

CITY OF
HUNTINGTON BEACH
California



COMPREHENSIVE ANNUAL FINANCIAL REPORT



*For The Year Ended
September 30, 2017*

CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Prepared by the Finance Department

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INTRODUCTORY SECTION

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**City of Huntington Beach
Comprehensive Annual Financial Report
Year Ended September 30, 2017**

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INTRODUCTORY SECTION

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CITY OF HUNTINGTON BEACH

March 29, 2018

Honorable Mayor, City Council and Citizens of the City of Huntington Beach:

In accordance with the requirements of the City Charter, and the City of Huntington Beach's ongoing commitment to transparent financial reporting, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017.

As required by the City Charter, and to ensure the reliability of the information contained herein, the City of Huntington Beach contracted with the independent auditing firm of Davis Farr LLP. The goal of the audit was to provide reasonable assurance that the City's financial statements are free from material misstatement. In addition, Davis Farr LLP audited the City's major program expenditures of federal grants for compliance with Title 2 of the United States Code of Federal Regulations Part 200 (Uniform Guidance). The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City's Finance Department.

This report consists of management's representations concerning the City's finances. As such, management assumes full responsibility for the completeness and accuracy of the information presented in this document and that it is reported in a manner that fairly presents the financial position and operations of the various funds of the City. To provide a reasonable basis for making these representations, and assurance that the financial statements will be free from material misstatement, management has established a comprehensive internal control framework that is designed to both protect the government's assets from theft, loss, or misuse and to compile sufficient reliable information for financial statement conformity with GAAP. As the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

We are pleased to report that Davis Farr LLP granted the City an unmodified (clean) opinion for the financial statements of the City for the fiscal year ended September 30, 2017. The auditor's opinion can be found in the Financial Section of this report. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This transmittal letter is designed to complement and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

Profile of the City of Huntington Beach

The City of Huntington Beach is located on the Orange County coast, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of 202,413 residents, it is known as Surf City due to its abundance of beaches; the sunny, warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline to boast of, Huntington Beach plays host to over 13 million visitors annually. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the "Top Ten Safest Cities by City Crime Rankings" by the Federal Bureau of Investigation. The City boasts an annual median household income of \$85,312, higher than the median household income for the United States, the State of California and Orange County. In addition, more than half of its residents, or 51 percent, have a college education, rendering it one of the top three cities to live in within Orange County by the *Orange County Register* (September 2017) and one of the top ten "Happiest Cities in the U.S." by WalletHub (March 2018).

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

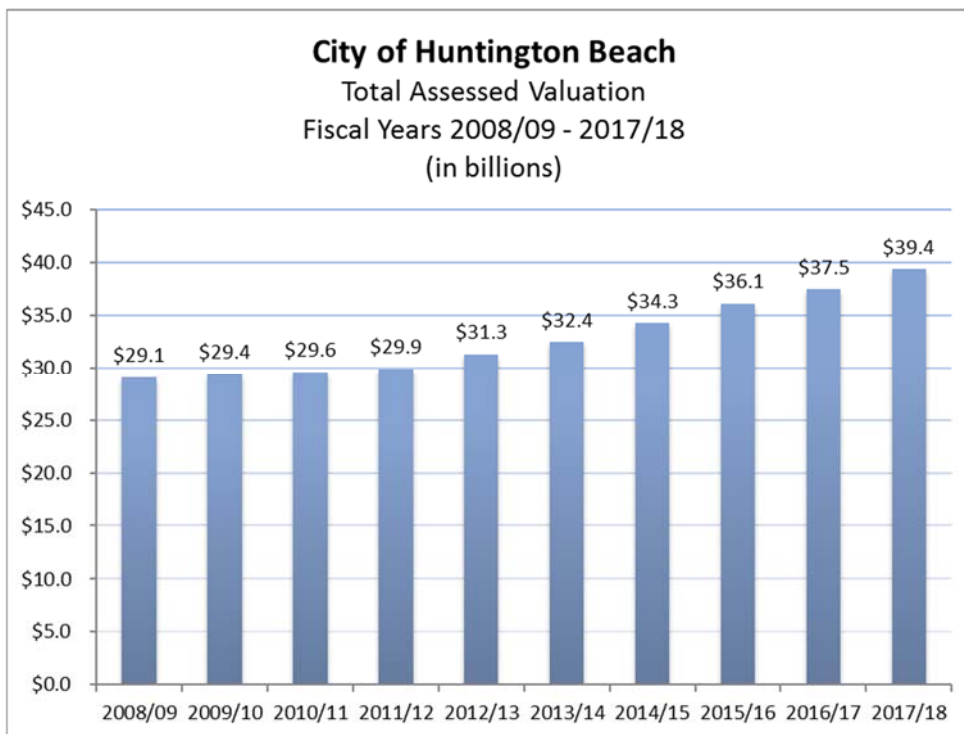
In 2011, the unincorporated oceanfront community of Sunset Beach was officially annexed by the City of Huntington Beach. Sunset Beach is a small beachfront community with approximately 1,000 residents and 1.5 square miles of land. Beachfront properties with high property values make this community a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

Demographically, the City benefits from higher education levels, median incomes and home values as compared with the State. A thriving beach community, consistently ranked in the top 10 best beaches in California, Huntington Beach is also home to numerous national events such as the U.S. Open of Surfing which attracts 300,000 visitors annually and the Surf City USA Marathon with over 20,000 runners. The annual AVP Beach Volleyball Tour also commands a strong presence totaling 12,000 visitors each year. In addition, the City is planning its first Surf City Escape Triathlon in April 2018, which will add to the repertoire of amazing sports events in the City.

In 2017, the City held the second annual Breitling Huntington Beach Air Show, the only beachfront air show on the West Coast, featuring the U.S. Blue Angels, Royal Canadian Air Force's Snowbirds and F-16 Fighting Falcons to an exhilarated crowd of over 450,000. Excitement is already building for the third annual Huntington Beach Air Show, which will bring back the exciting Air Force Thunderbirds to the dramatic lineup. The City also hosts a variety of other exciting events for families and visitors such as the annual Concours d'Elegance, Pacific Islander Festival, Civil War Days, and, of course, the City's most iconic event- the Fourth of July Fireworks Show and Parade. A proud tradition for over a century, the City's Fourth of July Celebration has over 1 million television viewers and over 500,000 in-person attendees and is known nationally as "the largest Fourth of July Parade west of the Mississippi."

As the fourth largest city in Orange County, and the 24th largest in California, there are over 107,100 people employed by public and private entities in Huntington Beach. With an unemployment rate of 2.7 percent, well below the national and state levels, the City's labor force is well positioned to maintain the City's strong tax base.

The City of Huntington Beach's assessed valuations are also very strong, reflecting both new development and increased property values. In FY 2017/18, the City's assessed property value grew 5.1% to \$39.4 billion. This solid performance, coupled with steady year-over-year growth, reflects a stable property tax base that can weather steep declines in real estate markets. For FY 2016/17, secured property tax revenue totaled \$49.1 million. For FY 2017/18, secured property taxes are estimated at \$50.9 million, reflecting a 3.7 percent increase.



Factors Affecting Financial Condition

U.S. Economy: The United States is on track to achieve the second-longest economic expansion in its history. Real Gross Domestic Product (GDP) increased at an annual rate of 2.5 percent in the fourth quarter of 2017. Overall, real GDP increased 2.3 percent in 2017, compared with 1.5 percent in 2016. The increase in 2017 was due to increases in consumer spending, exports, nonresidential fixed investment, residential fixed investment, state and local government spending, and federal government spending business investment, exports, housing investment, and government spending. This is not the only positive; unemployment is down to 4.3%, the lowest it has been in 16 years. Future GDP is expected to continue to increase due to rising household income, ongoing job gains, continuing housing construction, and overall improvements to the global economy. New changes at the Federal level will need to be monitored for any local impacts.

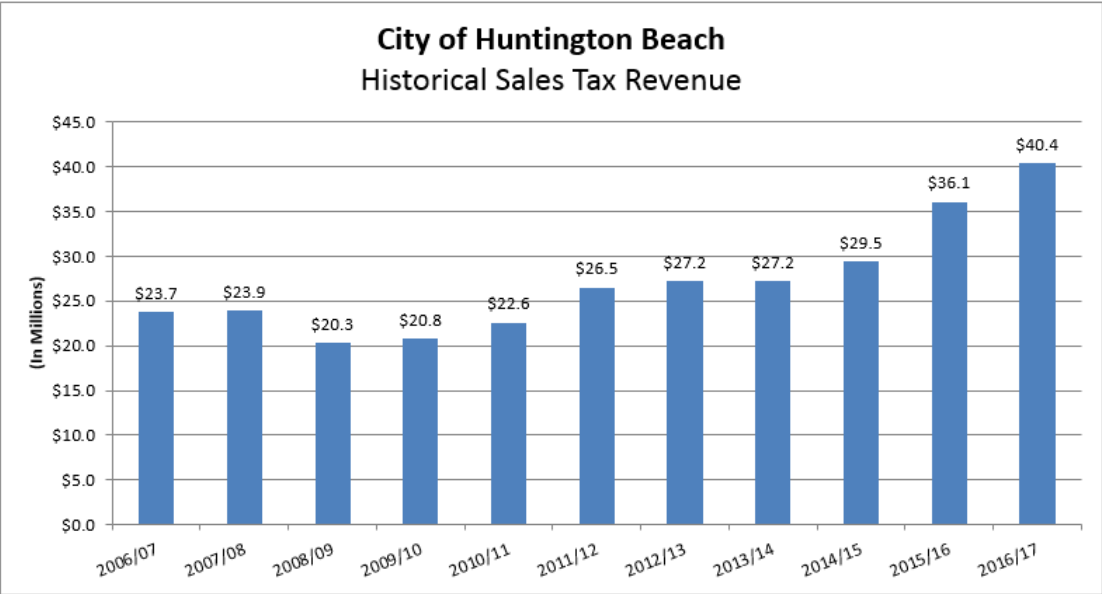
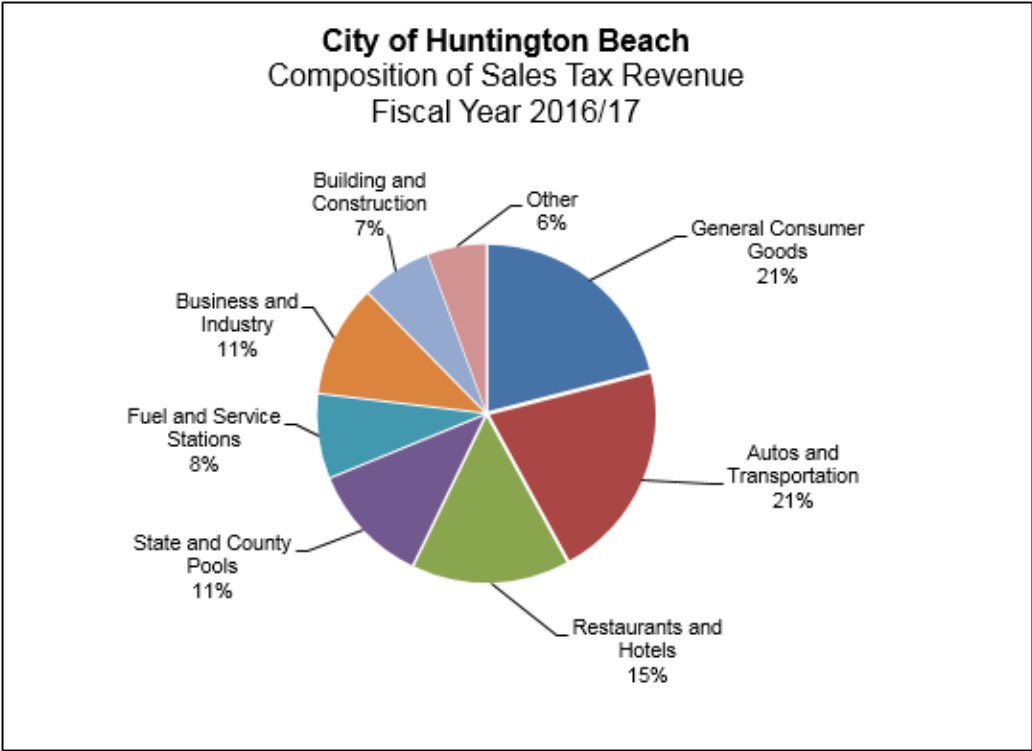
State Economy: The California economy is the largest in the United States and the sixth largest across the world. Job growth in California has been increasing, with job growth increasing 2.4 percent in 2017. The most notable gains were in the construction industry (9.8 percent increase), education and health services (3.7 percent increase), and the leisure and hospitality industry (3.0 percent increase). The unemployment rate in California has reached a modern era low of 4.4 percent.

Orange County Forecast: The sixth most populous county in the United States, Orange County is a hub of economic activity. Home demand remains strong, and hotel occupancy is high throughout the county. All leading economic indicators such as employment, consumer confidence, housing starts, and new hotels remain positive. A rise in multifamily housing permits is expected to bump up construction job growth in 2018.

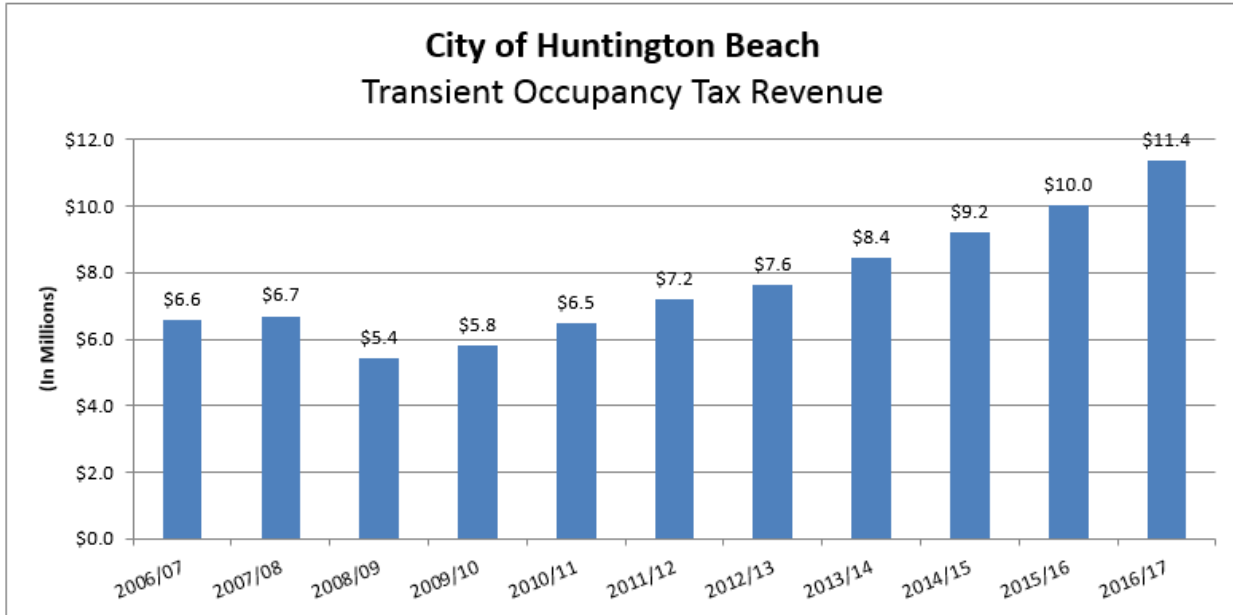
Local Economy: Huntington Beach has numerous economic and demographic factors in its favor including higher personal median incomes than the State or the County; a stable property tax base; a well-diversified sales tax base; and a strong tourism and leisure industry. These factors have helped the City achieve and maintain its AAA underlying credit rating from Fitch Ratings and balanced budgets.

Our core values of responsiveness, accountability, quality customer service, teamwork, fiscal sustainability, community involvement, openness, honesty, and integrity serve as the guiding principles when allocating resources to meet the needs of the City and its people. As a result, the motto for Huntington Beach's FY 2017/18 General Fund Adopted Budget is "Taking Care of Business," using a conservative budgeting approach to ensure financial sustainability for both current and future generations. The City's General Fund revenue is projected to increase 1.6% from the FY 2016/17 budget, largely due property tax increases from year-over-year growth in assessed valuations and increases in transient occupancy tax. The City's expenses are also rising, primarily due to the increases in CalPERS pension costs, as well as other costs including rising animal shelter costs with the County of Orange and contractual increases in software and hardware maintenance contracts for information technology systems. The City's longstanding tradition of fiscal prudence practiced throughout the years by its various leaders have earned Huntington Beach various accolades throughout the year including the following: #1 in the nation for "Quality of City Services" (WalletHub, July 2017), #15 for "Best Run City in America" (Wallet Hub, July 2017), and #4 out of 116 cities nationwide for "Best Financial Shape" (*Fiscal Times*, January 2017).

The City's diverse sales tax base makes it a stable source of revenue, as there are no particular areas of concentration to make the City susceptible to industry-specific downturns. Local businesses include aerospace and high technology, petroleum, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, large-scale retailers, and surf apparel, to name a few.



