



City of Seal Beach California



EDISON PARK



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

The City of Seal Beach provides
excellent city services to enhance
the quality of life and to
preserve our small town character.



The City of Seal Beach Values:

Excellent Customer Service

Mutual Respect

Teamwork

Professionalism

Honest & Ethical Behavior

Cover photos courtesy of: Clinton Ino, MPA Student (Cal State Long Beach)

City of Seal Beach

Comprehensive Annual Financial Report For the Year Ended June 30, 2017



Prepared by the Finance Department
Victoria L. Beatley, CCMT
Director of Finance/City Treasurer

**City of Seal Beach
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION (UNAUDITED)</u>	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting – Government Finance Officers Association	vi
Organizational Chart	vii
Principal Officials of the City of Seal Beach	viii
<u>FINANCIAL SECTION</u>	
Independent Auditors’ Reports:	
Report on the Financial Statements	1
Management’s Discussion and Analysis (Required Supplementary Information) (Unaudited)	5
Basic Financial Statements:	
Government–Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	18
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	25
Reconciliation of the Governmental Funds Balance Sheet to the Government–wide Statement of Net Position	26
Statement of Revenues, Expenditures, and Changes in Fund Balances	27
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government–Wide Statement of Activities	28
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	31
Statement of Revenues, Expenses, and Changes in Net Position	32
Statement of Cash Flows	33
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	37
Statement of Change in Fiduciary Net Position	39
Index to the Notes to the Basic Financial Statements	41
Notes to the Basic Financial Statements	43

**City of Seal Beach
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017**

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedule – General Fund	87
Budgetary Comparison Schedule – Citywide Grant Special Revenue Fund.....	88
Notes to the Budgetary Comparison Schedule	89
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios.....	90
Schedule of the City's Contributions	91
Schedule of Funding Progress – Other Postemployment Benefits.....	92
Supplementary Information:	
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	101
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
<i>Nonmajor Special Revenue Funds:</i>	
Street Lighting.....	106
Supplemental Law Enforcement	107
Detention Center	108
Police Asset Forfeiture	109
Air Quality Improvement.....	110
Parks Improvement	111
Traffic Impact AB 1600	112
State Gasoline Tax	113
Measure M2.....	114
Community Development Block Grant.....	115
Police Grant.....	116
Landscape District.....	117
Heron Pointe.....	118
Pacific Gateway.....	119
Seal Beach Cable	120
<i>Nonmajor Debt Service Fund:</i>	
City Debt	121
<i>Agency Fund Financial Statements:</i>	
Combining Statement of Assets and Liabilities	124
Combining Statement of Changes in Assets and Liabilities	125

City of Seal Beach
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Table of Contents (Continued)

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Position by Component	128
Changes in Net Position	130
Fund Balances of Governmental Funds	134
Changes in Fund Balances of Governmental Funds.....	136
Assessed Value and Estimated Actual Value of Taxable Property	138
Direct and Overlapping Property Tax Rates	139
Principal Property Taxpayers	140
Property Tax Levies and Collections	141
Ratios of Outstanding Debt by Type.....	142
Ratios of General Bonded Debt Outstanding	144
Schedule of Direct and Overlapping Debt.....	145
Legal Debt Margin Information	146
Pledged-Revenue Coverage	148
Demographic and Economic Statistics	149
Top 25 Sales Tax Producers.....	150
Full-Time and Part-Time City Employees by Function	151
Operating Indicators by Function.....	152
Capital Asset Statistics by Function.....	153

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December 22, 2017

Honorable Mayor, Members of the City Council and Citizens of the City of Seal Beach:

City of Seal Beach staff is pleased to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Seal Beach (City) for the fiscal year ended June 30, 2017. Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation including all disclosures rests with the City. In our opinion, the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

The financial statements are prepared in accordance with Generally Accepted Accounting Principals (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these presentations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse, and to compile reliable information for the preparation of this report in conformity with GAAP. As Management, we assert to the best of our knowledge and belief, this financial report is complete and reliable in all material respects within the reasonable of internal control framework.

The City's financial statements have been audited by The Pun Group, LLP, a public accounting firm fully licensed and qualified to perform audits of the state and local governments within the State of California. The audit was designed to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Seal Beach's financial statements for the year ended June 30, 2017, are fairly presented in conformity with Generally Accepted Accounting Principles. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY

The City of Seal Beach is located on the coast of northwestern Orange County California, was incorporated on October 25, 1915. The City charter, which was adopted in 1964, established the form of government, states the powers and duties of the City Council, and establishes various City Offices.

The City is operated under the City Council/City Manager form of government, and is governed by a five-member city council elected by district serving four-year alternating terms and who, in turn elect the Mayor and Mayor Pro Tem from among themselves for a one year term. The governing council is responsible for policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing of all department heads. The City Clerk is an appointed position and is responsible for maintaining city records and overseeing elections.

The City provides a full range of services for the citizens utilizing a mix of contracts with other governmental entities or private companies. The City has its own Police Department but contracts for fire and paramedic services through the Orange County Fire Authority (OCFA). The City also operates water and sewer utilities and contracts for refuse and sanitation treatment services.

The Successor Agency to the Seal Beach Redevelopment Agency (Agency) is a component unit of the City. Component units are legally separate entities for which the primary government is financially accountable. The Seal Beach City Council Members, in separate session, serve as the governing body of the Successor Agency and the City Manager serves as the Executive Director.

History of Seal Beach

The City has an area of 13.23 square miles and sits on the coast as the gateway to Orange County between the cities of Long Beach and Huntington Beach. In 1901 J.C. Ord, a Civil War veteran known as “the father of Seal Beach,” hired a 30–mule team to bring his small general store building from Los Alamitos to Bay City where he set it down at the southwest corner of crossroads now known as Main Street. J.C. Ord was the first Trustee, the first Mayor, Postmaster, and the first Judge. His store on Main Street was the Post Office and Court House and the jail house when it was necessary.

The population in 1915 was 250 persons, including children. Bay City was renamed Seal Beach in 1916. California Sea Lions, commonly called Seals, were a regular part of the scene along the coast and a perfect name for the new town.

On January 16, 1916, it was reported in the newspaper, the POST, that Frank Burt, who had managed the concessions at the recent Panama Pacific Exposition just closing in San Francisco, was coming to Seal Beach. His purpose was to establish an amusement zone for fun and frolic in this small beach village. The Jewel City Amusement Company was formed and a new 1,865-foot-long pier was constructed in early summer 1916, and is the second longest wooden pier in California. The City became a popular recreation destination in the area, and featured a beach side amusement park before Disneyland was founded.

During World War II, the U.S. Navy purchased 5,256 acres of land and established the Naval Ammunition and Net Depot for storage and loading of ammunition for the Pacific Fleet. The Seal Beach National Wildlife Refuge was established in 1972.

In 1961, Leisure World was built on 541 acres of the Hellman Ranch property and was annexed in 1964.

The Rossmoor Business Center was remodeled and now called the Shops at Rossmoor and was annexed by the City in 1962.

In 1964-65, the College Park East and West construction took place.

In 1969, Surfside Colony was annexed into Seal Beach and the City population grew to 24,441 by 1970.

ECONOMIC CONDITIONS

Local economy. Although the focus of this Comprehensive Annual Financial Report is the financial condition of the City at June 30, 2017, it may be best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The City is the home of Boeing Company Integrated Defense System international headquarters, the U.S. Naval Weapons Station, the first Leisure World Retirement Community and the 1,000 acre Seal Beach National Wildlife Refuge. The City's one and a half miles of beaches and the public pier attracts more than 2,000,000 visitors each year making recreation an important factor in the local economy. Seal Beach has a variety of local beach front stores at Main Street which include several fine dining establishments. Throughout the year many exciting community events take place in which the residents, and visitors, enjoy and participate.

Long-term financial planning. The City of Seal Beach economy and tax base continue to stay the course and maintain the present package of core services for our residents, businesses, visitors, and protect all essential municipal services that contribute to the high quality of life within the City.

In FY 2016-2017 the tax revenue increased overall, primarily due to an increase in property values. Property Tax and Franchise Tax revenues increased 6% in the General Fund and Sales Tax increased 4% compared with the projected revenues at the beginning of the FY 2016-2017. The primary reason for the increase in sales tax was the result of continued improvement in general consumer goods, fuel and service stations, and State and County Pool revenue.

For the upcoming fiscal year, property taxes are expected to increase as the result of continued improvement in real estate values. On the other hand, sales tax is expected to remain unchanged. With the recent passage of SB1, which affects the tax rates on fuel, they City is now expecting to see a related increase in sales tax revenue.

The Southern California region continues to show signs of improved economic activity. According to local economic updates, Orange County's unemployment rate will continue to decline and the housing market will continue to show improvement. Consumer spending is expected to increase slightly as well.

Major initiatives. Over the last two years, the City has developed a Mission Statement (inside the front cover), a Values Statement, and Strategic Plan initiatives. The Strategic Plan goals are approved and/or affirmed by the City Council twice a year. The Strategic Plan goals and objectives are updated monthly at a City Council meeting.

The City of Seal Beach will continue to be a major participant in improving ocean water quality as mandated in the Clean Water Act. The City has a National Pollution Discharge Elimination System Program operated for this purpose.

The City has been aggressively seeking, and will continue to search for, funding sources from other governmental agencies or use non-recurring or future developmental revenues to maintain and improve its infrastructure. The City completed several capital projects throughout the fiscal year, including the completion of a tot lot replacement, street sealing on various streets, sidewalk replacement and City Hall and Chambers remodel.

FINANCIAL POLICIES AND PROCEDURES

Internal control structure. Management of the City is responsible for establishing and maintaining an adequate internal control structure. Internal accounting controls are designed to ensure that the assets of the City are protected from loss, theft, or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance, that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgment by management.

Budgetary controls. The annual budget serves as the foundation for the City of Seal Beach's financial planning and control. The City Council adopts an annual budget and appropriates the funds necessary to provide the services and operations for the fiscal year. The City Manager may make appropriation transfers within and between departments which do not result in an increase in appropriations. The City of Seal Beach City Council must approve all appropriation changes that results in an increase in appropriations.

AWARDS

GFOA Award Program – Comprehensive Annual Financial Report

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seal Beach for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. City staff believes that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA again this year for award.

ACKNOWLEDGEMENTS

This report was made possible by the highly dedicated Finance staff with their special efforts and the teamwork, special thanks to the staff in the Finance Department. Sincere appreciation is also expressed to the City Council and City Manager for their interest and support, which made this presentation possible; and finally to the City's auditing firm of The Pun Group, LLP for their professional assistance.

Respectfully submitted,

A handwritten signature in black ink, reading "Victoria L. Beatley". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Victoria L. Beatley
Director of Finance/City Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

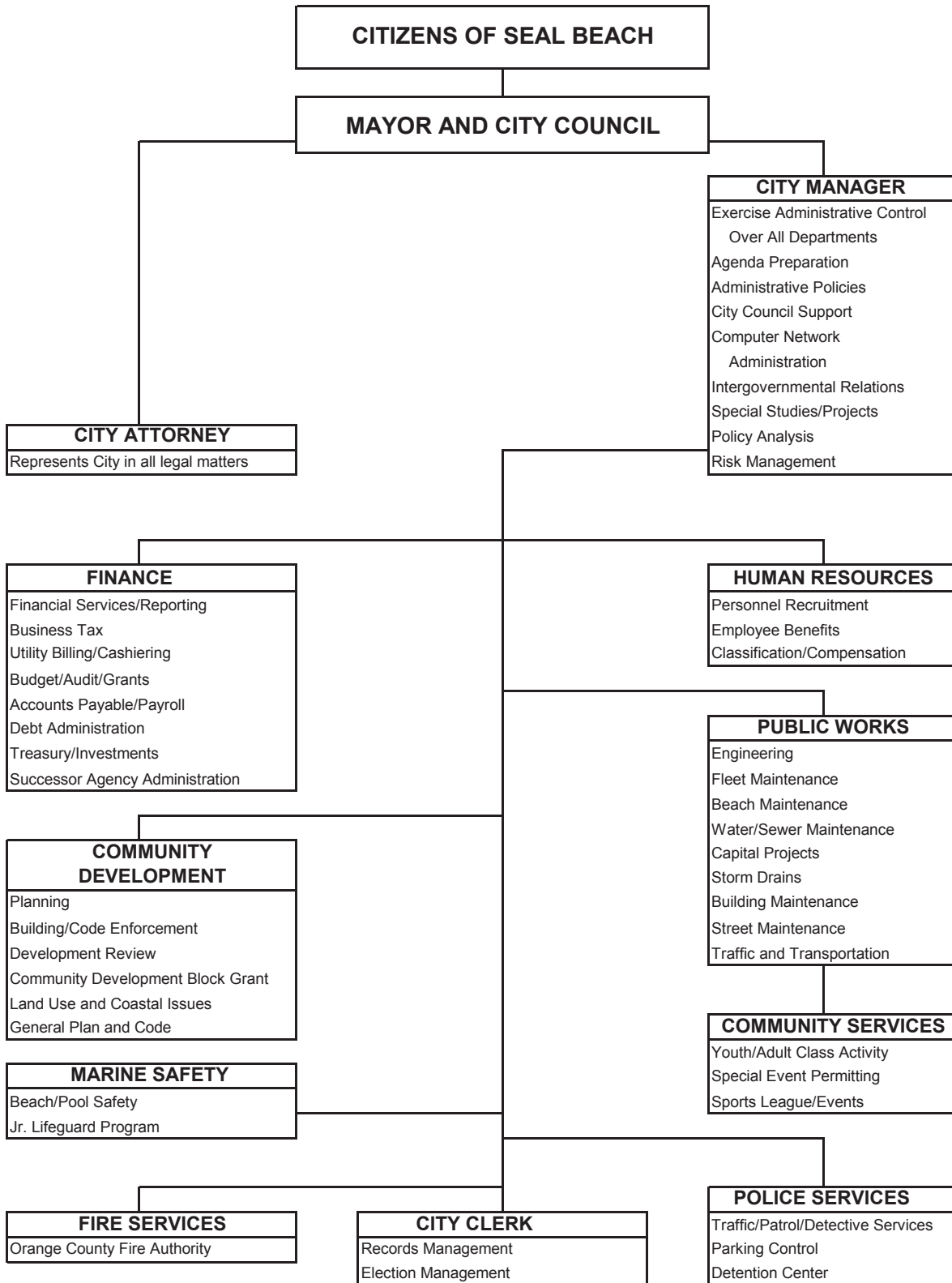
**City of Seal Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Seal Beach Organizational Chart



CITY OF SEAL BEACH CALIFORNIA

Principal Officers

City Council

Sandra Massa-Lavitt, Mayor
Mike Varipapa, Mayor Pro Tem
Ellery Deaton, Council Member
Thomas Moore, Council Member
Shelly Sustarsic, Council Member

Executive Officers

Jill R. Ingram, City Manager
Craig A. Steele, City Attorney

Administrative Personnel

Joe Bailey, Marine Safety Chief
Victoria L. Beatley, Director of Finance/City Treasurer
Patrick Gallegos, Assistant City Manager
Crystal Landavazo, Interim Director of Community Development
Joseph Miller IV, Interim Chief of Police
Robin L. Roberts, City Clerk



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Seal Beach
Seal 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 Seal Beach, California (the "City"), as of and for the year ended June 30, 2017, 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.

Auditor's 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 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 June 30, 2017, 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

Prior Period Adjustments

As discussed in Note 14 to the basic financial statements, the City had recorded prior period adjustment in the amount of \$383,283 in the Governmental Activities and \$598,085 in the Business Type Activities due to the restatement of the net pension liabilities and the related deferred outflows and inflows of resources. 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 Schedule-General Fund, Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of the City's Contributions, and the Schedules of Funding Progress-Other Postemployment Benefits on pages 5 to 12 and 87 to 92, 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, the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members of the City Council
of the City of Seal Beach
Seal Beach, California
Page 3

The Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 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 December 22, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

The PwC Group, LLP

Santa Ana, California
December 22, 2017

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City of Seal Beach
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Management of the City of Seal Beach is pleased to offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements.

FINANCIAL HIGHLIGHTS

- Assets included in the City's combined governmental and business-type activities exceeded liabilities by \$126,041,742 for the fiscal year ended June 30, 2017, representing a decrease of 2.5% in net position from the prior fiscal year. Of this amount, a decrease of \$2,482,878 was due to the decline in capital assets during the fiscal year. In addition, \$15,945,651 (unrestricted net position) of the total net position may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's budget and fiscal policies. This amount includes City Council designations of fund balance.
- The City's change in net position was \$3,862,034 less than last fiscal year. The major reason for the decrease in the change in net position is attributable to the fact that the Net Position was restated to properly reflect the pension liabilities related to GASB 68 at June 30, 2017 in the amount of \$31,535,854. In addition, there's a decrease in revenues for use of money and property of \$588,334 (inclusive of the unrealized loss in the City's investment portfolio of \$435,606), utilities users tax of \$267,467, public safety expenses increased by \$2,894,180, and general government expenses decreased by \$369,421 for the fiscal year ended June 30, 2017.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31,209,932, representing a decrease of 5.2% from the prior fiscal year. This resulted in an unassigned fund balance of \$19,585,294, or 62.8% of the total fund balance, after recording all assigned fund balances.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$19,770,202 or 60.4% of total general fund expenditures and transfers out.
- Revenues associated with the City's business-type activities were \$48,793 less than the \$7,616,203 in expenses recorded. During the fiscal year ended June 30, 2010, a water rate study was conducted and as a result of that study, water rates were reduced in fiscal year 2009-2010 but increased in fiscal year 2010-2011 and for the next three years. The final approved water rate increase occurred in the fiscal year ended June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a view of the City's finances as a whole in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Seal Beach
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, development services, public works, and recreation. The business-type activities of the City include water and sewer operations.

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management established many other funds to help control and manage money for particular purposes or to verify that all legal requirements for using certain taxes, grants, and other resources are being satisfied. The City's three types of funds are governmental, proprietary, and fiduciary funds.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-wide financial statements are explained in a reconciliation following each of the Governmental Fund financial statements.

Proprietary funds – Customer charges for various City services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are comprised of the business-type activities reported in the government-wide statements but provide more detail and additional information such as a statement of cash flows.

Fiduciary funds – The City utilizes Fiduciary funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements – The financial statements also include the Notes to the Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to the Financial Statements is critical to a reader's full understanding of the Government-wide and Fund Financial Statements.

Supplementary Information – In addition to the required elements of the Basic Financial Statements, a Supplementary Information section is included which contains budgetary and combining schedules that provide additional details about the City's non-major Governmental Funds and Fiduciary Funds.

City of Seal Beach
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the City's net position and changes in net position resulting from the City's activities.

Net Position – Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position were \$126.0 million and \$129.2 million for the years ended June 30, 2017 and June 30, 2016, respectively, as shown in Table 1.

	(In the thousands)					
	Governmental Activities		Business-Type Activities		Total Activities	
	(As Restated)		(As Restated)		(As Restated)	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 38,064	\$ 36,339	\$ 16,639	\$ 17,033	\$ 54,703	\$ 53,372
Capital assets	77,195	75,914	40,271	39,070	117,466	114,984
Total assets	<u>115,259</u>	<u>112,253</u>	<u>56,910</u>	<u>56,103</u>	<u>172,169</u>	<u>168,356</u>
Deferred Outflows of Resources	<u>4,321</u>	<u>7,505</u>	<u>372</u>	<u>765</u>	<u>4,693</u>	<u>8,270</u>
Long-term liabilities outstanding	31,481	35,943	8,656	9,264	40,137	45,207
Other liabilities	<u>2,251</u>	<u>2,300</u>	<u>910</u>	<u>1,077</u>	<u>3,161</u>	<u>3,377</u>
Total liabilities	<u>33,732</u>	<u>38,243</u>	<u>9,566</u>	<u>10,341</u>	<u>43,298</u>	<u>48,584</u>
Deferred Inflows of Resources	<u>3,711</u>	<u>2,304</u>	<u>625</u>	<u>409</u>	<u>4,336</u>	<u>2,713</u>
Net position						
Net investment in capital assets	73,940	72,400	34,145	33,109	108,085	105,509
Restricted	3,867	4,740	-	-	3,867	4,740
Unrestricted	<u>4,330</u>	<u>2,070</u>	<u>12,946</u>	<u>13,722</u>	<u>17,276</u>	<u>15,792</u>
Total net position	<u>\$ 82,137</u>	<u>\$ 79,210</u>	<u>\$ 47,091</u>	<u>\$ 46,831</u>	<u>\$ 129,228</u>	<u>\$ 126,041</u>

Investment in capital assets represents assets such as land, buildings, infrastructure, and equipment less any related outstanding debt used to acquire those assets. Investment in capital assets represents \$105.5 million, or 83.7%, of the total \$ 126.0 million net position, a increase of 0.7% from the prior fiscal year. The City's capital assets do not represent a financial resource and consequently are not available for future spending.

Unrestricted position represents the second largest portion of the City's net position. The City is required by Council Policy to maintain a minimum of 20% to 25% of operating expenditures to maintain the City's credit worthiness and to meet cash flow requirements. As of June 30, 2017, unrestricted net position decreased by 8.6% to \$15.8 million from \$17.3 million in the prior fiscal year. Restricted net position represents resources that are legally restricted to specific uses. These restrictions are generally enforced by external agencies.

As of June 30, 2017, the City reported positive balances in all three categories of net position for both Governmental and Business-type Activities.

With the exception of contracting the City's fire services with the Orange County Fire Authority, the City is a full service city providing residents and visitors with the following functional services:

General Government is comprised of the City Council, City Clerk, City Manager, Human Resources, and Finance. These departments provide general governance, executive management, records management, risk management, finance, cash management, accounting, and information technology services. An outside firm appointed by the City Council provides legal services.

City of Seal Beach
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Public Safety is comprised of the Police and Lifeguard departments. The two departments provide general law enforcement, oversee animal control services, ocean and pool lifeguard services, and parking control.

Public Works provides engineering, construction and maintenance of public streets, highways, buildings, beaches, parks and related infrastructure, as well as traffic engineering, and street lighting.

