459
Business-Type Activities:					
Water Utility	35,350	36,944	38,679	35,926	34,583
Sewer Service	11,239	10,665	12,267	11,546	10,532
Refuse Collection	11,221	11,006	10,950	10,786	10,631
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	222	183	278	154	383
Ocean View Estates	-	-	-	-	-
Total Business-Type Activities Program Revenues	58,032	58,798	62,174	58,412	56,129
Total Primary Government Program Revenue	133,467	129,220	133,288	122,956	118,550
Net (Expense) Revenue:					
Governmental Activities:	(133,537)	(142,075)	(136,928)	(129,138)	(143,499)
Business-Type Activities	(286)	(3,789)	5,373	2,351	7,146
Total Net (Expense) Revenue	(133,823)	(145,864)	(131,555)	(126,787)	(136,353)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	82,615	81,355	74,795	74,856	86,056
Sales Taxes	33,063	29,243	30,276	30,051	25,339
Utility Taxes	20,229	20,621	20,764	20,152	19,135
Other Taxes	16,464	15,601	14,568	12,930	13,368
Use of Money and Property	5,551	3,725	2,816	3,434	3,239
From Other Agencies	5,653	4,279	6,003	6,585	5,647
Participation Payments	-	-	-	-	-
Other	4,440	6,903	5,240	4,941	3,060
Transfers	35	(38)	(38)	(38)	(38)
Total Governmental Activities General Revenues	168,050	161,689	154,424	152,911	155,806
Business-Type Activities:					
Use of Money and Property	1,281	1,015	137	1,100	1,135
Transfers	(35)	38	38	38	38
Total Business-Type Activities General Revenues	1,246	1,053	175	1,138	1,173
Total General Revenues and Transfers	169,296	291,939	154,599	154,049	157,017
Extraordinary Gain	-	-	(4,669)	23,960	-
Changes in Net Position - Governmental Activities	34,513	19,614	12,827	47,733	12,345
Changes in Net Position - Business-Type Activities	960	(2,736)	5,548	3,489	8,319
Net Position - Beginning of Year	964,254	962,179	935,283	884,061	863,397
Prior Period Adjustment - Governmental Activities	(333,677)	(457)	719	-	-
Prior Period Adjustment - Business-Type Activities	(23,814)	(14,346)	7,802	-	-
Net Position - Beginning of Year as restated	606,763	947,376	943,804	-	-
Net Position - End of Year	\$ 642,236	\$ 964,254	\$ 962,179	\$ 935,283	\$ 884,061

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

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

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

Program Revenues:	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Governmental Activities:					
Charges for Services					
City Council	\$ 62	\$ 94	\$ 103	\$ 99	\$ 90
City Manager	126	370	404	392	1,612
City Treasurer	566	765	720	698	1,332
City Attorney	456	50	47	46	43
City Clerk	106	108	168	210	95
Finance	1,234	1,264	1,354	1,312	325
Human Resources	1,103	1,254	1,391	1,347	-
Planning & Building	682	801	1,987	4,223	825
Building	4,126	3,665	4,582	5,450	4,859
Fire	8,504	7,978	1,423	1,267	1,086
Information Services	731	674	697	675	641
Police	4,849	5,083	5,159	4,890	5,355
Economic Development**	2,685	3,049	3,001	2,944	505
Community Services	15,470	15,278	15,383	15,036	14,644
Library Services	415	437	851	835	714
Public Works	4,850	4,328	6,000	5,016	4,784
Non-Departmental	269	216	239	232	229
Total Charges for Services	46,234	45,414	43,509	44,672	37,139
Operating Grants	7,069	4,181	7,684	1,996	917
Capital Grants	7,418	25,625	14,284	5,154	6,893
Total Governmental Activities Program Revenue	60,721	75,220	65,477	51,822	44,949
Business-Type Activities:					
Water Utility	34,394	34,200	35,751	37,962	37,946
Sewer Service	10,565	10,535	9,906	7,242	7,873
Refuse Collection	10,506	10,386	10,521	10,550	10,292
Emerald Cove Housing	-	843	1,180	1,037	960
Emergency Fire Medical	-	-	6,762	6,068	6,145
Hazmat Service	198	204	185	210	182
Ocean View Estates	-	-	337	324	273
Total Business-Type Activities Program Revenues	55,663	56,168	64,642	63,393	63,671
Total Primary Government Program Revenue	116,346	138,563	139,713	115,215	108,620
Net (Expense) Revenue:					
Governmental Activities:	(145,237)	(142,308)	(149,632)	(177,306)	(155,695)
Business-Type Activities	6,680	3,791	11,921	4,819	8,196
Total Net (Expense) Revenue	(138,557)	(138,517)	(137,711)	(172,487)	(147,499)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	85,552	84,010	84,016	79,369	66,598
Sales Taxes	23,646	21,427	25,560	30,608	26,448
Utility Taxes	19,757	20,616	21,591	21,479	21,170
Other Taxes	11,629	12,085	15,065	13,776	13,226
Use of Money and Property	4,043	5,002	5,714	7,895	4,310
From Other Agencies	4,184	8,500	6,899	12,689	10,390
Participation Payments	4,496	-	-	1,564	6,221
Other	5,448	7,849	2,332	2,696	9,278
Transfers	(38)	7,175	9,594	491	464
Total Governmental Activities General Revenues	158,717	166,664	170,771	170,567	158,105
Business-Type Activities:					
Use of Money and Property	1,824	3,351	4,324	5,035	3,589
Transfers	38	(7,175)	(9,594)	(491)	(464)
Total Business-Type Activities General Revenues	1,862	(3,824)	(5,270)	4,544	3,125
Total General Revenues and Transfers	160,617	155,665	155,907	175,111	161,230
Extraordinary Gain	-	-	-	-	-
Changes in Net Position - Governmental Activities	13,518	17,181	11,545	(6,739)	2,410
Changes in Net Position - Business-Type Activities	8,542	(33)	6,651	9,363	11,321
Net Position - Beginning of Year	852,239	835,435	827,517	793,310	745,196
Prior Period Adjustment - Governmental Activities	-	-	-	-	-
Prior Period Adjustment - Business-Type Activities	-	-	-	-	-
Net Position - Beginning of Year as restated	-	-	-	-	-
Net Position - End of Year	\$ 874,299	\$ 852,583	\$ 845,713	\$ 795,934	\$ 758,927