Transient Occupancy Tax, a 10 percent tax applied to hotel stays within the City totaled \$11.4 million, an impressive growth of 13.2 percent or \$1.3 million for FY 2016/17. Tourism continues to be an economic driver in Huntington Beach as its numerous events, stretch of pristine beach, and relaxed atmosphere attract over 13 million visitors each year to stay in its hotels.



Budget Development and Monitoring

The City operates on a fiscal year basis. Beginning FY 2017/18, the City’s fiscal year will end on June 30. Changing the City to a July to June fiscal year period will allow the City to “opt-in” to CalPERS’ prepayment program for unfunded liabilities, saving the City approximately \$1 million in CalPERS cost savings each fiscal year.

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

Cash Management Policies and Practices

Surplus cash is invested by the elected City Treasurer, in investments allowed by the City’s Investment Policy. The Investment Policy is adopted annually by the City Council after approval by the Investment Advisory Board. It outlines guidelines to meet the daily cash flow needs of the City, maximize the efficiency of the City’s cash management system, and identifies prudent investment vehicles for cash balances. The rate of return earned for the fiscal year ended September 30, 2017 was 1.3 percent. The City Treasurer, as required by California Government Code 53601, has prepared an annual Statement of Investment Policy which allows the City to meet current obligations while

earning a market rate of return. Further information regarding the City's cash and investments can be found in Note 2 of the financial statements.

Long-Term Financial Planning

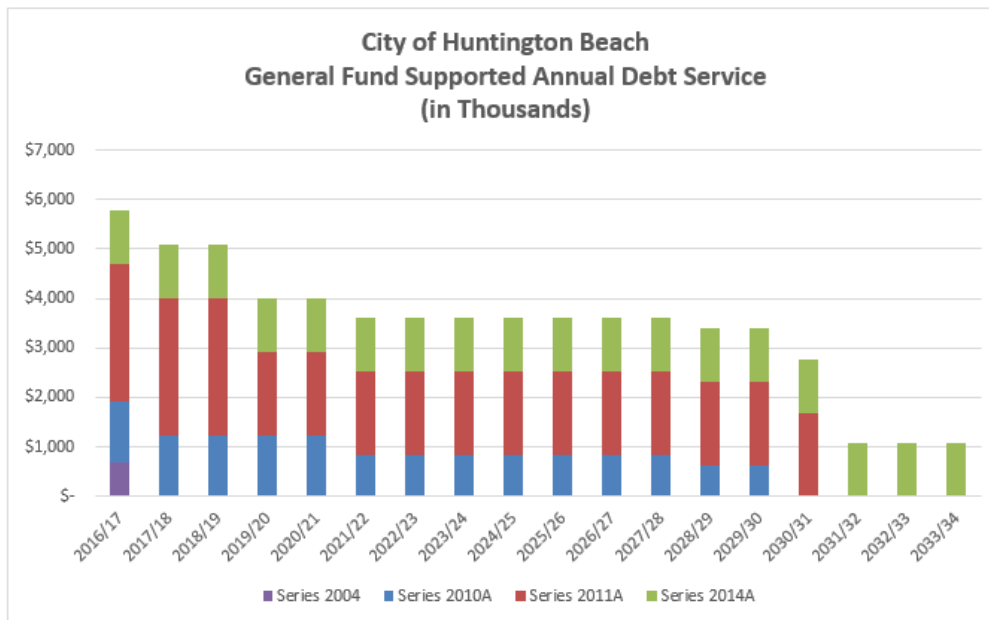
The Strategic Plan provides the framework for the goals and objectives of the City for the next three years. The City Council has five Strategic Plan goals:

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

The Plan drives both short and long-term budgetary decisions and the daily operations of the City by ensuring everyone is consistently working to achieve the goals outlined in the Plan. To meet the goal of strengthening economic and financial sustainability, the City has implemented plans to reduce its unfunded liabilities by prepaying its obligations.

Debt Management and Forecasting

The City has a strong commitment to prudent financial management. As a result, the City has a remarkably low debt burden of 2 percent direct and overlapping bonded debt. Significant debt service reductions are anticipated in the next three to five years allowing the City to reallocate resources to other high-priority needs in the General Fund. Huntington Beach also has no variable rate exposure, eliminating volatility in its debt service projections and ensuring reliable forecasting for future budgets.



Major Initiatives

Energy Conservation

Huntington Beach is known throughout the region for its innovative and ground breaking energy conservation efforts. In 2017, the City acquired over 11,000 streetlights from Southern California Edison, and is in the process of retrofitting the aged high pressure sodium luminaries to LED luminaries saving taxpayers \$10 million dollars over the next 20 years due to reduced energy costs. The project is anticipated to be completed in late 2018.

Pension Rate Stabilization Plan (Section 115 Trust)

The City developed an innovative, three-pronged approach to significantly reduce its pension and Other Post Employment Benefit (OPEB) unfunded liabilities in 10 years. The plan was first included in the FY 2013/14 Adopted Budget and launched a multi-year effort to pay down the pension and retiree medical liabilities ahead of schedule saving taxpayers an estimated \$71.4 million over the next 15 to 25 years. The plan reached its first successful milestone with the elimination of the unfunded liability for the City's OPEB plan for miscellaneous employees. This unique plan received both the prestigious "Innovation Award" from the California Society of Municipal Financial Officers and the "Golden Hub of Innovation Award" from the Association of California Cities-Orange County in 2014 for its insightful approach to reducing unfunded liabilities.

The value of the City's unfunded pension liabilities currently totals \$438.4 million. In fiscal year 2016/17, additional \$1 million was deposited into the Pension Rate Stabilization Plan, an IRS Section 115 Trust, to further pay down the City's liabilities. Under the new Plan, the City can expedite the prepayment of its liabilities outside of CalPERS providing additional flexibility and local control in terms of investment choices, funding levels and the timing of contributions. The City is currently on track to eliminate the unfunded liability for its Supplemental Plan by FY 2020/21.

Business Development

The Office of Business Development's (OBD) Economic Development Strategy contains a diverse range of core objectives and goals that support the City's vision to focus on the retention, attraction and expansion of the business community. OBD serves as business advocates for the expansion of not only retail, restaurant and hospitality offerings, but also manufacturing and research and development firms seeking to expand in, or relocate, to, Huntington Beach. This is consistent with the City's strategic goal to "strengthen economic and financial sustainability."

Waterfront Hilton Tower Expansion

The acclaimed Waterfront Hilton Hotel Resort expansion was completed in February 2018. The new Twin Dolphin Tower resort includes 152 suites, a state-of-the art 20,000 square foot luxury spa, additional Conference Center space, and a Four-Diamond open-air rooftop lounge. In addition to the new tower, the existing Hilton tower underwent extensive renovations including an enhanced pool, a new spa laden with amenities, and restaurant improvements.

SpringHill Suites

A SpringHill Suites by Marriot has opened in Huntington Beach, across from the City's popular Bella Terra retail village. This hotel added 127 rooms to the City's lodging availability, 1,287 square feet of meeting space, and a 24/7 market.

Sunday Hours at the Central Library

Beginning November 2017, the City's Central Library reintroduced Sunday hours for its patrons. During the Great Recession, Sunday hours for the Central Library were eliminated due to revenue and personnel reductions. With the improved economy, the City was able to provide Sunday hours for the library's patrons without reducing existing hours on other days.

Central Park Improvements

The City's 356-acre Central Park is the largest city-owned park in Orange County, which includes the recently opened new Senior Center, Central Library, Shipley Nature Center, and three restaurants. Working with the City's newly-established Huntington Central Park Committee, the park is undergoing several improvements, including the rehabilitation of its pathways, removing declining tress and planting replacement trees, and constructing a permanent parking lot in the west side of the park.

Film Permits

The City's pristine miles of coastline offering a variety of amazing scenic landscapes and consistently sunny climate have attracted numerous high-profile film projects to the City including: Curb Your Enthusiasm, Wheeler Dealers, Lucifer, the Thunderman's, Ballers, and the Steve Harvey Show. The City's reputation as a film-friendly city was affirmed in 2017 by the receipt of the Orange County Business Council's "Turning Red Tape into Red Carpet" award for its film app.

Awards and Acknowledgements

The City of Huntington Beach has once again received the "Certificate of Achievement for Excellence in Financial Reporting" award bestowed by the Government Finance Officers' Association (GFOA) of the United States and Canada for the 31st consecutive year. Receipt of the award requires government entities to publish transparent, easily readable and efficiently organized Comprehensive Annual Financial Reports, conforming to program, accounting, and legal standards.

The Certificate of Achievement earned for the fiscal year ended September 30, 2016, is valid for one year only. The City believes that this Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to the GFOA for its consideration for another award.

I wish to thank the City Council, City Manager, and City Departments for their continued diligence in their role as fiscal stewards for the City of Huntington Beach. Without their leadership and support, the favorable financial results contained in this report would not have been possible. I would also like to thank the Finance Commission, a seven member body appointed by the City Council, which has been instrumental in helping the City maintain its long term goal of financial sustainability.

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

Respectfully,

A handwritten signature in cursive script, appearing to read "Chuck Adams".

Chuck Adams
Interim Chief Financial Officer

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City of Huntington Beach

City Council

Mike Posey, Mayor
Erik Peterson, Mayor Pro Tem

Patrick Brenden, Councilmember
Barbara Delgleize, Councilmember
Jill Hardy, Councilmember
Billy O'Connell, Councilmember
Lyn Semeta, Councilmember

Executive Team

Fred A. Wilson, City Manager
Lori Ann Farrell Harrison, Assistant City Manager
Antonia Castro-Graham, Assistant to the City Manager
Julie Toledo, Community Relations Officer

City Treasurer

Alisa Cutchen

Elected Department Heads

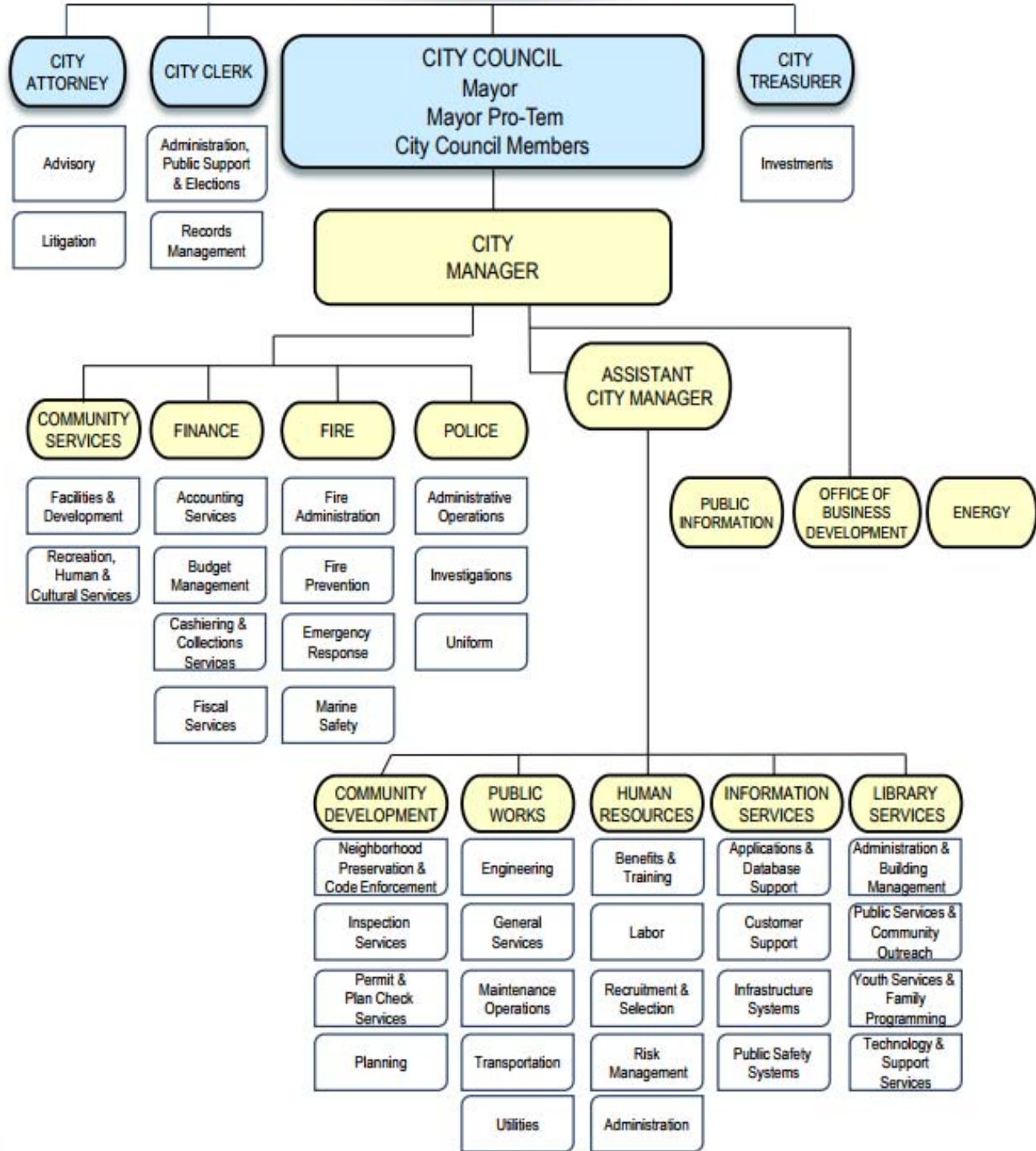
Robin Estanislau, City Clerk
Michael Gates, City Attorney

Department Directors

Stephanie Beverage, Library Services
Chuck Adams, Finance
Chief Robert Handy, Police
Jane James, Community Development
Travis Hopkins, Public Works
Marie Knight, Community Services
Chief David Segura, Fire
Michele Warren, Human Resources
Behzad Zamanian, Information Services

City of Huntington Beach Organizational Chart Adopted Budget – FY 2017/18

THE PEOPLE





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Huntington Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

City Council
City of Huntington Beach
Huntington Beach, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California, as of and for the year ended September 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 the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California, as of September 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

The financial statements for the year ended September 30, 2017 reflect a prior period adjustment as described further in note 15 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information for the General Fund and each major special revenue fund, schedule of funding progress, schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of money-weighted rate of return* 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 of Huntington Beach's basic financial statements. The *combining and individual fund financial statements and schedules, the introductory section and the statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual fund financial statements and schedules* are the responsibility of management and were derived from and relates 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 fund financial statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section and the statistical section* 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018 on our consideration of the City of Huntington Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Huntington Beach's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan UP". The signature is written in a cursive, flowing style.

Irvine, California
March 29, 2018

MANAGEMENT DISCUSSION AND ANALYSIS



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

As management of the City of Huntington Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Huntington Beach for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages iii-xii of this report.

Financial Highlights

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

	Total Governmental and Business-Type Activities			
	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,126,821	\$ 1,119,790	\$ 7,031	0.6%
Deferred Outflows of Resources	70,609	56,779	13,830	24.4%
Liabilities	561,300	529,167	32,133	6.1%
Deferred Inflows of Resources	17,630	7,918	9,712	122.7%
Total Net Position	618,500	639,484	(20,984)	-3.3%
Unrestricted Net Position	(240,646)	(200,866)	(39,780)	19.8%
Long-Term Obligations	537,216	508,598	28,618	5.6%
Program Revenues	131,674	127,307	4,367	3.4%
Taxes	163,770	158,212	5,558	3.5%
Other General Revenues	10,166	14,647	(4,481)	-30.6%
Expenses	327,456	302,918	24,538	8.1%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$618,500,000. Net position decreased \$20,984,000 or 3.3 percent. This decrease is primarily due to the increase in the net pension liability as a result of changes in the discount rate used by CalPERS. Unrestricted net position decreased by \$39,780,000 or 19.8 percent for the same reason.
- Long-term obligations increased by \$28,618,000 or 5.6 percent. This increase is due to the net pension liability increasing as a result of a decrease in the discount rate assumption used by CalPERS to determine the City's net pension liability.
- Deferred outflows of resources increased by \$13,830,000 or 24.4 percent and deferred inflows of resources decreased by \$9,712,000 or 122.7 percent primarily due to the net difference between the projected and actual earnings on CalPERS pension plan investments and changes in the assumptions used to determine the net pension liability.
- Program revenues increased by \$4,367,000 or 3.4 percent. This increase is primarily due to an increase of \$2,689,000 in water sales and \$1,484,000 in other water revenue as a result of water conservation requirements lifted in May 2017 in response to the cessation of the California drought. Taxes increased by \$5,558,000 or 3.5 percent primarily due to a \$9,262,000 increase in sales tax and decrease of \$4,203,000 in property tax revenue. Other General Revenues decreased by \$4,481,000 or 30.6 percent primarily due to the ongoing slowdown of new developments in FY 2016/17.