Development Services is comprised of the Planning and Building departments that provide planning and zoning services, economic development services, and building plan check and code enforcement services.

Community Services provides leisure classes, monitors use of community facilities, sports programs, and aquatic services.

Business Enterprise Operations include water and sewer operations and are administered by Public Works.

The following table provides a summary of the City's operations for the years ended June 30, 2017 and 2016.

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 6,544	\$ 6,991	\$ 6,728	\$ 7,567	\$ 13,272	\$ 14,558
Operating grants and capital contributions	2,214	1,721	-	-	2,214	1,721
Capital grants and contributions	10	175	-	-	10	175
General Revenues:						
Taxes						
Property taxes	10,409	11,012	-	-	10,409	11,012
Sales taxes	4,229	4,379	-	-	4,229	4,379
Transient occupancy taxes	1,655	1,694	-	-	1,655	1,694
Other taxes	5,608	5,396	-	-	5,608	5,396
Use of money and property	1,005	425	177	168	1,182	593
Other	536	214	20	-	556	214
Total revenues	<u>32,210</u>	<u>32,007</u>	<u>6,925</u>	<u>7,735</u>	<u>39,135</u>	<u>39,742</u>
Expenses:						
General government	6,264	5,895	-	-	6,264	5,895
Public safety	16,973	19,867	-	-	16,973	19,867
Community development	1,100	1,219	-	-	1,100	1,219
Community Services	1,037	995	-	-	1,037	995
Public works	6,956	6,993	-	-	6,956	6,993
Interest on long-term debt	350	344	-	-	350	344
Water	-	-	4,102	4,977	4,102	4,977
Sewer	-	-	1,677	2,639	1,677	2,639
Total expenses	<u>32,680</u>	<u>35,313</u>	<u>5,779</u>	<u>7,616</u>	<u>38,459</u>	<u>42,929</u>
Excess/(deficiency) before special item	(470)	(3,306)	1,146	119	676	(3,187)
Transfers	<u>379</u>	<u>379</u>	<u>(379)</u>	<u>(379)</u>	<u>-</u>	<u>-</u>
Changes in net position	(91)	(2,927)	767	(260)	676	(3,187)
Net position at beginning of year	82,237	82,137	46,922	47,091	129,159	129,228
Restatement of net position	<u>(9)</u>	<u>-</u>	<u>(598)</u>	<u>-</u>	<u>(607)</u>	<u>-</u>
Net position at end of year	<u>\$ 82,137</u>	<u>\$ 79,210</u>	<u>\$ 47,091</u>	<u>\$ 46,831</u>	<u>\$ 129,228</u>	<u>\$ 126,041</u>

City of Seal Beach
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Analysis of the City's Operations – The City's Net Position decreased by \$3.2 million during Fiscal Year 2016-2017 or 2.5%, over prior year results.

Governmental Activities experienced a decrease of \$2.9 million in net position as of June 30, 2017 compared to an decrease of \$0.1 million for year ended June 30, 2016. The primary reason for the decrease in net position is attributable to a decrease in utilities users tax of \$.3 million, use of money and property of \$.6 million and an increase in public safety expense of \$2.9 million.

The cost of all governmental activities during the current fiscal year was \$35.3 million, slightly higher than last year. As shown on the statement of activities, those who directly benefited from the programs paid \$7.0 million of the cost, and \$1.6 million was financed by contributions and grants received from other governmental organizations. The remainder of the costs of operations, \$26.5 million was subsidized through general City taxes and other revenue sources. The largest operating cost was comprised of Public Safety, representing 56.3% of total governmental expenditures compared to 51.9% of total governmental expenditures in fiscal year 2015-2016.

Business-type Activities' net position decreased \$0.3 million primarily due to capital projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The objective of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017 the City's governmental funds reported combined ending fund balances of \$31.2 million. Approximately \$19.6 million, or 62.8%, of this total amount constitutes unassigned fund balance. The remainder of the fund balance is assigned to indicate that it is not available for new spending because it has already been committed to pay for encumbrances, loans, prepaid expenses, or advances to other funds.

The General Fund ended the fiscal year with a fund balance of \$27.3 million, representing a net decrease of \$1.8 million in fund balance compared to the \$.9 million decrease experienced during the prior fiscal year. The primary reason for the decrease in fund balance was due to a decline in utilities users tax, use of money and property, and other taxes. Additionally, public safety expenditures increased by \$1.2 million.

Proprietary funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position totaled \$7.6 million and \$6.1 million for the Water and Sewer funds, respectively. The Water fund decreased by \$0.4 million in net position, mainly due to decrease in revenue collection. The decrease of \$0.2 million in the Sewer fund net position resulted from GASB 68 (pension liability adjustment). Sewer operating fees represent 22% of customer water charges for both usage and capital costs.

General Fund Budgetary Highlights – There was no amendment of the original and final amended budgeted revenues.

The difference between the original and final amended budget in General Fund expenditures was an increase of \$1.0 million. This difference is due to a variety of budget amendments approved by the City Council during the fiscal year including comprehensive parking management plan, city hall upgrade, Police Department security lobby, winter pump rental, west end pump station emergency repair, and purchase order and CIP carryover from prior fiscal year.

General Government revenues including transfer in came in less than projected in the final budget by approximately \$4.2 million.

City of Seal Beach
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

General Fund expenditures were \$13.4 million less than appropriations. This difference is due to transfers out and budgeted capital projects that were either not started or completed during the fiscal year. These appropriations were carried forward to the FY 2017-2018 fiscal year.

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$115.0 million compared to \$117.5 million (net of accumulated depreciation) for FY 2015-2016. This investment in capital assets includes land, building, equipment, improvements, infrastructure, and construction in progress. Total capital assets for governmental activities for the current fiscal year decreased 1.66% and the City's investment in capital assets for business-type activities for the current fiscal year also decreased 2.98%.

Table 3
Capital Assets At Year-End
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land and land easement	\$ 11,420	\$ 11,420	\$ -	\$ -	\$ 11,420	\$ 11,420
Buildings and Improvements	9,497	9,967	1	-	9,498	9,967
Machinery and Equipment	302	242	683	651	985	893
Vehicles	1,220	1,369	385	352	1,605	1,721
Infrastructure	52,279	50,752	38,166	36,715	90,445	87,467
Construction-in-progress	2,477	2,164	1,036	1,352	3,513	3,516
Totals	\$ 77,195	\$ 75,914	\$ 40,271	\$ 39,070	\$ 117,466	\$ 114,984

During FY 2016-2017, major capital projects formally completed include:

- Energy Efficiency Project for \$955,018. This project replaced lighting, irrigations controls and other energy efficient items throughout the City.
- Traffic Management Center Project No. ST1408 for \$582,509. This project constructed a new traffic signal management office to fully view and control the traffic signals along Seal Beach Blvd. and for future connects of all other remaining signals throughout the City.
- Annual Slurry Seal Project No. ST1601 for \$106,237. This project sealed various street in College Park East.
- Annual Concrete Repair Project No. ST1604 for \$67,886. This project replaced sidewalks, curb and gutters and ramps throughout the City.
- West End Storm Pump Station Equipment Replacement Project No. SD1601 for \$178,491. This project replaced a variable frequency drive and sump pump.
- Eisenhower Park Tot Lot Rehabilitation Project No. PR1602 for \$177,160. This project replaced the play equipment at the beach lot.
- Council Chambers and SBTV-3 Remodel Project No. BG1402 for \$266,353. This project created a new office for SBTV-3 and a new egress, bullet proofing the dais and new panic buttons for the Chambers.
- City Hall Security Upgrade Project No. EM1504 for \$156,177. This project installed new cameras, access control doors, Police Support Office and automated voice dialing systems.

Additional information on the City's capital assets can be found in note 5 in the Financial Section of this report.

City of Seal Beach
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

DEBT ADMINISTRATION

As of June 30, 2017, the City had bonded debt, notes payable, compensated absences, claims payable, and capital leases totaling \$13.7 million compared to \$16.1 million at the end of FY 2015-2016. The City's governmental activities maintained \$7.6 million in bonds, capital leases, compensated absences, and claims payable versus \$9.7 million last year, representing a decrease of approximately \$2.1 million from the previous fiscal year. This decrease reflects interest and principal payments made during FY 2016-2017.

The City's business-type activities debt decreased \$.3 million from \$6.4 million to \$6.1 million. Debt in the business-type activities consists of Sewer Certificates of Participation Payable to provide funds for improvements to the City's sewer system, a State revolving loan for the sewer capital improvement project, and compensated absences.

Table 4
 Outstanding Debt, At Year-End
 (in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Compensated absences	\$ 1,228	\$ 1,224	\$ 128	\$ 140	\$ 1,356	\$ 1,364
Capital leases	1,368	673	-	-	1,368	673
Pension Obligation Bonds	3,461	2,414	-	-	3,461	2,414
Lease Revenue Bonds	3,255	2,835	-	-	3,255	2,835
Certificates of participations	-	-	2,565	2,420	2,565	2,420
Sewer Capital Improv. Proj.	-	-	3,718	3,538	3,718	3,538
Self-insured claims payable	378	427	-	-	378	427
Total	\$ 9,690	\$ 7,573	\$ 6,411	\$ 6,098	\$ 16,101	\$ 13,671

Additional information on the City's long-term debt can be found in note 6 in the Financial Section of the report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Seal Beach economy and tax base continue to support the present package of core services for our residents, businesses, and visitors and protect all essential municipal services that contribute to the high quality of life within the City.

In FY 2016-2017 the tax revenue decreased overall as a direct result of a decline in the petroleum industry and a decline in the price of oil. In the General Fund, Property Tax revenues increased 6% and Other Taxes decreased 41% compared with the projected revenues at the beginning of the FY 2016-2017. The primary reason for the decline is a reduction in utilities users tax and the unrealized loss in the investment portfolio.

For the upcoming fiscal year, property tax and sales tax are projected to increase slightly primarily due to the continued improvement in real estate values and retail sales throughout the City are expected to remain relatively flat.

City of Seal Beach
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

The Southern California region, as well as the entire country, continues to show signs of improved economic activity. According to local economic updates, Orange County's unemployment rate will continue to decline and the housing market will continue to show improvement. Consumer spending is expected to increase slightly as well.

The City prepared an annual budget for FY 2016-2017. The one-year budget represents a General Fund surplus of operating revenues over operating expenditures (excluding capital projects) in each fiscal year. Expenditures of the City were budgeted at the current level of service with capital improvement projects to be supported primarily by the City's General Fund reserves. The revenue projections for the FY 2016–2017 budget year were very conservative due to the slow improvement in the economy. The City will continue to monitor revenue streams throughout the coming years and will adjust spending levels as deemed necessary.

The most significant issues facing the City are the aged condition of the City's infrastructure. The City has completed and adopted numerous infrastructure planning documents e.g. (Water Master Plan, Sewer Master Plan, Master Plan of Drainage, Facilities Master Plan, and Pavement Management Plan). These plans identify well over \$150 million in needed improvements throughout the City. The City annually adopts a 5-year Capital Improvement Program (CIP) that strategically plans construction of these needed improvements. The FY 2017-18 CIP recommends \$33.6 million in improvements over the next 5 years. The 5 Year Capital Improvement Program identifies needs in the following areas: Beach and Pier (\$4.0M), Buildings and Facilities (\$6.2M), Parks (\$180k), Sewer System (\$230k), Storm Drain System (\$559k), Streets and Transportation (\$6.5M) and Water System (\$15.8M). Based upon the list of known projects there is over \$206 million of capital improvements needed in the near future.

REQUEST FOR INFORMATION

This financial report is designed to provide the City's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 211 8th Street, Seal Beach, CA 90740-6379 or call (562) 431-2527.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Seal Beach
Statement of Net Position
June 30, 2017

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and investments	\$ 31,565,673	\$ 15,849,326	\$ 47,414,999
Receivables:			
Accounts	1,092,234	1,183,788	2,276,022
Taxes	1,567,469	-	1,567,469
Interest	35,172	-	35,172
Prepaid items	13,272	-	13,272
Due from other governments	598,466	-	598,466
Total Current Assets	34,872,286	17,033,114	51,905,400
Noncurrent Assets:			
Restricted cash with fiscal agent	741,820	-	741,820
Advance to Successor Agency	-	714,110	714,110
Net OPEB assets	725,223	-	725,223
Capital assets:			
Capital assets, not being depreciated	13,583,972	1,351,575	14,935,547
Capital assets, being depreciated, net	62,329,471	37,718,241	100,047,712
Total capital assets, net	75,913,443	39,069,816	114,983,259
Total Noncurrent Assets	77,380,486	39,783,926	117,164,412
Total Assets	112,252,772	56,817,040	169,069,812
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	144,844	144,844
Deferred pension related items	7,504,625	620,645	8,125,270
Total Deferred Outflows of Resources	7,504,625	765,489	8,270,114

City of Seal Beach
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	1,336,517	784,696	2,121,213
Accrued liabilities	430,602	63,051	493,653
Accrued interest	30,703	68,535	99,238
Unearned revenues	18,550	-	18,550
Deposits payable	478,018	13,535	491,553
Retention payable	5,862	147,202	153,064
Long-term liabilities, due within one year	2,100,452	376,132	2,476,584
Long-term liabilities:			
Long-term liabilities, due in more than one year	5,472,986	5,722,050	11,195,036
Aggregate net pension liabilities	28,369,690	3,166,164	31,535,854
Total Liabilities	38,243,380	10,341,365	48,584,745
DEFERRED INFLOWS OF RESOURCES			
Deferred pension related items	2,303,785	409,654	2,713,439
Total Deferred Inflows of Resources	2,303,785	409,654	2,713,439
NET POSITION			
Net investment in capital assets	72,399,752	33,109,258	105,509,010
Restricted for:			
Community development projects	596,529	-	596,529
Public safety	338,240	-	338,240
Community services	324,218	-	324,218
Public works	2,586,274	-	2,586,274
Debt service	729,543	-	729,543
Other	12,277	-	12,277
Total restricted	4,587,081	-	4,587,081
Unrestricted	2,223,399	13,722,252	15,945,651
Total Net Position	\$ 79,210,232	\$ 46,831,510	\$ 126,041,742

City of Seal Beach
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 5,894,947	\$ 1,913,909	\$ 7,641	\$ -	\$ 1,921,550
Public safety	19,867,060	2,045,589	430,455	-	2,476,044
Community development	1,218,902	217,486	290,770	-	508,256
Community services	995,468	707,813	-	-	707,813
Public works	6,992,604	2,105,747	992,301	174,685	3,272,733
Interest and fiscal charges	342,951	-	-	-	-
Total Governmental Activities	35,311,932	6,990,544	1,721,167	174,685	8,886,396
Business-Type Activities:					
Water Utility	4,977,160	4,782,468	-	-	4,782,468
Sewer Utility	2,639,043	2,784,942	-	-	2,784,942
Total Business-Type Activities	7,616,203	7,567,410	-	-	7,567,410
Total Primary Government	\$ 42,928,135	\$ 14,557,954	\$ 1,721,167	\$ 174,685	\$ 16,453,806

City of Seal Beach
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Positions		
	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (3,973,397)	\$ -	\$ (3,973,397)
Public safety	(17,391,016)	-	(17,391,016)
Community development	(710,646)	-	(710,646)
Community services	(287,655)	-	(287,655)
Public works	(3,719,871)	-	(3,719,871)
Interest and fiscal charges	(342,951)	-	(342,951)
Total Governmental Activities	(26,425,536)	-	(26,425,536)
Business-Type Activities:			
Water Utility	-	(194,692)	(194,692)
Sewer Utility	-	145,899	145,899
Total Business-Type Activities	-	(48,793)	(48,793)
Total Primary Government	(26,425,536)	(48,793)	(26,474,329)
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	11,012,246	-	11,012,246
Sales taxes	4,379,341	-	4,379,341
Franchise taxes	1,016,938	-	1,016,938
Utility users tax	4,177,713	-	4,177,713
Transient occupancy taxes	1,693,515	-	1,693,515
Other taxes	190,510	-	190,510
Motor vehicle in lieu- unrestricted	11,235	-	11,235
Use of money and property	425,014	167,661	592,675
Other	214,219	-	214,219
Transfers	378,500	(378,500)	-
Total General Revenues and Transfers	23,499,231	(210,839)	23,288,392
Changes in Net Position	(2,926,305)	(259,632)	(3,185,937)
Net Position:			
Beginning of Year, as restated (Note 14)	82,136,537	47,091,142	129,227,679
End of Year	\$ 79,210,232	\$ 46,831,510	\$ 126,041,742

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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**City of Seal Beach
Balance Sheet
Governmental Funds
June 30, 2017**

	General	Citywide Grants Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and investments	\$ 26,382,476	\$ -	\$ 3,562,486	\$ 29,944,962
Receivables:				
Accounts	947,257	-	144,977	1,092,234
Taxes	1,566,762	-	707	1,567,469
Interest	34,795	-	377	35,172
Prepaid items	2,877	-	10,395	13,272
Due from other governments	-	582,509	15,957	598,466
Due from other funds	182,409	-	-	182,409
Restricted assets:				
Cash and investments with fiscal agents	12,277	-	729,543	741,820
Total Assets	<u>\$ 29,128,853</u>	<u>\$ 582,509</u>	<u>\$ 4,464,442</u>	<u>\$ 34,175,804</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 960,856	\$ -	\$ 292,622	\$ 1,253,478
Accrued liabilities	426,342	-	4,260	430,602
Unearned revenues	-	-	18,550	18,550
Deposits payable	478,018	-	-	478,018
Due to other funds	-	138,908	43,501	182,409
Retentions payable	-	-	5,862	5,862
Total Liabilities	<u>1,865,216</u>	<u>138,908</u>	<u>364,795</u>	<u>2,368,919</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	582,509	14,444	596,953
Total Deferred Inflows of Resources	<u>-</u>	<u>582,509</u>	<u>14,444</u>	<u>596,953</u>
Fund Balances:				
Nonspendable	2,877	-	-	2,877
Restricted	12,277	-	4,131,203	4,143,480
Committed	-	-	-	-
Assigned	7,478,281	-	-	7,478,281
Unassigned (deficit)	19,770,202	(138,908)	(46,000)	19,585,294
Total Fund Balances	<u>27,263,637</u>	<u>(138,908)</u>	<u>4,085,203</u>	<u>31,209,932</u>
Total Liabilities and Fund Balances	<u>\$ 29,128,853</u>	<u>\$ 582,509</u>	<u>\$ 4,464,442</u>	<u>\$ 34,175,804</u>

City of Seal Beach
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds \$ 31,209,932

Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	\$ 13,583,972	
Depreciable, net of \$1,175,325 reported in Internal Service Fund	<u>61,154,146</u>	74,738,118

Governmental funds report all OPEB contributions as expenditures; however, in the Statement of Net Position, any excesses or deficiencies in contributions in relation to the annual required contributions are reported as an asset or liability.

725,223

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

Bonds payable	\$ (5,249,000)	
Loans payable	(672,829)	
Claims and judgments	(427,595)	
Compensated absences	<u>(1,224,014)</u>	(7,573,438)

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds.

(30,703)

Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	7,504,625	
Aggregate net pension liability	(28,369,690)	
Pension related deferred inflows of resources	<u>(2,303,785)</u>	(23,168,850)

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The Availability criteria does not apply to the government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned.

596,953

Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-Wide Statement of Net Position.