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

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
General Fund:					
Nonspendable	\$ 4,479	\$ 4,378	\$ 4,040	\$ 4,633	\$ 10,841
Restricted	2,871	2,070	1,878	1,387	1,304
Committed	25,011	25,011	24,011	-	-
Assigned	32,431	29,595	24,578	48,415	42,411
Total General Fund	\$ 64,792	\$ 61,054	\$ 54,507	\$ 54,435	\$ 54,556

Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	45,515	27,214	27,425	27,722	32,519
Committed	21,659	16,447	11,098	6,745	4,049
Assigned	161	151	316	1,181	1,711
Unassigned	-	-	(210)	(395)	(4,377)
Total Other Governmental Funds	\$ 67,335	\$ 43,812	\$ 38,629	\$ 35,253	\$ 33,902

	Fiscal Year Ended September 30,	
	2010	2009 (a)
General Fund:		
Nonspendable	\$ 4,605	\$ 4,834
Restricted	1,452	1,921
Committed	30,493	20,600
Assigned	4,802	11,733
Unassigned	-	-
Total General Fund	\$ 41,352	\$ 39,088

Other Governmental Funds:		
Nonspendable	\$ 6,576	\$ 11,328
Restricted	33,319	11,509
Committed	1,755	7,545
Assigned	3,914	24,437
Unassigned	(4,319)	(1,557)
Total Other Governmental Funds	\$ 41,245	\$ 53,262

	Fiscal Year Ended September 30,		
	2008	2007	2006
General Fund:			
Reserved	\$ 10,967	\$ 10,679	\$ 7,382
Unreserved	33,476	33,017	33,204
Total General Fund	\$ 44,443	\$ 43,696	\$ 40,586

Other Governmental Funds:			
Reserved	\$ 35,445	\$ 42,013	\$ 25,472
Unreserved, Reported in:			
Special Revenue Funds	11,307	13,500	20,631
Debt Service Funds	5,467	5,484	4,022
Capital Projects Funds	15,316	18,286	27,096
Total Other Governmental Funds	\$ 67,535	\$ 79,283	\$ 77,221

Notes:

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

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

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
REVENUES:					
Property Taxes	\$ 82,472	\$ 79,460	\$ 74,442	\$ 74,554	\$ 85,869
Sales Taxes	32,234	30,454	29,763	29,126	25,034
Utility Taxes	20,229	20,621	20,764	20,152	19,135
Other Taxes	16,464	15,601	14,568	12,930	13,368
Licenses and Permits	9,270	7,976	9,880	7,773	6,728
Fines and Forfeitures	4,746	4,392	4,058	4,252	4,334
From Use of Money and Property	17,473	16,695	16,046	16,855	15,660
From Other Agencies	18,634	16,804	18,237	18,537	17,659
Charges for Current Service/Other Revenue	35,869	33,886	34,150	30,051	26,996
TOTAL REVENUES	237,391	225,889	221,908	214,230	214,783
EXPENDITURES					
Current:					
City Council	278	258	260	310	300
City Manager	2,703	3,040	1,574	1,758	1,493
City Treasurer	167	169	132	141	1,274
City Attorney	2,425	2,321	2,221	2,313	2,354
City Clerk	895	747	797	689	798
Administrative Services	-	-	-	-	-
Finance*	5,452	5,314	4,825	4,573	3,423
Human Resources	4,606	4,298	5,661	5,213	6,106
Planning & Building**	6,954	7,091	6,155	6,119	6,034
Building	-	-	-	-	-
Fire	45,008	42,602	35,920	35,145	34,546
Information Systems	6,846	6,456	6,096	5,857	5,879
Police	68,940	66,628	60,460	60,249	59,546
Economic Development***	-	-	7,012	3,389	13,784
Community Services	10,223	10,040	13,952	14,082	13,724
Library Services	4,146	3,739	3,588	3,492	3,546
Public Works	23,820	22,872	22,169	22,666	19,006
Non-Departmental	20,067	21,033	19,684	15,455	14,914
Capital Outlay	14,986	10,729	10,745	11,096	6,872
Debt Service:					
Principal	5,454	4,797	9,381	6,012	9,446
Interest	2,226	1,987	2,321	2,564	6,397
TOTAL EXPENDITURES	225,196	214,121	212,953	201,123	209,442
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER)					
EXPENDITURES	12,195	11,768	8,955	13,107	5,341
OTHER FINANCING SOURCES (USES):					
Transfers In	12,158	9,832	9,501	18,904	27,385
Reclassification of Interfund Advances	-	-	-	-	-
Proceeds of Long-Term Debt	16,358	-	-	-	36,275
Issuance Premium	788	-	-	-	1,884
Capital Assets Reclassification for Changes in Fund Type	-	-	-	-	-
Payments to Escrow	-	-	-	-	(37,601)
Transfers Out	(14,238)	(9,870)	(10,339)	(18,942)	(27,423)
TOTAL OTHER FINANCING SOURCES (USES)	15,066	(38)	(838)	(38)	520
Extraordinary Item - Dissolution of RDA	-	-	(4,669)	(11,839)	-
INCREASE (DECREASE) IN FUND BALANCES	\$ 27,261	\$ 11,730	\$ 3,448	\$ 1,230	\$ 5,861
DEBT SERVICE AS A PERCENTAGE OF					
NON-CAPITAL EXPENDITURES	3.7%	3.3%	5.8%	4.5%	7.8%

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

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

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

Fiscal Year Ended September 30,					
2010	2009	2008	2007	2006	
\$ 85,072	\$ 85,612	\$ 82,138	\$ 75,916	\$ 69,065	
22,582	22,356	26,377	26,271	26,448	
19,757	20,616	21,591	21,479	21,170	
11,629	12,085	15,065	13,776	13,226	
6,204	5,879	7,924	10,131	7,432	
3,965	4,144	4,060	4,165	4,288	
16,330	17,285	18,221	19,796	16,461	
19,893	21,152	19,231	19,304	16,611	
26,401	24,894	20,645	23,270	27,237	
211,833	214,023	215,252	214,108	201,938	
301	295	295	287	271	
1,652	1,839	1,588	1,490	5,508	
1,532	1,308	1,357	1,060	1,446	
2,772	2,877	2,881	2,526	2,313	
868	1,084	992	932	828	
-	-	-	-	-	
4,286	4,456	4,792	4,400	3,283	
5,284	4,749	4,725	4,202	-	
3,170	3,232	3,859	3,092	2,800	
3,449	4,176	3,957	4,670	3,729	
32,816	33,596	27,146	26,438	24,334	
6,782	7,339	6,741	6,437	6,540	
58,566	59,686	56,535	55,461	50,151	
14,704	11,086	16,228	8,292	4,172	
14,501	15,407	15,666	14,744	14,382	
4,158	4,336	4,962	5,097	4,359	
20,466	22,143	23,528	25,248	28,448	
14,832	16,710	21,519	12,977	13,831	
17,175	38,494	21,525	16,142	30,174	
7,351	11,480	8,234	10,453	9,406	
6,368	5,383	5,345	5,514	6,512	
221,033	249,676	231,875	209,462	212,487	
(9,200)	(35,653)	(16,623)	4,646	(10,549)	
20,850	27,125	24,278	16,313	21,531	
-	-	-	-	-	
14,745	8,850	-	35	15,579	
707	-	-	-	-	
-	-	-	-	-	
(15,967)	-	-	-	-	
(20,888)	(19,950)	(18,656)	(15,822)	(20,075)	
(553)	16,025	5,622	526	17,035	
-	-	-	-	-	
\$ (9,753)	\$ (19,628)	\$ (11,001)	\$ 5,172	\$ 6,486	
6.7%	8.0%	6.5%	8.3%	8.7%	