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

- Expenses increased by \$24,538,000 or 8.1 percent primarily due to increases in CalPERS pension costs for active and retired employees, public safety staffing, and workers' compensation claims liability.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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



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

Governmental Funds

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

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

The City maintains 26 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the General Fund, Grants Special Revenue Fund, and Low and Moderate Income Housing Asset Fund (LMIHAF) Capital Projects Fund all of which are considered to be major funds. Data from the other 23 smaller funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in combining statements elsewhere in this report.

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue funds (Grants) are required to be presented and are included on pages 122 and 123 of this report and demonstrate compliance with the budget.

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

Proprietary Funds

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



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

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

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

Fiduciary Funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-117 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and General Fund and major special revenue funds budget-to-actual comparisons. Required supplementary information can be found on pages 121-130 of this report.

The combining statements and schedules referred to earlier in connection with other governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 134-151 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net position balances for both governmental and business-type activities, with total assets plus deferred outflows exceeding liabilities plus deferred inflows by \$618,500,000.



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

Below is a summary schedule of the City's net position at September 30, 2017 (in thousands):

	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 206,835	\$ 209,181	\$ (2,346)	-1.1%
Capital Assets	692,487	681,661	10,826	1.6%
Total Assets	899,322	890,842	8,480	1.0%
Deferred Outflows of Resources	66,255	52,692	13,563	25.7%
Current and Other Liabilities	15,561	12,346	3,215	26.0%
Long-Term Obligations	507,923	480,780	27,143	5.6%
Total Liabilities	523,484	493,126	30,358	6.2%
Deferred Inflows of Resources	16,743	7,536	9,207	122.2%
Net Position:				
Net Investment in Capital Assets	646,336	624,180	22,156	3.5%
Restricted	41,888	41,555	333	0.8%
Unrestricted	(262,874)	(222,863)	(40,011)	18.0%
Total Net Position	\$ 425,350	\$ 442,872	\$ (17,522)	-4.0%

	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Business-Type Activities				
Current and Other Assets	\$ 87,021	\$ 86,382	\$ 639	0.7%
Capital Assets	140,478	142,566	(2,088)	-1.5%
Total Assets	227,499	228,948	(1,449)	-0.6%
Deferred Outflows of Resources	4,354	4,087	267	6.5%
Current and Other Liabilities	8,523	8,223	300	3.6%
Long-Term Obligations	29,293	27,818	1,475	5.3%
Total Liabilities	37,816	36,041	1,775	4.9%
Deferred Inflows of Resources	887	382	505	132.2%
Net Position:				
Net Investment in Capital Assets	140,478	142,566	(2,088)	-1.5%
Restricted	30,444	32,049	(1,605)	-5.0%
Unrestricted	22,228	21,997	231	1.1%
Total Net Position	\$ 193,150	\$ 196,612	\$ (3,462)	-1.8%

Analysis of the City's Net position

Current and Other Assets: The decrease in current and other assets of \$2,346,000 for governmental activities is primarily due to \$6,000,000 in restricted cash received in FY 2015/16 from loans received from the California Infrastructure Economic Development Bank (I-Bank) and the California Energy Commission (CEC) for the purchase of 11,000 streetlights from Southern California Edison and conversion from high pressure sodium luminaries to LED luminaries. Current and Other Assets for business-type activities increased by \$639,000 due to an increase in year-end receivables and prepaids.

Current and Other Liabilities: Current and other liabilities for governmental activities increased by \$3,215,000 primarily due to increased activity in transportation projects as well as the normal fluctuations in the accounts payable and payroll cycle.



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

Deferred Outflows and Inflows of Resources: The increase in deferred outflows of \$13,563,000 and the increase in deferred inflows of resources of \$9,207,000 for governmental activities and \$267,000 and \$505,000 for business-type activities, respectively, as shown on the Statement of Net Position, are mostly due to changes in the net differences between the projected and actual earnings and changes in assumptions for the the City's single-employer plan (Supplemental) and multiple-employer defined-benefit pension plans (CalPERS plans). The Statements specifically identify the methods and assumptions that are to be used in calculating and disclosing these pension-related amounts in the financial statements. Refer to Notes 5 and 6 for additional note disclosures.

Long-Term Obligations: Long-term obligations for governmental activities increased by \$27,143,000 primarily due to the increase in the Net Pension Liability as a result of decrease in the accounting discount rate assumption used to calculate the liability. Long-term obligations for business-type activities increased by \$1,475,000 for the same reason.

Net Investment in Capital Assets: The largest portion of the City's net position reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets net of related debt from governmental activities increased \$22,156,000 or 3.5 percent, primarily due to 633,600 feet of streets replaced during the fiscal year 16/17. Net position invested in capital assets net of related debt from business-type activities decreased \$2,088,000 or 1.5 percent primarily due to depreciation.

Restricted Net position: An additional portion of the City's net position is subject to external (legally imposed or statutory) restrictions (\$41,888,000 for governmental activities, and \$30,444,000 for business-type activities). These amounts represent 9.8 percent and 15.8 percent of net position for governmental activities and business-type activities, respectively. Restricted net position from governmental activities increased \$333,000 or 0.8 percent. Restricted net position from business-type activities decreased by \$1,605,000 or 5.0 percent primarily due to a decrease in restricted water master plan funds available for capital projects.

Unrestricted Net position: The unrestricted net position (negative \$262,874,000 for governmental activities and \$22,228,000 for business-type activities) represent negative 61.8 percent and 11.5 percent, respectively, of net position for governmental activities and business-type activities. Unrestricted net position for governmental activities decreased \$40,011,000 largely due to an increase in the City's Net Pension Liability as a result of the change in the discount rate used to calculate the Net Pension Liability. Unrestricted net position for business-type activities increased by \$231,000 or 1.1 percent during the year.



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

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

	Governmental Activities			
	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 58,576	\$ 58,150	\$ 426	0.7%
Operating Grants and Contributions	7,329	4,723	2,606	55.2%
Capital Grants and Contributions	3,408	5,939	(2,531)	-42.6%
Total Program Revenues	69,313	68,812	501	0.7%
General Revenues:				
Property Taxes	82,925	87,128	(4,203)	-4.8%
Sales Taxes	43,551	34,289	9,262	27.0%
Utility Taxes	19,303	19,482	(179)	-0.9%
Franchise Taxes	6,627	7,278	(651)	-8.9%
Transient Occupancy Tax	11,364	10,035	1,329	13.2%
Use of Money and Property	3,370	3,618	(248)	-6.9%
From Other Agencies - Unrestricted	3,896	4,397	(501)	-11.4%
Other	2,438	5,693	(3,255)	-57.2%
Total General Revenues	173,474	171,920	1,554	0.9%
Total Revenues	242,787	240,732	2,055	0.9%
Expenses:				
City Council	347	321	26	8.1%
City Manager	4,691	3,849	842	21.9%
City Treasurer	216	208	8	3.8%
City Attorney	3,307	2,598	709	27.3%
City Clerk	889	806	83	10.3%
Finance	6,201	5,765	436	7.6%
Human Resources	5,693	6,814	(1,121)	-16.5%
Planning and Building	7,576	7,208	368	5.1%
Fire	52,941	47,965	4,976	10.4%
Information Services	7,047	6,852	195	2.8%
Police	84,786	74,943	9,843	13.1%
Community Services	15,558	9,935	5,623	56.6%
Library Services	5,064	4,611	453	9.8%
Public Works	35,373	31,791	3,582	11.3%
Non-Departmental	29,368	35,240	(5,872)	-16.7%
Interest on Long-Term Debt	2,063	2,119	(56)	-2.6%
Total Expenses	261,120	241,025	20,095	8.3%
Change in Net Position Before Transfers	(18,333)	(293)		
Transfers	(51)	(38)		
Change in Net Position	(18,384)	(331)		
Net Position - Beginning of Year	442,872	443,203		
Prior Period Adjustment	862	-		
Net Position - Beginning of Year as restated	443,734	443,203		
Net Position - End of Year	\$ 425,350	\$ 442,872		



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

The cost of all governmental activities this year was \$261,120,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$191,807,000, because costs of \$58,576,000 were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions of \$7,329,000, and capital grants and contributions of \$3,408,000. Overall, the City's governmental program revenues were \$69,313,000. The City paid for the remaining "public benefit" portion of governmental activities with \$173,474,000 in taxes and general revenue (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Charges for Current Services increased slightly by \$426,000 due to increases in revenues from fire inspection fees during the year.

Operating Grants and Contributions increased by \$2,606,000 or 55.2 percent primarily due to an increase in public works transportation grants from the prior year. Capital Grants and Contributions have decreased by \$2,531,000 or 42.6 percent primarily due to decreases in commercial development.

Program expenses increased by \$20,095,000 primarily due to an increase in the net pension liability as a result of changes to the assumptions used to determine the City's CalPERS' net pension liability.

Total resources available during the year to finance governmental operations were \$686,521,000 consisting of net position at October 1, 2016 of \$443,734,000, program revenues of \$69,313,000, general revenues of \$173,474,000. Total expenses for governmental activities during the year were \$261,120,000 plus transfers of \$51,000. Thus, net position was decreased slightly by \$18,384,000 or 4.3 percent, to \$425,350,000.



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

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

	Business-Type Activities			
	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 62,361	\$ 58,495	\$ 3,866	6.6%
Total Program Revenues	62,361	58,495	3,866	6.6%
Use of Money and Property	462	939	(477)	-50.8%
Total Revenues	62,823	59,434	3,389	5.7%
Expenses:				
Water Utility	45,940	41,643	4,297	10.3%
Sewer Service	9,351	8,729	622	7.1%
Refuse Collection	10,821	11,277	(456)	-4.0%
Hazmat Service	224	244	(20)	-8.2%
Total Expenses	66,336	61,893	4,443	7.2%
Decrease in Net Position Before Transfers	(3,513)	(2,459)		
Transfers	51	38		
Total Change In Net Position	(3,462)	(2,421)		
Net Position - Beginning of Year	196,612	199,033		
Net Position - End of Year	\$ 193,150	\$ 196,612		

The City's net position from business-type activities decreased by \$3,513,000 before transfers. This is mainly due to an increase in the City's Net Pension Liability largely attributed to changes in the assumptions used by CalPERS to calculate the City's liability. Use of Money and Property decreased by \$477,000 due to decreases in the market value of the City's investments which were partially offset by increased investment returns.

The cost of all Business-Type activities this year was \$66,336,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$62,361,000, other revenue was \$462,000, and transfers were \$51,000. Beginning net position was \$196,612,000 and ending net position was \$193,150,000 a decrease of \$3,462,000 or 1.8 percent. Of the ending net position amount, \$140,478,000, or 72.7 percent, was invested in capital assets, \$30,444,000 or 15.8 percent was restricted for expenses for the Water Master Plan, and \$22,228,000, or 11.5 percent was unrestricted.

The transfers for Business-Type activities were \$51,000 coming in for the current year and \$38,000 coming in for the prior year.



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

Financial Analysis of the City's Major Governmental Funds

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

GOVERNMENTAL FUNDS				
	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 61,180	\$ 62,847	\$ (1,667)	-2.7%
Grants Special Revenue Fund	6,578	8,750	(2,172)	-24.8%
LMIHAF Capital Projects Fund	5,655	6,026	(371)	-6.2%
Total Fund Equity	\$ 73,413	\$ 77,623	\$ (4,210)	-5.4%

The General Fund Balance decreased by \$1,667,000 primarily due to one-time expenditures related to the LED streetlight retrofit project and the new enterprise land management software permit system replacement.

The Grants Special Revenue Fund Balance decreased by \$2,172,000 primarily due to increases in Public Works grants projects and expenditures related to the LED streetlight retrofit project.

The LMIHAF Capital Projects Fund Balance decreased by \$371,000 primarily due to increased expenditures on homeless prevention activities, including the addition of a Homeless Prevention Officer.

Financial Analysis of the City's Major Proprietary Funds

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

Enterprise Funds				
	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Water Fund	\$ 123,945	\$ 129,570	\$ (5,625)	-4.3%
Sewer Fund	69,424	67,836	1,588	2.3%
Refuse Fund	(53)	(565)	512	-90.6%
Hazmat Service Fund	(166)	(229)	63	-27.5%
Total Net Position	\$ 193,150	\$ 196,612	\$ (3,462)	-1.8%
Unrestricted Net Position:				
Water Fund	\$ 3,247	\$ 6,717	\$ (3,470)	-51.7%
Sewer Fund	19,415	16,230	3,185	19.6%
Refuse Fund	(268)	(721)	453	-62.8%
Hazmat Service Fund	(166)	(229)	63	-27.5%
Total Unrestricted Net Position	\$ 22,228	\$ 21,997	\$ 231	1.1%

The Water Fund total net position decreased by \$5,625,000 and unrestricted net position decreased by \$3,470,000 due to an increase in water purchases and the increase in the City's Net Pension Liability. The Sewer Fund net position increased by \$1,588,000 and



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

unrestricted net position increased by \$3,185,000 due to deferred sewer projects in the current year.

Long-Term Obligations

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

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017
Governmental Activities:				
Judgement Obligation Bonds	\$ 660	\$ -	\$ (660)	\$ -
Revenue Bonds	45,760	-	(3,255)	42,505
Compensated Absences	11,934	4,179	(4,382)	11,731
Claims Payable	33,772	15,196	(9,582)	39,386
Pollution Remediation	2,000	-	-	2,000
Section 108 Loan City	625	-	(195)	430
LED Lighting Phase I	966	-	(100)	866
I-Bank CLEEN Loan	3,000	-	(270)	2,730
CEC Loan	3,000	-	-	3,000
Leases Payable	4,130	2,767	(611)	6,286
Total Long-Term Obligations - Governmental Activities	105,847	22,142	(19,055)	108,934
Business-Type Activities:				
Compensated Absences	1,516	515	(463)	1,568
Business-Type Activities:	1,516	515	(463)	1,568
Total Long-Term Obligations	\$ 107,363	\$ 22,657	\$ (19,518)	\$ 110,502

Additional information on the City's long-term debt is shown in Note 10 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. The City's total long-term obligations increased \$3,139,000 or 16.1 percent from the prior fiscal year. This increase was due to the City's share of the 800MHz Countywide Coordinated Communications System backbone and fire engine and ambulance capital leases.

The City continues to maintain strong credit ratings on all of its debt issues. Most notably, on August 27, 2014 Fitch Ratings issued an AAA Implied General Obligation Bond rating to the City of Huntington Beach and that same rating was reaffirmed on June 24, 2016. The following are the ratings as determined by Moody's Investors Service and Standard and Poor's as of September 30, 2017.

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S & P</u>
1999 Tax Allocation Refunding Bonds	A2	AA-
2002 Tax Allocation Refunding Bonds	A2	AA-
2010 Lease Revenue Bonds, Series A	Aa2	AA
2011 Lease Revenue Bonds, Series A	Aa2	AA
2014 Lease Revenue Bonds, Series A	N/A	AA



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

Capital Assets

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

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

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

	September 30, 2017	September 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 361,267	\$ 360,617	\$ 650	0.2%
Buildings	133,430	135,671	(2,241)	-1.7%
Machinery and Equipment	11,145	11,292	(147)	-1.3%
Construction in Progress	8,491	3,727	4,764	127.8%
Infrastructure	178,154	170,354	7,800	4.6%
Total Governmental Activities	692,487	681,661	10,826	1.6%
Business-Type Activities:				
Land	3,907	3,907	-	0.0%
Buildings	66,046	68,299	(2,253)	-3.3%
Machinery and Equipment	2,036	2,428	(392)	-16.1%
Construction in Progress	1,458	829	629	75.9%
Infrastructure	67,031	67,103	(72)	-0.1%
Total Business-Type Activities	140,478	142,566	(2,088)	-1.5%
Total Capital Assets	\$ 832,965	\$ 824,227	\$ 8,738	1.1%

Capital assets from governmental activities increased \$10,826,000 or 1.6 percent. This increase is largely due to the completion of 633,600 feet of street replacement. Capital assets from business-type activities decreased \$2,088,000 or 1.5 percent largely due to normal depreciation of infrastructure assets. Further information on the City's capital assets can be found in Note 11 of the financial statements.



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

General Fund Budgetary Highlights

Changes to Original Budget

Comparing the FY 2016/17 General Fund Original (i.e. Adopted) Budget expenditures amount of \$215,224,000 to the final budgeted amount of \$226,606,000 shows a net increase of \$11,382,000, or 5.0 percent. This overall increase was the result of budget carryovers from the previous year, costs for the City's share of the Orange County animal shelter construction costs, the enterprise land management software replacement project, and the LED streetlight retrofit project.

Final budgeted revenues for the General Fund increased \$367,000 or .2 percent from the original (adopted) budget for the fiscal year ended September 30, 2017. The change from original to final budget occurred primarily as a result of adjustments made to budgeted sales tax and transient occupancy tax.

Variance with Final Budget

General Fund actual revenues were less than the final budget by \$2,618,000 for the fiscal year ended September 30, 2017 due in large part to:

- Other Taxes of \$807,000 due to less than expected franchise fee revenue.
- Charges for Current Services fell short by \$832,000 due to less than expected development during the year.
- Use of Money and Property fell short by \$489,000 due to higher than expected decreases in the market value of investments offset by interest earnings.