2,712,997

Net Position of Governmental Activities

\$ 79,210,232

City of Seal Beach
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Citywide Grants Fund	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 22,033,465	\$ -	\$ 1,334,906	\$ 23,368,371
Licenses and permits	1,234,590	-	-	1,234,590
Intergovernmental	90,028	-	654,876	744,904
Charges for services	5,225,368	-	123,715	5,349,083
Use of money and property	393,700	-	32,718	426,418
Fines and forfeitures	152,845	-	-	152,845
Contributions	180,511	-	-	180,511
Miscellaneous	440,495	-	51,750	492,245
Total Revenues	<u>29,751,002</u>	<u>-</u>	<u>2,197,965</u>	<u>31,948,967</u>
Expenditures:				
Current:				
General government	5,408,672	-	264,637	5,673,309
Public safety	17,218,671	-	177,294	17,395,965
Community development	894,476	-	291,605	1,186,081
Community services	1,004,690	-	-	1,004,690
Public works	4,551,667	-	34,706	4,586,373
Capital outlay	-	-	1,506,476	1,506,476
Debt service:				
Principal retirement	695,379	-	1,467,000	2,162,379
Interest and fiscal charges	69,347	-	283,975	353,322
Total Expenditures	<u>29,842,902</u>	<u>-</u>	<u>4,025,693</u>	<u>33,868,595</u>
Revenues over (under) expenditures	<u>(91,900)</u>	<u>-</u>	<u>(1,827,728)</u>	<u>(1,919,628)</u>
Other Financing Sources (Uses):				
Transfers in	1,159,591	-	3,312,538	4,472,129
Transfers out	(2,908,236)	(215,745)	(1,138,195)	(4,262,176)
Total Other Financing Sources (Uses):	<u>(1,748,645)</u>	<u>(215,745)</u>	<u>2,174,343</u>	<u>209,953</u>
Net Change in Fund Balances	<u>(1,840,545)</u>	<u>(215,745)</u>	<u>346,615</u>	<u>(1,709,675)</u>
Fund Balances:				
Beginning of Year	29,104,182	76,837	3,738,588	32,919,607
End of Year	<u>\$ 27,263,637</u>	<u>\$ (138,908)</u>	<u>\$ 4,085,203</u>	<u>\$ 31,209,932</u>

City of Seal Beach
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (1,709,675)

Governmental activities in the Statement of Activities were reported differently because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Capital outlay, net of \$335,902 reported in Internal Service Fund	\$ 1,392,507	
Depreciation, net of \$189,830 reported in Internal Service Fund	(2,685,324)	
Net effect on disposal of capital assets	<u>(124,453)</u>	(1,417,270)

Governmental funds report all OPEB contributions as expenditures; however, in the Statement of Activities, only the OPEB cost is reported as an expense.		37,969
--	--	--------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		2,162,379
--	--	-----------

Interest expense on long-term debt is reported in the Statement of Activities, but do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in governmental funds. This amount represents the change in accrued interest from the prior year.		10,371
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Claims and judgment changes 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.		(49,697)
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Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds.		4,068
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Certain pension 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, net of contribution made during the measurement period in the amount of \$2,301,287.		(1,987,856)
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Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities.		58,160
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Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.		<u>(34,754)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (2,926,305)</u></u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

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City of Seal Beach
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities			Governmental Activities
	Water Utility	Sewer Utility	Total	Vehicle Replacement Internal Service Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 9,435,170	\$ 6,414,156	\$ 15,849,326	\$ 1,620,711
Accounts receivable	752,301	431,487	1,183,788	-
Total Current Assets	10,187,471	6,845,643	17,033,114	1,620,711
Noncurrent Assets:				
Advance to Successor Agency	-	714,110	714,110	-
Capital assets, not being depreciated	850,743	500,832	1,351,575	-
Capital assets, net of accumulated depreciation	15,006,555	22,711,686	37,718,241	1,175,325
Total Noncurrent Assets	15,857,298	23,926,628	39,783,926	1,175,325
Total Assets	26,044,769	30,772,271	56,817,040	2,796,036
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	144,844	144,844	-
Deferred pension related items	361,099	259,546	620,645	-
Total Deferred Outflows of Resources	361,099	404,390	765,489	-
LIABILITIES				
Current Liabilities:				
Accounts payable	745,183	39,513	784,696	83,039
Accrued liabilities	39,818	23,233	63,051	-
Accrued interest	-	68,535	68,535	-
Deposits payable	11,935	1,600	13,535	-
Retention Payable	73,410	73,792	147,202	-
Accrued compensated absences	29,270	12,352	41,622	-
Long-term debt - due within one year	-	334,510	334,510	-
Total Current Liabilities	899,616	553,535	1,453,151	83,039
Noncurrent Liabilities:				
Accrued compensated absences	59,486	38,874	98,360	-
Long-term debt - due in more than one year	-	5,623,690	5,623,690	-
Aggregate net pension liability	1,842,113	1,324,051	3,166,164	-
Total Noncurrent Liabilities	1,901,599	6,986,615	8,888,214	-
Total Liabilities	2,801,215	7,540,150	10,341,365	83,039
DEFERRED INFLOW OF RESOURCES				
Deferred pension related items	238,342	171,312	409,654	-
Total Deferred Inflows of Resources	238,342	171,312	409,654	-
NET POSITION				
Net investment in capital assets	15,783,888	17,325,370	33,109,258	1,175,325
Unrestricted	7,582,423	6,139,829	13,722,252	1,537,672
Total Net Position	\$ 23,366,311	\$ 23,465,199	\$ 46,831,510	\$ 2,712,997

City of Seal Beach
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

	Business-Type Activities			Governmental Activities
	Water Utility	Sewer Utility	Total	Vehicle Replacement Internal Service
OPERATING REVENUES:				
Sales and service charges	\$ 4,707,102	\$ 2,784,713	\$ 7,491,815	\$ -
Miscellaneous	75,366	229	75,595	18,533
Total Operating Revenues	<u>4,782,468</u>	<u>2,784,942</u>	<u>7,567,410</u>	<u>18,533</u>
OPERATING EXPENSES:				
Administration	4,375,248	1,288,708	5,663,956	32,004
Amortization and depreciation expenses	601,912	1,135,834	1,737,746	189,830
Total Operating Expenses	<u>4,977,160</u>	<u>2,424,542</u>	<u>7,401,702</u>	<u>221,834</u>
OPERATING INCOME (LOSS)	<u>(194,692)</u>	<u>360,400</u>	<u>165,708</u>	<u>(203,301)</u>
NONOPERATING INCOME (LOSS):				
Interest revenues	100,362	67,299	167,661	-
Interest expenses	-	(214,501)	(214,501)	-
Total Nonoperating Income (Loss)	<u>100,362</u>	<u>(147,202)</u>	<u>(46,840)</u>	<u>-</u>
(LOSS) BEFORE TRANSFERS	<u>(94,330)</u>	<u>213,198</u>	<u>118,868</u>	<u>(203,301)</u>
TRANSFERS:				
Transfers in	-	-	-	310,000
Transfers out	(324,500)	(54,000)	(378,500)	(141,453)
Total Transfers	<u>(324,500)</u>	<u>(54,000)</u>	<u>(378,500)</u>	<u>168,547</u>
CHANGES IN NET POSITION	<u>(418,830)</u>	<u>159,198</u>	<u>(259,632)</u>	<u>(34,754)</u>
NET POSITION:				
Beginning of the Year, as restated (Note 14)	<u>23,785,141</u>	<u>23,306,001</u>	<u>47,091,142</u>	<u>2,747,751</u>
End of the Year	<u>\$ 23,366,311</u>	<u>\$ 23,465,199</u>	<u>\$ 46,831,510</u>	<u>\$ 2,712,997</u>

City of Seal Beach
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities			Governmental Activities
	Water Utility	Sewer Utility	Total	Vehicle Replacement Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 4,582,781	\$ 2,697,012	\$ 7,279,793	\$ -
Cash paid to suppliers for goods and services	(2,768,166)	(145,912)	(2,914,078)	(29,575)
Cash paid to employees for services	(1,366,245)	(913,658)	(2,279,903)	-
Cash received from others	75,366	229	75,595	18,533
Net Cash Provided by (Used in) Operating Activities	<u>523,736</u>	<u>1,637,671</u>	<u>2,161,407</u>	<u>(11,042)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transfers in	-	-	-	310,000
Cash transfers out	(324,500)	(54,000)	(378,500)	(141,453)
Net Cash Used in Noncapital Financing Activities	<u>(324,500)</u>	<u>(54,000)</u>	<u>(378,500)</u>	<u>168,547</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(113,243)	(373,071)	(486,314)	(335,902)
Proceeds from disposal of assets	-	-	-	10,307
Principal paid on capital debt	-	(324,833)	(324,833)	-
Interest paid on debt	-	(218,109)	(218,109)	-
Net Cash (Used in) Capital and Related Financing Activities	<u>(113,243)</u>	<u>(916,013)</u>	<u>(1,029,256)</u>	<u>(325,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	100,362	67,299	167,661	-
Net Cash Provided by Investing Activities	<u>100,362</u>	<u>67,299</u>	<u>167,661</u>	<u>-</u>
Net Change In Cash and Cash Equivalents	186,355	734,957	921,312	(168,090)
CASH AND CASH EQUIVALENTS:				
Beginning of Year	9,248,815	5,679,199	14,928,014	1,788,801
End of Year	<u>\$ 9,435,170</u>	<u>\$ 6,414,156</u>	<u>\$ 15,849,326</u>	<u>\$ 1,620,711</u>
Reconciliation of Operating Income (Loss) to to Net Cash Provided by (Used in) Operating Activities:				
Operating Income (loss)	\$ (194,692)	\$ 360,400	165,708	\$ (203,301)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Amortization	-	12,070	12,070	-
Depreciation	601,912	1,123,764	1,725,676	189,830
Changes in assets and liabilities:				
(Increase)/decrease in accounts receivables	(128,671)	(88,201)	(216,872)	-
(Increase)/decrease in prepaid costs	15,220	14,770	29,990	-
(Increase)/decrease in deferred outflows of resources related to pension	(229,763)	(176,009)	(405,772)	-
Increase/(decrease) in accounts payable	99,070	15,981	115,051	2,429
Increase/(decrease) in accrued liabilities	10,416	2,992	13,408	-
Increase/(decrease) in deposits payable	4,350	500	4,850	-
Increase/(decrease) in compensated absences	19,688	(8,161)	11,527	-
Increase/(decrease) in net pension liabilities	469,944	451,277	921,221	-
Increase/(decrease) in deferred inflows of resources related to pension	(143,738)	(71,712)	(215,450)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 523,736</u>	<u>\$ 1,637,671</u>	<u>\$ 2,161,407</u>	<u>\$ (11,042)</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

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City of Seal Beach
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds	Successor Agency Private-purpose Trust Fund
ASSETS		
Cash and investments	\$ 271,553	\$ 1,022,134
Restricted Assets:		
Investments with fiscal agent	951,485	742,753
Taxes receivable	6,841	
Depreciable capital assets, net of accumulated depreciation	-	53,701
Total Assets	\$ 1,229,879	1,818,588
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	7,204
Accrued interest	-	50,475
Deposit payable	44,836	-
Due to bondholders	1,185,043	
Advances from the City's Sewer Fund, due within one year	-	240,912
Bonds payable, due within one year	-	600,000
Total current liabilities	\$ 1,229,879	898,591
Noncurrent liabilities:		
Advances from the City's Sewer Fund, due in more than one year		473,198
Bonds payable, due in more than one year		1,925,000
Total noncurrent liabilities		2,398,198
Total liabilities		3,296,789
NET POSITION		
Held in trust for Successor Agency		(1,478,201)
Net position held in trust for Successor Agency		\$ (1,478,201)

City of Seal Beach
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Successor Agency Private-purpose Trust Fund
ADDITIONS:	
Redevelopment property tax trust fund	\$ 1,218,363
Investment income	2,798
Total Additions	1,221,161
DEDUCTIONS:	
Administrative expenses	277,304
Interest expense	139,260
Depreciation expenses	3,581
Total Deductions	420,145
Change in Net Position	801,016
NET POSITION:	
Beginning of Year	(2,279,217)
End of Year	\$ (1,478,201)

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Seal Beach
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	43
A. Financial Reporting Entity.....	44
B. Basis of Accounting and Measurement Focus.....	44
C. Cash and Investments	46
D. Fair Value Measurement.....	47
E. Property Taxes Receivable	47
F. Prepaid Items	47
G. Interfund Transactions	47
H. Capital Assets	48
I. Unearned and Unavailable Revenue.....	48
J. Compensated Absences Payable.....	48
K. Claims Payable	49
L. Pensions	49
M. Deferred Outflows/Inflows of Resources	49
N. Long-Term Obligations	50
O. Net Position	50
P. Fund Balances.....	50
Q. Spending Policy	51
R. Use of Estimates	51
S. Tax Abatement.....	51
T. Accounting Changes.....	52
 Note 2 – Cash and Investments	 53
A. Demand Deposits.....	53
B. Investments Authorized by the California Government Code and the City's Investment Policy	54
C. Investments Authorized by Debt Agreements	54
D. Fair Value Measurement.....	55
E. Risk Disclosures	55
F. Investment in Local Agency Investment Fund (“LAIF”).....	57
 Note 3 – Interfund Transactions	 57
A. Due From/To Other Funds.....	57
B. Transfers	58
 Note 4 – Advance to Successor Agency.....	 58
 Note 5 – Capital Assets.....	 59
 Note 6 – Long-Term Liabilities	 61
A. Governmental Activities.....	61
B. Business-Type Activities	63
C. Fiduciary Activities	66

City of Seal Beach
Index to the Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

	<u>Page</u>
Note 7 – Non-City Obligations.....	67
A. Heron Pointe Community Facilities District No 2002-01	67
B. Pacific Gateway Business Center Community Facilities District No 2005-01	67
Note 8 – Risk Management and Self Insurance Program.....	67
A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement.....	67
B. Self-Insurance Programs of the Authority	68
C. Purchased Insurance	69
D. Adequacy of Protection	69
E. Claims Activity.....	69
Note 9 – Defined Benefit Pension Plans	70
Note 10 – Other Postemployment Benefit Plan.....	79
Note 11 – Classification of Fund Balances.....	81
Note 12 – Commitments and Contingencies.....	82
A. Commitments.....	82
B. Contingencies	82
C. Grants.....	82
Note 13 – Individual Fund Disclosure.....	82
A. Expenditures in Excess of Appropriation	82
B. Deficit Net Positions and Fund Balances.....	83
Note 14 – Prior Period Adjustments	83
Note 15 – Subsequent Events.....	83

City of Seal Beach
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Seal Beach, California, (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies:

A. *Financial Reporting Entity*

The City was incorporated on October 27, 1915, under the laws of the State of California and enjoys all the rights and privileges applicable to a charter city. It is governed by an elected five-member council. As required by U.S. GAAP these financial statements present the City (the primary government) and its component units. The component unit discussed below is included in the reporting entity because of its operational or financial relationships with the City.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units:

Management determined that the following entities should be reported as blended component units based on the criteria above. Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even through it does not provide services directly to it.

The Seal Beach Public Financing Authority (the “Authority”) was formed May 8, 2000, pursuant to Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code, to create a joint exercise of powers authority between the City and the former Seal Beach Redevelopment Agency. The City Council of the City is the governing board. Management of the primary government has operational responsibility for the blended component unit. The Authority was formed to undertake the financing of public capital improvements. Please also refer to Note 15A for subsequent event relating to the Authority.

The Seal Beach Cable Communications Foundation (the “Foundation”) was organized under the laws of the State of California on August 27, 1984, to foster and promote civic advancement through activities related to cable communications, community promotion, and other public services deemed appropriate by the foundation. The Foundation is governed by a board of directors consisting of seven members, all appointed by the City Council of the City of Seal Beach.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Unit (Continued):

The Seal Beach Parking Authority (“the Parking Authority”) was formed on June 12, 2017, pursuant to the Part 2 of Division 18 of the California Streets and Highway Code. The Parking Authority is governed by the Board of Director which is the City Council of the City of Seal Beach.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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. Fiduciary activities of the City are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. In the statement of activities, internal service fund transactions have been included in the governmental activities. The following interfund activities have been eliminated:

- Due from and to other funds, which are short-term loans within the primary government
- Transfers in and out, which are flows of assets between funds without the requirement for repayment

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, intergovernmental revenues and other taxes. Business license fees are recorded as received, except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes business license revenue collected within 60 days as revenue at June 30. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

The City reports the following major Governmental Fund:

General Fund – The General Fund is the City’s principal operating fund. It accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government except those required to be accounted for in another fund.

Citywide Grants Special Revenue Fund: The city Grants Special Revenue Fund accounts for various Federal and State grants that are restricted to expenditures for specific projects or purposes.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City has Vehicle Replacement Internal Service Fund that provides services directly to other City funds.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents 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. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

The City reports the following major Proprietary Funds:

Water Utility Enterprise Fund – This fund accounts for the operation and maintenance of the City’s water distribution system.

Sewer Utility Enterprise Fund – This fund accounts for the financial transactions of the City’s waste water collection system.

Internal service funds are presented in the proprietary fund financial statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City’s fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary funds:

Private-purpose Trust Fund – This fund accounts for the assets and liabilities of the former redevelopment agency and its allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

Agency Funds – These funds account for resources held by the City in a trustee capacity as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Cash and Investments

The City’s cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. All cash and investments of proprietary funds are held in the City’s investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for statement of cash flows purposes.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fair Value Measurement

Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

E. Property Taxes Receivable

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment- November 1 Second Installment- February 1
Delinquent Date:	First Installment- December 11 Second Installment- April 11

F. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using purchase method.

G. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans).

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

In the government-wide financial statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are valued at the estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include street network, street appurtenances, and storm drains.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes are as follows:

Assets	Years
Building and Improvements	20-99
Machinery and Equipment	5-50
Vehicles	4-10
Infrastructure	20-60

I. Unearned and Unavailable Revenue

In the government-wide and fund financial statements, unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are cell phone site license lease payments received in advance, prepaid charges for services, facility rentals paid in advance, and quarterly encroachment fees, and advance registration for recreation classes.

In the governmental fund financial statements, unavailable revenue is reported when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City reports an unavailable revenue when an asset is reported in governmental fund financial statements but the revenue is not available.

J. Compensated Absences Payable

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. The long-term amount is included as a liability in the governmental activities of the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All of the liability for compensated absences applicable to proprietary funds is reported in those funds.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" ("IBNR") claims. There is no fixed payment schedule to pay these liabilities.

L. Pensions

For purposes of measuring the aggregate 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 plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. 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.

M. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

O. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, debt, and retention payable.

Restricted – This component of net position consists of restricted assets and related deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

P. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as unrestricted loans receivable or prepaid items, or because resources legally or contractually must remain intact.

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. City Council adoption of a resolution is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances are limitations imposed by management based on the intended use of the funds. Modifications or rescissions of the constraints can be removed by the same type of action that limited the use of the funds. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Finance Director for that purpose.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Fund Balances (Continued)

In the governmental fund financial statements, fund balances are classified as follows (Continued):

Unassigned – Unassigned fund balances represent the residual net resources in excess of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Q. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's practice is to apply the restricted component of net position first, then use the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's practice is to apply restricted fund balances first, then use unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

- Committed
- Assigned
- Unassigned

R. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. Tax Abatement

Tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. City policy has set the threshold for reporting tax abatement with abatement agreements more than \$15,000

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Accounting Changes

GASB has issued Statement No. 77, *Tax Abatement Disclosure*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB has issued Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds.

The City had the following cash and investments at June 30, 2017:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Cash and investments	\$ 47,414,999	\$ 1,293,687	\$ 48,708,686
Restricted cash and investment with fiscal agent	741,820	1,694,238	2,436,058
Total cash and investments	\$ 48,156,819	\$ 2,987,925	\$ 51,144,744

The City’s cash and investments at June 30, 2017 in more detail:

Cash and cash equivalents:	
Petty cash	\$ 6,919
Demand deposits	6,681,702
Investments	44,456,123
Total cash and cash equivalents	\$ 51,144,744

A. Demand Deposits

The carrying amounts of the City’s demand deposits were \$6,681,702 at June 30, 2017. Bank balances at that date were \$7,059,095, the total amount of which was insured or collateralized with accounts held by the pledging financial institutions in the City’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City’s name.

The market value of pledged securities must equal at least 110% of the City’s cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The City, however, has not waived the collateralization requirements.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

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

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maturity</u>	<u>Maximum Portfolio*</u>	<u>Maximum One Issuer*</u>
U.S. treasury securities	5 years	100%	None
U.S. agency and U.S. government sponsored enterprise securities	5 years	20%	None
Obligation of the State of California or any local agency	5 years	100%	None
Registered treasury notes or bonds of any of the 49 states in addition to California	5 years	100%	None
Bankers' acceptance	180 days	40%	5%
Commercial paper	270 days	25%	10%
Non-negotiable certificate of deposit	5 years	100%	None None
Negotiable certificate of deposit	5 years	30%	None None
Medium term notes	5 years	30%	10%
Money market mutual funds	89 days	15%	
Local Agency Investment Fund (LAIF)	None	100%	50 Million per account

*The table is based on state law requirements or investment policy requirements, whichever is more restrictive.

C. Investments Authorized by Debt Agreements

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
U.S. treasury securities	None	None	None
U.S. agency and U.S. government sponsored enterprise securities	None	None	None
Bankers' acceptance	180 days	None	30%
Commercial paper	270 days	None	None
Money market mutual funds	89 days	None	None
Investment contracts	30 years	None	None
Local Agency Investment Fund (LAIF)	None	None	None

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 on the following page identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2017, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within the fair value hierarchy in which the fair value measurements fall at June 30, 2017:

Investment Type	Value	Fair Value Measurement			Uncategorized
		Level 1 Input	Level 2 Input	Level 3 Input	
US Treasury Bond/Note	\$ 9,237,371	\$ 9,237,371	\$ -	\$ -	\$ -
Municipal Bond/Note	722,271	-	722,271	-	-
U.S. government sponsored enterprise securities	6,106,429	-	6,106,429	-	-
Corporate Note	4,584,756	-	4,584,756	-	-
Commercial Paper	99,869	-	99,869	-	-
Negotiable Certificates of deposit	5,533,369	-	5,533,369	-	-
LAIF	15,748,277	-	-	-	15,748,277
Held by Fiscal Agent: Money Market Mutual Funds	2,423,781	-	-	-	2,423,781
	<u>\$ 44,456,123</u>	<u>\$ 9,237,371</u>	<u>\$ 17,046,694</u>	<u>\$ -</u>	<u>\$ 18,172,058</u>

E. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
US Treasury Bond/Note	\$ 9,237,371	\$ -	\$ 420,935	\$ 1,941,416	\$ 4,299,052	\$ 2,575,968
Municipal Bond/Note	722,271	407,211	315,060	-	-	-
U.S. government sponsored enterprise securities	6,106,429	-	-	3,211,807	780,969	2,113,653
Corporate Note	4,584,756	505,265	1,522,758	2,179,536	-	377,197
Commercial Paper	99,869	99,869	-	-	-	-
Negotiable Certificates of deposit	5,533,369	2,146,553	3,386,816	-	-	-
LAIF	15,748,277	15,748,277	-	-	-	-
Held by Fiscal Agent: Money Market Mutual Funds	2,423,781	2,423,781	-	-	-	-
Total	<u>\$ 44,456,123</u>	<u>\$ 21,330,956</u>	<u>\$ 5,645,569</u>	<u>\$ 7,332,759</u>	<u>\$ 5,080,021</u>	<u>\$ 5,066,818</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Minimum Legal Rating	Total	AAA	AA- to AA+	A to A+	A-	Unrated
US Treasury Bond/Note	N/A	\$ 9,237,371	\$ -	\$ 9,237,371	\$ -	\$ -	\$ -
Municipal Bond/Note	N/A	722,271	-	407,211	315,060	-	-
U.S. government sponsored enterprise securities	A	6,106,429	-	6,106,429	-	-	-
Corporate Note		4,584,756	310,790	1,940,352	1,387,282	946,332	-
Commercial Paper	N/A	99,869	-	-	-	99,869	-
Negotiable Certificates of deposit	N/A	5,533,369	-	2,677,220	2,856,149	-	-
LAIF		15,748,277	-	-	-	-	15,748,277
Held by Fiscal Agent:	N/A						
Money Market Mutual Funds	N/A	2,423,781	-	-	-	-	2,423,781
		<u>\$ 44,456,123</u>	<u>\$ 310,790</u>	<u>\$ 20,368,583</u>	<u>\$ 4,558,491</u>	<u>\$ 1,046,201</u>	<u>\$ 18,172,058</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City's investment in Fannie Mae Agency Note in amount of \$4,425,188 represented 10.5% of total City investments.