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

Fiscal Year	Common Property	Public Utilities	Total Secured	Unsecured	Total Assessed Valuation	Total Direct Tax Rate
2005-2006	20,925,190	1,522	20,926,712	790,513	21,717,225	0.15996
2006-2007	22,817,616	1,458	22,819,074	962,198	23,781,272	0.16282
2007-2008	24,294,404	305	24,294,709	1,066,668	25,361,377	0.16382
2008-2009	25,062,579	263	25,062,842	1,039,636	26,102,478	0.16482
2009-2010	25,324,857	263	25,325,120	1,086,770	26,411,890	0.17082
2010-2011	25,513,584	70,602	25,584,186	1,090,869	26,675,055	0.17082
2011-2012	25,480,770	72,602	25,553,372	1,170,004	26,723,376	0.17082
2012-2013	26,927,738	60,802	26,988,540	1,056,938	28,045,479	0.17082
2013-2014	28,005,989	53,702	28,059,691	1,106,038	29,165,729	0.17082
2014-2015	29,723,274	74,102	29,797,376	989,809	30,787,185	0.17082

Source: County of Orange Auditor Controller

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

Fiscal Year	Direct		Overlapping			Total Direct and Overlapping
	City Basic Rate (1), (2)	City Other	School Districts	Metro Water District	Others	
2005-2006	0.15300	0.00696	0.57434	0.00520	0.32625	1.06575
2006-2007	0.15582	0.00700	0.57338	0.00470	0.32397	1.06487
2007-2008	0.15582	0.00800	0.57893	0.00450	0.32299	1.07024
2008-2009	0.15582	0.00900	0.57673	0.00430	0.32270	1.06855
2009-2010	0.15582	0.01500	0.58099	0.00430	0.32471	1.08082
2010-2011	0.15582	0.01500	0.58252	0.00370	0.32548	1.08252
2011-2012	0.15582	0.01500	0.58334	0.00370	0.32513	1.08299
2012-2013	0.15582	0.01500	0.60412	0.00350	0.30798	1.08642
2013-2014	0.15582	0.01500	0.59841	0.00350	0.31444	1.08717
2014-2015	0.15582	0.01500	0.60288	0.00350	0.31604	1.09324