General Fund expenditures were \$12,024,000 less than the final budget. The favorable budget variance is due in large part to the following:

- Non-Departmental realized \$6,741,000 in savings primarily due timing differences in the actual replacement of certain equipment and completion of certain Capital Improvement Projects versus initial projections.
- The Community Development Department realized \$1,042,000 in savings primarily due to vacancies in personnel as a result of turnover and time required to recruit new positions.
- The Community Services Department realized \$1,557,000 in savings primarily due to deferral of the Senior Center Fitness and other senior program expenditures.



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

Analysis of City's Other Major Governmental Funds

Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund decreased by \$2,172,000. Significant grant expenditures in the current year were for police, city manager, and street improvement grants and projects.

LMIHAF Capital Projects Fund

The fund balance in the LMIHAF Capital Projects Fund decreased by \$371,000 due to increased homeless prevention costs including the hiring of a Homeless Prevention Officer.

Economic Factors and Next Year's Budget

The Adopted FY 2017/18 Budget is structurally balanced, totaling \$361.2 million in All Funds. This reflects a \$15,700,000, or 4.5 percent, increase from the FY 2016/17 Adopted All Funds Budget.

The General Fund, which provides the majority of public services to the community, totals \$224.0 million, reflecting a \$3.6 million, or 1.6 percent increase from the FY 2016/17 budget. Major highlights are as follows:

Public Safety: Funding for Public Safety represents 55 cents for every dollar spent in the General fund. With half of the General Fund Budget committed to the Police and Fire Departments, the City has dedicated the greatest share of its resources, or \$122.6 million to these core services.

In the Police Department, the budget adds \$300,000 for the animal control contract with the County to ensure satisfactory response times and services for the City's complex animal and wildlife management needs. An additional \$100,000 is also included for additional contract security guard services at the library, beach and community centers, to further protect residents in public places. In the Capital Improvement Program (CIP), \$80,000 is included for improvements to the Lower Level of the Police Department. To ensure the availability of 222 sworn FTEs in the Department, the budget also provides an increase of \$110,000 to fund the 50 percent share of a Police Officer position previously covered by Federal Urban Area Securities Initiative monies. The ongoing \$1.0 million for the 800 MHz Countywide project is also contained in the budget for the lease financing payments over the next seven years.

In the Fire Department, the Adopted Budget adds \$60,000 in funding for the replacement of Emergency Response and Junior Lifeguard personnel uniforms and protective equipment. An additional \$33,500 funds the increased cost of the City's share of training programs provided by the Central Net Operations Joint Powers Authority; and a \$51,200 increase is for emergency dispatching services provided by the Metro Cities Joint Powers Authority. In the CIP, \$125,000 is included for reconfiguration of the Apparatus



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

Bay Entry and door replacements at Fire Station 8 to provide proper access to essential emergency vehicles and apparatus.

Preparing Today for Higher Pension Costs Tomorrow: In December 2016, the CalPERS Board of Administration voted to lower the annual expected rate of return for the over \$300 billion Statewide portfolio from the existing rate of 7.5 percent to 7.0 percent. While this is a practical and financially sound response to the mounting pressure that PERS' investment projections have gone largely unmet for years, this change will regrettably be fully borne by cities and counties throughout the State, not by CalPERS itself.

For the City of Huntington Beach, the increased pension costs will be significant. Currently, annual CalPERS costs are about \$35.4 million in the General Fund. This cost will increase by approximately \$4.5 million every year, for the next five years, due to variables outside the City's control. It is anticipated the City will incur an additional \$23 million per year in pension costs by FY 2022/23, bringing the City's total CalPERS pension costs to approximately \$59 million. This will undoubtedly hamper the City's ability to invest in its infrastructure, enhance services, restore cuts made during the Recession, or increase staffing although workload demands continue to increase.

As a result, the FY 2017/18 Adopted Budget is conservative, and increases funding only as needed, to help reduce the impact that rising pension costs will have on future budgets. This is not only necessary -- it is the responsible thing to do to protect the City's options during times of recession, revenue shortfalls or other unforeseen circumstances.

Being Proactive Pays Off: The City's pension costs are expected to total \$36.9 million in FY 2017/18. This reflects a \$1.5 million, or 7.25 percent increase to last year's adopted budget. The City's unfunded pension liability is currently \$401.2 million, representing a 67.9 percent funded status. To help reduce this unfunded liability, in August 2013, the City Council amended its Financial Policies to include an additional \$1.0 million contribution as part of the "One Equals Five" Plan in each future year's budget (a \$1.0 million contribution equals five years of fewer payments). The Adopted FY 2017/18 Budget contains this \$1.0 million additional contribution. Based on actuarial valuations conducted in FY 2012/13, if this contribution is made consistently over a 25 year period, (the first four years have been funded), it is projected that taxpayers may save a net \$53.7 million.

General Fund Revenue

General Fund revenue is projected to reach \$224.0 million, a \$3.6 million, or 1.6 percent increase from the current year budget. General Fund revenue is stable and continues to perform modestly, although it is experiencing signs of tapering in certain key areas such as Sales Tax revenues, Utility Users' Tax revenues, parking citations, and licenses and permits.



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

- Property Taxes are estimated at \$83.7 million, reflecting an increase of 3.7 percent due to the year-over-year growth in assessed valuations.
- Sales Tax revenues are projected to reach \$41.5 million, an increase of 3.0 percent from fiscal year 16/17 mainly due to the unwinding of the Triple Flip Reimbursement and restoration of sales tax revenue from .75% to 1%, effective in January 1, 2017.
- Licenses and Permits, estimated at \$7.9 million, reflect a 4.0 percent decline due to a slowing down of new development in the City.
- Transient Occupancy Taxes are anticipated to reach \$12.5 million, a 4.0 percent increase, due to the opening of new hotels such as the Springhill Suites Marriott and the new Waterfront Hilton Tower, which are expected to be fully operational by the beginning of the fiscal year.
- Utility Users' Taxes, budgeted at \$19.5 million is decreasing by \$193,200, or 1.0 percent, due to ongoing declines in telephone, electric, and cable usage.

Contacting the City's Financial Management Team

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

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BASIC FINANCIAL STATEMENTS

CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017
(In Thousands)

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 123,233	\$ 78,754	\$ 201,987
Cash and Investments with Fiscal Agent	12,411	-	12,411
Receivables, Net	52,438	6,244	58,682
Advances to Successor Agency	1,363	-	1,363
Inventories	-	1,433	1,433
Prepays	2,981	224	3,205
Joint Venture	2,686	366	3,052
Other Postemployment Benefits Asset	11,723	-	11,723
Subtotal	206,835	87,021	293,856
Capital Assets:			
Non-Depreciable	369,758	5,365	375,123
Depreciable, Net	322,729	135,113	457,842
Total Capital Assets	692,487	140,478	832,965
Total Assets	899,322	227,499	1,126,821
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	66,255	4,354	70,609
 LIABILITIES			
Accounts Payable	11,063	6,804	17,867
Accrued Payroll	2,954	223	3,177
Accrued Interest Payable	195	-	195
Deposits	1,349	1,496	2,845
Subtotal	15,561	8,523	24,084
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	18,437	427	18,864
Long-Term Obligations Due in More than One Year	90,497	1,141	91,638
Net Pension Liability	398,989	27,725	426,714
Total Long-Term Obligations	507,923	29,293	537,216
Total Liabilities	523,484	37,816	561,300
 DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	16,743	887	17,630
 NET POSITION			
Net Investment in Capital Assets	646,336	140,478	786,814
Restricted for:			
Debt Service	5,029	-	5,029
Capital Projects	5,990	30,444	36,434
Public Works and Community Services Projects	30,869	-	30,869
Total Restricted Net Position	41,888	30,444	72,332
Unrestricted	(262,874)	22,228	(240,646)
Total Net Position	\$ 425,350	\$ 193,150	\$ 618,500

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
City Council	\$ 347	\$ 108	\$ -	\$ -	\$ (239)	\$ -	\$ (239)
City Manager	4,691	3,515	2,326	-	1,150	-	1,150
City Treasurer	216	100	-	-	(116)	-	(116)
City Attorney	3,307	5	-	-	(3,302)	-	(3,302)
City Clerk	889	257	-	-	(632)	-	(632)
Finance	6,201	2,047	-	-	(4,154)	-	(4,154)
Human Resources	5,693	654	-	-	(5,039)	-	(5,039)
Community Development	7,576	7,448	-	-	(128)	-	(128)
Fire	52,941	10,296	77	-	(42,568)	-	(42,568)
Information Services	7,047	501	-	-	(6,546)	-	(6,546)
Police	84,786	4,968	1,516	-	(78,302)	-	(78,302)
Community Services	15,558	21,693	392	284	6,811	-	6,811
Library Services	5,064	476	60	-	(4,528)	-	(4,528)
Public Works	35,373	5,392	2,958	3,124	(23,899)	-	(23,899)
Non-Departmental	29,368	1,116	-	-	(28,252)	-	(28,252)
Interest on Long-Term Debt	2,063	-	-	-	(2,063)	-	(2,063)
Total Governmental Activities	261,120	58,576	7,329	3,408	(191,807)	-	(191,807)
Business-type Activities:							
Water Utility	45,940	39,938	-	-	-	(6,002)	(6,002)
Sewer Service	9,351	10,854	-	-	-	1,503	1,503
Refuse Collection	10,821	11,282	-	-	-	461	461
Hazmat Service	224	287	-	-	-	63	63
Total Business-Type Activities	66,336	62,361	-	-	-	(3,975)	(3,975)
Total Governmental and Business Type Activities	\$ 327,456	\$ 120,937	\$ 7,329	\$ 3,408	(191,807)	(3,975)	(195,782)
General Revenues:							
Taxes:							
Property Taxes					82,925	-	82,925
Sales Taxes					43,551	-	43,551
Utility Taxes					19,303	-	19,303
Franchise Taxes					6,627	-	6,627
Transient Occupancy Tax					11,364	-	11,364
Total Taxes					163,770	-	163,770
Other:							
Use of Money and Property					3,370	462	3,832
From Other Agencies - Unrestricted					3,896	-	3,896
Other					2,438	-	2,438
Total General Revenues					173,474	462	173,936
Transfers					(51)	51	-
Total General Revenues and Transfers					173,423	513	173,936
Change in Net Position					(18,384)	(3,462)	(21,846)
Net Position - Beginning of Year					442,872	196,612	639,484
Prior Period Adjustment					862	-	862
Net Position - Beginning of Year as restated					443,734	196,612	640,346
Net Position - End of Year					\$ 425,350	\$ 193,150	\$ 618,500

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017
(In Thousands)**

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and Investments	\$ 52,201	\$ 3,424	\$ 4,284	\$ 41,494	\$ 101,403
Cash and Investments with Fiscal Agent	-	3,732	-	8,679	12,411
Taxes Receivable	31,301	-	-	-	31,301
Other Receivables, Net	7,115	3,715	9,327	900	21,057
Advances to Successor Agency	-	-	1,363	-	1,363
TOTAL ASSETS	\$ 90,617	\$ 10,871	\$ 14,974	\$ 51,073	\$ 167,535
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 4,929	\$ 1,131	\$ 3	\$ 4,118	\$ 10,181
Accrued Payroll	2,871	44	4	23	2,942
Deposits Payable	1,349	-	-	-	1,349
Total Liabilities	9,149	1,175	7	4,141	14,472
Deferred Inflows of Resources:					
Unavailable Revenue	20,288	3,118	9,312	65	32,783
Total Deferred Inflows of Resources	20,288	3,118	9,312	65	32,783
Fund Balances:					
Restricted					
Underground Utilities	364	-	-	-	364
Restitution	280	-	-	-	280
Senior Center Donations	432	-	-	-	432
Pollution Remediation	-	-	-	332	332
Debt Service	-	-	-	5,029	5,029
Highways, Streets and Transportation	-	-	-	10,713	10,713
Low Income Housing	-	-	5,655	1,371	7,026
Air Quality	-	-	-	835	835
Other Capital Projects	-	-	-	9,658	9,658
Other Purposes	1,595	6,578	-	417	8,590
Committed					
Economic Uncertainties	25,011	-	-	-	25,011
Parks	-	-	-	3,785	3,785
Other Capital Projects	-	-	-	13,901	13,901
Assigned					
Capital Improvement Reserve	8,046	-	-	826	8,872
Equipment Replacement	8,295	-	-	-	8,295
Redevelopment Dissolution	1,080	-	-	-	1,080
General Plan Maintenance	380	-	-	-	380
Senior Center Debt Service Reserve	2,000	-	-	-	2,000
CalPERS Rate Increase	1,637	-	-	-	1,637
Cityview Replacement	1,028	-	-	-	1,028
Park Improvements	200	-	-	-	200
Section 115 Trust	500	-	-	-	500
Triple Flip	2,118	-	-	-	2,118
Police Facility Enhancement	2,000	-	-	-	2,000
Strategic Planning Initiatives	558	-	-	-	558
Other Purposes	5,656	-	-	-	5,656
TOTAL FUND BALANCES	61,180	6,578	5,655	46,867	120,280
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 90,617	\$ 10,871	\$ 14,974	\$ 51,073	\$ 167,535

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017
(In Thousands)**

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

Total Fund Balances Governmental Funds	\$	120,280
<p>Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds</p>		
Capital Assets		1,024,742
Accumulated Depreciation		<u>(332,255)</u>
Total Capital Assets		692,487
Joint Venture		2,686
<p>Internal Services funds are used by management to charge the cost of various city activities to individual governmental and business-like funds. The assets and liabilities of the Internal Service fund must be added to the Statement of Net Position.</p>		
		(16,628)
<p>Revenues that are measurable but not available are not recognized as revenue in governmental funds. Such amounts are recorded as unavailable revenue under the modified accrual basis of accounting.</p>		
		32,783
<p>Deferred outflows related to pensions</p>		
		66,044
<p>Governmental funds report all pension contributions as expenditures; however, in the statement of net position, the excess of the total pension liability over the plan fiduciary net position is reported as a net pension liability.</p>		
		(397,649)
<p>Deferred inflows related to pensions</p>		
		(16,700)
<p>Other Postemployment Benefit Asset is not a financial resource and, therefore, are not reported in the governmental funds.</p>		
		11,723
<p>Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.</p>		
<p>Accrued Interest Payable</p>		
		(195)
<p>Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Amounts exclude Long-Term Obligation of the Internal Service Fund.</p>		
Long-Term Obligations Due in One Year		(9,067)
Long-Term Obligations Due in More than One Year		(60,414)
Net Position of Governmental Activities	\$	<u>425,350</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

REVENUES	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
Property Taxes	\$ 80,826	\$ -	\$ -	\$ -	\$ 80,826
Sales Taxes	40,371	-	-	3,180	43,551
Utility Taxes	19,303	-	-	-	19,303
Other Taxes	17,991	-	-	-	17,991
Licenses and Permits	8,736	-	-	76	8,812
Fines and Forfeitures	3,995	-	-	-	3,995
From Use of Money and Property	16,555	149	120	386	17,210
Intergovernmental	3,831	7,228	-	4,234	15,293
Charges for Current Services	24,800	-	-	4,882	29,682
Other	1,492	80	-	1,097	2,669
Total Revenues	217,900	7,457	120	13,855	239,332
EXPENDITURES					
Current:					
City Council	333	-	-	-	333
City Manager	2,116	1,948	-	52	4,116
City Treasurer	201	-	-	-	201
City Attorney	3,052	-	-	-	3,052
City Clerk	830	-	-	-	830
Finance	5,763	-	-	-	5,763
Human Resources	5,535	-	-	-	5,535
Community Development	6,770	193	-	-	6,963
Fire	46,746	85	-	-	46,831
Information Services	6,384	-	-	219	6,603
Police	73,543	1,469	-	3	75,015
Community Services	10,652	486	-	2,986	14,124
Library Services	4,246	122	-	54	4,422
Public Works	22,081	4,904	-	11,650	38,635
Non-Departmental	25,163	-	491	2,742	28,396
Debt Service:					
Principal	981	195	-	3,915	5,091
Interest	186	19	-	1,861	2,066
Total Expenditures	214,582	9,421	491	23,482	247,976
Excess (Deficiency) Of Revenues Over (Under) Expenditures	3,318	(1,964)	(371)	(9,627)	(8,644)
OTHER FINANCING SOURCES (USES)					
Transfers In	221	-	-	6,471	6,692
Issuance of Long-Term Debt	-	-	-	2,767	2,767
Transfers Out	(6,068)	(208)	-	(467)	(6,743)
Total Other Financing Sources (Uses)	(5,847)	(208)	-	8,771	2,716
Net Change In Fund Balances	(2,529)	(2,172)	(371)	(856)	(5,928)
Fund Balances - Beginning Of Year	62,847	8,750	6,026	47,723	125,346
Prior Period Adjustments	862	-	-	-	862
Fund Balance Beginning Restated	63,709	8,750	6,026	47,723	126,208
Fund Balances - End Of Year	\$ 61,180	\$ 6,578	\$ 5,655	\$ 46,867	\$ 120,280