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 provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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% 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% of the secured public deposits. At June 30, 2017, the City deposits (bank balances were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Custodial Credit Risk (Continued)

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

F. Investment in Local Agency Investment Fund (“LAIF”)

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2017 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities, which included the following:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, collateralized mortgage obligations), or credit card receivables.

As of June 30, 2017, the City had \$15,748,277 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes, Medium-term Asset-Backed Securities, and Short-term Asset Backed Commercial Paper.

Note 3 – Interfund Transactions

A. Due From/To Other Funds

At June 30, 2017, the City had the following due from/to other funds:

	Due From Other Funds
Due To Other Funds	General Fund
Nonmajor Governmental funds	\$ 182,409
Total	\$ 182,409

The above amounts resulted from when one fund reflects a deficit in its pooled cash account. Short-term loans were made to the Community Development Block Grant Special Revenue Fund, Police Grant Special Revenue Fund, and Citywide Grant Special Revenue Fund to address these deficits.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Interfund Transactions (Continued)

B. Transfers

During the year ended June 30, 2017, the City had the following transfers:

Transfers out	Transfers in			Total
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 2,598,236	\$ 310,000	\$ 2,908,236
Citywide Grants Fund				
Special Revenue Fund	-	215,745	-	215,745
Nonmajor Governmental Funds	639,638	498,557	-	1,138,195
Water Utility	324,500	-	-	324,500
Sewer Utility	54,000	-	-	54,000
Internal Service funds	141,453	-	-	141,453
Total	\$ 1,159,591	\$ 3,312,538	\$ 310,000	\$ 4,782,129

In general, transfers are used to 1) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 2) to transfer to the General Fund to fund administration services.

Transfers totaling \$1,159,591 from Water Utility, Sewer Utility, Nonmajor Governmental Funds, and Internal Services Fund were made to the General Fund to provide funding for certain administrative costs.

General Fund transferred \$1,762,466 to City Debt Service Debt Service Fund to pay for debt service obligations.

General Fund and nonmajor governmental fund, transferred to the Capital Projects and Equipment Fund of \$1,507,372 and Street Lighting Special Revenue Fund of \$42,700 for infrastructure projects such as street improvements, public work facilities, and storm drain improvements.

General Fund transferred \$310,000 to the internal service fund for vehicle and equipment purchases.

Note 4 – Advance to Successor Agency

In 2012, the Sewer Fund advanced \$1,200,000 to the former redevelopment agency, but was subsequently denied by the Department of Finance (DOF). The City appealed the DOF decision and, in 2014, this advance was approved. Interest on the advance is consistent with the Local Agency Investment Fund (LAIF) interest rate at the time the Oversight Board made the finding that the advance was for legitimate redevelopment purposes, which is at 0.00367%. The balance of the advance at June 30, 2017, was \$714,110.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Reclassifications	Balance June 30, 2017
<i>Capital assets not being depreciated:</i>					
Land	\$ 10,519,847	\$ -	\$ -	\$ -	\$ 10,519,847
Intangible asset-land easement	900,000	-	-	-	900,000
Construction in progress	2,477,380	1,229,167	-	(1,542,422)	2,164,125
Total capital assets not being depreciated	<u>13,897,227</u>	<u>1,229,167</u>	<u>-</u>	<u>(1,542,422)</u>	<u>13,583,972</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	14,864,389	-	-	835,528	15,699,917
Machinery and equipment	2,210,114	21,554	(127,089)	-	2,104,579
Vehicles	2,458,662	477,688	(192,076)	-	2,744,274
Infrastructure	82,090,619	-	-	706,894	82,797,513
Total capital assets being depreciated	<u>101,623,784</u>	<u>499,242</u>	<u>(319,165)</u>	<u>1,542,422</u>	<u>103,346,283</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,366,937)	(366,436)	-	-	(5,733,373)
Machinery and equipment	(1,907,880)	(79,145)	124,419	-	(1,862,606)
Vehicles	(1,239,085)	(195,698)	59,986	-	(1,374,797)
Infrastructure	(29,812,161)	(2,233,875)	-	-	(32,046,036)
Total accumulated depreciation	<u>(38,326,063)</u>	<u>(2,875,154)</u>	<u>184,405</u>	<u>-</u>	<u>(41,016,812)</u>
Total capital assets being depreciated, net	<u>63,297,721</u>	<u>(2,375,912)</u>	<u>(134,760)</u>	<u>1,542,422</u>	<u>62,329,471</u>
Total governmental activities	<u>\$ 77,194,948</u>	<u>\$ (1,146,745)</u>	<u>\$ (134,760)</u>	<u>\$ -</u>	<u>\$ 75,913,443</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2017 as follows:

General government	\$ 229,563
Public safety	172,846
Community development	23,442
Public works	2,259,473
Internal service funds	189,830
Total depreciation expense	<u>\$ 2,875,154</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Capital Assets (Continued)

The following is a summary of changes in capital assets for the business-type activities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Reclassifications	Balance June 30, 2017
<i>Capital assets not being depreciated:</i>					
Construction in progress-water	\$ 906,747	\$ 102,080	\$ -	\$ (158,085)	\$ 850,742
Construction in progress-sewer	129,257	391,816	-	(20,241)	500,832
Total capital assets not being depreciated	<u>1,036,004</u>	<u>493,896</u>	<u>-</u>	<u>(178,326)</u>	<u>1,351,574</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements - water	73,284	-	-	-	73,284
Machinery and equipment - water	605,152	-	-	-	605,152
Machinery and equipment - sewer	785,802	-	-	-	785,802
Vehicles - water	298,717	29,908	(39,111)	-	289,514
Vehicles - sewer	420,651	-	-	-	420,651
Infrastructure - water	31,653,574	-	-	158,085	31,811,659
Infrastructure - sewer	38,057,140	-	-	20,241	38,077,381
Total capital assets being depreciated	<u>71,894,320</u>	<u>29,908</u>	<u>(39,111)</u>	<u>178,326</u>	<u>72,063,443</u>
Less accumulated depreciation for:					
Buildings and improvements - water	(72,269)	(674)	-	-	(72,943)
Machinery and equipment - water	(487,347)	(16,497)	-	-	(503,844)
Machinery and equipment - sewer	(221,156)	(14,928)	-	-	(236,084)
Vehicles - water	(178,038)	(19,551)	39,111	-	(158,478)
Vehicles - sewer	(155,973)	(43,669)	-	-	(199,642)
Infrastructure - water	(16,472,596)	(565,190)	-	-	(17,037,786)
Infrastructure - sewer	(15,071,256)	(1,065,167)	-	-	(16,136,423)
Total accumulated depreciation	<u>(32,658,635)</u>	<u>(1,725,676)</u>	<u>39,111</u>	<u>-</u>	<u>(34,345,200)</u>
Total capital assets being depreciated, net	<u>39,235,685</u>	<u>(1,695,768)</u>	<u>-</u>	<u>178,326</u>	<u>37,718,243</u>
Total business-type activities	<u>\$ 40,271,689</u>	<u>\$ (1,201,872)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,069,817</u>

Depreciation expense was charged to functions/programs of business-type activities for the year ended June 30, 2017 as follows:

Water Utility	\$ 601,912
Sewer Utility	<u>1,123,764</u>
Total depreciation expense	<u>\$ 1,725,676</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Capital Assets (Continued)

The following is a summary of changes in capital assets for the fiduciary activities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 370,804	\$ -	\$ -	\$ 370,804
Machinery and equipment	64,784	-	-	64,784
Total capital assets being depreciated	<u>435,588</u>	<u>-</u>	<u>-</u>	<u>435,588</u>
Less accumulated depreciation for:				
Buildings and improvements	(313,522)	(3,581)	-	(317,103)
Machinery and equipment	(64,784)	-	-	(64,784)
Total accumulated depreciation	<u>(378,306)</u>	<u>(3,581)</u>	<u>-</u>	<u>(381,887)</u>
Total capital assets being depreciated, net	<u>\$ 57,282</u>	<u>\$ (3,581)</u>	<u>\$ -</u>	<u>\$ 53,701</u>

Note 6 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Classification	
					Due within One Year	Due in more than One Year
2008 Taxable Pension Obligation Bond						
Bonds, Series A-2	\$ 3,461,000	\$ -	\$ (1,047,000)	\$ 2,414,000	\$ 1,151,000	\$ 1,263,000
2009 Lease Revenue Bonds	3,255,000	-	(420,000)	2,835,000	420,000	2,415,000
Municipal Finance Corporation	1,368,208	-	(695,379)	672,829	69,521	603,308
Claims payable	377,898	152,708	(103,011)	427,595	106,899	320,696
Compensated absences	1,228,082	512,072	(516,140)	1,224,014	353,032	870,982
Total	<u>\$ 9,690,188</u>	<u>\$ 664,780</u>	<u>\$ (2,781,530)</u>	<u>\$ 7,573,438</u>	<u>\$ 2,100,452</u>	<u>\$ 5,472,986</u>

The General Fund has been used to liquidate the majority of the liability for compensated absences and net pension liabilities.

2008 Taxable Pension Obligation Bonds

On June 1, 2008, the City issued Taxable Pension Obligation Bonds for the purpose of refunding the City's obligations to the California Public Employees' Retirement System for pension benefits accruing for its members in the amounts of \$2,170,000 and \$8,775,000 for Series 2008A-1 and 2008A-2, respectively. Interest rate on the bonds varies from 4.9% to 5.66%. Payments have been presented as expenditures in the fund financial statements and as prepaid assets in the government-wide financial statements. The balance in the Series 2008A-1 was paid off during the year ended June 30, 2016. The balance in the 2008A-2 bonds at June 30, 2017 was \$2,414,000.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2008 Taxable Pension Obligation Bonds (Continued)

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 1,151,000	\$ 107,153	\$ 1,258,153
2019	1,263,000	39,129	1,302,129
Total	<u>\$ 2,414,000</u>	<u>\$ 146,282</u>	<u>\$ 2,560,282</u>

2009 Series Lease Revenue Bonds

On January 14, 2009, the City issued 2009 Series Lease Revenue Bonds for the purpose of financing the construction of a new fire station in the City in the amount of \$6,300,000. Interest rate on the bonds is 3.71%. The balances of the 2009 Series Lease Revenue bonds at June 30, 2017, were \$2,835,000.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 420,000	\$ 99,335	\$ 519,335
2019	420,000	83,753	503,753
2020	420,000	68,171	488,171
2021	420,000	52,589	472,589
2022	420,000	37,007	457,007
2023-2024	735,000	27,269	762,269
Total	<u>\$ 2,835,000</u>	<u>\$ 368,124</u>	<u>\$ 3,203,124</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Municipal Finance Corporation Loan

On May 8, 2014, the City entered into a Lease with Option to Purchase agreement with Municipal Finance Corporation relating to a capital project to be performed by Climatec LLC in the amount of \$1,546,931. Interest rate on the loan is 3.40%. The balance of the Municipal Finance Corporation Loan at June 30, 2017, was \$672,829.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 69,521	\$ 22,290	\$ 91,811
2019	71,904	19,906	91,810
2020	74,370	17,441	91,811
2021	76,920	14,891	91,811
2022	79,558	12,253	91,811
2023-2026	300,556	20,782	321,338
Total	<u>\$ 672,829</u>	<u>\$ 107,563</u>	<u>\$ 780,392</u>

B. Business-Type Activities

Summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2017 is as follows:

	Balance			Balance June 30, 2017	Classification	
	July 1, 2016	Additions	Deletions		Due within One Year	Due in more than One Year
2011 Sewer Revenue Refunding Bonds	\$ 2,565,000	\$ -	\$ (145,000)	\$ 2,420,000	\$ 150,000	\$ 2,270,000
Sewer Capital Improvement Project #1	2,199,329	-	(112,597)	2,086,732	115,525	1,971,207
Sewer Capital Improvement Project #2	1,518,705	-	(67,236)	1,451,469	68,985	1,382,484
Compensated absences	128,455	153,773	(142,247)	139,981	41,622	98,359
Total	<u>\$ 6,411,489</u>	<u>\$ 153,773</u>	<u>\$ (467,080)</u>	<u>\$ 6,098,182</u>	<u>\$ 376,132</u>	<u>\$ 5,722,050</u>

The Water Utility Fund and Sewer Utility Fund have been used to liquidate the liability for compensated absences and net pension liabilities.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

2011 Sewer System Revenue Refunding Bonds

On March 2, 2011, the City issued 2011 Sewer System Revenue Refunding Bonds in the amount of \$3,310,000 to pay off the 2000 Sewer System Certificates of Participation. The 2000 Sewer System Certificates of Participation were issued to provide for improvements to the City’s sewer system.

Interest rate on the 2011 Sewer System Revenue Refunding Bonds is 4.8%, and the balance of the 2011 Sewer System Revenue Refunding Bonds at June 30, 2017, was \$2,420,000.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 150,000	\$ 114,360	\$ 264,360
2019	160,000	107,040	267,040
2020	170,000	99,240	269,240
2021	175,000	91,080	266,080
2022	185,000	82,560	267,560
2023-2027	840,000	235,440	1,075,440
2028-2029	740,000	63,480	803,480
Total	\$ 2,420,000	\$ 793,200	\$ 3,213,200

Sewer Capital Improvement Project Loan #1

On April 6, 2011, the City entered into an agreement with the Clean Water State Revolving Fund Control Board for construction of the Sewer Capital Improvement project. The City may borrow up to \$2,644,356 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed \$2,644,015. The loan has an interest rate of 2.6% with maturities through 2031. The outstanding balance at June 30, 2017, is \$2,086,732.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Sewer Capital Improvement Project Loan #1 (Continued)

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 115,525	\$ 54,255	\$ 169,780
2019	118,529	51,251	169,780
2020	121,610	48,170	169,780
2021	124,772	45,008	169,780
2022	128,017	41,764	169,781
2023-2027	691,774	157,127	848,901
2028-2032	786,505	62,397	848,902
Total	<u>\$ 2,086,732</u>	<u>\$ 459,972</u>	<u>\$ 2,546,704</u>

Sewer Capital Improvement Project Loan #2

On April 6, 2011, the City entered into an agreement with the Clean Water State Revolving Fund Control Board for construction of the Sewer Capital Improvement project. The City may borrow up to \$2,125,112 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed \$1,652,742. The loan has an interest rate of 2.6% with maturities through 2031. The outstanding balance at June 30, 2017, is \$1,451,469.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 68,985	\$ 37,738	\$ 106,723
2019	70,778	35,945	106,723
2020	72,618	34,104	106,722
2021	74,506	32,216	106,722
2022	76,444	30,279	106,723
2023-2027	413,085	120,529	533,614
2028-2032	469,653	63,962	533,615
2033-2034	205,400	8,045	213,445
Total	<u>\$ 1,451,469</u>	<u>\$ 362,818</u>	<u>\$ 1,814,287</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Activities

	Balance			Balance June 30, 2017	Classification	
	July 1, 2016	Additions	Deletions		Due within One Year	Due in more than One Year
2000 Tax Allocation Bonds Series A	\$ 2,930,000	\$ -	\$ (520,000)	\$ 2,410,000	\$ 545,000	\$ 1,865,000
2000 Tax Allocation Bonds Series B	170,000	-	(55,000)	115,000	55,000	60,000
Advance from Sewer Fund (Note 4)	714,110	-	-	714,110	240,031	474,079
Total	<u>\$ 3,814,110</u>	<u>\$ -</u>	<u>\$ (575,000)</u>	<u>\$ 3,239,110</u>	<u>\$ 840,031</u>	<u>\$ 2,399,079</u>

2000 Tax Allocation Refunding Bonds

On December 20, 2000, the Agency issued 2000 Tax Allocation Refunding Bonds for the Riverfront Redevelopment Project in the amounts of \$8,520,000 and \$685,000 for Series A and B, respectively. Interest rate on the bonds varies from 4% to 5.375%. The Agency used the proceeds of Series A Bonds to finance the refunding and defeasance of \$1,380,000 of 1986 Tax Allocation Bonds and \$3,715,000 of 1991 Tax Allocation Bonds. Series B Bonds were used to pay bond issuance costs and finance certain redevelopment activities of the Agency. The Series A Bonds are payable exclusively from Tax Revenues and certain funds and accounts held under the indenture. Series B Bonds are to be paid exclusively from Surplus Tax Revenues and certain funds and accounts held under the indenture.

The balances in the Series A and B bonds outstanding at June 30, 2017, were \$2,410,000 and \$115,000 respectively. This liability was transferred to the Successor Agency upon dissolution of the redevelopment agency.

The annual debt service requirements are as follows:

Year ending June 30,	Bonds, Series A		Bonds, Series B	
	Principal	Interest	Principal	Interest
2018	\$ 545,000	\$ 113,271	\$ 55,000	\$ 5,031
2019	575,000	84,288	60,000	1,725
2020	605,000	53,078	-	-
2021	160,000	32,519	-	-
2022	165,000	23,784	-	-
2023-2024	360,000	19,619	-	-
Total	<u>\$ 2,410,000</u>	<u>\$ 326,559</u>	<u>\$ 115,000</u>	<u>\$ 6,756</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Non-City Obligations

A. *Heron Pointe Community Facilities District No. 2002-01*

The Heron Pointe Community Facilities District No. 2002-01 was formed to finance public facilities improvements within Heron Pointe. The debt service payments on the bonds will be included on property tax bills within community facilities district and will be collected by the City and then forwarded to the paying agent. A Reserve Fund was established in which the City may make withdrawals enough to cover any delinquent payments on the reassessments. The City has no liability for the bonds beyond the amount held in the Reserve Fund. The bonds are not secured by the general taxing power of the City, county, state, or any political subdivision of the state nor have the City, county, state, or any political subdivision thereof pledged its full faith and credit for the repayment thereof. Since the City has no liability for these bonds, the reserve fund and debt service monies are stored in the Agency Fund and the debt is not included in the financial statements. The outstanding balance at June 30, 2017, was \$3,365,000.

B. *Pacific Gateway Business Center Community Facilities District No 2005-01*

The Pacific Gateway Business Center Community Facilities District No. 2005-01 was formed to finance public facilities within the Pacific Gateway. The debt service payments on the bonds will be included on property tax bills within the community facilities district and will be collected by the City and then forwarded to the paying agent. A Reserve Fund was established in which the City may make withdrawals enough to cover any delinquent payments on the reassessments. The City has no liability for the bonds beyond the amount held in the Reserve Fund. The bonds are not secured by the general taxing power of the City, county, state, or any political subdivision of the state nor have the City, county, state, or any political subdivision thereof pledged its full faith and credit for the repayment thereof. Since the City has no liability for these bonds, the reserve fund and debt service monies are stored in the Agency Fund and the debt is not included in the financial statements. The outstanding balance at June 30, 2017, was \$8,265,000.

Note 8 – Risk Management and Self Insurance Program

A. *Description of Self-Insurance Pool Pursuant to Joint Powers Agreement*

The City is a member of the California Joint Powers Insurance Authority (the “Authority”). The Authority is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Risk Management and Self Insurance Program (Continued)

B. Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2016-17 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence. Annual contributions made for fiscal year 16-17 was \$548,262.

Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2016-17 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members. Annual contributions made for fiscal year 16-17 was \$509,216.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Risk Management and Self Insurance Program (Continued)

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Seal Beach. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Seal Beach property is currently insured according to a schedule of covered property submitted by the City of Seal Beach to the Authority. City of Seal Beach property currently has all-risk property insurance protection in the amount of \$47,794,034. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2016-17.

E. Claims Activity

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were workers' compensation claims that remained outstanding for claims occurred prior to joining the Authority. At June 30, 2017, the amount of these liabilities was \$427,595 and was the City's best estimate based on available information.

A summary of the changes in claims liabilities for the past three fiscal years is as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability	Amounts Due within One Year	Amounts Due in more than One Year
<u>Workers' Compensation</u>						
2014-2015	\$ 329,048	\$ 8,739	\$ (22,962)	\$ 314,825	\$ 22,962	\$ 291,863
2015-2016	314,825	165,768	(102,695)	377,898	23,451	354,447
2016-2017	377,898	152,708	(103,011)	427,595	106,899	320,696

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plans

The following is a summary of net pension liabilities and related deferred outflows and inflows of resources as of June 30, 2017 and pension expenses for the year then ended June 30, 2017:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution made after measurement date:			
Miscellaneous	\$ 553,199	\$ 238,555	\$ 791,754
Safety	1,748,129	-	1,748,129
Difference between Expected and Actual Experience:			
Miscellaneous	13,657	5,890	19,547
Difference in projected and actual earnings on pension investments:			
Miscellaneous	872,388	376,200	1,248,588
Safety	2,715,502	-	2,715,502
Adjustment due to differences in proportions:			
Safety	1,601,750	-	1,601,750
Total deferred outflows of resources	<u>\$ 7,504,625</u>	<u>\$ 620,645</u>	<u>\$ 8,125,270</u>
Aggregate Net pension liabilities:			
Aggregate Net pension liabilities			
Miscellaneous	\$ 7,342,181	\$ 3,166,164	\$ 10,508,345
Safety	21,027,509	-	21,027,509
Total net pension liabilities	<u>\$ 28,369,690</u>	<u>\$ 3,166,164</u>	<u>\$ 31,535,854</u>
Deferred inflows of Resources:			
Difference between Expected and Actual Experience:			
Safety	\$ 126,769	\$ -	\$ 126,769
Changes of assumptions:			
Miscellaneous	167,617	72,281	239,898
Safety	552,723	-	552,723
Adjustment due to differences in proportions:			
Miscellaneous	198,643	85,660	284,303
Difference between City's contributions and proportionated share of contributions:			
Miscellaneous	583,707	251,712	835,419
Safety	674,326	-	674,326
Total deferred inflows of Resources	<u>\$ 2,303,785</u>	<u>\$ 409,653</u>	<u>\$ 2,713,438</u>
Pension expenses:			
Miscellaneous	\$ 861,046	\$ 538,594	\$ 1,399,640
Safety	3,428,097	-	3,428,097
	<u>\$ 4,289,143</u>	<u>\$ 538,594</u>	<u>\$ 4,827,737</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Employees Covered by Benefit Terms

At June 30, 2015, the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Misc PEPR</u>	<u>Safety</u>	<u>Safety Fire</u>
Active employees	49	10	36	-
Transferred and terminated employees	39	-	5	-
Separated	25	1	4	1
Retired Employees and Beneficiaries	<u>140</u>	<u>-</u>	<u>89</u>	<u>41</u>
Total	<u><u>253</u></u>	<u><u>11</u></u>	<u><u>134</u></u>	<u><u>42</u></u>

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPR Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPR miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Following are the benefit provisions for each plan:

	Cost-sharing Rate Plans			
	<u>Miscellaneous Rate Plan*</u>	<u>PEPRA Miscellaneous Rate Plan</u>	<u>Safety Rate Plan*</u>	<u>PEPRA Safety Rate Plan</u>
Hire date	Prior to January 1, 2013	January 1, 2013 and after	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 52 yrs	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively	3.000%, 50+ yrs	2.000%-2.7000%, 50 yrs - 57+ yrs, respectively

* Closed to new entrants

Participants are eligible for non-industrial disability retirement if they become disabled and have 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.