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			Delinquency Percent
		Amount	Percentage of Levy	Delinquent Tax Collections*	Amount	Percentage of Levy	Delinquent Taxes Receivable	
Secured Taxes								
2005-2006	36,556	35,318	96.6%	498	35,816	98.0%	795	2.2%
2006-2007	39,174	37,194	94.9%	622	37,816	96.5%	1,278	3.3%
2007-2008	42,269	40,001	94.6%	1,113	41,114	97.3%	1,734	4.1%
2008-2009	42,569	40,298	94.7%	1,789	42,087	98.9%	1,582	3.7%
2009-2010	43,892	36,992	84.3%	1,880	38,872	88.6%	1,038	2.4%
2010-2011	44,014	42,233	96.0%	1,339	43,572	99.0%	746	1.7%
2011-2012	44,304	42,611	96.2%	951	43,562	98.3%	660	1.5%
2012-2013	47,162	45,722	96.9%	855	46,577	98.8%	565	1.2%
2013-2014	49,808	48,452	97.3%	656	49,108	98.6%	545	1.1%
2014-2015	52,188	50,759	97.3%	576	51,335	98.4%	519	1.0%
Unsecured Taxes								
2005-2006	1,590	1,434	90.2%	23	1,457	91.6%	42	2.6%
2006-2007	1,842	1,600	86.9%	37	1,637	88.9%	150	8.1%
2007-2008	1,718	1,618	94.2%	60	1,678	97.7%	34	2.0%
2008-2009	1,783	1,606	90.1%	90	1,696	95.1%	49	2.7%
2009-2010	1,882	1,677	89.1%	44	1,721	91.4%	65	3.5%
2010-2011	1,940	1,739	89.6%	22	1,761	90.8%	75	3.9%
2011-2012	1,863	1,731	92.9%	28	1,759	94.4%	68	3.7%
2012-2013	1,882	1,653	87.8%	23	1,676	89.1%	62	3.3%
2013-2014	1,922	1,693	88.1%	33	1,726	89.8%	76	4.0%
2014-2015	2,016	1,839	91.2%	37	1,876	93.1%	69	3.4%
Community Facilities Districts								
2005-2006	4,085	4,069	99.6%	12	4,081	99.9%	11	0.3%
2006-2007	4,061	4,041	99.5%	22	4,063	100.0%	7	0.2%
2007-2008	4,106	4,085	99.5%	21	4,106	100.0%	9	0.2%
2008-2009	4,053	4,034	99.5%	12	4,046	99.8%	7	0.2%
2009-2010	3,937	3,925	99.7%	11	3,936	100.0%	-	0.0%
2010-2011	3,850	3,838	99.7%	-	3,838	99.7%	1	0.0%
2011-2012	4,106	4,091	99.6%	3	4,094	99.7%	2	0.0%
2012-2013	4,093	4,077	99.6%	4	4,081	99.7%	4	0.1%
2013-2014	3,968	3,957	99.7%	6	3,963	99.9%	-	0.0%
2014-2015	3,981	3,967	99.6%	1	3,968	99.7%	2	0.1%

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.

2005/2006 to current fiscal year includes the following:

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

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

Miscellaneous: excluded from all tables

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

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

2014-2015

	Taxable Assessed Value (In Thousands)	Percent of Total TAV
OXY USA Inc	\$ 638,783	2.07%
McDonnell Douglas West Federal Credit Union	338,241	1.10%
Bella Terra Associates LLC	233,012	0.76%
Mayer Financial LP	191,399	0.62%
DCOR LLC	145,379	0.47%
CIM Huntington LLC	104,148	0.34%
Bella Terra Villas LLC	97,724	0.32%
Pacific Sands LLC	89,024	0.29%
United Dominion Realty	88,840	0.29%
AES Huntington Beach LLC	74,100	0.24%
Total Top Ten	2,000,650	4.42%
All Other Property Taxpayers	28,786,535	95.58%
City Total	\$ 30,787,185	100.00%

2005-2006

	Taxable Assessed Value (In Thousands)	Percent of Total TAV
McDonnell Douglas Corporation	\$ 185,842	0.86%
UDR Huntington Villas II	78,000	0.36%
Calresources LLC	66,048	0.30%
Plains Exploration & Production Company	57,484	0.26%
Cambro Manufacturing	56,935	0.26%
Seacliff Village Shopping Center Inc	54,830	0.25%
WCC Phase II Realy Holding Company LLC	51,611	0.24%
Casa Apartments Limited Partnership	47,201	0.22%
PLC	39,755	0.18%
Sharp Electronics Corporation	38,500	0.18%
Total Top Ten	676,206	3.11%
All Other Property Taxpayers	21,041,019	96.89%
City Total	\$ 21,717,225	100.00%