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

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

Net Changes in Fund Balances - Total Governmental funds \$ (5,928)

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

Depreciable Assets Purchased	19,113
Non-Depreciable Assets Purchased	7,634
Non-Depreciable Assets Disposition	(2,220)
Capital Asset Depreciation	(13,701)
Joint Venture	(110)

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

Current Year Property and Sales Tax Accrual	19,672
Prior Year Property and Sales Tax Accrual	(17,573)
Current Year Grant and Other Revenue Accrual	1,214
Prior Year Grant and Other Revenue Accrual	(2,464)

Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. (366)

Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds. (28,052)

Governmental funds report expenditures for retirement contributions whereas these amounts are reported as deferred outflows of resources on the Statement of Net Position. 8,433

Other Postemployment Benefits Payments - Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (expenses). (740)

Internal service funds are used by management to charge the costs of certain activities, such as self insurance workers' compensation charges. The net revenue of this internal service fund is reported as governmental activities. (5,848)

Liabilities not liquidated with current resources - Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Current Year Interest Accrual	(195)
Prior Year Interest Accrual	198

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 5,091

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of some expenses such as compensated absences, claims, and pension expenses, reported in the Statement of Activities, do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds. (2,542)

Change in Net Position of Governmental Activities	\$ (18,384)
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See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017
(In Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
ASSETS						
Current Assets:						
Cash and Investments	\$ 22,630	\$ 25,348	\$ 233	\$ 99	\$ 48,310	\$ 21,830
Restricted Cash and Investments	30,444	-	-	-	30,444	-
Other Receivables, Net	2,520	593	552	113	3,778	80
Prepays	224	-	-	-	224	2,981
Joint Ventures	366	-	-	-	366	-
Inventories	1,433	-	-	-	1,433	-
Unbilled Receivables	1,558	448	460	-	2,466	-
Total Current Assets	59,175	26,389	1,245	212	87,021	24,891
Capital Assets:						
Land	3,907	-	-	-	3,907	-
Buildings and Improvements	53,294	37,950	-	-	91,244	-
Machinery and Equipment	9,616	2,660	-	-	12,276	-
Infrastructure	100,330	43,195	-	-	143,525	-
Construction in Progress	1,009	234	215	-	1,458	-
Less Accumulated Depreciation	(77,902)	(34,030)	-	-	(111,932)	-
Total Capital Assets	90,254	50,009	215	-	140,478	-
Total Assets	149,429	76,398	1,460	212	227,499	24,891
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	3,046	1,140	101	67	4,354	211
LIABILITIES						
Current Liabilities:						
Accounts Payable	5,765	144	895	-	6,804	882
Accrued Payroll	154	63	5	1	223	12
Deposits Payable	1,496	-	-	-	1,496	-
Current Portion of Claims Payable	-	-	-	-	-	9,352
Current Portion of Compensated Absences	297	114	13	3	427	18
Total Current Liabilities	7,712	321	913	4	8,950	10,264
Non-Current Liabilities:						
Compensated Absences	793	303	36	9	1,141	49
Net Pension Liability	19,405	7,258	644	418	27,725	1,340
Claims Payable	-	-	-	-	-	30,034
Total Non-Current Liabilities	20,198	7,561	680	427	28,866	31,423
Total Liabilities	27,910	7,882	1,593	431	37,816	41,687
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Pensions	620	232	21	14	887	43
NET POSITION						
Net Investment in Capital Assets	90,254	50,009	215	-	140,478	-
Restricted for:						
Capital Projects	30,444	-	-	-	30,444	-
Unrestricted	3,247	19,415	(268)	(166)	22,228	(16,628)
Total Net Position	\$ 123,945	\$ 69,424	\$ (53)	\$ (166)	\$ 193,150	\$ (16,628)

See Notes to Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund Total
OPERATING REVENUES						
Sales	\$ 36,877	\$ -	\$ -	\$ -	\$ 36,877	\$ -
Fees and Charges for Service	-	10,837	11,191	287	22,315	11,256
Other	3,061	17	91	-	3,169	162
Total Operating Revenues	39,938	10,854	11,282	287	62,361	11,418
OPERATING EXPENSES						
Water Purchases	19,322	-	-	-	19,322	-
Supplies and Operations	9,304	7,366	10,821	224	27,715	1,842
Engineering	1,395	-	-	-	1,395	-
Production and Distribution	6,871	-	-	-	6,871	-
Maintenance	250	-	-	-	250	-
Water Meters	4,130	-	-	-	4,130	-
Water Quality	843	-	-	-	843	-
Water Use Efficiency	412	-	-	-	412	-
Claims and Judgments	-	-	-	-	-	15,549
Depreciation	3,413	1,985	-	-	5,398	-
Total Operating Expenses	45,940	9,351	10,821	224	66,336	17,391
Operating Income (Loss)	(6,002)	1,503	461	63	(3,975)	(5,973)
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	377	85	-	-	462	125
Income (Loss) Before Transfers	(5,625)	1,588	461	63	(3,513)	(5,848)
TRANSFERS						
Transfers In	-	-	51	-	51	-
Change in Net Position	(5,625)	1,588	512	63	(3,462)	(5,848)
Net Position - Beginning Of Year	129,570	67,836	(565)	(229)	196,612	(10,780)
Net Position- End Of Year	\$ 123,945	\$ 69,424	\$ (53)	\$ (166)	\$ 193,150	\$ (16,628)

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 39,287	\$ 10,772	\$ 11,279	\$ 372	\$ 61,710	\$ 11,379
Cash Paid to Employees for Services	(9,528)	(3,158)	(289)	(90)	(13,065)	(645)
Cash Paid to Suppliers of Goods and Services	(31,564)	(3,849)	(10,475)	(136)	(46,024)	(10,355)
Net Cash and Investment Provided (Used) by Operating Activities	(1,805)	3,765	515	146	2,621	379
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	51	-	51	-
Cash Received (Paid) from/(to) Other Funds	321	-	(274)	(47)	-	-
Net Cash and Investments Used by Noncapital Financing Activities	321	-	(223)	(47)	51	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(2,863)	(388)	(59)	-	(3,310)	-
Net Cash and Investments Used by Capital and Related Financing Activities	(2,863)	(388)	(59)	-	(3,310)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	377	85	-	-	462	125
Net Cash and Investments Provided (Used) by Investing Activities	377	85	-	-	462	125
Net Increase (Decrease) in Cash and Investments	(3,970)	3,462	233	99	(176)	504
Cash and Investments - Beginning of Year	57,044	21,886	-	-	78,930	21,326
Cash and Investments - End of Year	\$ 53,074	\$ 25,348	\$ 233	\$ 99	\$ 78,754	\$ 21,830
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (6,002)	\$ 1,503	\$ 461	\$ 63	\$ (3,975)	\$ (5,973)
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities						
Depreciation	3,413	1,985	-	-	5,398	-
(Increase) Decrease in Other Receivables, Net	(623)	(103)	(20)	85	(661)	(39)
Decrease in Unbilled Receivables	285	22	17	-	324	-
(Increase) Decrease in Prepaids	15	-	-	-	15	40
(Increase) in Joint Ventures	(366)	-	-	-	(366)	-
(Increase) in Inventory	(127)	-	-	-	(127)	-
Increase (Decrease) in Accounts Payable	758	(172)	12	(29)	569	628
Increase in Accrued Payroll	28	15	2	-	45	6
(Decrease) in Deposits Payable	(313)	(1)	-	-	(314)	-
Increase in Claims Payable	-	-	-	-	-	5,614
Increase (Decrease) in Compensated Absences	(35)	82	5	-	52	22
(Increase) in Deferred Pension Outflow	(185)	(70)	(6)	(6)	(267)	(14)
Increase in Deferred Pension Inflow	353	132	12	8	505	25
Increase in Net Pension Liability	994	372	32	25	1,423	70
Net Cash and Investments Provided (Used) by Operating Activities	\$ (1,805)	\$ 3,765	\$ 515	\$ 146	\$ 2,621	\$ 379
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
There were no noncash investing, capital, or financing activities during the fiscal year ended September 30, 2017.						

See Notes to Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017
(In Thousands)

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund	Section 115 Trust Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ASSETS				
Cash and Investments	\$ 5,177	\$ 27	\$ -	\$ 4,750
Cash and Investments with Fiscal Agent	3,408	-	-	2,454
Mutual Funds	-	53,647	3,788	-
Money Market Funds	-	523	-	-
Accounts Receivable, Net	1,366	-	-	22
Total Assets	\$ 9,951	\$ 54,197	\$ 3,788	\$ 7,226
LIABILITIES				
Accounts Payable	\$ 882	\$ -	\$ -	\$ 88
Accrued Payroll	5	-	-	6
Due to Bondholders	4,569	-	-	-
Advances from City of Huntington Beach	-	-	-	1,363
Held for Others	4,495	-	-	-
Long-Term Obligations				
Long-Term Obligations Due Within One Year	-	-	-	4,446
Long-Term Obligations Due in More than One Year	-	-	-	43,619
Total Liabilities	\$ 9,951	\$ -	\$ -	\$ 49,522
NET POSITION				
Restricted for Pension Benefits		\$ 54,197	\$ 3,788	
Held in Trust For Other Purposes				\$ (42,296)

CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

	Pension Trust Fund - Retirement Supplemental Fund	Section 115 Trust Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ADDITIONS			
Employer Contributions	\$ 4,346	\$ 1,000	\$ -
Property Taxes	-	-	5,011
Total Additions Before Investment Income	4,346	1,000	5,011
Investment Income:			
Investment Income (Loss)	6,209	294	56
Less Investment Expense	(104)	-	-
Net Investment Income	6,105	294	56
Total Additions	10,451	1,294	5,067
DEDUCTIONS			
Benefits	4,143	-	-
Administrative Costs	176	6	-
Economic Development	-	-	184
Interest and Fiscal Agency Expenses	-	-	3,240
Total Deductions	4,319	6	3,424
Change in Net Position	6,132	1,288	1,643
Net Position - Beginning of Year	48,065	2,500	(43,939)
Net Position - End of Year	\$ 54,197	\$ 3,788	\$ (42,296)

See Notes to Financial Statements

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**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The City of Huntington Beach is the primary government. It was incorporated in 1909 as a charter, full-service city. The form of government is Council-Manager. Component units are legally separate organizations for which the City Council is financially accountable, or organizations that if excluded from the accompanying financial statements, would make them misleading. The component units described below are blended (presented as if they are part of the primary government) or presented as a fiduciary trust fund with the primary government for financial reporting purposes. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. A legally separate, tax exempt organization should be reported as a blended component unit of the City if all of the following criteria are met:

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

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

Huntington Beach Housing Authority

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

b. Government-wide Financial Statements

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Financial Statement Classification

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

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

Restricted Net Position – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide Statement of Net Position reports \$41,888,000 of governmental activities restricted net position, of which \$26,303,000 is restricted by enabling legislation. The government-wide Statement of Net Position reports \$30,444,000 of business-type activities restricted net position, of which all is restricted by enabling legislation. This category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs.

Unrestricted Net Position – This category represents the net position of the City, not restricted for any project or other purpose. The government-wide Statement of Net reports a deficit unrestricted net position of \$253,208,000 of governmental activities unrestricted net position, which is largely a result of the recent implementation of GASB Statement No. 68 that required the City to report Net Pension Liabilities. The City's Net Pension Liability at September 30, 2017 is \$426,714,000 of which \$398,989,000 is payable from Governmental Activities. The government-wide Statement of Net Position reports \$22,228,000 of business-type activities unrestricted net position.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Financial Statements

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

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Encumbrances outstanding as of September 30, 2017, by major fund (in thousands):

General Fund	\$	7,251
Grants Special Revenue		6,070
Other Governmental Funds		9,388
Total Encumbrance All Funds	\$	22,709

Economic Uncertainties Reserve

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements

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

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

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

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

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

Fiduciary Funds Financial Statements

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major funds:

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Funds

Self Insurance Workers' Comp Fund – accounts for the City's self insurance workers' compensation program in an internal service fund

Self Insurance General Liability Fund – accounts for the City's self insurance general liability program in an internal service fund.

Fiduciary Funds

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

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

Section 115 Trust Fund - accounts for the City's Section 115 Trust Fund used to pre-fund the City's employee pension plan.

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

d. Cash and Investments

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

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

Changes in fair value that occur during the fiscal year are recognized as investments income reported for that fiscal year. Investment income includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

e. Capital Assets

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with taxable and tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project, and for tax-exempt debt, offset with interest earned on the invested proceeds over the same period. There was no capitalized interest for the year ended September 30, 2017.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Deferred Outflows/Inflows of Resources

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

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

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

g. Inventories

Proprietary fund inventories are valued at weighted-average cost and consist of expendable supplies and repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Interfund Transactions

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

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

i. Long-Term Obligations

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

j. Employee Compensated Absences

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Property Tax Revenue

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

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

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Redevelopment Property Tax Trust Funds

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

The calendar for distribution of RPTTF funds is as follows:

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

m. Cash Flow Statements

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

n. Estimates

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Pensions

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

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

	Supplemental Employee Retirement Plan	CalPERS Pension Plans
Valuation Date (VD)	September 30, 2015	June 30, 2016
Measurement Date (MD)	September 30, 2017	June 30, 2017
Measurement Period (MP)	October 1, 2016 to September 30, 2017	July 1, 2016 to June 30, 2017

p. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

2. CASH AND INVESTMENTS

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain ovisions of the California Government Code Section 53601 (or the City's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees 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.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MAXIMUM INVESTMENT IN ONE ISSUER	MINIMUM QUALITY REQUIREMENTS
U.S. Treasury Securities	5 Years	None	None	None
Federal Agency Securities	5 Years	None	None	None
Bankers' Acceptances	180 Days	25%	10%	A1/P1, "A" Rating
Commercial Paper	270 Days	25%	10%	A1, "A" Rating
Negotiable CDs	3 Years	30%	10%	A1/P1, "A" Rating
Repurchase Agreements	90 Days	None	None	None
Corporate Bonds	5 Years	30%	10%	"A" Rating
Money Market Funds	60 Days	15%	10%	"AAA" Rating
Local Agency Investment Fund (LAIF)	N/A	Max. \$65MM	None	None
State Obligations – CA And Others	5 Years	None	10%	"A" Rating
City/Local Agency Of CA Obligations	5 Years	None	10%	"A" Rating



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

U.S. Treasury Securities	5 Years	No Limit	No Limit
Federal Agency Securities	5 Years	No Limit	No Limit
Bankers' Acceptances	180 Days	No Limit	No Limit
Time CDs	360 Days	No Limit	No Limit
Negotiable CDs	360 Days	No Limit	No Limit
LAIF	N/A	No Limit	No Limit
Commercial Paper	270 Days	No Limit	No Limit
Municipal Bonds from Any State	Life of Bond	No Limit	No Limit
Money Market Funds	N/A	No Limit	No Limit
Investment Agreements	Life of Bond	No Limit	No Limit
Corporate Bonds	5 Years	No Limit	No Limit
California Asset Mgmt Program	N/A	No Limit	No Limit
Forward Purchase/Delivery Agreements	Life of Bond	No Limit	No Limit



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

2. CASH AND INVESTMENTS (Continued)

Investment of the Pension Trust Fund – Retirement Supplemental Fund

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

<u>Authorized Investment Type</u>	<u>Strategic Allocation</u>	<u>Maximum Allocation</u>
Cash or Equivalents	0%	5%
Fixed Income	25%	30%
Intermediate-Term Bond	25%	30%
Equity	58%	68%
Domestic	34%	39%
Foreign	24%	29%
Real Estate	9%	12%
Commodities	8%	12%



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017

2. CASH AND INVESTMENTS (Continued)

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

Primary Government:	
Cash and Investments	\$ 201,987
Cash and Investments with Fiscal Agent	12,411
Total Primary Government	214,398
Fiduciary Funds:	
Cash and Investments	9,954
Cash and Investments with Fiscal Agent	63,820
Total Fiduciary Funds	73,774
Total Deposits and Investments	\$ 288,172

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, the greater the sensitivity of its fair value is 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 (in thousands).

INVESTMENTS:	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
US Agency Securities*	\$ 148,255	\$ 19,978	\$ 64,104	\$ 64,173	\$ -	148,255
Medium Term Notes - IBRD	4,980	4,980	-	-	-	\$ 4,980
Mutual Funds	53,726	53,726	-	-	-	53,726
Money Market Funds	496	496	-	-	-	496
Corporate Bonds	36,678	15,487	16,053	5,138	-	36,678
Local Agency Investment Fund	14,312	14,312	-	-	-	14,312
California Asset Mgmt Program	2,774	2,774	-	-	-	2,774
Total Investments	\$ 261,221	\$ 111,753	\$ 80,157	\$ 69,311	\$ -	261,221
	Total Deposits					26,951
	Total Deposits and Investments					\$ 288,172

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

2. CASH AND INVESTMENTS (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 are the minimum ratings required by, where applicable, the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type (in thousands):

INVESTMENTS:	Minimum Legal Rating	Total	Remaining as of Year End			
			AAA	AA/A	BAA	Not Rated
US Agency Securities	N/A	\$ 148,255	\$ 148,255	\$ -	\$ -	\$ -
Medium Term Notes - IBRD	AA	4,980	4,980	-	-	-
Mutual Funds	N/A	53,726	-	-	-	53,726
Money Market Funds	AAA	496	496	-	-	-
Corporate Bonds	A	36,678	-	34,188	2,490	-
Local Agency Investment Fund	N/A	14,312	-	-	-	14,312
California Asset Mgmt Program	AAA	2,774	2,774	-	-	-
Total Investments		\$ 261,221	\$ 156,505	\$ 34,188	\$ 2,490	\$ 68,038

Note: All US Agencies are rated AA by S&P/AAA by Moody's



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

2. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value Amount</u>
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$27,193
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$70,102
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$45,033



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of September 30, 2017, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts were collateralized as described above. None of the City's investments were subject to custodial credit risk. Per the Investment Policy's statement, the City of Huntington Beach is the registered owner of all investments in the portfolio.