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 Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

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 Public agency cost-sharing plans covered by either the Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and 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, 2016 (the measurement date), the contribution rate were as follows:

	Cost-sharing Rate Plans			
	Miscellaneous Rate Plan*	PEPRA Miscellaneous Rate Plan	Safety Rate Plan*	PEPRA Safety Rate Plan
Required employee contribution rates	6.891%	6.500%	8.986%	12.250%
Required employer contribution rates	9.353%	6.730%	20.230%	12.821%

* Closed to new entrants

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine June 30, 2016 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
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

¹The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plans (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Change of Assumption

There were no changes of assumptions for June 30, 2016 measurement date.

Discount Rate

The discount rate used to measure the total pension liability 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal 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. The target allocation shown was adopted by the Board effective on July 1, 2015.

<u>Asset Class</u>	<u>New Strategic Allocation-%</u>	<u>Real Return Years 1-10¹ -%</u>	<u>Real Return Years 11+² -%</u>
Global Equity	51.00	5.25	5.71
Global Fixed Income	20.00	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	1.00	-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 Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.65%)	Rate (7.65%)	(8.65%)
Miscellaneous	\$ 16,371,726	\$ 10,508,345	\$ 5,662,552
Safety	\$ 31,477,373	\$ 21,027,509	\$ 12,449,241

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/15 (Valuation date)	\$ 43,574,939	\$ 35,796,203	\$ 7,778,736
Balance at: 6/30/16 (Measurement date)	\$ 45,443,807	\$ 34,935,462	\$ 10,508,345
Net Changes during 2015-2016	\$ 1,868,868	\$ (860,741)	\$ 2,729,609
Safety			
Balance at: 6/30/15 (Valuation date)	\$ 75,905,340	\$ 59,648,217	\$ 16,257,122
Balance at: 6/30/16 (Measurement date)	\$ 79,167,112	\$ 58,139,603	\$ 21,027,509
Net Changes during 2015-2016	\$ 3,261,772	\$ (1,508,614)	\$ 4,770,387

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City’s share of contributions during measurement period.

The City’s proportionate share of the net pension liability was as follows:

	Miscellaneous	Safety
June 30, 2015	0.11333%	0.23685%
June 30, 2016	0.12144%	0.24301%
Change - Increase (Decrease)	0.00811%	0.00616%

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

For the year ended June 30, 2017, the City recognized pension expense as follows:

Miscellaneous	\$	1,399,640
Safety		3,428,097
		4,827,737
		\$ 4,827,737

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 by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2015-2016 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 791,754	\$ -	\$ 1,748,129	\$ -
Difference between expected and actual experience	19,547	-	-	(126,769)
Changes of assumptions	-	(239,898)	-	(552,723)
Difference between projected and actual earning on pension plan investments	1,248,588	-	2,715,502	-
Adjustment due to differences in proportions	-	(284,303)	1,601,750	-
Difference between City contributions and proportionate share of contributions	-	(835,419)	-	(674,326)
	-	-	-	-
Total	\$ 2,059,889	\$ (1,359,620)	\$ 6,065,381	\$ (1,353,818)

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2017	\$ (579,236)	\$ 521,592
2018	(377,434)	510,295
2019	541,788	1,224,622
2020	323,397	706,925
2021	-	-
Thereafter	-	-
	<u>\$ (91,485)</u>	<u>\$ 2,963,434</u>

CalPERS Discount Rate

On December 16, 2016, the CalPERS Board of Administration (the “Board”) approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to the rates below over the next three years. This will increase the City’s employer contribution costs beginning in fiscal year 2018-19. The phase in of the discount rate change approved by the Board for the next three fiscal year is as follows.

Valuation Date	Required Contribution Rate	Discount Rate
June 30, 2016	2018-19	7.38%
June 30, 2017	2019-20	7.25%
June 30, 2018	2020-21	7.00%

Lowering the discount rate means plans will see increases in both normal costs, the cost of pension benefits accruing in one year for active members, and the accrued liabilities. These increases will result in higher required employer contribution.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Other Postemployment Benefit Plan

Plan Description

The City of Seal Beach provides postretirement medical benefits to employees who retire directly from the City under CalPERS under a single-employer defined benefit post-employment benefits plan. Eligible retirees can continue participation in the City medical plans (PEMHCA). For miscellaneous retirees, the City contributes up to a capped dollar amount which varies by bargaining unit, medical coverage, and years of service. For police safety retirees, the City contribution rate varies by date of hire and date of retirement.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. For fiscal year 2016-2017, the City contributed \$512,906 to the plan, including premiums.

The City uses CalPERS to hold irrevocable employer contributions in a trust restricted for benefits under this program. CalPERS publishes a publically available financial report conforming to GASB Statement No. 43 that includes separately issued financial statements for the CalPERS OPEB Trust. Copies of PERS’ annual financial reports for its OPEB Trust may be obtained from its executive office at 400 “Q” Street, Sacramento, California 95811.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual Other Postemployment Benefits (“OPEB”) cost (expense) is calculated based on the *Annual Required Contribution of the Employer* (“ARC”), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation for these benefits:

	Total
Annual required contribution	\$ 462,076
Interest on net OPEB obligation	(48,108)
Adjustment to annual required contribution	60,969
Annual OPEB cost (expense)	474,937
Contributions made to the trust	(512,906)
(Increase) in net OPEB asset	(37,969)
Net OPEB asset - beginning of year	(687,254)
Net OPEB asset - end of year	\$ (725,223)

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Other Postemployment Benefit Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for year ended June 30, 2017 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	% of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2015	\$ 336,962	\$ 693,599	205.84%	\$ 651,646
6/30/2016	466,392	502,000	107.63%	687,254
6/30/2017	474,937	512,906	107.99%	725,223

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 39% funded. The actuarial accrued liability for benefits was \$9,009,436 and the actuarial value of assets as of July 1, 2015 was \$3,516,333, resulting in an UAAL of \$5,493,103. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,924,341 and the ratio of UAAL to the covered payroll was 61%.

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 costs trend. Amounts determined regarding the funded status of the Plan and the ARC of the employer 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 Basic Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members. 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.

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 7% investment rate of return, which is based on the assumed long-term return on plan assets assuming 100% funding through CERBT. Method used was the “Building Block Method” as described in ASOP 27 Paragraph 3.6.2. The actuarial assumption for inflation was 2.75%, and the payroll increases was 2.75%. The UAAL is amortized as a level percentage on a 30-year closed amortization period. The residual UAAL is amortized based on level percentage method on an open 23 year period at July 1, 2016. The medical trend is assumed at 4% per year.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Classification of Fund Balances

At June 30, 2017, fund balances are classified in the governmental funds as follows:

	General Fund	Citywide Grants Special Revenue Fund	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 2,877	\$ -	\$ -	\$ 2,877
Total nonspendable	<u>2,877</u>	<u>-</u>	<u>-</u>	<u>2,877</u>
Restricted				
Supplemental Law Enforcement	-	-	62,002	62,002
Detention Center	-	-	20,977	20,977
Police Asset Forfeiture	-	-	255,261	255,261
Air Quality Improvement Projects	-	-	8,147	8,147
Parks Improvement	-	-	6,443	6,443
Traffic Impact AB 1600	-	-	156,739	156,739
State Gasoline Tax	-	-	739,366	739,366
Measure M2	-	-	1,231,082	1,231,082
Community Development Block Grant	-	-	10,241	10,241
Landscape District	-	-	376,275	376,275
Heron Pointe	-	-	73,258	73,258
Pacific Gateway	-	-	136,755	136,755
Seal Beach Cable	-	-	324,218	324,218
City Debt Service	12,277	-	729,543	741,820
Capital Projects and Equipment	-	-	896	896
Total restricted	<u>12,277</u>	<u>-</u>	<u>4,131,203</u>	<u>4,143,480</u>
Assigned				
College Park East	377,000	-	-	377,000
Swimming Pool	4,782,441	-	-	4,782,441
Street Improvement	117,167	-	-	117,167
Storm Drain	612,032	-	-	612,032
Buildings	245,616	-	-	245,616
Community Services	1,344,025	-	-	1,344,025
Total assigned	<u>7,478,281</u>	<u>-</u>	<u>-</u>	<u>7,478,281</u>
Unassigned (deficit)	<u>19,770,202</u>	<u>(138,908)</u>	<u>(46,000)</u>	<u>19,585,294</u>
Total fund balances	<u>\$ 27,263,637</u>	<u>\$ (138,908)</u>	<u>\$ 4,085,203</u>	<u>\$ 31,209,932</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Commitments and Contingencies

A. Commitments

The City had several outstanding or planned construction and other projects as of June 30, 2017. These projects are evidenced by contractual commitments with contractors and include:

Project Name	Contract Amount	Expenditures to date as of June 30, 2017	Remaining Commitments
BG-0904: New Swimming Pool: Westbert+White Inc.	\$ 238,930	\$ 79,614	\$ 159,317
WT1607 7th Street Alley Water and Sewer Line Replacement	401,659	337,407	64,251
ST1509 & ST1610 Westminster Rehabilitation	1,053,170	12,198	1,040,972
	<u>\$ 2,522,817</u>	<u>\$ 1,156,066</u>	<u>\$ 1,264,540</u>

B. Contingencies

The City is a defendant in a number of lawsuits, which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty.

C. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

Note 13 – Individual Fund Disclosure

A. Expenditures in Excess of Appropriation

The following funds report expenditures in excess of appropriations for the year ended June 30, 2017.

	Expenditure	Appropriation	Expenditure in Excess of Appropriation
General Fund:			
Debt service			
Principal retirement	695,379	124,300	(571,079)
Interest and fiscal charges	69,347	-	(69,347)
Nonmajor Special Revenue funds:			
Supplemental law Enforcement			
Public safety	122,926	116,200	(6,726)
Air Quality Improvement			
Public works	32,914	30,000	(2,914)
Seal Beach cable			
General government	81,609	75,000	(6,609)
Nonmajor debt service fund:			
City Debt Service Fund			
Public safety	6,000	2,500	(3,500)
Interest and fiscal charges	283,975	279,200	(4,775)

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – Individual Fund Disclosure (Continued)

B. Deficit Net Positions and Fund Balances

Funds with deficit net positions at June 30, 2017 are as follows:

Special Revenue Funds:	Deficit
Street Lighting	\$ (10,169)
Police Grants	(35,831)
Citywide Grants	(138,908)

Note 14 – Prior Period Adjustments

Net position as of July 1, 2016 was restated due to restatement of net pension liabilities and related items as follows:

	Governmental Activities	Water Utility	Sewer Utility	Business-type Activities
Beginning net position, as previously reported	\$ 82,519,820	\$ 24,093,702	\$ 23,595,525	\$ 47,689,227
Prior period adjustments:				
(Over)/Understatement of deferred outflows of resources	125,223	(11,222)	(6,056)	(17,278)
(Under)/Overstatement of net pension liabilities	355,593	(169,756)	(185,838)	(355,594)
(Under)/Overstatement of deferred inflows of resources	(864,099)	(127,583)	(97,630)	(225,213)
Beginning net position, as restated	\$ 82,136,537	\$ 23,785,141	\$ 23,306,001	\$ 47,091,142

Note 15 – Subsequent Events

In 2000, the City and the former Redevelopment Agency of the City of Seal Beach (the “Former RDA”) entered into a Joint Exercise of Powers Agreement, dated as of May 8, 2000 (the “Original PFA Agreement”) and formed the Seal Beach Public Financing Authority (the “Authority”) pursuant to the Joint Exercise of Powers Act, set forth in Government Code Sections 6500 *et seq.*

The Former RDA was dissolved as of February 1, 2012 pursuant to State law and the Successor Agency to the Seal Beach Redevelopment Agency (the “Successor Agency”) was established as the successor entity. The Successor Agency is tasked with the wind-down of the Former RDA’s affairs. It was desired for the Successor Agency’s withdrawal as a member of the Authority. However, because there are only two existing members to the Authority (*i.e.*, the City and the Successor Agency), the Successor Agency’s withdrawal, without the substitution of a new member, would jeopardize the continuing existence of the Authority and cause a disruption to the outstanding Authority bond obligations.

On June 12, 2017, the City Council adopted Resolution No. 6741, to create the Parking Authority, and the Parking Authority became a new member to the Authority. On the same date, the Successor Agency Board of Directors adopted Resolution No. SA 17-3, approving the Successor Agency’s withdrawal of its Authority membership.

On June 28, 2017, the Oversight Board to the Successor Agency adopted Resolution No. OB17-03, approving such withdrawal. Resolution No. OB17-03 became effective upon the State of California Department of Finance’s approval, received by the Successor Agency on August 18, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of Seal Beach
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 22,399,100	\$ 22,399,100	\$ 22,033,465	\$ (365,635)
Licenses and permits	1,428,300	1,258,300	1,234,590	(23,710)
Intergovernmental	195,800	192,800	90,028	(102,772)
Charges for services	4,244,900	5,317,900	5,225,368	(92,532)
Use of money and property	671,000	671,000	393,700	(277,300)
Fines and forfeitures	1,064,200	164,200	152,845	(11,355)
Contributions	100,500	100,500	180,511	80,011
Miscellaneous	180,200	470,200	440,495	(29,705)
Total Revenues	<u>30,284,000</u>	<u>30,574,000</u>	<u>29,751,002</u>	<u>(822,998)</u>
Expenditures:				
Current:				
General government	5,439,900	5,575,300	5,408,672	166,628
Public safety	17,365,800	17,813,900	17,218,671	595,229
Community development	944,700	1,234,700	894,476	340,224
Community services	1,073,900	1,077,800	1,004,690	73,110
Public works	4,964,100	5,045,500	4,551,667	493,833
Debt service:				
Principal retirement	124,300	124,300	695,379	(571,079)
Interest and fiscal charges	-	-	69,347	(69,347)
Total Expenditures	<u>29,912,700</u>	<u>30,871,500</u>	<u>29,842,902</u>	<u>1,028,598</u>
Revenues Over (Under) Expenditures	<u>371,300</u>	<u>(297,500)</u>	<u>(91,900)</u>	<u>205,600</u>
Other Financing Sources (Uses):				
Transfers in	5,299,900	5,319,400	1,159,591	(4,159,809)
Transfers out	(14,006,700)	(15,277,400)	(2,908,236)	12,369,164
Total Other Financing Sources (Uses):	<u>(8,706,800)</u>	<u>(9,958,000)</u>	<u>(1,748,645)</u>	<u>8,209,355</u>
Net Change in Fund Balance	<u>\$ (8,335,500)</u>	<u>\$ (10,255,500)</u>	<u>(1,840,545)</u>	<u>\$ 8,414,955</u>
Fund Balance, Beginning of year			<u>29,104,182</u>	
Fund Balance, End of year			<u>\$ 27,263,637</u>	

City of Seal Beach
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Citywide Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive Negative
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,861,000	\$ 2,861,000	\$ -	\$ (2,861,000)
Total Revenues	<u>2,861,000</u>	<u>2,861,000</u>	<u>942</u>	<u>(2,860,058)</u>
Revenues over (under) expenditures	<u>2,861,000</u>	<u>2,861,000</u>	<u>(1,756,033)</u>	<u>(3,150,033)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	1,762,466	1,762,466
Transfers out	(974,000)	(974,000)	(215,745)	758,255
Total Other Financing Sources (Uses):	<u>(974,000)</u>	<u>(974,000)</u>	<u>1,546,721</u>	<u>2,520,721</u>
Net Change in Fund Balances	<u>\$ 1,887,000</u>	<u>\$ 1,887,000</u>	<u>(209,312)</u>	<u>\$ (2,096,312)</u>
Fund Balances, Beginning of Year			<u>723,110</u>	
Fund Balances, End of Year			<u>\$ 513,798</u>	

City of Seal Beach
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Budgetary Control and Accounting Policy

The City prepares its budgets on the basis of estimated revenues and expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis substantially consistent with generally accepted accounting principles. Encumbrance accounting is utilized during the fiscal year, whereby purchase orders, contracts and other commitments are recorded in order to control appropriations. However, at fiscal year end, all appropriates lapse. Accordingly, encumbrances are cancelled and generally are re-appropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.

Annual budgets are adopted for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year.

The budgetary level of control for all governmental fund types is the fund level. The City Manager has the discretion to transfer appropriations between departments within a fund, but transfers between funds must be approved by the City Council.

City of Seal Beach
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement Date	June 30, 2016	June 30, 2015	6/30/2014 ¹
City's Proportion of the Net Pension Liability/(Asset)	0.12144%	0.11333%	0.11644%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 10,508,345	\$ 7,778,736	\$ 7,245,313
City's Covered Payroll	\$ 4,226,024	\$ 4,710,212	\$ 4,503,370
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	<u>248.66%</u>	<u>165.15%</u>	<u>160.89%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>76.88%</u>	<u>82.15%</u>	<u>83.18%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plan

Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the Net Pension Liability/(Asset)	0.24301%	0.23685%	0.19002%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 21,027,509	\$ 16,257,122	\$ 11,823,793
City's Covered Payroll	\$ 4,454,998	\$ 4,734,950	\$ 4,290,168
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	<u>472.00%</u>	<u>343.34%</u>	<u>275.60%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>73.44%</u>	<u>78.58%</u>	<u>81.42%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

City of Seal Beach
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially Determined Contribution	\$ 415,323	\$ 399,656	\$ 614,667	\$ 452,594
Contribution in Relation to the Actuarially Determined Contribution	<u>(791,754)</u>	<u>(709,945)</u>	<u>(734,255)</u>	<u>(614,667)</u>
Contribution Deficiency (Excess)	<u>\$ (376,431)</u>	<u>\$ (310,289)</u>	<u>\$ (119,588)</u>	<u>\$ (162,073)</u>
Covered Payroll	<u>\$ 4,352,805</u>	<u>\$ 4,226,024</u>	<u>\$ 4,710,212</u>	<u>\$ 4,597,510</u>
Contributions as a Percentage of Covered Payroll	<u>18.19%</u>	<u>16.80%</u>	<u>15.59%</u>	<u>13.37%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plan

	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially Determined Contribution	\$ 920,480	\$ 916,387	\$ 1,342,325	\$ 1,196,592
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,748,129)</u>	<u>(1,608,716)</u>	<u>(1,476,452)</u>	<u>(2,157,763)</u>
Contribution Deficiency (Excess)	<u>\$ (827,649)</u>	<u>\$ (692,329)</u>	<u>\$ (134,127)</u>	<u>\$ (961,171)</u>
Covered Payroll ²	<u>\$ 4,588,648</u>	<u>\$ 4,454,998</u>	<u>\$ 4,734,950</u>	<u>\$ 3,995,001</u>
Contributions as a Percentage of Covered Payroll	<u>38.10%</u>	<u>36.11%</u>	<u>31.18%</u>	<u>54.01%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

Notes to Schedule:

Changes of Assumptions: Discount rate was changed from 7.50% to 7.65% for the June 30, 2015 measurement date.

City of Seal Beach
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Postemployment Benefits
For the Year Ended June 30, 2017

The schedule of funding progress for the past three actuarial valuations is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability ("UAAL") (A - B)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a % of Payroll (A - B) / C
7/1/2011	\$ 1,738,000	\$ 6,902,000	(5,164,000)	25.2%	\$ 8,083,000	63.89%
7/1/2013	2,672,000	6,657,000	(3,985,000)	40.1%	8,903,000	44.76%
7/1/2015	3,516,333	9,009,436	(5,493,103)	39.0%	8,977,000	61.19%

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Street Lighting : To account for special assessments that are restricted for the maintenance of streetlights and to finance the electricity used by the streetlights.

Supplemental Law Enforcement : To account for funds received from the State under the State Citizens Option for Public Safety Program. Certain procedures are required to be implemented prior to the use of the funds, and the funds cannot be used to supplant existing funding for law enforcement.

Detention Center : To account for funds initially funded by monies seeded the previous jail services vendor. The revenues also derived from sales of commissary items to the prisoners for their benefit.

Police Asset Forfeiture : To accounts for revenues derived from monies and property seized in drug-related incidents.

Air Quality Improvement : To accounts for supplemental vehicle license fee revenue distributed to Cities by the South Coast Air Quality Management District pursuant to Assembly Bill 2766. Expenditures are restricted for programs that will reduce air pollution by reducing, directly or indirectly, mobile source emission pollutants.

Park Improvement : To account for the Quimby Act Fees received by developers that are restricted for the improvement of parks and recreation facilities.

Traffic Impact : To account for fair-share based fees that will serve to offset, or mitigate, the traffic impacts caused by new development.

State Gasoline Tax : To accounts for locally shared gas tax monies collected by the State. Expenditures are restricted for repair, construction, maintenance and right-of-way acquisitions relating to streets and highways.

Measure M2 : To account for funds for transportation improvements through the Measure M Transportation Investment Plan (M2) such as major improvement plans target Orange County freeways, streets and roads, transit and environmental programs.

Community Development Block Grant (CDBG) : To account for resources that are restricted for a wide variety of unique community development needs.