Source: HdL Coren & Cone

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

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

	Fiscal Year Ended September 30,			
	2015	2014	2013	2012
Long-Term Indebtedness				
Governmental Activities:				
Judgement Obligation Bonds	\$ 1,634	\$ 2,574	\$ 3,474	\$ 4,339
Public Financing Authority:				
1997 Leasehold Revenue Bond	-	-	-	-
2000 Lease Revenue Bond	-	-	-	-
2001(a) Lease Revenue Bond	-	-	-	-
2001(b) Lease Revenue Bond	-	-	-	-
2010(a) Lease Revenue Bond	10,525	11,230	11,910	12,565
2011(a) Lease Revenue Bond	24,985	28,165	31,195	34,155
2014(a) Lease Revenue Bond	14,865	-	-	-
Total Public Financing Authority	50,375	39,395	43,105	46,720
Redevelopment Agency:				
1999 Tax Allocation Refunding Bonds	-	-	-	-
2002 Tax Allocation Refunding Bonds	-	-	-	-
Mayer Disposition and Development Agreement	-	-	-	-
Bella Terra OPA (Parking)	-	-	-	-
CIM DDA (Parking & Infrastructure)	-	-	-	-
CIM DDA (Additional Parking)	-	-	-	-
Section 108 Loan RDA/Bowen Court	-	-	-	-
Total Redevelopment Agency	-	-	-	-
Other Long-Term Obligations:				
Capital Leases Payable	-	-	-	290
PARS Payable	-	29	56	4,517
Section 108 Loan City	805	975	1,135	1,285
LED Lighting Phase I	1,063	-	-	-
Total Other Long-Term Obligations	1,868	1,004	1,135	6,092
Total Long-Term Obligations - Governmental Activities	\$ 53,877	\$ 42,973	\$ 47,714	\$ 57,151
Long-Term Obligations - Business-Type Activities:				
Leases Payable	\$ -	\$ -	\$ -	\$ 3
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 53,877	\$ 42,973	\$ 47,714	\$ 57,151
	2015	2014	2013	2012
Population*	198,389	195,999	193,616	192,524
Debt Per Capita	\$ 272	\$ 219	\$ 246	\$ 297
Total Personal Income (In Thousands)**	\$ 8,725,545	\$ 8,278,410	\$ 7,839,899	\$ 7,573,894
Per Capita Personal Income**	\$ 43,982	\$ 42,237	\$ 40,492	\$ 39,340
Unemployment Rate***	3.90%	3.60%	4.30%	6.30%
Total Employment***	104,000	120,200	119,600	115,100

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

Fiscal Year Ended September 30,					
2011	2010	2009	2008	2007	2006

\$ 5,179	\$ 5,989	\$ 6,774	\$ 10,050	\$ 10,795	\$ 11,525
-		2,860	2,945	3,025	3,690
-		12,785	13,515	14,215	14,885
-	25,650	26,375	27,075	27,750	28,400
-	15,915	17,795	19,595	21,340	23,030
13,200	13,820	-	-	-	-
36,275	-	-	-	-	-
-	-	-	-	-	-
49,475	55,385	59,815	63,130	66,330	70,005

6,180	6,610	7,020	7,410	7,790	8,155
13,525	14,470	15,380	16,250	17,095	17,910
5,803	6,153	6,503	6,810	7,101	8,197
13,922	14,076	14,227	14,532	14,855	15,000
7,288	7,444	7,768	-	-	-
435	440	421	-	-	-
3,997	5,725	6,140	6,530	6,895	7,235
51,150	54,918	57,459	51,532	53,736	56,497

572	857	1,161	1,681	2,281	2,975
5,868	7,149	-	-	-	-
1,425	-	-	-	-	-
-	-	-	-	-	-
7,865	8,006	1,161	1,681	2,281	2,975
\$ 113,669	\$ 124,298	\$ 125,209	\$ 126,393	\$ 133,142	\$ 141,002

\$ 6	\$ 9	\$ 12	\$ 40	\$ 112	\$ 183
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\$ 113,669	\$ 113,672	\$ 124,304	\$ 125,218	\$ 126,405	\$ 133,182
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2011	2010	2009	2008	2007	2006
192,524	190,377	203,484	202,480	201,993	202,250
\$ 297	\$ 300	\$ 559	\$ 578	\$ 712	\$ 619
\$ 7,573,894	\$ 7,356,548	\$ 8,440,720	\$ 8,207,324	\$ 8,000,943	\$ 7,626,443
\$ 39,340	\$ 38,642	\$ 41,481	\$ 40,534	\$ 39,610	\$ 37,708
6.30%	7.40%	7.80%	7.90%	4.70%	3.40%
115,100	110,600	112,100	114,100	119,300	121,100

**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
2005-2006	21,717,225	2,606,067	-	2,606,067
2006-2007	23,781,272	2,853,753	-	2,853,753
2007-2008	25,361,377	3,043,365	-	3,043,365
2008-2009	26,102,478	3,132,297	-	3,132,297
2009-2010	26,411,890	3,169,427	-	3,169,427
2010-2011	26,675,055	3,201,007	-	3,201,007
2011-2012	26,723,376	3,206,805	-	3,206,805
2012-2013	28,045,479	3,365,457	-	3,365,457
2013-2014	29,165,729	3,499,887	-	3,499,887
2014-2015	30,787,185	3,694,462	-	3,694,462