Investment in State Investment Pool

The City is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Currently, LAIF does not have an investment rating.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

3. CASH AND INVESTMENTS (Continued)

Investment in California Asset Management Program Pool

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies which are participants in the Trust. The Pool's investments are limited to investments permitted by subdivision (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. CAMP is not registered with the Securities and Exchange Commission. This fund does not calculate a duration for their portfolio. The average days to maturity is 49 days.

Fair Value Measurement

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of September 30, 2017 (in thousands):

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
INVESTMENTS:				
U.S. Agency Securities	\$ -	\$ 148,255	\$ -	\$ 148,255
Mutual Funds	-	53,726	-	53,726
Medium Term Notes - IBRD	-	4,980	-	4,980
Corporate Bonds	-	36,678	-	36,678
Total Investments	\$ -	\$ 243,639	\$ -	\$ 243,639



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

3. OTHER RECEIVABLES

A summary of Other Receivables as of September 30, 2017 is as follows (in thousands):

<u>Description</u>	<u>Amount</u>
Developer Loans Receivable	\$ 42,791
Emerald Cove Loan Receivable	7,466
Housing Rehabilitation Loans Receivable	2,585
First Time Homebuyers Receivable	1,846
Transportation Measure M Receivable	268
Emergency Medical Fee Receivable	2,446
CDBG Program Receivable	43
Other Grants Receivable	1,079
Other Receivable	5,324
Total Other Receivables	\$ 63,848
Allowance for Uncollectible Developer Loans	(42,791)
Net Other Receivables on Governmental Fund Financial Statements	\$ 21,057
 Other Receivables Reconciliation	
Net Receivable on Government-wide Financial Statements	\$ 52,438
Taxes Receivable on Governmental Fund Financial Statements	(31,301)
Other Receivables on Internal Service Fund	(80)
Net Other Receivables on Governmental Fund Financial Statements	\$ 21,057

b. Developer Loans

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$42,791,000 at year-end. These loans are allowed until a future event occurs. Loans to the Low and Moderate Income Housing Asset Fund total \$25,153,000, loans made under the Home Program total \$15,481,000, and loan made under the Affordable Housing In-Lieu Program total \$2,157,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$42,791,000 due to the terms of the agreement to forgive the balance of loans after a specified time period if all the conditions of loan forgiveness are met. The developer loan from the Low and Moderate Income Housing Asset Fund includes \$2,882,000 to a local nonprofit organization where one of the City's Council Members is the Executive Director. These developer loans were made prior to the Executive Director's appointment to City Council.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

3. OTHER RECEIVABLES (Continued)

c. Emerald Cove Loan

On June 15, 2010, the former Redevelopment Agency loaned Emerald Cove, LP \$8,000,000 to acquire and rehabilitate Emerald Cove Senior Apartments. The loan has an interest rate of 3% and is to be repaid annually from residual receipts over 60 years. The loan was transferred to the Low and Moderate Income Housing Asset Fund in fiscal year 2011-12. The loan balance as of September 30, 2017 is \$7,466,000.

d. Housing Rehabilitation Loans

Loans made to qualified homeowners and landlords in the City of Huntington Beach to rehabilitate certain single-family homes or multifamily rental housing under deferred loan agreements total \$2,585,000 at year-end. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

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

Loans made for down payment assistance of qualified first time homebuyers under deferred loan agreements total \$1,846,000 at year-end. These loans are deferred until a future event occurs.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

4. UNAVAILABLE REVENUE

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

	General Fund	Grants Special Revenue	LMIHAF	Other Governmental Funds	Total Unavailable Revenue
Property Taxes	\$ 19,672	\$ -	\$ -	\$ -	\$ 19,672
Grants	-	533	-	-	533
Deferred Loans:					
Emerald Cove	-	-	7,466	-	7,466
Housing Rehabilitation	-	2,585	-	-	2,585
First Time Homebuyers	-	-	1,846	-	1,846
Other Unavailable Revenue	616	-	-	65	681
Total	\$ 20,288	\$ 3,118	\$ 9,312	\$ 65	\$ 32,783

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

5. RETIREMENT PLAN – NORMAL

a. Summary

Net Pension Liability

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

	Net Pension Liability
CalPERS Miscellaneous Plan	\$ 163,278
CalPERS Safety Plan	256,807
Supplemental Plan (Note 6)	6,629
Total	\$ 426,714

Deferred Outflows of Resources

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

	Investment earnings less than expected earnings	Changes in assumptions	Differences between Expected and Actual Experience	Deferred employer pension contributions made after measurement date	Total
CalPERS Miscellaneous Plan	\$ 5,221	\$ 17,944	\$ 179	\$ 3,759	\$ 27,103
CalPERS Safety Plan	6,368	30,006	1,305	5,827	43,506
Total	\$ 11,589	\$ 47,950	\$ 1,484	\$ 9,586	\$ 70,609

Deferred Inflows of Resources

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

	Investment earnings less than expected earnings	Changes in assumptions	Differences between Expected and Actual Experience	Total
Miscellaneous Plan	\$ -	\$ -	\$ 5,336	\$ 5,336
Safety Plan	-	2,327	8,218	10,545
Supplemental Plan (Note 6)	1,749	-	-	1,749
Total	\$ 1,749	\$ 2,327	\$ 13,554	\$ 17,630



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

5. RETIREMENT PLAN – NORMAL (Continued)

Pension Expense

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

	Net Pension Expense
Miscellaneous Plan	\$ 23,963
Safety Plan	33,429
Supplemental Plan (Note 6)	3,414
Total	\$ 60,806

b. Plan Description

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

5. RETIREMENT PLAN – NORMAL (Continued)

Benefits Provided

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

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

5. RETIREMENT PLAN – NORMAL (Continued)

The Plans' provisions and benefits in effect at September 30, 2017 are summarized as follows:

	Miscellaneous Agent Plans	
	Classic	PEPRA
	Prior to January 1, 2013	January 1, 2013 and after
Hire date	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%, 50 years - 63+ years, respectively	1.0% - 2.5%, 52 years - 67+ years, respectively
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates		
October 1, 2016 - June 30, 2017	26.493%	26.493%
July 1, 2017 - September 30, 2017	28.428%	28.428%
	Safety Agent Plans	
	Classic	PEPRA
	Prior to January 1, 2013	January 1, 2013 and after
Hire date	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 years	minimum 52 years
Monthly benefits, as a % of eligible compensation	3%, 50+ years	2.0% - 2.7%, 50 years - 57+ years, respectively
Required employee contribution rates	9.000%	11.75% for 10/1/16-6/30/17, 11.00% for 7/1/17-9/30/17
Required employer contribution rates		
October 1, 2016 - June 30, 2017	45.123%	45.123%
July 1, 2017 - September 30, 2017	45.701%	45.701%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

5. RETIREMENT PLAN – NORMAL (Continued)

c. Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017, miscellaneous participants under the Classic and PEPRA plans are required to contribute 8% and 6.25% of their annual covered salary, respectively. Safety participants under the Classic and PEPRA plans are required to contribute 9% and 11.75% of their annual covered salary, respectively. In addition, the City is required to make employer contributions at the actuarially determined rates of 26.493% and 45.123% of annual covered payroll for the miscellaneous and safety plans, respectively, for the period October 1, 2016 through June 30, 2017; then 28.428% and 45.701% for the miscellaneous and safety plans, respectively, for the period July 1 through September 30, 2017.

At June 30, 2016, the valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Active members	591	381
Transferred members	377	79
Terminated members	260	46
Retired members and beneficiaries	914	562

For the year ended September 30, 2017, the contributions were:

	Miscellaneous	Safety	Aggregate Total
Contributions - employer	\$ 11,921	\$ 19,468	\$ 31,389



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

5. RETIREMENT PLAN – NORMAL (Continued)

d. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is illustrated below:

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuation, rolled forward to June 30, 2017 using standard update procedures, were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative 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

*The 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 the 2014 experience study report.

There was a change in the discount rate assumption for the June 30, 2017 measurement date from 7.65 percent to 7.15 percent. All other actuarial assumptions used in the June 30, 2016 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 may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

5. RETIREMENT PLAN – NORMAL (Continued)

Discount Rate – The discount rate used to measure the total pension liability at June 30, 2017 was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 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 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) 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.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017

5. RETIREMENT PLAN – NORMAL (Continued)

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

Asset Class	Current Target Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹An expected inflation of 2.5% used for this period

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



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017

5. RETIREMENT PLAN – NORMAL (Continued)

d. Changes in the Net Pension Liability

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

Miscellaneous Plan			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016 (Valuation Date)	\$ 514,955	\$ 363,147	\$ 151,808
Changes in the year:			
Service cost	8,084	-	8,084
Interest on the total pension liabilities	37,749	-	37,749
Changes of Assumptions	30,762	-	30,762
Differences between expected and actual experience	(9,148)	-	(9,148)
Benefit payments, including refunds of members contribution:	(25,312)	(25,312)	-
Plan to Plan Resource Movement	-	-	-
Contributions - employer	-	12,316	(12,316)
Contributions - employee	-	3,869	(3,869)
Net investment income	-	40,328	(40,328)
Administrative expenses	-	(536)	536
Net changes	42,135	30,665	11,470
Balance at June 30, 2017 (Measurement Date)	\$ 557,090	\$ 393,812	\$ 163,278

Safety Plan			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016 (Valuation Date)	\$ 670,963	\$ 433,724	\$ 237,239
Changes in the year:			
Service cost	13,657	-	13,657
Interest on the total pension liabilities	49,350	-	49,350
Changes of Assumptions	40,352	-	40,352
Differences between expected and actual experience	(10,819)	-	(10,819)
Plan to Plan Resource Movement	-	-	-
Benefit payments, including refunds of members contribution:	(34,222)	(34,222)	-
Contributions - employer	-	20,629	(20,629)
Contributions - employee	-	4,570	(4,570)
Net investment income	-	48,413	(48,413)
Administrative expenses	-	(640)	640
Net changes	58,318	38,750	19,568
Balance at June 30, 2017 (Measurement Date)	\$ 729,281	\$ 472,474	\$ 256,807



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

5. RETIREMENT PLAN – NORMAL (Continued)

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

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan	\$ 237,248	\$ 163,278	\$ 102,251
Safety Plan	\$ 254,337	\$ 256,807	\$ 176,591
Aggregate Total	\$ 491,585	\$ 420,085	\$ 278,842

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

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

For the measurement period ending June 30, 2017 (the measurement date), the City incurred pension expense in the amounts of \$23,963,000 and \$33,429,000 for the miscellaneous and safety plans, respectively.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years of active employees by the total number of plan participants (active, inactive, and retired) in the risk pool. For the 2016-17 measurement period, the EARSL for each plan is as follows:

	Miscellaneous	Safety
Expected Average Remaining Service Lifetime	2.4	3.9



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

5. RETIREMENT PLAN – NORMAL (Continued)

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

Miscellaneous Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ 5,221	\$ -
Changes in assumptions	17,944	-
Difference between expected and actual experience	179	(5,336)
Contributions made subsequent to the measurement date	3,759	
Total	\$ 27,103	\$ (5,336)

Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ 6,368	\$ -
Changes in assumptions	30,006	(2,327)
Difference between expected and actual experience	1,305	(8,218)
Contributions made subsequent to the measurement date	5,827	
Total	\$ 43,506	\$ (10,545)

For the Miscellaneous Plan and Safety Plan, \$3,759,000 and \$5,827,000, respectively, was reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2018	\$ 8,967	\$ 5,600
2019	9,782	15,598
2020	2,229	9,494
2021	(2,970)	(3,558)
2022	-	-
Thereafter	-	-
	\$ 18,008	\$ 27,134



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

5. RETIREMENT PLAN – NORMAL (Continued)

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

Miscellaneous Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ 5,221	\$ -
Changes in assumptions	17,944	-
Difference between expected and actual experience	179	(5,336)
Contributions made subsequent to the measurement date	3,759	
Total	\$ 27,103	\$ (5,336)

Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ 6,368	\$ -
Changes in assumptions	30,006	(2,327)
Difference between expected and actual experience	1,305	(8,218)
Contributions made subsequent to the measurement date	5,827	
Total	\$ 43,506	\$ (10,545)

For the Miscellaneous Plan and Safety Plan, \$3,759,000 and \$5,827,000, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 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:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2018	\$ 8,967	\$ 5,600
2019	9,782	15,598
2020	2,229	9,494
2021	(2,970)	(3,558)
2022	-	-
Thereafter	-	-
	\$ 18,008	\$ 27,134



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

5. RETIREMENT PLAN – NORMAL (Continued)

Subsequent Events – In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years. For public agencies, the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375%, 7.25%, and 7.00%, respectively. There were no other subsequent events that would materially affect the results presented in this disclosure.

6. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description and Benefits

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

The Supplemental Plan will pay the retiree an additional amount to his or her CalPERS retirement benefit for life. In order to be eligible for the benefit, the retiree must retire from the City. The amount that is computed as a factor of an employee's normal retirement allowance is computed at retirement and remains constant for his or her life. This benefit is payable by the City for the duration of the life of the member, and shall cease upon the employee's death. As of September 30, 2015, the date of the Plan's most recent actuarial valuation, the average monthly benefit received by inactive plan members and beneficiaries receiving benefits is \$453. Effective in 1998 (exact dates are different for various associations), new City employees are ineligible to participate in the Supplemental Employee Retirement Plan.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Employees Covered: At September 30, 2017, the measurement date, the following employees were covered by the benefit terms for the Plan:

Inactive employees receiving benefits	704
Active employees	188
Inactive employees not receiving benefits	-
Total	892

b. Employer Contributions

The City's policy is to make required contributions as determined by the Supplemental Plan's actuary. The required contributions were determined as part of the September 30, 2015 actuarial valuation. The City is required to contribute the actuarially determined rate of 4.4% of total payroll for all permanent employees for the year ended September 30, 2017. There are no employee contributions required for the plan. Survivor and termination benefits are not included in the plan. Administrative costs of this plan are financed through investment earnings.

For the year ended September 30, 2017, the contributions were (in thousands):

Contributions - employer	\$ 5,346
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c. Investments

Investments of the Supplemental Plan are held separately from those of other City funds by investment custodians. The Supplemental Employee Retirement Plan and Trust Board is responsible for supervising all investments. Changes to the Investment Policy require approval by the Board. There were no changes to the Policy during fiscal year 2016/17. Please refer to Note 2 for a detailed description of the Supplemental Plan's Investment Policy. The major asset class allocation for the Supplemental Plan as of September 30, 2017 is listed below:

Asset Class	Strategic Allocation	Allocation as of September 30, 2017	Long Term Expected Rate of Return
Fixed Income	25.00%	62.74%	1.55%
Equity	58.00%	23.63%	5.35%
Real Estate	9.00%	4.41%	0.00%
Commodities	8.00%	1.91%	0.00%
PARS Balanced Index Plus	0.00%	6.54%	0.00%
Cash and Equivalents	0.00%	0.77%	0.45%
Total	100.00%	100.00%	



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Quoted market prices have been used to value investments as of September 30, 2017. These investments are held by the Trust or by an agent in the Trust's name. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Governmental Accounting Standards Board (GASB) Statement No. 40 requires the disclosure of such risk. Please see below for a list of investments held in any one organization that represents five percent or more of the Plan's investment portfolio at September 30, 2017:

Concentration of Investments Equaling or Exceeding 5%

Parnassus Core Equity Income Inst	5.50%
Cambiar Intl Equity Fund Ins	5.81%
Baron Emerging Markets Institutional	5.99%
PARS Balanced Index Plus	6.54%
Baird Aggregate Bond Fd Instl	6.67%
Amer Cent Diversifi Bond Class I	6.68%
Columbia Corporate Income Y	6.78%
Vanguard Intl Grwth Fd CI Adm	6.84%
Vanguard Equity Income Fund Admiral Shares	8.33%
Harbor Capital Appreciation Inst	8.56%

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

For the year ended September 30, 2017, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 12.9%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

d. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of September 30, 2017, using an annual actuarial valuation as of September 30, 2015 rolled forward to September 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Actuarial Assumptions – The total pension liabilities in the September 30, 2015 actuarial valuations for the September 30, 2017 measurement date were determined using the following actuarial assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	3.00%
Salary Increases	CalPERS 1997-2011 Experience Study plus 3.25% aggregate increase
Investment Rate of Return	6.25% Net of Investment Expenses
Mortality Rate Table	CalPERS 1997-2011 Experience Study
Retirement, Disability, Withdrawal	CalPERS 1997-2011 Experience Study

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

e. Discount Rate & Sensitivity

The discount rate is used in the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount is used. For this valuation, the discount rate is 6.25%, based on the inflation assumption of 3.00% and a long-term asset allocation of 70% equities and 30% fixed income. The geometric real rates of return were assumed to be 5.35% for equities and 1.55% for fixed income. The long-term expected rate of return is applied to all future projected benefit payments.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. An investment return excluding administrative expenses would have been 6.25 percent.