Police Grants : To account for various grants include the Urban Area Security Initiative (UASI), the Office of Traffic Safety (OTS) DUI grant reimburses funds advanced by the City for DUI enforcement, the Bullet Proof Vest Protection (BVP) grant which provides matching funds that are restricted for the purchase of bullet-resistant vests, the Alcoholic Beverage Control (ABC) grant and the Justice Assistance Grant (JAG).

Heron Pointe : To account for the construction and acquisition of certain public street improvements, water and sanitary sewer improvements, dry utility improvements, park and landscaping improvements.

Pacific Gateway : To account for special assessment that are restricted for costs related to the maintenance of parks, parkways and open space within the District (Landscape Maintenance).

Seal Beach Cable : To account for revenues derived from PEGS fees which provide for channel capacity to be designated for public, education, or government use.

City Debt Service Debt Service Fund : To accounts for resources that are restricted for the payments of long-term debt.

Capital Projects and Equipment : To account for major capital projects with various revenues sources but excludes the Water and Sewer Capital Fund. These sources get transferred into the Capital Improvement Project Fund.

City of Seal Beach
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Street Lighting	Supplemental Law Enforcement	Detention Center	Police Asset Forfeiture
ASSETS				
Cash and investments	\$ 3,753	\$ 66,941	\$ 21,053	\$ 255,261
Receivables:				
Accounts	-	-	5	-
Taxes	499	-	-	-
Interest	-	-	-	-
Prepaid items	-	-	-	-
Due from other governments	-	1,512	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 4,252	\$ 68,453	\$ 21,058	\$ 255,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 14,421	\$ 5,192	\$ 81	\$ -
Accrued wages and benefits payable	-	1,259	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Total Liabilities	14,421	6,451	81	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted	-	62,002	20,977	255,261
Unassigned (deficit)	(10,169)	-	-	-
Total Fund Balances	(10,169)	62,002	20,977	255,261
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,252	\$ 68,453	\$ 21,058	\$ 255,261

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Air Quality Improvement	Parks Improvement	Traffic Impact AB 1600	State Gasoline Tax
ASSETS				
Cash and investments	\$ 566	\$ 6,443	\$ 156,739	\$ 739,366
Receivables:				
Accounts	8,141	-	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Prepaid items	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 8,707	\$ 6,443	\$ 156,739	\$ 739,366
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 560	\$ -	\$ -	\$ -
Accrued wages and benefits payable	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Total Liabilities	560	-	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted	8,147	6,443	156,739	739,366
Unassigned (deficit)	-	-	-	-
Total Fund Balances	8,147	6,443	156,739	739,366
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,707	\$ 6,443	\$ 156,739	\$ 739,366

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Measure M2	Community Development Block Grant	Police Grants	Landscape District
ASSETS				
Cash and investments	\$ 1,160,190	\$ -	\$ -	\$ 377,618
Receivables:				
Accounts	70,892	36,860	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Prepaid items	-	-	-	-
Due from other governments	-	-	14,445	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 1,231,082	\$ 36,860	\$ 14,445	\$ 377,618
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 400	\$ -
Accrued wages and benefits payable	-	-	-	1,343
Unearned revenues	-	-	18,550	-
Due to other funds	-	26,619	16,882	-
Retentions payable	-	-	-	-
Total Liabilities	-	26,619	35,832	1,343
Deferred Inflows of Resources:				
Unavailable revenues	-	-	14,444	-
Total Deferred Inflows of Resources	-	-	14,444	-
Fund Balances:				
Restricted	1,231,082	10,241	-	376,275
Unassigned (deficit)	-	-	(35,831)	-
Total Fund Balances	1,231,082	10,241	(35,831)	376,275
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,231,082	\$ 36,860	\$ 14,445	\$ 377,618

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			Debt Service Fund
	Heron Pointe	Pacific Gateway	Seal Beach Cable	City Debt Service
ASSETS				
Cash and investments	\$ 73,289	\$ 138,205	\$ 284,367	\$ -
Receivables:				
Accounts	-	-	29,079	-
Taxes	-	208	-	-
Interest	-	-	377	-
Prepaid items	-	-	10,395	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	729,543
Total Assets	\$ 73,289	\$ 138,413	\$ 324,218	\$ 729,543
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 31	\$ -	\$ -	\$ -
Accrued wages and benefits payable	-	1,658	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Total Liabilities	31	1,658	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted	73,258	136,755	324,218	729,543
Unassigned (deficit)	-	-	-	-
Total Fund Balances	73,258	136,755	324,218	729,543
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 73,289	\$ 138,413	\$ 324,218	\$ 729,543

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Capital Projects and Equipment	Total Other Governmental Funds
ASSETS		
Cash and investments	\$ 278,695	\$ 3,562,486
Receivables:		
Accounts	-	144,977
Taxes	-	707
Interest	-	377
Prepaid items	-	10,395
Due from other governments	-	15,957
Restricted assets:		
Cash and investments with fiscal agents	-	729,543
Total Assets	\$ 278,695	\$ 4,464,442
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 271,937	\$ 292,622
Accrued wages and benefits payable	-	4,260
Unearned revenues	-	18,550
Due to other funds	-	43,501
Retentions payable	5,862	5,862
Total Liabilities	277,799	364,795
Deferred Inflows of Resources:		
Unavailable revenues	-	14,444
Total Deferred Inflows of Resources	-	14,444
Fund Balances:		
Restricted	896	4,131,203
Unassigned (deficit)	-	(46,000)
Total Fund Balances	896	4,085,203
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 278,695	\$ 4,464,442

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Street Lighting	Supplemental Law Enforcement	Detention Center	Police Asset Forfeiture
Revenues:				
Taxes	\$ 143,173	\$ -	\$ -	\$ -
Intergovernmental	-	129,324	-	256,605
Charges for services	-	-	11,294	-
Use of money and property	-	691	-	1,547
Miscellaneous	-	-	-	-
Total Revenues	143,173	130,015	11,294	258,152
Expenditures:				
Current:				
General government	183,028	-	-	-
Public safety	-	122,926	4,929	13,689
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	183,028	122,926	4,929	13,689
Revenues over (under) expenditures	(39,855)	7,089	6,365	244,463
Other Financing Sources (Uses):				
Transfers in	42,700	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses):	42,700	-	-	-
Net Change in Fund Balances	2,845	7,089	6,365	244,463
Fund Balances, Beginning of Year	(13,014)	54,913	14,612	10,798
Fund Balances, End of Year	\$ (10,169)	\$ 62,002	\$ 20,977	\$ 255,261

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Air Quality Improvement	Parks Improvement	Traffic Impact AB 1600	State Gasoline Tax
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 487,834
Intergovernmental	32,585	10,000	-	-
Charges for services	-	-	-	-
Use of money and property	31	-	3,751	8,791
Miscellaneous	-	-	-	-
Total Revenues	<u>32,616</u>	<u>10,000</u>	<u>3,751</u>	<u>496,625</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	32,914	-	-	1,792
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>32,914</u>	<u>-</u>	<u>-</u>	<u>1,792</u>
Revenues over (under) expenditures	<u>(298)</u>	<u>10,000</u>	<u>3,751</u>	<u>494,833</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(3,557)	(209,823)	(603,455)
Total Other Financing Sources (Uses):	<u>-</u>	<u>(3,557)</u>	<u>(209,823)</u>	<u>(603,455)</u>
Net Change in Fund Balances	<u>(298)</u>	<u>6,443</u>	<u>(206,072)</u>	<u>(108,622)</u>
Fund Balances, Beginning of Year	8,445	-	362,811	847,988
Fund Balances, End of Year	<u>\$ 8,147</u>	<u>\$ 6,443</u>	<u>\$ 156,739</u>	<u>\$ 739,366</u>

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Measure M2	Community Development Block Grant	Police Grants	Landscape District
Revenues:				
Taxes	\$ 399,038	\$ -	\$ -	\$ 247,032
Intergovernmental	3,962	192,650	29,750	-
Charges for services	-	-	-	-
Use of money and property	11,996	-	-	2,509
Miscellaneous	-	-	-	1,750
Total Revenues	414,996	192,650	29,750	251,291
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	29,750	-
Community development	-	180,000	-	59,423
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	180,000	29,750	59,423
Revenues over (under) expenditures	414,996	12,650	-	191,868
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(116,591)	-	-	(13,000)
Total Other Financing Sources (Uses):	(116,591)	-	-	(13,000)
Net Change in Fund Balances	298,405	12,650	-	178,868
Fund Balances, Beginning of Year	932,677	(2,409)	(35,831)	197,407
Fund Balances, End of Year	<u>\$ 1,231,082</u>	<u>\$ 10,241</u>	<u>\$ (35,831)</u>	<u>\$ 376,275</u>

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			Debt Service
	Heron Pointe	Pacific Gateway	Seal Beach Cable	City Debt Service
Revenues:				
Taxes	\$ -	\$ 57,829	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	112,421	-
Use of money and property	-	-	2,460	942
Miscellaneous	25,000	25,000	-	-
Total Revenues	<u>25,000</u>	<u>82,829</u>	<u>114,881</u>	<u>942</u>
Expenditures:				
Current:				
General government	-	-	81,609	-
Public safety	-	-	-	6,000
Community development	7,839	44,343	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	1,467,000
Interest and fiscal charges	-	-	-	283,975
Total Expenditures	<u>7,839</u>	<u>44,343</u>	<u>81,609</u>	<u>1,756,975</u>
Revenues over (under) expenditures	<u>17,161</u>	<u>38,486</u>	<u>33,272</u>	<u>(1,756,033)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	1,762,466
Transfers out	(11,000)	(148,126)	(32,643)	-
Total Other Financing Sources (Uses):	<u>(11,000)</u>	<u>(148,126)</u>	<u>(32,643)</u>	<u>1,762,466</u>
Net Change in Fund Balances	6,161	(109,640)	629	6,433
Fund Balances, Beginning of Year	67,097	246,395	323,589	723,110
Fund Balances, End of Year	<u>\$ 73,258</u>	<u>\$ 136,755</u>	<u>\$ 324,218</u>	<u>\$ 729,543</u>

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Capital Projects Fund	Total Other Governmental Funds
	Capital Projects and Equipment	
Revenues:		
Taxes	\$ -	\$ 1,334,906
Intergovernmental	-	654,876
Charges for services	-	123,715
Use of money and property	-	32,718
Miscellaneous	-	51,750
Total Revenues	-	2,197,965
Expenditures:		
Current:		
General government	-	264,637
Public safety	-	177,294
Community development	-	291,605
Public works	-	34,706
Capital outlay	1,506,476	1,506,476
Debt service:		
Principal	-	1,467,000
Interest and fiscal charges	-	283,975
Total Expenditures	1,506,476	4,025,693
Revenues over (under) expenditures	(1,506,476)	(1,827,728)
Other Financing Sources (Uses):		
Transfers in	1,507,372	3,312,538
Transfers out	-	(1,138,195)
Total Other Financing Sources (Uses):	1,507,372	2,174,343
Net Change in Fund Balances	896	346,615
Fund Balances, Beginning of Year	-	3,738,588
Fund Balances, End of Year	\$ 896	\$ 4,085,203

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Lighting Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 142,400	\$ 142,400	\$ 143,173	\$ 773
Total Revenues	<u>142,400</u>	<u>142,400</u>	<u>143,173</u>	<u>773</u>
Expenditures:				
Current:				
General government	185,100	185,100	183,028	2,072
Total Expenditures	<u>185,100</u>	<u>185,100</u>	<u>183,028</u>	<u>2,072</u>
Revenues over (under) expenditures	<u>(42,700)</u>	<u>(42,700)</u>	<u>(39,855)</u>	<u>2,845</u>
Other Financing Sources (Uses):				
Transfers in	42,700	42,700	42,700	-
Total Other Financing Sources (Uses):	<u>42,700</u>	<u>42,700</u>	<u>42,700</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,845</u>	<u>\$ 2,845</u>
Fund Balances, Beginning of Year			<u>(13,014)</u>	
Fund Balances, End of Year			<u>\$ (10,169)</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 129,324	\$ 29,324
Use of money and property	300	300	691	391
Total Revenues	100,300	100,300	130,015	29,715
Expenditures:				
Current:				
Public safety	116,200	116,200	122,926	(6,726)
Total Expenditures	116,200	116,200	122,926	(6,726)
Revenues over (under) expenditures	(15,900)	(15,900)	7,089	22,989
Net Change in Fund Balances	\$ (15,900)	\$ (15,900)	7,089	\$ 22,989
Fund Balances, Beginning of Year			54,913	
Fund Balances, End of Year			\$ 62,002	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Detention Center Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 11,294	\$ 1,294
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>11,294</u>	<u>1,294</u>
Expenditures:				
Current:				
Public safety	15,000	15,000	4,929	10,071
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>4,929</u>	<u>10,071</u>
Revenues over (under) expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>6,365</u>	<u>11,365</u>
Net Change in Fund Balances	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>6,365</u>	<u>\$ 11,365</u>
Fund Balances, Beginning of Year			<u>14,612</u>	
Fund Balances, End of Year			<u>\$ 20,977</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 256,605	\$ 106,605
Use of money and property	-	-	1,547	1,547
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>258,152</u>	<u>108,152</u>
Expenditures:				
Current:				
Public safety	129,100	129,100	13,689	115,411
Total Expenditures	<u>129,100</u>	<u>129,100</u>	<u>13,689</u>	<u>115,411</u>
Revenues over (under) expenditures	<u>20,900</u>	<u>20,900</u>	<u>244,463</u>	<u>223,563</u>
Net Change in Fund Balances	<u>\$ 20,900</u>	<u>\$ 20,900</u>	<u>244,463</u>	<u>\$ 223,563</u>
Fund Balances, Beginning of Year			<u>10,798</u>	
Fund Balances, End of Year			<u>\$ 255,261</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Air Quality Improvement Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 32,585	\$ 2,585
Use of money and property	-	-	31	31
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>32,616</u>	<u>2,616</u>
Expenditures:				
Current:				
Public works	30,000	30,000	32,914	(2,914)
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>32,914</u>	<u>(2,914)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(298)	<u>\$ (298)</u>
Fund Balances, Beginning of Year			<u>8,445</u>	
Fund Balances, End of Year			<u>\$ 8,147</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Parks Improvement Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 10,000	\$ 10,000
Use of money and property	300	300	-	(300)
Total Revenues	<u>300</u>	<u>300</u>	<u>10,000</u>	<u>9,700</u>
Other Financing Sources (Uses):				
Transfers out	-	-	(3,557)	(3,557)
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>(3,557)</u>	<u>(3,557)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>3,557</u>	<u>(3,557)</u>
Net Change in Fund Balances	<u>\$ 300</u>	<u>\$ 300</u>	<u>6,443</u>	<u>\$ 6,143</u>
Fund Balances, Beginning of Year			<u>-</u>	
Fund Balances, End of Year			<u>\$ 6,443</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Impact AB 1600 Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 213,500	\$ 213,500	\$ -	\$ (213,500)
Use of money and property	6,000	6,000	3,751	(2,249)
Total Revenues	<u>219,500</u>	<u>219,500</u>	<u>3,751</u>	<u>(215,749)</u>
Revenues over (under) expenditures	<u>219,500</u>	<u>219,500</u>	<u>3,751</u>	<u>(215,749)</u>
Other Financing Sources (Uses):				
Transfers out	(330,000)	(360,000)	(209,823)	150,177
Total Other Financing Sources (Uses):	<u>(330,000)</u>	<u>(360,000)</u>	<u>(209,823)</u>	<u>150,177</u>
Net Change in Fund Balances	<u>\$ (110,500)</u>	<u>\$ (140,500)</u>	<u>(206,072)</u>	<u>\$ (65,572)</u>
Fund Balances, Beginning of Year			<u>362,811</u>	
Fund Balances, End of Year			<u>\$ 156,739</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Gasoline Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 643,500	\$ 643,500	\$ 487,834	\$ (155,666)
Use of money and property	6,000	6,000	8,791	2,791
Total Revenues	<u>649,500</u>	<u>649,500</u>	<u>496,625</u>	<u>(152,875)</u>
Expenditures:				
Current:				
Public works	2,000	2,000	1,792	208
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,792</u>	<u>208</u>
Revenues over (under) expenditures	<u>647,500</u>	<u>647,500</u>	<u>494,833</u>	<u>(152,667)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(1,130,000)	(1,137,100)	(603,455)	533,645
Total Other Financing Sources (Uses):	<u>(1,130,000)</u>	<u>(1,137,100)</u>	<u>(603,455)</u>	<u>533,645</u>
Net Change in Fund Balances	<u>\$ (482,500)</u>	<u>\$ (489,600)</u>	<u>(108,622)</u>	<u>\$ 380,978</u>
Fund Balances, Beginning of Year			847,988	
Fund Balances, End of Year			<u>\$ 739,366</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure M2 Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 450,000	\$ 450,000	\$ 399,038	\$ (50,962)
Use of money and property	6,000	6,000	11,996	5,996
Miscellaneous	-	-	-	-
Total Revenues	<u>456,000</u>	<u>456,000</u>	<u>414,996</u>	<u>(41,004)</u>
Revenues over (under) expenditures	<u>456,000</u>	<u>456,000</u>	<u>414,996</u>	<u>(41,004)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(1,050,000)	(1,169,000)	(116,591)	1,052,409
Total Other Financing Sources (Uses):	<u>(1,050,000)</u>	<u>(1,169,000)</u>	<u>(116,591)</u>	<u>1,052,409</u>
Net Change in Fund Balances	<u>\$ (594,000)</u>	<u>\$ (713,000)</u>	<u>298,405</u>	<u>\$ 1,011,405</u>
Fund Balances, Beginning of Year			<u>932,677</u>	
Fund Balances, End of Year			<u>\$ 1,231,082</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 192,650	\$ 12,650
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>192,650</u>	<u>12,650</u>
Expenditures:				
Current:				
Community development	180,000	180,000	180,000	-
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>12,650</u>	<u>12,650</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>12,650</u>	<u>\$ 12,650</u>
Fund Balances, Beginning of Year			<u>(2,409)</u>	
Fund Balances, End of Year			<u>\$ 10,241</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 29,750	\$ 19,750
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>29,750</u>	<u>19,750</u>
Expenditures:				
Current:				
Public safety	179,000	179,000	29,750	149,250
Total Expenditures	<u>179,000</u>	<u>179,000</u>	<u>29,750</u>	<u>149,250</u>
Revenues over (under) expenditures	<u>(169,000)</u>	<u>(169,000)</u>	<u>-</u>	<u>169,000</u>
Net Change in Fund Balances	<u>\$ (169,000)</u>	<u>\$ (169,000)</u>	<u>-</u>	<u>\$ 169,000</u>
Fund Balances, Beginning of Year			<u>(35,831)</u>	
Fund Balances, End of Year			<u>\$ (35,831)</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Landscape District Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 140,200	\$ 140,200	\$ 247,032	\$ 106,832
Use of money and property	2,500	2,500	2,509	9
Miscellaneous	-	-	1,750	1,750
Total Revenues	<u>142,700</u>	<u>142,700</u>	<u>251,291</u>	<u>108,591</u>
Expenditures:				
Current:				
Community development	178,200	178,200	59,423	118,777
Total Expenditures	<u>178,200</u>	<u>178,200</u>	<u>59,423</u>	<u>118,777</u>
Revenues over (under) expenditures	<u>(35,500)</u>	<u>(35,500)</u>	<u>191,868</u>	<u>227,368</u>
Other Financing Sources (Uses):				
Transfers out	(13,000)	(13,000)	(13,000)	-
Total Other Financing Sources (Uses):	<u>(13,000)</u>	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (48,500)</u>	<u>\$ (48,500)</u>	<u>178,868</u>	<u>\$ 227,368</u>
Fund Balances, Beginning of Year			<u>197,407</u>	
Fund Balances, End of Year			<u>\$ 376,275</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Heron Pointe Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Expenditures:				
Current:				
Community development	8,000	8,000	7,839	161
Total Expenditures	<u>8,000</u>	<u>8,000</u>	<u>7,839</u>	<u>161</u>
Revenues over (under) expenditures	<u>17,000</u>	<u>17,000</u>	<u>17,161</u>	<u>161</u>
Other Financing Sources (Uses):				
Transfers out	(11,000)	(11,000)	(11,000)	-
Total Other Financing Sources (Uses):	<u>(11,000)</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 6,000</u>	<u>\$ 6,000</u>	6,161	<u>\$ 161</u>
Fund Balances, Beginning of Year			<u>67,097</u>	
Fund Balances, End of Year			<u>\$ 73,258</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Pacific Gateway Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 57,829	\$ 57,829
Miscellaneous	25,000	25,000	25,000	-
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>82,829</u>	<u>57,829</u>
Expenditures:				
Current:				
Community development	81,700	81,700	44,343	37,357
Total Expenditures	<u>81,700</u>	<u>81,700</u>	<u>44,343</u>	<u>37,357</u>
Revenues over (under) expenditures	<u>(56,700)</u>	<u>(56,700)</u>	<u>38,486</u>	<u>95,186</u>
Other Financing Sources (Uses):				
Transfers out	(156,600)	(156,600)	(148,126)	8,474
Total Other Financing Sources (Uses):	<u>(156,600)</u>	<u>(156,600)</u>	<u>(148,126)</u>	<u>8,474</u>
Net Change in Fund Balances	<u>\$ (213,300)</u>	<u>\$ (213,300)</u>	<u>(109,640)</u>	<u>\$ 103,660</u>
Fund Balances, Beginning of Year			<u>246,395</u>	
Fund Balances, End of Year			<u>\$ 136,755</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Seal Beach Cable Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 90,000	\$ 90,000	\$ 112,421	\$ 22,421
Use of money and property	2,000	2,000	2,460	460
Total Revenues	<u>92,000</u>	<u>92,000</u>	<u>114,881</u>	<u>22,881</u>
Expenditures:				
Current:				
General government	75,000	75,000	81,609	(6,609)
Total Expenditures	<u>75,000</u>	<u>75,000</u>	<u>81,609</u>	<u>(6,609)</u>
Revenues over (under) expenditures	<u>17,000</u>	<u>17,000</u>	<u>33,272</u>	<u>16,272</u>
Other Financing Sources (Uses):				
Transfers out	(219,000)	(273,700)	(32,643)	241,057
Total Other Financing Sources (Uses):	<u>(219,000)</u>	<u>(273,700)</u>	<u>(32,643)</u>	<u>241,057</u>
Net Change in Fund Balances	<u>\$ (202,000)</u>	<u>\$ (256,700)</u>	<u>629</u>	<u>\$ 257,329</u>
Fund Balances, Beginning of Year			<u>323,589</u>	
Fund Balances, End of Year			<u>\$ 324,218</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Debt Service Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	2,500	2,500	-	2,500
Principal retirement	1,475,000	1,475,000	-	1,475,000
Interest and fiscal charges	279,200	279,200	-	279,200
Total Expenditures	<u>1,756,700</u>	<u>1,756,700</u>	<u>-</u>	<u>1,756,700</u>
Revenues over (under) expenditures	<u>(1,756,700)</u>	<u>(1,756,700)</u>	<u>-</u>	<u>1,756,700</u>
Other Financing Sources (Uses):				
Transfers in	1,756,700	1,756,700	-	(1,756,700)
Total Other Financing Sources (Uses):	<u>1,756,700</u>	<u>1,756,700</u>	<u>-</u>	<u>(1,756,700)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balances, Beginning of Year			<u>-</u>	
Fund Balances, End of Year			<u>\$ -</u>	