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2015**

2014-15 Assessed Valuation \$33,015,099,481

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

Overlapping Tax and Assessment Debt	Percent Applicable (1)	Debt Applicable to City
Metropolitan Water District	1.4230%	\$ 1,571,277
Coast Community College District	29.1940%	130,248,700
Huntington Beach Union High School District	73.0520%	144,383,624
Huntington Beach City School District	99.8830%	17,343,646
Westminster School District	25.6000%	19,092,438
Los Alamitos Unified School District School Facilities District No. 1	1.1390%	1,150,278
City of Huntington Beach Community Facilities Districts	100.0000%	36,820,000
Total Overlapping Tax and Assessment Debt		\$ 350,609,963

Ratios to 2014-2015 Assessed Valuation

Total Overlapping Tax and Assessment Debt 1.06%

Direct and Overlapping General Fund Debt

Orange County General Fund Obligations	\$ 5,403,518
Orange County Pension Obligations	24,438,164
Orange County Board of Education Certificates of Participation	1,064,363
MWDOC Facilities Corporation	231,766
North Orange County Regional Occupation Program Certificates of Participation	8,763
Huntington Beach Union High School District Certificates of Participation	43,390,032
Los Alamitos Unified School District Certificates of Participation	435,575
Fountain Valley School Districts Certificates of Participation	1,714,992
Huntington Beach City School District Certificates of Participation	14,911,199
Ocean View School District Certificates of Participation	24,837,071
Westminster School District Certificates of Participation	5,736,960
City of Huntington Judgement Obligation Bonds	1,634,000
City of Huntington Reporting Entity Beach General Fund Obligations:	51,437,924
Total Gross Direct and Overlapping General Fund Debt	175,244,327
Less Self Supporting Debt of MWDOC Water Facilities Corporation	(231,766)
Total Net Direct and Overlapping General Fund Debt	\$ 175,012,561

Total Direct Debt	\$ 53,071,924
Total Gross Overlapping Debt	486,337,366
Total Net Overlapping Debt	486,105,600

Gross Combined Total Debt	\$ 539,409,290 (2)
Net Combined Total Debt	539,177,524

(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 (\$53,071,924)	0.16%
Gross Combined Total Debt	1.63%
Net Combined Total Debt	1.63%

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

Total Overlapping Tax Increment Debt	0.68%
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Source: California Municipal Statistics and City of Huntington Beach Finance Department

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

	2015	% of total
Boeing	4,857	4.67%
Cambro MFG Co.	951	0.91%
Ensign United States Drilling	925	0.89%
Hyatt Regency Huntington Beach	641	0.62%
C & D Aerospace	555	0.53%
Zodiac Aerospace / Driessen Aircraft	542	0.52%
Huntington Beach Hospital	527	0.51%
Quiksilver	525	0.50%
Walters Wholesale Electronics	480	0.46%
Rainbow Disposal	408	0.39%
Total of top 10	10,411	10.01%
All others	93,589	89.99%
Total employment (public and private)	104,000	100.00%

	2005	% of total
Boeing	4,282	3.59%
Quiksilver	1,550	1.30%
Cambro Manufacturing	886	0.74%
Dynamic Cooking Systems	706	0.59%
Triad Financial	637	0.53%
E-Trade Mortgage	554	0.46%
C & D Aerospace	554	0.46%
Huntington Beach Hospital	513	0.43%
Rainbow Disposal	408	0.34%
Verizon	556	0.47%
Total of top 10	10,646	8.92%
All others	108,654	91.08%
Total employment (public and private)	119,300	100.00%

Source: Economic Development Department, City of Huntington Beach

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

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

	Actual					Budgeted				
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:										
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager	11.50	11.50	7.00	7.00	7.00	6.00	9.00	9.00	8.00	7.00
City Treasurer	1.50	1.50	1.50	1.50	1.50	10.00	10.00	10.00	10.00	10.00
City Attorney	11.00	11.00	11.00	11.00	11.00	17.00	18.00	18.00	18.00	17.00
City Clerk	4.00	4.00	4.00	4.00	4.00	8.00	8.00	8.00	7.50	7.50
Finance	31.50	31.50	29.50	29.50	29.50	32.00	33.00	33.00	33.00	31.00
Human Resources	15.00	15.00	14.50	15.00	15.00	20.50	20.50	20.50	20.00	22.00
Community Development	44.00	43.00	42.75	42.75	43.75	26.00	28.00	28.00	28.00	28.00
Building *	-	-	-	-	-	25.75	30.50	31.50	31.50	31.50
Information Systems	30.00	30.00	29.50	29.50	29.50	39.00	40.00	39.00	38.00	37.00
Economic Development **	-	-	4.50	5.50	11.50	14.00	14.00	14.00	13.00	13.00
Library Services	28.25	28.25	27.75	27.75	29.75	32.25	37.25	37.25	37.25	37.25
Fire	198.00	196.50	176.50	176.50	176.50	176.00	185.00	185.00	184.00	157.00
Police	361.50	360.50	358.50	363.00	367.00	355.00	381.00	381.00	376.00	371.50
Community Services	43.00	43.00	56.00	61.00	61.00	65.75	69.75	69.75	69.75	66.50
Public Works	198.00	196.00	196.00	196.00	203.00	227.00	258.00	258.00	255.00	247.00
	978.25	972.75	960.00	971.00	991.00	1,055.25	1,143.00	1,143.00	1,130.00	1,084.25