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Changes in the Net Pension Liability

	Supplemental Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at September 30, 2016	\$ 62,752	\$ 50,564	\$ 12,188
Changes in the year:			
Service cost	487	-	487
Interest on the total pension liabilities	3,976	-	3,976
Differences between expected and actual experience	-	-	-
Changes of Assumptions	1,515	-	1,515
Benefit payments, including refunds of members contributions	(4,144)	(4,144)	-
Contributions - employer	-	5,346	(5,346)
Contributions - employee	-	-	-
Net investment income	-	6,373	(6,373)
Administrative expenses	-	(182)	182
Net changes	1,834	7,393	(5,559)
Balance at September 30, 2017	\$ 64,586	\$ 57,957	\$ 6,629

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

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

Plan's Aggregate Net Pension Liability/(Asset)		
(in thousands)		
Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
\$ 13,363	\$ 6,629	\$ 918



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

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

For the year ended September 30, 2017, the City recognized pension expense in the amount of \$3,414,000, for the Supplemental plan.

At September 30, 2017 the City reported deferred inflows of resources related to the supplemental pension plan from the following source (in thousands):

	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ (1,749)

For the Supplemental Plan, \$1,749,000 was reported as deferred inflows of resources related to pensions which will be recognized in pension expense as follows (in thousands):

Year Ended September 30,	Deferred Inflows of Resources
2018	\$ (111)
2019	(112)
2020	(908)
2021	(618)
2022	-
Thereafter	-
	\$ (1,749)



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

7. OTHER POST EMPLOYMENT BENEFITS

a. Plan Description

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

Postemployment Medical Insurance

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

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

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

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

The subsidy a retiree is entitled to receive is based on the retiree's years of service credit and is limited to \$344 per month after 25 years of service. If a retiree dies, the benefits that would be payable for his or her insurance are provided to the spouse or family for 12 months. The retiree may use the subsidy for any of the medical insurance plans that the City's active employees may enroll in. Employees hired on or after October 1, 2014 are not eligible for this benefit.

PEMHCA

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Below is the plan participant data as of June 30, 2017:

	Postemployment Medical Insurance	PEMHCA
Retirees and beneficiaries receiving benefits	245	171
Active Plan Members	796	375
Total Plan Participants	1,041	546

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

b. Accounting and Funding

The City utilizes the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan, for the postemployment medical insurance benefit. Benefits paid from the CERBT were \$624,000 for fiscal year 2016-17. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov. The City's policy is to make 100% of each year's ARC, with an additional amount to prefund benefits as determined annually by City Council in order to improve the funded status of the plan.

For PEMHCA, the City selected the "unequal" method for the contribution. Under this method, the City offered a lesser contribution for retirees than for active employees. The City paid the PEMHCA minimum for actives (\$122 in 2015, \$125 in 2016, and \$128 in 2017). Beginning in 2008, Assembly Bill 2544 changed the computation for annual increases to annuitant health care under the unequal method. Under the new provisions, the City increases annuitant health care contributions equal to an amount not less than five percent of the active employee contributions, multiplied by the number of years in PEMHCA. The City's contribution for retirees is \$38.40 per employee for the Huntington Beach Firefighter's Association (HBFA) and \$83.20 for all other Safety groups in 2017. The annual increase in minimum PEMHCA contribution to CalPERS will continue until the time that the City contribution for retirees equals the City contribution paid for active employees.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

The actuarial cost method used for determining the benefit obligations for the June 30, 2017 valuation were determined using the Entry Age Normal Actuarial Cost Method, which is a projected benefit full-cost method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions used were:

- Amortization of unfunded liability – Unfunded liability at September 30, 2016 amortized over fixed 8 years from June 30, 2018, level percentage of pay, gains & losses and assumption changes amortized over fixed 10 year period
- Discount rate – 5.50%
- Projected salary increases for covered employees due to inflation – aggregate increases of 3.00% per annum
- All other retirement assumptions equivalent to CalPERS' assumptions used for the City's normal retirement plans (refer to Note 5c)
- PEMCHA minimum increases for actives - \$128 in 2017, \$133 in 2018, with 4.25% annual increases beginning in 2019
- The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets for the inflation trend assumption used for the valuation:

Calendar Year	Annual Rate		Calendar Year	Annual Rate	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2019	7.50%	6.50%	2028	5.60%	5.00%
2020	7.50%	6.50%	2029	5.40%	4.85%
2021	7.25%	6.30%	2030	5.20%	4.70%
2022	7.00%	6.10%	2031-35	5.05%	4.60%
2023	6.75%	5.90%	2036-45	4.90%	4.50%
2024	6.50%	5.70%	2046-55	4.75%	4.45%
2025	6.25%	5.50%	2056-65	4.60%	4.40%
2026	6.00%	5.30%	2066-75	4.30%	4.20%
2027	5.80%	5.15%	2076+	4.00%	4.00%



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Employer Contribution

Direct Contributions - City health plan contributions	\$ 1,804
Implicit subsidy	802
Total Employer Contributions	2,606

Development of Annual OPEB Cost (AOC)

Amortization of Actuarially Accrued Liability	1,279
Normal Cost	1,332
Total Annual Required Contribution (ARC)	2,611
Interest on Net OPEB Assets (NOA)	(748)
Adjustment to the Annual Required Contribution (ARC)	1,483
Total Annual OPEB Cost (AOC)	3,346

Development of Net OPEB Asset (NOA)

Net OPEB Asset (NOA), beginning of year	(12,463)
Annual OPEB Cost (AOC)	3,346
Employer Contribution	(2,606)
Net OPEB Asset (NOA), end of year	\$ (11,723)

The City's actual contributions of \$2,606,000 are greater than the annual required contribution. The Annual OPEB Cost is reported as expenses in the non-departmental governmental activities program.

c. Other Disclosures

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Asset (NOA)
9/30/2015	\$2,611	\$2,534	97.1%	(\$12,684)
9/30/2016	\$2,892	\$2,671	92.4%	(\$12,463)
9/30/2017	\$3,346	\$2,606	77.9%	(\$11,723)



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

7. OTHER POST EMPLOYMENT BENEFITS (Continued)

d. Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the plan was 75.1% funded. The actuarial accrued liability for benefits was \$32.1 million, and the actuarial value of assets was \$24.1 million, resulting in an unfunded accrued liability (UAAL) of \$8.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$77.5 million, and the ratio of the UAAL to the covered payroll was 10.3%.

The annual required contribution was determined as part of an independent actuarial valuation as of June 30, 2017 using the assumptions as noted in Note 7b.

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

8. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City records the liability claims as expenditures in the Self Insurance General Liability Internal Service Fund and the workers' compensation claims in the Self Insurance Workers' Compensation Internal Service Fund.

The City is also a participant in the Big Independent Cities Excess Pool Joint Powers Authority (BICEP), which provides insurance for claims costs exceeding the City's self-insured retention of \$1,000,000.

BICEP was created by a joint powers agreement between the City of Huntington Beach and four other local entities (Oxnard, San Bernardino, Santa Ana, and West Covina) in 1988 with the addition of the City of Ventura in 2014, for the purpose of providing joint insurance coverage and related risk management services for member cities. BICEP allows member entities to finance a claims payment pool for certain liability claims in excess of \$1,000,000 to a maximum coverage limit of \$27,000,000 for claims incurred through June 30, 2015, and \$24,000,000 thereafter. BICEP's governing board has one representative from each city, typically a Risk Manager, or a designee. Current members must approve any changes to the board. Each participating city pays an insurance premium to BICEP that is used to fund the operating and debt service requirements. Claims that exceed the maximum limit are covered by the City's Self Insurance General Liability Internal Service Fund. There were no liability claims in the last three years that exceeded the coverage limit.

Liability Claims

Claims up to \$1,000,000 are paid from the City's Self Insurance General Liability Internal Service Fund. Payments for claims from \$1,000,000 to the maximum limit discussed above is covered by BICEP. Any claims exceeding the maximum limit are covered by the Self Insurance General Liability Internal Service Fund. The liability for these claims is recorded as part of long-term obligations in the Self Insurance General Liability Fund and government-wide financial statements. Liabilities include amounts incurred, but not reported.

Workers' Compensation Claims

Workers' compensation claims of up to \$1,000,000 per claim are paid from the Self Insured Workers' Comp Internal Service Fund. BICEP members jointly purchase excess workers' compensation insurance at a lower cost by combining as one large entity in the marketplace. BICEP purchases excess workers' compensation coverage through CSAC-Excess Insurance Authority. Payments for claims from \$1,000,000 to statutory limits are covered by CSAC-Excess Insurance Authority.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

8. RISK MANAGEMENT (Continued)

The Self Insurance Workers' Comp Internal Service Fund has a \$17.1 million deficit at year-end at the 50 percent confidence level. The City has established plans to help reduce the deficit in this fund. This will be accomplished by additional transfers from the General Fund, Proprietary funds, and other governmental funds in which employees are charged over the next ten years.

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

Governmental Activities:

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2015	\$ 21,662	\$ 5,050	\$ 26,712
Additions	6,380	7,932	14,312
Reductions	(6,379)	(873)	(7,252)
Net Increase (Decrease)	1	7,059	7,060
Balance September 30, 2016	21,663	12,109	33,772
Additions	13,367	1,829	15,196
Reductions	(7,537)	(2,045)	(9,582)
Net Increase (Decrease)	5,830	(216)	5,614
Balance September 30, 2017	\$ 27,493	\$ 11,893	\$ 39,386

Business-Type Activities

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2015	\$ -	\$ 800	\$ 800
Additions	-	-	-
Reductions	-	(800)	(800)
Net Increase (Decrease)	-	(800)	(800)
Balance September 30, 2016	-	-	-
Net Increase (Decrease)	-	-	-
Balance September 30, 2017	\$ -	\$ -	\$ -



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

9. INTERFUND TRANSACTIONS

a. Advances to/from Other Funds

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

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

There is a \$1,363,000 advance from the LMIHAF Capital Projects Fund to the Redevelopment Agency Private Purpose Trust Fund as of September 30, 2017 for Main Pier property acquisitions prior to the dissolution of the Redevelopment Agency on February 1, 2012.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

9. INTERFUND TRANSACTIONS (Continued)

b. Transfers In/Out

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

Transfers In	Transfers Out			Total Transfers In
	General Fund	Grants Special Revenue	Other Governmental Funds	
General Fund	\$ -	\$ 208	\$ 13	\$ 221
Other Governmental Funds	6,017	-	454	6,471
Total Governmental Funds	6,017	208	467	6,692
Refuse Enterprise Fund	51	-	-	51
Total Transfers Out	\$ 6,068	\$ 208	\$ 467	\$ 6,743

The following is a summary of the significant transfers:

- \$6,017,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$5,378,000, technology infrastructure projects of \$139,000, and central park improvements transfer of \$500,000.
- \$51,000 was transferred from the General Fund to the Refuse Enterprise Fund to fund the senior citizen rate reduction on refuse charges.
- \$208,000 was transferred from the Grants Special Revenue Fund to the General Fund to reimburse for eligible LED streetlight maintenance expenditures.
- \$13,000 was transferred from Other Governmental Funds to the General Fund to close out the Energy Efficiency Fund.
- \$454,000 was transferred from and to Other Governmental Funds. \$405,000 was transferred from the Housing Residual Receipts Fund to the Public Financing Authority Fund for debt service payments. \$49,000 was transferred from the Public Finance Authority Fund to the Senior Center Development Fund to cover Senior Center project costs.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

10. LONG-TERM OBLIGATIONS

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

	September 30, 2016	Additions	Retirements	September 30, 2017	Accrued Interest	Due Within One Year
Governmental Activities:						
Judgment Obligation Bonds	\$ 660	\$ -	\$ (660)	\$ -	\$ -	\$ -
Public Financing Authority:						
2010(a) Lease Revenue Bonds	9,795	-	(765)	9,030	37	795
2011(a) Lease Revenue Bonds	21,650	-	(1,915)	19,735	67	1,965
2014(a) Lease Revenue Bonds	14,315	-	(575)	13,740	41	595
Total Public Financing Authority	45,760	-	(3,255)	42,505	145	3,355
Other Long-Term Obligations:						
Compensated Absences	11,934	4,179	(4,382)	11,731	-	4,150
Claims Payable	33,772	15,196	(9,582)	39,386	-	9,352
Pollution Remediation	2,000	-	-	2,000	-	-
Section 108 Loan City	625	-	(195)	430	2	210
LED Lighting Phase I	966	-	(100)	866	12	103
I-Bank CLEEN Loan	3,000	-	(270)	2,730	11	276
CEC Loan	3,000	-	-	3,000	-	-
Leases Payable	4,130	2,767	(611)	6,286	25	991
Total Other Long-Term Obligations	59,427	22,142	(15,140)	66,429	50	15,082
Total Long-Term Obligations - Governmental Activities	\$ 105,847	\$ 22,142	\$ (19,055)	\$ 108,934	\$ 195	\$ 18,437



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

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

Decrease in Compensated Absences	\$ (203)
Increase in Claims Payable	5,614
Increase in Leases Payable	2,767
Increase in Above Schedule	<u>8,178</u>
Internal Service Fund:	
Increase in Current Portion of Compensated Absences	(6)
Increase in Non-Current Portion of Compensated Absences	(16)
Decrease in Current Portion of Claims Payable	1,142
Increase in Non-Current Portion of Claims Payable	(6,756)
Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements	<u>\$ 2,542</u>
Principal Paid in Governmental Fund Financial Statements	\$ 5,091
Decreases in Above Schedule	<u>\$ 5,091</u>
Long-Term Obligations Due Within One Year in Above Schedule	\$ 18,437
Internal Service Fund:	
Current Portion of Compensated Absences	(18)
Current Portion of Claims Payable	(9,352)
Reconciliation of the Long-Term Obligation Due Within One Year to the Statement of Net Position	<u>\$ 9,067</u>
Long-Term Obligations Due in More than One Year in Above Schedule	\$ 90,497
Internal Service Fund:	
Non Current Portion of Compensated Absences	(49)
Non Current Portion of Claims Payable	(30,034)
Reconciliation of the Long-Term Obligation Due in More than One Year to the Statement of Net Position	<u>\$ 60,414</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

a. Judgment Obligation Bonds

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

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

The 2004 Judgment Obligation were fully matured as of the fiscal year ended September 30, 2017.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

b. Public Financing Authority

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 795	\$ 444	\$ 1,239
2019	825	412	1,237
2020	865	371	1,236
2021	905	327	1,232
2022	550	282	832
2023-2027	3,185	970	4,155
2028-2030	1,905	184	2,089
Total	\$ 9,030	\$ 2,990	\$ 12,020



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 1,965	\$ 804	\$ 2,769
2019	2,045	725	2,770
2020	1,060	623	1,683
2021	1,095	591	1,686
2022	1,150	537	1,687
2023-2027	6,360	2,064	8,424
2028-2031	6,060	671	6,731
Total	\$19,735	\$ 6,015	\$ 25,750



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2018	\$ 595	\$ 496	\$ 1,091
2019	615	472	1,087
2020	650	440	1,090
2021	665	421	1,086
2022	685	402	1,087
2023-2027	3,900	1,532	5,432
2028-2032	4,580	862	5,442
2033-2034	2,050	124	2,174
Total	\$13,740	\$ 4,749	\$ 18,489

c. Other Long-Term Obligations

(1) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$11,731,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

(2) Claims Payable

There is no repayment schedule for the claims payable for governmental activities of \$39,386,000 described in Note 8. The City pays the claims upon final settlement. The General Fund typically liquidates the claims payable liability.