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AGENCY FUNDS FINANCIAL STATEMENTS

City of Seal Beach
Combining Statement of Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Deposits	Community Facilities District Heron Pointe	Community Facilities District - Heron Pacific Gateway	Total
Assets:				
Cash and investments	\$ 44,836	\$ 81,686	\$ 145,031	\$ 271,553
Restricted assets:				
Cash and investments with fiscal agents	-	255,307	696,178	951,485
Taxes receivable	-	5,056	1,785	6,841
Total Assets	\$ 44,836	\$ 342,049	\$ 842,994	\$ 1,229,879
Liabilities:				
Deposits payable	44,836	-	-	44,836
Due to bondholders	-	342,049	842,994	1,185,043
Total Liabilities	\$ 44,836	\$ 342,049	\$ 842,994	\$ 1,229,879

City of Seal Beach
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Deposits</u>				
Assets:				
Cash and investments	\$ 39,013	\$ 8,777	\$ (2,954)	\$ 44,836
Total Assets	\$ 39,013	\$ 8,777	\$ (2,954)	\$ 44,836
Liabilities:				
Deposits payable	\$ 39,013	\$ 8,777	\$ (2,954)	\$ 44,836
Total Liabilities	\$ 39,013	\$ 8,777	\$ (2,954)	\$ 44,836

Community Facilities District
Heron Pointe

Assets:				
Cash and investments	\$ 152,498	\$ 185,308	\$ (256,120)	\$ 81,686
Restricted assets:				
Cash and investments with fiscal agents	254,886	1,180	(759)	255,307
Taxes receivable	-	5,056	-	5,056
Total Assets	\$ 407,384	\$ 191,544	\$ (256,879)	\$ 342,049
Liabilities:				
Due to bondholders	\$ 407,384	\$ 191,544	\$ (256,879)	\$ 342,049
Total Liabilities	\$ 407,384	\$ 191,544	\$ (256,879)	\$ 342,049

Community Facilities District
Pacific Gateway

Assets:				
Cash and investments	\$ 147,334	\$ 496,940	\$ (499,243)	\$ 145,031
Restricted assets:				
Cash and investments with fiscal agents	694,418	3,212	(1,452)	696,178
Taxes receivable	-	1,785	-	1,785
Total Assets	\$ 841,752	\$ 501,937	\$ (500,695)	\$ 842,994
Liabilities:				
Due to bondholders	\$ 841,752	\$ 501,937	\$ (500,695)	\$ 842,994
Total Liabilities	\$ 841,752	\$ 501,937	\$ (500,695)	\$ 842,994

City of Seal Beach
Combining Statement of Changes in Assets and Liabilities (Continued)
Agency Fund
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Total</u>				
Assets:				
Cash and investments	\$ 338,845	\$ 691,025	\$ (758,317)	\$ 271,553
Restricted assets:				
Cash and investments with fiscal agents	949,304	4,392	(2,211)	951,485
Taxes receivable	-	6,841	-	6,841
Total Assets	<u>\$ 1,288,149</u>	<u>\$ 702,258</u>	<u>\$ (760,528)</u>	<u>\$ 1,229,879</u>
Liabilities:				
Deposits payable	\$ 39,013	\$ 8,777	\$ (2,954)	\$ 44,836
Due to bondholders	1,249,136	693,481	(757,574)	1,185,043
Total Liabilities	<u>\$ 1,288,149</u>	<u>\$ 702,258</u>	<u>\$ (760,528)</u>	<u>\$ 1,229,879</u>

STATISTICAL SECTION

City of Seal Beach
Net Position by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013
Governmental activities:				
Net investment in capital assets,	\$ 64,607,970	\$ 68,117,517	\$ 70,801,667	\$ 73,693,829
Restricted	6,190,852	5,179,337	2,662,285	3,271,671
Unrestricted	30,050,739	27,557,417	29,666,427	23,570,750
Total governmental activities net position	<u>\$ 100,849,561</u>	<u>\$ 100,854,271</u>	<u>\$ 103,130,379</u>	<u>\$ 100,536,250</u>
Business-type activities:				
Net investment in capital assets,	\$ 27,416,082	\$ 29,552,934	\$ 32,020,831	\$ 32,645,747
Restricted	294,407	-	-	-
Unrestricted	14,376,270	13,633,764	11,318,443	12,593,950
Total business-type activities net position	<u>\$ 42,086,759</u>	<u>\$ 43,186,698</u>	<u>\$ 43,339,274</u>	<u>\$ 45,239,697</u>
Primary government:				
Net investment in capital assets,	\$ 92,024,052	\$ 97,670,451	\$ 102,822,498	\$ 106,339,576
Restricted	6,485,259	5,179,337	2,662,285	3,271,671
Unrestricted	44,427,009	41,191,181	40,984,870	36,164,700
Total primary government net position	<u>\$ 142,936,320</u>	<u>\$ 144,040,969</u>	<u>\$ 146,469,653</u>	<u>\$ 145,775,947</u>

The City of Seal Beach implemented GASB 34 for the fiscal year ended June 30, 2003. The City has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Net Position by Component (Continued)
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:				
Net investment in capital assets,	\$ 72,498,068	\$ 74,296,935	\$ 73,939,948	\$ 72,399,752
Restricted	4,426,990	3,842,792	3,866,679	4,587,081
Unrestricted	<u>25,953,129</u>	<u>4,097,282</u>	<u>4,713,193</u>	<u>2,223,399</u>
Total governmental activities net position	<u>\$ 102,878,187</u>	<u>\$ 82,237,009</u>	<u>\$ 82,519,820</u>	<u>\$ 79,210,232</u>
Business-type activities:				
Net investment in capital assets,	\$ 32,360,440	\$ 34,451,074	\$ 34,145,069	\$ 33,109,258
Restricted	-	-	-	-
Unrestricted	<u>15,532,304</u>	<u>12,470,553</u>	<u>13,544,158</u>	<u>13,722,252</u>
Total business-type activities net position	<u>\$ 47,892,744</u>	<u>\$ 46,921,627</u>	<u>\$ 47,689,227</u>	<u>\$ 46,831,510</u>
Primary government:				
Net investment in capital assets,	\$ 104,858,508	\$ 108,748,009	\$ 108,085,017	\$ 105,509,010
Restricted	4,426,990	3,842,792	3,866,679	4,587,081
Unrestricted	<u>41,485,433</u>	<u>16,567,835</u>	<u>18,257,351</u>	<u>15,945,651</u>
Total primary government net position	<u>\$ 150,770,931</u>	<u>\$ 129,158,636</u>	<u>\$ 130,209,047</u>	<u>\$ 126,041,742</u>

The City of Seal Beach implemented GASB 34 for the fiscal year ended June 30, 2003. The City has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses:				
Governmental activities:				
General government	\$ 6,462,182	\$ 8,135,200	\$ 6,477,795	\$ 5,373,180
Public safety	14,322,026	13,493,413	14,152,774	15,005,590
Community development	3,332,329	1,654,009	1,372,334	1,781,188
Community services	1,109,303	1,040,723	940,754	1,272,680
Public works	7,745,817	6,304,343	6,577,233	6,212,516
Interest on long-term debt	889,721	1,012,516	693,065	574,763
Total governmental activities expenses	<u>\$ 33,861,378</u>	<u>\$ 31,640,204</u>	<u>\$ 30,213,955</u>	<u>\$ 30,219,917</u>
Business-type activities:				
Water utility	\$ 4,063,497	\$ 4,005,747	\$ 4,165,575	\$ 4,267,840
Sewer utility	1,452,748	1,412,326	1,402,249	1,520,478
Total business-type activities expenses	<u>5,516,245</u>	<u>5,418,073</u>	<u>5,567,824</u>	<u>5,788,318</u>
Total primary government expenses	<u>\$ 39,377,623</u>	<u>\$ 37,058,277</u>	<u>\$ 35,781,779</u>	<u>\$ 36,008,235</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 2,190,386	\$ 1,770,024	\$ 1,462,840	\$ 450,911
Public safety	1,725,519	1,515,727	1,667,184	1,565,527
Community development	92,163	92,131	130,118	111,008
Community services	737,470	815,779	930,501	981,440
Public works	1,817,794	1,738,965	1,869,575	1,980,116
Operating contributions and grants	1,999,260	1,775,825	5,890,556	5,837,093
Capital grants and contributions	422,645	23,967	44,405	-
Total governmental activities program revenues	<u>\$ 8,985,237</u>	<u>\$ 7,732,418</u>	<u>\$ 11,995,179</u>	<u>\$ 10,926,095</u>
Business-type activities:				
Charges for services:				
Water utility	\$ 5,655,433	\$ 4,190,824	\$ 4,376,906	\$ 4,924,109
Sewer utility	2,184,287	2,212,559	2,442,608	2,675,201
Operating grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>\$ 7,839,720</u>	<u>\$ 6,403,383</u>	<u>\$ 6,819,514</u>	<u>\$ 7,599,310</u>
Total primary government program revenues	<u>\$ 16,824,957</u>	<u>\$ 14,135,801</u>	<u>\$ 18,814,693</u>	<u>\$ 18,525,405</u>
Net revenues (expenses):				
Governmental activities	(24,876,141)	(23,907,786)	(18,218,776)	(19,293,822)
Business-type activities	2,323,475	985,310	1,251,690	1,810,992
Total net revenues (expenses)	<u>\$ (22,552,666)</u>	<u>\$ (22,922,476)</u>	<u>\$ (16,967,086)</u>	<u>\$ (17,482,830)</u>

The City of Seal Beach implemented GASB 34 for the fiscal year ended June 30, 2003. The City has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position (Continued)
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 10,738,530	\$ 10,794,375	\$ 10,337,486	\$ 9,958,198
Transient occupancy taxes	1,108,785	1,221,491	970,275	1,289,007
Sales tax	4,680,846	4,160,359	4,930,037	5,408,756
Franchise taxes	941,785	1,030,736	1,008,031	1,126,398
Utility users taxes	5,056,233	5,310,666	5,484,256	4,732,597
Other taxes	151,724	228,449	338,176	328,743
Motor vehicle in lieu, unrestricted	76,234	119,022	12,868	13,333
Use of money and property	752,771	735,082	714,342	372,693
Other	319,134	312,316	230,997	331,175
Transfers	60,375	-	-	-
Extraordinary Gain(loss)	-	-	(3,531,584)	-
Total governmental activities	<u>\$ 23,886,417</u>	<u>\$ 23,912,496</u>	<u>\$ 20,494,884</u>	<u>\$ 23,560,900</u>
Business-type activities:				
Use of money and property	\$ 92,259	\$ 109,160	\$ 96,774	\$ 84,371
Other	12,645	5,469	4,112	5,060
Transfers	(60,375)	-	-	-
Extraordinary Gain(loss)	-	-	(1,200,000)	-
Total business-type activities	<u>\$ 44,529</u>	<u>\$ 114,629</u>	<u>\$ (1,099,114)</u>	<u>\$ 89,431</u>
Total primary government	<u>\$ 23,930,946</u>	<u>\$ 24,027,125</u>	<u>\$ 19,395,770</u>	<u>\$ 23,650,331</u>
Changes in net position:				
Governmental activities	\$ (989,724)	\$ 4,710	\$ 2,276,108	\$ 4,267,078
Business-type activities	2,368,004	1,099,939	152,576	1,900,423
Total primary government	<u>\$ 1,378,280</u>	<u>\$ 1,104,649</u>	<u>\$ 2,428,684</u>	<u>\$ 6,167,501</u>

The City of Seal Beach implemented GASB 34 for the fiscal year ended June 30, 2003. The City has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position (Continued)
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Expenses:				
Governmental activities:				
General government	\$ 5,040,070	\$ 6,551,584	\$ 6,264,368	\$ 5,894,947
Public safety	15,999,900	16,022,465	16,972,880	19,867,060
Community development	1,306,898	1,393,712	1,100,110	1,218,902
Community services	1,079,006	1,129,300	1,036,627	995,468
Public works	6,902,521	7,862,892	6,956,443	6,992,604
Interest on long-term debt	487,221	444,132	349,652	342,951
Total governmental activities expenses	<u>\$ 30,815,616</u>	<u>\$ 33,404,085</u>	<u>\$ 32,680,080</u>	<u>\$ 35,311,932</u>
Business-type activities:				
Water utility	\$ 4,439,797	\$ 4,037,798	\$ 4,102,228	\$ 4,977,160
Sewer utility	1,730,940	1,661,225	1,676,651	2,639,043
Total business-type activities expenses	<u>6,170,737</u>	<u>5,699,023</u>	<u>5,778,879</u>	<u>7,616,203</u>
Total primary government expenses	<u>\$ 36,986,353</u>	<u>\$ 39,103,108</u>	<u>\$ 38,458,959</u>	<u>\$ 42,928,135</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 1,632,975	\$ 1,820,019	\$ 2,074,448	\$ 1,913,909
Public safety	1,384,701	2,132,176	1,521,220	2,045,589
Community development	182,021	186,858	192,878	217,486
Community services	1,062,796	1,020,316	1,015,517	707,813
Public works	1,962,242	1,937,305	1,832,289	2,105,747
Operating contributions and grants	2,402,490	2,768,435	2,122,139	1,721,167
Capital grants and contributions	10,000	20,000	10,000	174,685
Total governmental activities program revenues	<u>\$ 8,637,225</u>	<u>\$ 9,885,109</u>	<u>\$ 8,768,491</u>	<u>\$ 8,886,396</u>
Business-type activities:				
Charges for services:				
Water utility	\$ 5,092,152	\$ 4,556,001	\$ 4,261,566	\$ 4,782,468
Sewer utility	2,775,332	2,765,357	2,466,869	2,784,942
Operating grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>\$ 7,867,484</u>	<u>\$ 7,321,358</u>	<u>\$ 6,728,435</u>	<u>\$ 7,567,410</u>
Total primary government program revenues	<u>\$ 16,504,709</u>	<u>\$ 17,206,467</u>	<u>\$ 15,496,926</u>	<u>\$ 16,453,806</u>
Net revenues (expenses):				
Governmental activities	(22,178,391)	(23,518,976)	(23,911,589)	(26,425,536)
Business-type activities	1,696,747	1,622,335	949,556	(48,793)
Total net revenues (expenses)	<u>\$ (20,481,644)</u>	<u>\$ (21,896,641)</u>	<u>\$ (22,962,033)</u>	<u>\$ (26,474,329)</u>

The City of Seal Beach implemented GASB 34 for the fiscal year ended June 30, 2003. The City has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position (Continued)
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 9,498,277	\$ 10,050,815	\$ 10,408,505	\$ 11,012,246
Transient occupancy taxes	1,509,095	1,525,723	1,655,376	4,379,341
Sales tax	4,742,859	4,246,080	4,228,730	1,016,938
Franchise taxes	1,324,860	1,163,595	955,922	4,177,713
Utility users taxes	4,644,218	4,646,434	4,445,180	1,693,515
Other taxes	555,804	344,789	197,166	190,510
Motor vehicle in lieu, unrestricted	11,035	10,659	9,960	11,235
Use of money and property	674,875	725,720	1,004,572	425,014
Other	544,406	356,749	536,175	214,219
Transfers	378,500	378,500	378,500	378,500
Extraordinary Gain(loss)	-	694,585	-	-
Total governmental activities	<u>\$ 23,883,929</u>	<u>\$ 24,143,649</u>	<u>\$ 23,820,086</u>	<u>\$ 23,499,231</u>
Business-type activities:				
Use of money and property	\$ 133,995	\$ 109,575	\$ 176,437	\$ 167,661
Other	805	3,698	20,107	-
Transfers	(378,500)	(378,500)	(378,500)	(378,500)
Extraordinary Gain(loss)	1,200,000	-	-	-
Total business-type activities	<u>\$ 956,300</u>	<u>\$ (265,227)</u>	<u>\$ (181,956)</u>	<u>\$ (210,839)</u>
Total primary government	<u>\$ 24,840,229</u>	<u>\$ 23,878,422</u>	<u>\$ 23,638,130</u>	<u>\$ 23,288,392</u>
Changes in net position:				
Governmental activities	\$ 1,705,538	\$ 624,673	\$ (91,503)	\$ (2,926,305)
Business-type activities	2,653,047	1,357,108	767,600	(259,632)
Total primary government	<u>\$ 4,358,585</u>	<u>\$ 1,981,781</u>	<u>\$ 676,097</u>	<u>\$ (3,185,937)</u>

The City of Seal Beach implemented GASB 34 for the fiscal year ended June 30, 2003. The City has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund:				
Reserved	\$ 30,300	\$ -	\$ -	
Unreserved	29,988,551	-	-	
Total general fund	<u>\$ 30,018,851</u>	<u>\$ -</u>	<u>\$ -</u>	
All other governmental funds:				
Reserved	\$ 1,880,130	\$ -	\$ -	
Unreserved, reported in:		-	-	
Low and moderate housing	1,268,309	-	-	
Special revenue funds	2,264,014	-	-	
Debt service funds	1,922,685	-	-	
Capital project funds	4,126,432	-	-	
Total all other governmental funds	<u>\$ 11,461,570</u>	<u>\$ -</u>	<u>\$ -</u>	
General Fund:				
Nonspendable		\$ 100	\$ -	\$ -
Restricted		-	-	-
Assigned		9,371,679	9,106,458	8,301,699
Unassigned		16,952,806	19,263,118	21,149,350
Total general fund		<u>\$ 26,324,585</u>	<u>\$ 28,369,576</u>	<u>\$ 29,451,049</u>
All Other government funds:				
Nonspendable		\$ 1,957,603	\$ -	\$ -
Restricted		5,179,337	2,662,285	3,271,671
Assigned		2,825,953	87,375	89,004
Unassigned		(134,079)	(470,485)	(56,810)
Total all Other government funds:		<u>\$ 9,828,814</u>	<u>\$ 2,279,175</u>	<u>\$ 3,303,865</u>

The City of Seal Beach has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Fund Balances of Governmental Funds (Continued)
Last Eight Fiscal Years
(modified accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund:				
Reserved				
Unreserved				
Total general fund				
All other governmental funds:				
Reserved				
Unreserved, reported in:				
Low and moderate housing				
Special revenue funds				
Debt service funds				
Capital project funds				
Total all other governmental funds				
General Fund:				
Nonspendable	\$ 1,549,735	\$ 666,102	\$ 682,859	\$ 2,877
Restricted	-	-	-	12,277
Assigned	8,227,258	7,623,994	7,610,286	7,478,281
Unassigned	22,314,838	21,711,517	20,811,037	19,770,202
Total general fund	<u>\$ 32,091,831</u>	<u>\$ 30,001,613</u>	<u>\$ 29,104,182</u>	<u>\$ 27,263,637</u>
All Other government funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	4,426,990	3,842,792	3,866,679	4,131,203
Assigned	71,993	-	-	-
Unassigned	(368,629)	(525,408)	(51,254)	(184,908)
Total all Other government funds:	<u>\$ 4,130,354</u>	<u>\$ 3,317,384</u>	<u>\$ 3,815,425</u>	<u>\$ 3,946,295</u>

The City of Seal Beach has elected to show only eight years of data for this schedule.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Changes in Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Revenues:				
Taxes	\$ 22,689,660	\$ 23,624,925	\$ 24,165,883	\$ 23,831,431
Licenses and permits	1,586,337	1,179,759	926,761	1,247,750
Intergovernmental	1,644,511	949,294	5,058,175	3,002,321
Charges for services	4,150,239	3,769,165	4,044,566	4,117,034
Use of money and property	626,019	735,082	714,342	372,693
Fines and forfeitures	1,029,510	983,702	1,085,291	1,063,172
Contributions from other governments	-	-	-	10,209
Miscellaneous	337,986	312,316	234,597	301,771
Total revenues	\$ 32,064,262	\$ 31,554,243	\$ 36,229,615	\$ 33,946,381
Expenditures				
Current:				
General government	\$ 6,280,260	\$ 7,211,870	\$ 5,169,799	\$ 5,062,467
Public safety	13,377,245	13,297,057	13,948,663	14,460,833
Community development	3,346,961	1,649,921	1,353,068	1,420,065
Community services	1,036,376	965,222	880,983	1,182,716
Public works	2,817,379	4,059,001	4,047,013	4,156,616
Capital outlay	9,438,315	6,622,692	5,530,575	3,316,684
Debt service:				
Principal retirement	1,942,476	2,066,373	2,195,014	1,734,446
Interest and fiscal charges	903,286	1,027,743	790,581	562,184
Bond issuance costs	-	-	-	-
Total expenditures	\$ 39,142,298	\$ 36,899,879	\$ 33,915,696	\$ 31,896,011
 Excess (deficiency) of revenues over (under) expenditures	 \$ (7,078,036)	 \$ (5,345,636)	 \$ 2,313,919	 \$ 2,050,370
Other financing sources (uses):				
Transfers in	\$ 12,577,549	\$ 9,370,333	\$ 8,209,025	\$ 5,825,432
Transfers out	(12,780,799)	(9,370,333)	(8,209,025)	(6,135,432)
Debt issuance	-	-	-	-
Proceeds on sale of assets	-	18,614	-	-
Proceeds of Debt	-	-	-	-
Capital leases issued	-	-	-	-
Total other financing sources (uses)	\$ (203,250)	\$ 18,614	\$ -	\$ (310,000)
 Extraordinary gain/(loss) on dissolution of redevelopment agency	 \$ -	 \$ -	 \$ (7,818,567)	 \$ -
Net change in fund balances	\$ (7,281,286)	\$ (5,327,022)	\$ (5,504,648)	\$ 1,740,370
 Debt service as a percentage of noncapital expenditures	 9.6%	 10.2%	 10.5%	 8.0%

The City of Seal Beach has elected to show only eight years of data for this schedule.