Source: Finance Department, City of Huntington Beach

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

Budgeted full-time employees provided for remaining years.

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

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

CITY OF HUNTINGTON BEACH

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

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008
Finance:								
Water Bills Processed	536,684	630,240	628,207	646,229	630,268	640,351	641,602	642,883
Active Business Licenses	21,424	20,450	21,127	22,304	21,903	21,045	20,841	21,129
Accounts Receivable Billings Processed	38,594	42,360	45,422	45,422	42,968	37,146	31,894	26,263
City Clerk:								
Passports Issued	5,121	4,598	4,220	3,850	3,082	3,251	3,186	4,386
Planning:								
Entitlements Processed	280	204	231	205	195	353	465	674
Plan Reviews	1,595	1,466	1,575	1,184	1,524	2,216	1,447	1,941
Field Inspection Complaints	8,233	7,030	7,301	6,105	6,064	8,187	9,345	7,932
Code Violation Cases	4,710	2,545	2,385	2,573	2,521	3,315	3,876	3,385
Building:								
Number of Permits Issued	10,670	9,348	8,970	8,444	8,413	8,037	8,114	9,254
Number of Inspections Completed	38,320	36,142	33,962	31,224	29,905	29,792	33,734	40,510
Value of Construction Permits (Thousands of Dollars)	234,946	216,343	248,246	190,992	104,238	91,049	72,727	123,843
Processed Number of Certificate of Occupancies*	n/a	n/a	477	647	765	796	484	540
Completed Plan Reviews	3,815	3,148	n/a	n/a	n/a	n/a	n/a	n/a
Counter Visits	21,893	21,326	20,854	19,777	20,288	20,272	19,149	18,775
Fire:								
Inspections	6,499	6,641	5,087	6,974	7,858	7,450	6,375	6,203
Responses	19,562	15,815	15,608	15,040	15,940	15,629	14,130	13,879
Ocean Recues	5,371	6,426	4,195	4,669	3,845	2,822	6,047	n/a
Estimated Beach Visitors	11,803,943	12,035,134	11,016,615	8,906,592	7,840,968	8,208,477	9,922,165	10,452,461
Police:								
Physical Arrests	4,854	4,303	4,237	5,774	6,457	5,695	6,380	6,930
Parking Violations	83,453	74,668	72,347	77,282	77,261	74,115	55,840	67,270
Traffic Violations	17,596	16,330	13,016	16,916	16,770	22,660	19,433	18,882
Community Services:								
Park/Open Space Acreage	1,062	1,062	1,062	1,062	998	1,003	999	1,001
Enrollment in Recreation Classes	30,228	30,184	30,218	32,817	32,565	31,743	32,906	35,537
Public Works:								
Water Sold (Acre Feet)**	24,763	29,279	28,354	27,784	26,868	27,268	30,537	30,518
Gallons of Sewage Pumped Per Day**	19 million	22 million	22 million	22 million	22 million	22 million	23 million	23 million
Library:								
Items in Collection	343,655	332,092	385,901	420,956	427,707	437,603	440,578	438,467
Items Borrowed	908,656	937,533	892,543	888,019	943,695	1,009,634	944,492	879,225

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

** Reduction of estimate is the result of the Governor's executive order to reduce water consumption.

Source: Various departments of the City of Huntington Beach

**CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
SEPTEMBER 30, 2015**

Library Services	One Main Library and Four Branches	
Fire:		
Fire Stations	8	
Police:		
Stations	One Main Station and Three Substations	
Community Services:		
Acreage of Parks	1,062	
Community Centers	6	
Miles of Beach Maintained	4.7	
Public Works:		
Centerline Square Miles of Streets Maintained	451	
Miles of Storm Drains Maintained	120	
Miles of Sewer Maintained	362	

Source: Various departments of the City of Huntington Beach

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