NOTE: On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Changes in Fund Balances of Governmental Funds (Continued)
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues:				
Taxes	\$ 23,476,034	\$ 23,114,876	\$ 22,828,144	\$ 23,368,371
Licenses and permits	1,369,275	1,377,131	1,304,924	1,234,590
Intergovernmental	869,294	1,725,127	1,388,056	744,904
Charges for services	3,895,371	3,961,691	4,214,690	5,349,083
Use of money and property	674,875	725,720	1,004,572	426,418
Fines and forfeitures	1,013,695	1,146,509	1,110,606	152,845
Contributions from other governments	341,698	330,885	283,222	180,511
Miscellaneous	579,125	375,588	537,777	492,245
Total revenues	<u>\$ 32,219,367</u>	<u>\$ 32,757,527</u>	<u>\$ 32,671,991</u>	<u>\$ 31,948,967</u>
Expenditures				
Current:				
General government	\$ 4,493,594	\$ 5,462,668	\$ 5,351,130	\$ 5,673,309
Public safety	15,439,757	15,811,773	16,378,416	17,395,965
Community development	1,298,071	1,362,308	1,175,339	1,186,081
Community services	1,048,427	1,129,497	1,075,282	1,004,690
Public works	4,871,887	5,631,015	4,862,058	4,586,373
Capital outlay	2,094,120	4,578,308	2,645,823	1,506,476
Debt service:				
Principal retirement	1,265,135	1,337,573	1,490,150	2,162,379
Interest and fiscal charges	492,935	441,040	355,819	353,322
Bond issuance costs				
Total expenditures	<u>\$ 31,003,926</u>	<u>\$ 35,754,182</u>	<u>\$ 33,334,017</u>	<u>\$ 33,868,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,215,441</u>	<u>\$ (2,996,655)</u>	<u>\$ (662,026)</u>	<u>\$ (1,919,628)</u>
Other financing sources (uses):				
Transfers in	\$ 4,363,955	\$ 7,012,848	\$ 5,602,944	\$ 4,472,129
Transfers out	(4,295,455)	(6,919,381)	(5,340,308)	(4,262,176)
Debt issuance	1,546,931	-	-	-
Proceeds on sale of assets	-	-	-	-
Proceeds of Debt	-	-	-	-
Capital leases issued	-	-	-	-
Total other financing sources (uses)	<u>\$ 1,615,431</u>	<u>\$ 93,467</u>	<u>\$ 262,636</u>	<u>\$ 209,953</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 2,830,872</u>	<u>\$ (2,903,188)</u>	<u>\$ (399,390)</u>	<u>\$ (1,709,675)</u>
Debt service as a percentage of noncapital expenditures	6.1%	5.7%	6.0%	7.8%

The City of Seal Beach has elected to show only eight years of data for this schedule.

NOTE: On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012.

City of Seal Beach
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2008	\$ 3,691,176,766	\$ 184,725,523	\$ 3,875,902,289	\$ 415,609,878	\$ 7,010,892	\$ 422,620,770	1.00%
2009	4,031,469,067	225,415,156	4,256,884,223	427,188,898	5,536,607	432,725,505	1.00%
2010	4,067,713,475	173,507,894	4,241,221,369	434,606,835	9,702,557	444,309,392	1.00%
2011	4,114,053,573	167,978,268	4,282,031,841	408,349,567	10,330,287	418,679,854	1.00%
2012	4,219,133,372	215,211,254	4,434,344,626	410,499,845	6,813,130	417,312,975	1.00%
2013	4,304,310,243	176,246,398	4,480,556,641	424,660,008	7,294,003	431,954,011	1.00%
2014	4,408,299,607	172,172,784	4,580,472,391	453,448,325	8,270,821	461,719,146	1.00%
2015	4,706,609,532	184,449,987	4,891,059,519	556,548,983	3,863,246	560,412,229	1.00%
2016	4,794,299,125	287,392,225	5,081,691,350	530,597,248	32,693,247	563,290,495	1.00%
2017	4,978,010,106	189,618,406	5,167,628,512	300,533,393	2,090,757	302,624,150	1.00%

The City of Seal Beach has elected to show only ten years of data for this schedule.

¹ Beginning with the fiscal year ended June 30, 2003, exemptions are netted directly against the individual property categories.

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County of Orange, Auditor - Controller Assessed Valuations Detail

City of Seal Beach
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Direct Rates:										
City Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:										
Orange County Bonds	0.01501	0.01472	0.01673	0.01750	0.01754	0.01881	0.03015	0.03015	0.03092	0.03092
Metropolitan Water District	0.00450	0.00430	0.00430	0.03347	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350
Other Districts	0.00000	0.00000	0.01995	0.00370	0.03603	0.04124	0.04830	0.04821	0.05219	0.05219
Total Direct Rate	<u>1.02069</u>	<u>1.01951</u>	<u>1.01902</u>	<u>1.04098</u>	<u>1.05467</u>	<u>1.05727</u>	<u>1.06355</u>	<u>1.08195</u>	<u>1.08661</u>	<u>1.08661</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

Source: County of Orange, Auditor-Controller's Office

City of Seal Beach
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2017		2008	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Seal Beach Mutual	\$ 851,346,169	16.59%	\$ 635,176,897	16.39%
CPT Shops at Rossmoor LLC	121,857,926	2.38%	-	0.00%
Boeing North American	119,326,874	2.33%	117,638,350	3.04%
ASN Long Beach LLC	117,350,468	2.29%	80,687,749	2.08%
Terra Funding-Bixby Ranch LLC	88,420,060	1.72%	-	0.00%
Thums Long Beach Co.	-	0.00%	76,227,062	1.97%
Bixbybit-Bixby Office Park LLC	-	0.00%	56,143,247	1.45%
Al United States Seal Beach Senior Housing	48,800,992	0.95%	-	0.00%
Knickerbocker Props Inc XLVI	-	0.00%	46,145,235	1.19%
Ranch Town Center LLC	45,023,320	0.88%	-	0.00%
OXY Long Beach Inc	42,983,870	0.84%	-	0.00%
Levine Investments LP	-	0.00%	41,619,277	1.07%
Plains Exploration	-	0.00%	34,668,791	0.89%
Hellman Properties LLC	-	0.00%	29,815,789	0.77%
Old Ranch Country Club LLC	-	0.00%	24,827,810	0.64%
Columbia Regency Retail Partners LLC	24,454,351	0.48%	-	0.00%
Appollo Building 2 LLC	24,150,442	0.47%	-	0.00%
	<u>\$ 1,483,714,472</u>	<u>28.93%</u>	<u>\$ 1,142,950,207</u>	<u>29.49%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: HDL Coren & Cone

City of Seal Beach
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	\$ 8,102,060	\$ 7,854,441	96.94%	\$ 151,578	\$ 8,006,019	98.81%
2009	8,567,293	8,285,120	96.71%	107,589	8,392,709	97.96%
2010	8,362,560	7,314,382	87.47%	257,026	7,571,408	90.54%
2011	8,385,415	8,190,860	97.68%	178,283	8,369,142	99.81%
2012	8,608,773	8,404,621	97.63%	125,019	8,529,640	99.08%
2013	8,814,252	8,629,271	97.90%	118,645	8,747,916	99.25%
2014	9,407,263	9,240,201	98.22%	103,007	9,343,208	99.32%
2015	10,438,079	10,222,017	97.93%	73,362	10,295,379	98.63%
2016	10,472,603	10,196,356	97.36%	81,860	10,278,216	98.14%
2017	10,945,834	10,710,665	97.85%	65,706	10,776,371	98.45%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012.

Source: Orange County Tax Ledger

City of Seal Beach
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years

Governmental Activities

Fiscal Year Ended June 30	Capital Lease	Countrywide Financing Authority Lease	Tax Allocation Bonds	Pension Obligation Bonds	Fire Station Bonds	Climatec	Total Governmental Activities
2009	\$ 534,444	\$ 335,000	\$ 6,410,000	\$ 10,219,000	\$ 6,195,000	\$ -	\$ 23,693,444
2010	433,968	230,000	6,005,000	9,307,000	5,775,000	-	21,750,968
2011	323,595	120,000	5,575,000	8,311,000	5,355,000	-	19,684,595
2012	202,581	-	-	7,227,000	4,935,000	-	12,364,581
2013	70,135	-	-	6,045,000	4,515,000	-	10,630,135
2014	-	-	-	5,270,000	4,095,000	1,562,400	10,927,400
2015	-	-	-	4,411,000	3,675,000	1,488,358	9,574,358
2016	-	-	-	3,461,000	3,255,000	1,368,208	8,084,208
2017	-	-	-	2,414,000	2,835,000	672,829	5,921,829

The City of Seal Beach has elected to show only nine years of data for this schedule.

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. In addition on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012. The debt was transferred to the Successor Agency to the Seal Beach Redevelopment Agency.

¹See the schedule of Demographic and Economic Statistics on page 149 for personal income and population data.

*Data not readily available.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Ratios of Outstanding Debt by Type (Continued)
Last Nine Fiscal Years

Fiscal Year Ended June 30	Economic				Business-type Activities			
	Development Administration Loan	Sewer Certificates of Participation	Sewer 2011 Installment Agreement	Sewer State Revolving Agreement	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
2009	\$ 121,962	\$ 3,555,000	\$ -	\$ -	\$ 3,676,962	\$ 27,370,406	*	1,058
2010	111,016	3,460,000	-	-	3,571,016	25,321,984	*	974
2011	99,521	-	3,200,000	-	3,299,521	24,184,116	*	930
2012	87,453	-	3,085,000	-	3,172,453	16,737,034	*	687
2013	74,780	-	2,965,000	4,645,401	7,685,181	19,515,316	*	750
2014	-	-	2,835,000	4,068,778	6,903,778	19,031,178	*	732
2015	-	-	2,705,000	3,893,311	6,598,311	17,125,013	*	697
2016	-	-	2,565,000	3,718,034	6,283,034	15,081,352	*	613
2017	-	-	2,420,000	3,538,201	5,958,201	11,880,030	*	483

The City of Seal Beach has elected to show only nine years of data for this schedule.

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. In addition on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012. The debt was transferred to the Successor Agency to the Seal Beach Redevelopment Agency.

¹See the schedule of Demographic and Economic Statistics on page 149 for personal income and population data.

*Data not readily available.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Bonds	Private Placement Bonds	Total Bonds	Percent of Assessed Value ¹	Per Capita
2008	\$ 6,800,000	\$ -	\$ 6,800,000	0.14%	\$ 263
2009	6,410,000	16,414,000	22,824,000	0.47%	882
2010	6,005,000	15,082,000	21,087,000	0.43%	811
2011	5,575,000	13,666,000	19,241,000	0.38%	790
2012	-	12,162,000	12,162,000	0.24%	497
2013	-	10,560,000	10,560,000	0.21%	406
2014	-	9,365,000	9,365,000	0.19%	360
2015	-	8,086,000	8,086,000	0.15%	329
2016	-	6,716,000	6,716,000	0.12%	273
2017	-	5,249,000	5,249,000	0.10%	213

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

NOTE:

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012. The debt was transferred to the Successor Agency to the Seal Beach Redevelopment Agency

Source: Finance Department, City of Seal Beach

City of Seal Beach
Schedule of Direct and Overlapping Debt
June 30, 2017

<u>2016-17 Assessed Valuation:</u>	\$5,167,628,512		Total Debt		City's Share of
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable ⁽¹⁾</u>	<u>6/30/2017</u>	<u>Debt 6/30/17</u>		
Metropolitan Water District	0.200%	\$ 74,905,000	\$ 149,810		
Coast Community College District	2.973%	805,844,504	23,957,757		
North Orange Jt. Community College District	1.229%	240,284,001	2,953,090		
Los Alamitos Unified School District School Facilities Imp District No.1	50.089%	104,615,227	52,400,721		
Huntington Beach Union High School District	0.0001%	193,079,998	193		
Ocean View School District	0.0004%	45,000,000	180		
City of Seal Beach Community Facilities District No. 2002-1	100.000%	3,365,000	3,365,000		
City of Seal Beach Community Facilities District No. 2005-1	100.000%	8,265,000	<u>8,265,000</u>		
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT					<u>\$ 91,091,751</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>					
Orange County General Fund Obligations	0.984%	\$ 227,516,000	\$ 2,238,757		
Orange County Pension Obligations	0.984%	386,762,539	3,805,743		
Orange County Board of Education Certificates of Participation	0.984%	14,440,000	142,090		
North Orange County Regional Occupation Program Certificates of Participation	4.498%	9,910,000	445,752		
Coast Community College District Certificates of Participation	2.973%	3,610,000	107,325		
Los Alamitos Unified School District Certificates of Participation	54.867%	42,901,903	23,538,987		
Other School District General Fund Obligations	0.001-0.0004%	87,881,090	160		
City of Seal Beach Fire Station Lease Revenue Bonds	100%	2,835,000	2,835,000		
City of Seal Beach Taxable Pension Obligations	100%	2,414,000	2,414,000		
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT					<u>\$ 35,527,814</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100%	\$ 2,525,000	\$ 2,525,000		
TOTAL DIRECT DEBT					<u>\$ 5,249,000</u>
TOTAL OVERLAPPING DEBT					<u>\$ 123,895,565</u>
COMBINED TOTAL DEBT					<u>\$ 129,144,565</u> ⁽²⁾

⁽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 Valuation:

Total Overlapping Tax and Assessment Debt	1.76%
Total Direct Debt (\$5,249,000)	0.10%
Combined Total Debt	2.50%
Combined Total Debt	2.50%

Ratios to Redevelopment Incremental Valuation (\$301,296,947):

Total Overlapping Tax Increment Debt	0.84%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

City of Seal Beach
Legal Debt Margin Information
Last Nine Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Debit limit	\$ 703,441,459	\$ 702,829,614	\$ 705,106,754	\$ 760,030,328	\$ 736,876,598
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 703,441,459</u>	<u>\$ 702,829,614</u>	<u>\$ 705,106,754</u>	<u>\$ 760,030,328</u>	<u>\$ 736,876,598</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

The City has elected to show only nine years of data for this schedule.

Note: ¹Under state finance law, the City of Seal Beach's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Orange County Tax Assessor's Office

City of Seal Beach
Legal Debt Margin Information (Continued)
Last Nine Years

	Fiscal Year			
	2014	2015	2016	2016
Debit limit	\$ 756,328,731	\$ 817,720,762	\$ 846,747,277	\$ 820,537,899
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 756,328,731</u>	<u>\$ 817,720,762</u>	<u>\$ 846,747,277</u>	<u>\$ 820,537,899</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Valuation	\$ 5,470,252,662
Debt percentage ¹	<u>15%</u>
Debt limit	\$ 820,537,899
Debt applicable to limit	-
Legal debt margin	<u>\$ 820,537,899</u>

The City has elected to show only nine years of data for this schedule.

Note: ¹Under state finance law, the City of Seal Beach's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Orange County Tax Assessor's Office

City of Seal Beach
Pledged-Revenue Coverage
Last Ten Fiscal Years

2000 Tax Allocation Refunding Bonds

Fiscal Year Ended June 30	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2008	1,933,042	370,000	357,514	2.66
2009	1,930,719	390,000	338,879	2.65
2010	1,768,919	405,000	318,054	2.45
2011	1,784,964	430,000	296,183	2.46
2012	1,034,695	450,000	396,408	1.22
2013	1,790,960	470,000	330,684	2.24
2014	1,222,425	495,000	229,406	1.69
2015	1,084,135	515,000	204,269	1.51
2016	1,329,344	545,000	177,413	1.84
2017	1,218,363	575,000	148,759	1.68

The City has elected to show only ten years of data for this schedule.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2007	25,752	1,218,343	47,311	2.8%
2008	25,851	1,236,921	47,848	3.8%
2009	25,881	1,194,776	46,164	6.6%
2010	26,010	1,045,654	40,202	7.1%
2011	24,354	1,035,313	42,511	6.4%
2012	24,487	1,065,674	43,520	4.1%
2013	24,591	1,082,963	44,039	3.7%
2014	24,586	1,074,777	43,715	4.8%
2015	25,078	1,141,053	45,500	3.9%
2016	24,890	1,164,182	46,773	3.5%

The City has elected to show only ten years of data for this schedule.

Sources: HDL Coren & Cone

**City of Seal Beach
Top 25 Sales Tax Producers
For Fiscal Years 2016-17 & 2007-08**

Business Name	2016-17	2007-08	Business Category
76	X	X	Service Stations
AT&T Mobility		X	Electronics/Appliance Store
Bed Bath & Beyond	X	X	Home Furnishings
Chevron	X	X	Service Stations
Chevron & Auto Repair	X	X	Service Stations
Chick Fil A	X		Quick-Service Restaurants
Circuit City		X	Electronics/Appliance Store
Cosmodyne		X	Drugs/Chemicals
CVS Pharmacy	X	X	Drug Stores
Energy Tubulars		X	Petroleum Prod/Equip
Home Goods	X	X	Home Furnishings
In N Out Burgers	X		Quick-Service Restaurants
Islands		X	Casual Dining
Kohls	X	X	Department Stores
Leisure World Automotive 76		X	Service Stations
Mahe		X	Casual Dining
Marshalls	X		Family Apparel
Mobil	X	X	Service Stations
Old Ranch Country Club	X	X	Leisure/Entertainment
Original Parts Group	X		Automotive Supply Stores
Pavillions	X		Grocery Stores Liquor
Petsmart	X		Specialty Stores
Pinnacle Petroleum		X	Petroleum Prod/Equip
Ralphs	X	X	Grocery Stores Liquor
Roger Dunn Golf Shop	X	X	Sporting Goods/Bike Stores
Seal Beach Chevron		X	Service Stations
Smog Pros		X	Service Stations
Spaghettini	X	X	Fine Dining
Sprouts Farmers Market	X		Grocery Stores Beer/Wine
Staples	X		Office Supplies/Furniture
Target	X	X	Discount Dept Stores
Toys R Us	X		Specialty Stores
Ulta Beauty	X		Specialty Stores
Walts Wharf	X	X	Fine Dining
World Wide Technology		X	Office Equipment
AT&T Mobility	X		Electronics/Appliance Store
2016-17 Percent of Fiscal Year Total Paid by Top 25 Accounts = 57.21%			
2007-08 Percent of Fiscal Year Total Paid by Top 25 Accounts = 77.89%			

Firms Listed Alphabetically: Period April Thru March

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

City of Seal Beach
Full-time and Part-time City Employees by Function
Last Six Fiscal Years

Function	Full-Time and Part-Time Employees as of June 30,					
	2012	2013	2014	2015	2016	2017
General government	13.83	10.97	10.56	14.64	14.34	15.92
Public safety	64.77	63.91	76.78	79.13	74.12	77.19
Public works	8.36	11.49	11.03	10.94	4.97	3.98
Community development	8.80	10.60	12.01	18.16	17.25	16.53
Water	12.48	12.29	12.60	13.80	13.82	12.60
Sewer	3.95	3.95	5.28	5.91	7.11	7.69
Total	<u>112.19</u>	<u>113.21</u>	<u>128.26</u>	<u>142.58</u>	<u>131.61</u>	<u>133.91</u>

The City of Seal Beach has elected to show only the previous six years of data for this schedule.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Operating Indicators by Function
Last Six Fiscal Years

	2012	2013	2014	2015	2016	2017
Police:						
Arrests	705	819	758	798	790	781
Parking citations issued	18,528	18,451	18,931	21,043	19,264	18,319
Public works:						
Street centerline miles resurfaced	2	2	1	2	1	-
Number of public right of way permits issued	127	96	140	151	184	259
Number of street related service requests	121	134	35	45	40	68
Parks and recreation:						
Number of recreation classes	456	2,156	678	781	680	710
Number of facility rentals	562	3,182	1,763	2,633	557	585
Water:						
Number of water meters replaced	112	128	85	57	76	56
Acre feet of water used	3,534	3,818	3,878	3,540	3,208	3,259
Sewer:						
Number of feet of sewer cleaned	203,584	245,986	253,099	253,099	217,619	
Number of catch basins cleaned	417	417	401	434	458	216

The City of Seal Beach has elected to show only the previous six years of data for this schedule.

Source: City of Seal Beach

City of Seal Beach
Capital Asset Statistics by Function
Last Six Fiscal Years

	2012	2013	2014	2015	2016	2017
Police:						
Stations	2	2	2	2	2	2
Patrol units	34	34	34	34	34	34
Public works:						
Streets (center line miles)	43	43	43	43	43	43
Sidewalk (miles)	86	86	86	86	86	86
Signalized intersections	23	23	23	23	23	23
Parks and recreation:						
Parks	10	10	10	10	10	10
Community centers	3	3	3	3	3	3
Water:						
Water pipe (miles)	72	72	72	72	72	72
Reservoirs	2	2	2	2	2	2
Sewer						
Sanitary sewers (miles)	37	37	37	37	37	37
Storm sewers (miles)	4	4	4	4	4	4
Sewer lift/pump stations	7	7	7	7	7	7

The City of Seal Beach has elected to show only the previous six years of data for this schedule.

Source: City of Seal Beach