(3) Pollution Remediation

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

(4) Section 108 Loan City

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

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Annual Payments
2018	\$ 210	\$ 14	224
2019	220	7	227
Total	\$ 430	\$ 21	\$ 451



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

(5) LED Lighting Phase I

Year of Issuance	2016
Type of Debt	Leaseback from Capital One Public Funding, LLC
Principal Amount	Original \$1,062,924
Security	Loan Agreement with Capital One Public Funding, LLC
Interest Rates	Original 2.32%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	To purchase and upgrade street, area and pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 103	\$ 29	\$ 132
2019	107	25	132
2020	110	21	131
2021	114	17	131
2022	118	14	132
2023-2025	314	17	331
Total	\$ 866	\$ 123	\$ 989



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

(6) I-Bank CLEEN Loan

Year of Issuance	2016
Type of Debt	CLEEN Loan from the California Infrastructure and Economic Development Bank (I-Bank)
Principal Amount	Original \$3,000,000
Security	Edwards Fire Station
Interest Rates	Original 2.32%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	To purchase and upgrade street pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 276	\$ 64	\$ 340
2019	283	56	339
2020	289	50	339
2021	296	44	340
2022	303	36	339
2023-2026	1,283	76	1,359
Total	\$ 2,730	\$ 326	\$ 3,056



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

(7) California Energy Commission (CEC) Loan

Year of Issuance	2016
Type of Debt	Loan from the California Energy Commission (CEC)
Principal Amount	Original \$3,000,000
Security	Loan Agreement with CEC
Interest Rates	Original 1.00%
Interest Payment Dates	June 22 nd and December 22 nd
Principal Payment Dates	June 22 nd and December 22 nd
Purpose of Debt	To upgrade street pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands)*:

Year Ending September	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	188	95	283
2020	255	28	283
2021	257	25	282
2022	261	22	283
2023-2027	1,343	72	1,415
2028-2030	696	11	707
Total	\$ 3,000	\$ 253	\$ 3,253

*Estimated debt service schedule from CEC. Actual debt service payments begin in the fiscal year following the year in which the Project is completed.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

(8) Leases Payable

Year of Issuance	2016
Type of Debt	Capital Leases
Principal Amount	Various
Security	Master Lease Agreement
Interest Rates	1.54% and 1.71%
Interest Payment Dates	Semi-Annually
Principal Payment Dates	Semi-Annually
Purpose of Debt	Equipment Financing

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 991	\$ 119	\$ 1,110
2019	1,010	101	1,111
2020	1,029	82	1,111
2021	975	63	1,038
2022	921	45	966
2023-2024	1,360	36	1,396
Total	\$ 6,286	\$ 446	\$ 6,732



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

e. Long-Term Obligations – Business-Type Activities

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

Long-Term Obligations - Business-Type Activities:	September 30,			September 30,		Due
	2016	Additions	Retirements	2017	One Year	
Compensated Absences	\$ 1,516	\$ 515	\$ (463)	\$ 1,568	\$ 427	
Total Long-Term Obligations - Business-Type Activities	\$ 1,516	\$ 515	\$ (463)	\$ 1,568	\$ 427	

(1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,568,000 relating to business-type activities. The balance for the outstanding business-type compensated absences is predominately related to the Water and Sewer funds.

f. Long-Term Conduit Debt Obligations

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

Community Facilities Districts:	September 30,			September 30,	
	2016	Additions	Retirements	2017	
Community Facilities District No. 1990-1 Special Tax Refunding Bonds	\$ 630	\$ -	\$ (145)	\$ 485	
Community Facilities District No. 2000-1 2013 Special Tax Refunding Bonds	11,410	-	(560)	10,850	
Community Facilities District No. 2002-1 Special Assessment Tax Bonds	4,335	-	(115)	4,220	
Community Facilities District No. 2003-1 2013 Special Tax Refunding Bonds	18,790	-	(765)	18,025	
Total Community Facilities Districts	35,165	-	(1,585)	33,580	
Residential Redevelopment Bonds	4,200	-	-	4,200	
Total Obligations Not Recorded in Financial Statements	\$ 39,365	\$ -	\$ (1,585)	\$ 37,780	



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

10. LONG-TERM OBLIGATIONS (Continued)

(1) Residential Development Bonds

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

These bond issues are (in thousands):

Bond Issue	Outstanding Year-end	Original Issue Amount
Five Points Senior Project Multi-Family Housing Revenue Bonds – Series A – 1991	\$4,200	\$9,500

11. CAPITAL ASSETS

a. Changes in Capital Assets

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

	September 30, 2016	Additions	Dispositions	September 30, 2017
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 360,617	\$ 650	\$ -	\$ 361,267
Construction in Progress	3,727	6,984	(2,220)	8,491
Total Capital Assets -Not Depreciated	364,344	7,634	(2,220)	369,758
Capital Assets Being Depreciated				
Buildings	204,105	2,069	(193)	205,981
Machinery and Equipment	57,541	2,279	-	59,820
Infrastructure	374,898	14,765	(480)	389,183
Total Capital Assets Being Depreciated	636,544	19,113	(673)	654,984
Less Accumulated Depreciation:				
Buildings	(68,434)	(4,310)	193	(72,551)
Machinery and Equipment	(46,249)	(2,426)	-	(48,675)
Infrastructure	(204,544)	(6,965)	480	(211,029)
Total Accumulated Depreciation	(319,227)	(13,701)	673	(332,255)
Total Depreciated - Net	317,317	5,412	-	322,729
Total Capital Assets	1,000,888	26,747	(2,893)	1,024,742
Total Accumulated Depreciation	(319,227)	(13,701)	673	(332,255)
Capital Assets of Governmental Activities - Net	\$ 681,661	\$ 13,046	\$ (2,220)	\$ 692,487



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

11. CAPITAL ASSETS (Continued)

	September 30, 2016	Additions	Dispositions	September 30, 2017
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	829	629	-	1,458
Total Capital Assets -Not Depreciated	4,736	629	-	5,365
Capital Assets Being Depreciated				
Buildings	91,244	-	-	91,244
Machinery and Equipment	12,118	158	-	12,276
Infrastructure	141,101	2,523	(99)	143,525
Total Capital Assets Being Depreciated	244,463	2,681	(99)	247,045
Less Accumulated Depreciation:				
Buildings	(22,945)	(2,253)	-	(25,198)
Machinery and Equipment	(9,690)	(550)	-	(10,240)
Infrastructure	(73,998)	(2,595)	99	(76,494)
Total Accumulated Depreciation	(106,633)	(5,398)	99	(111,932)
Total Depreciated - Net	137,830	(2,717)	-	135,113
Total Capital Assets	249,199	3,310	(99)	252,410
Total Accumulated Depreciation	(106,633)	(5,398)	99	(111,932)
Capital Assets of Business Activities - Net	\$ 142,566	\$ (2,088)	\$ -	\$ 140,478

b. Depreciation Expense

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

Department:

City Manager	\$ 20
Fire	351
Police	232
Community Services	1,612
Library Services	285
Public Works	9,622
Non-Departmental	1,579
Total	\$ 13,701

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

Fund:

Water	\$ 3,413
Sewer Service	1,985
Total	\$ 5,398



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2017

12. Investment in Joint Ventures

The City participates in two joint powers agreements with neighboring Cities. The Public Cable Television Authority (PCTA) manages the cable television and video provider franchising for the Cities of Huntington Beach, Fountain Valley, Stanton and Westminster. The Central Net Operations Authority (CNOA) is a firefighter training center shared with the City of Fountain Valley. The City of Huntington Beach records 66.32% of PCTA and 76.00% of CNOA net assets as Joint Venture Investments. PCTA financial statements for the year ended June 30, 2017 can be obtained from Public Cable Television Authority. CNOA does not issue separate financial statements.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

a. General Discussion

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

b. Capital Assets

As of September 30, 2017, there are no capital assets held by the Successor Agency.

c. Long-Term Debt

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

	September 30, 2016	Additions	Retirements	September 30, 2017	Accrued Interest	Due Within One Year
Bonds Payable						
1999 Tax Allocation Refunding Bonds	\$ 3,720	\$ -	\$ (565)	\$ 3,155	\$ 26	\$ 595
2002 Tax Allocation Refunding Bonds	8,115		(1,235)	6,880	57	1,295
Total Bonds Payable	11,835	-	(1,800)	10,035	83	1,890
Other Long-Term Obligations						
Mayer DDA	3,717	-	(495)	3,222	-	496
Bella Terra OPA (Parking)	12,184	-	(473)	11,711	-	473
Bella Terra AHA (Phase II)	16,356	-	(815)	15,541	-	815
CIMDDA (Parking & Infrastructure)	6,323	-	(235)	6,088	-	252
CIMDDA (Additional Parking)	397	-	(10)	387	-	11
Section 108 Loan RDA	1,470	-	(460)	1,010	5	490
Compensated Absences	82	1	(12)	71	-	19
Total Other Long-Term Obligations	40,529	1	(2,500)	38,030	5	2,556
Total Long-Term Obligations	\$ 52,364	\$ 1	\$ (4,300)	\$ 48,065	\$ 88	\$ 4,446



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

(1) 1999 Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 595	\$ 157	\$ 752
2019	625	128	753
2020	365	97	462
2021	380	78	458
2022	405	60	465
2023-2024	785	57	842
Total	\$ 3,155	\$ 577	\$ 3,732



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

(2) 2002 Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 1,295	\$ 344	\$ 1,639
2019	1,370	279	1,649
2020	800	211	1,011
2021	840	171	1,011
2022	875	129	1,004
2023-2024	1,700	124	1,824
Total	\$ 6,880	\$ 1,258	\$ 8,138

Pledged Revenues

The Successor Agency will repay a total of \$11,870,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of September 30, 2017 from semi-annual Redevelopment Property Tax Trust Fund (RPTTF) revenue allocations.

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

(3) Mayer Disposition and Development Agreement

In fiscal year 1996-97, the Agency entered into a disposition and development agreement (DDA) with Robert Mayer Corporation (Corporation) concerning additional development adjacent to the Waterfront Hotel. Under the agreement, the Corporation would advance payments for the project costs with the Agency reimbursing up to \$16,750,000 of the costs. As of year-end, the Successor Agency obligation under the agreement amounted to \$3,222,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.32%. The DDA has been approved as an enforceable obligation by the DOF.

(4) Bella Terra Parking Structure

In fiscal year 2005-06, the Agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement, the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year-end, the Successor Agency obligation under the agreement amounted to \$11,711,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.94%. The agreement has been approved as an enforceable obligation by the DOF.

(5) Bella Terra Phase II

In fiscal year 2010-11, the Agency entered into an affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement would facilitate the construction of a 467 unit mixed use project, including 43 moderate units and 28 very low units. Under the terms of the agreement, the Agency would reimburse DJM for the construction of the affordable units up to \$17,000,000. DJM has transferred the site to UDR, and as of year-end, the Successor Agency obligation under the agreement amounted to \$15,541,000. Reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as the 20% housing fund from the site-generated Bella Terra I. The interest rate of this obligation is 4.00%. The agreement has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

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

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

As of year-end, the Successor Agency obligation under the agreement amounted to \$6,088,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4th for the January 2nd distribution and March 1st for the June 1st distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

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

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

As of year-end, the Successor Agency obligation under the agreement amounted to \$387,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4 for the January 2 distribution and March 3 for the June 1 distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

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

(8) Section 108 Loan Redevelopment Agency

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

Debt service requirements to maturity are (in thousands):

Year Ending September	Principal	Interest	Total
2018	\$ 490	\$ 32	\$ 522
2019	520	17	537
Total	\$ 1,010	\$ 49	\$ 1,059

d. Advances from the City Housing Fund

The Successor Agency has recorded advances from the City Housing Fund totaling \$1,363,000 from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

14. COMMITMENTS AND CONTINGENCIES

a. Legal Actions

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

b. Sales Tax Sharing Agreements

City Council has agreed to provide sales tax rebates to various companies, based upon various factors such as increased job-base or new sales tax to the City. The sales tax rebates serve to attract and retain various companies in the City of Huntington Beach. The City of Huntington Beach has four sales tax sharing agreements that extend until 2020, 2024, 2033, and 2038. Sales tax rebates totaled \$670,520 in fiscal year ended September 30, 2017. The City Council authorized a new sales tax sharing agreement with Surf City Auto Group II for a new Jeep car dealership. The Agreement is for 20 years. The Sales tax sharing is a 50%/50% McKenna/City split with a base of 2016 \$1,681,797 and increases by 1% each year. The other sales tax sharing agreements are with Pinnacle Petroleum through 2024, with a base of \$100,000, ACS (Applied Computer Sciences) which continues through 2020, with a maximum annual share of \$250,000, and McKenna Subaru Huntington Beach which runs through 2033 with a 45%/55% McKenna/City split with a base of \$150,800.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

14. COMMITMENTS AND CONTINGENCIES (Continued)

c. Cooperation and Owner Participation Agreements

On September 2, 2003, the Redevelopment Agency Approved a Cooperation Agreement Regarding Capital Improvements in the Southeast Coastal Redevelopment Project with the City. This agreement commits the Redevelopment Agency to reimburse the City for a number of capital improvement projects to be undertaken as part of the Five Year Capital Improvement Program in the Southeast Redevelopment project area starting in FY 2003/04 as they are undertaken. The Successor Agency received its Finding of Completion notice from the Department of Finance on May 13, 2014. The Oversight Board (to the Successor Agency) have approved and reauthorization of the loans between the City and former Redevelopment Agency in FY 16/17. The State Department of Finance has denied the validity of the loans and the City has filed suit against the State.

d. Redevelopment Successor Agency Debt to City

The City has advanced money to the Redevelopment Agency for major capital improvements, economic development projects, and operations. In January 2011, the City Council and Redevelopment Agency Board approved a revised Cooperation Agreement, which included a Promissory Note that memorialized indebtedness previously incurred by the Agency and owed to the City from a series of loans made from the City to the Agency from 1982 to present. The City and Successor Agency have not recorded the advances in the accompanying financial statements due to uncertainties related to Health and Safety Code Section 34191.4, which establishes certain restrictions and limitations on the repayment of city-agency loans. In accordance with Health and Safety Code Section 34191.4(b)(3), all other loans between the city and former Redevelopment Agency will begin to be repaid, at a 3% interest rate, as determined by SB 107 upon approval of the Oversight Board and the Department of Finance. The Oversight Board (to the Successor Agency) have approved and reauthorization of the loans between the City and former Redevelopment Agency in FY 16/17. The State Department of Finance has denied the validity of the loans and the City has filed suit against the State. Below is a schedule of the activity for the year (in thousands):



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

14. COMMITMENTS AND CONTINGENCIES (Continued)

d. Redevelopment Successor Agency Debt to City (Continued)

	September 30, 2016	Additions	Reductions	September 30, 2017
General Fund				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	25,985	583	-	26,568
Total General Fund	67,697	583	-	68,280
Sewer Fund				
Direct Advances	280	2	-	282
Deferred Development Fees	174	2	-	176
Total Sewer Fund	454	4	-	458
Drainage Fund				
Direct Advances	675	6	-	681
Deferred Development Fees	186	2	-	188
Total Drainage Fund	861	8	-	869
Park Acquisition and Development Fund				
Direct Advances	5,558	48	-	5,606
Deferred Development Fees	413	4	-	417
Total Park Acquisition and Development Fund	5,971	52	-	6,023
Water Fund				
Direct Advances	4,184	36	-	4,220
Total Water Fund	4,184	36	-	4,220
Total All Funds	\$ 79,167	\$ 683	\$ -	\$ 79,850

e. Low Moderate Income Housing Asset Fund Debt to City

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

	September 30, 2016	Additions	Reductions	September 30, 2017
General Fund				
Emerald Cove	\$ 3,245	\$ -	\$ -	\$ 3,245



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

14. COMMITMENTS AND CONTINGENCIES (Continued)

f. Successor Agency Litigation

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

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

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

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

All post-redevelopment matters are being heard in Sacramento before a select panel of judges. On January 29, 2014, the Superior Court held that the Emerald Cove Bonds and the Pacific City housing were not preexisting Authority obligations payable with tax increment. The Successor Agency appealed the judgment. An appellate decision is not expected until 2018.

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

14. COMMITMENTS AND CONTINGENCIES (Continued)

f. Successor Agency Litigation (continued)

In addition, as stated above in section (c) and (d), the City of Huntington Beach has filed suit against the State of California regarding the Department of Finance's denial of loans which were between the Redevelopment Agency and the City of Huntington Beach.

g. Big Independent Cities Excess Pool (BICEP) Joint Powers Authority

The City of San Bernardino, a member of BICEP, filed for bankruptcy on August 1, 2012. The City of San Bernardino filed a Bankruptcy Plan and it was approved by the courts on November 15, 2016. Since then, the City's Plan of Adjustment has been approved by the courts and became effective as of June 15, 2017, and the City has begun making distributions to creditors under its Plan. There is currently no impact on the City's equity position in BICEP.

15. PRIOR PERIOD ADJUSTMENT

The City identified an over accrual of payroll expenditures for fiscal year ending September 30, 2016. Accrued Payroll was overstated by \$862,000. A prior period adjustment was recorded to decrease the Accrued Payroll balance accordingly.

16. OTHER INFORMATION

a. Fund and Accumulated Deficits

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

Enterprise Funds:

Refuse Fund	\$ 53
Hazmat Fund	166

Internal Service Fund:

Self Insurance Workers' Comp	17,133
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The fund deficits in the Refuse and Hazmat funds are due to fees and charges below the costs to provide services and the implementation of GASB 68 in FY 2014/15 that required the net pension liability to be reported on the face of the financial statement. The Self Insurance Workers' Comp fund has a deficit due to increases in statutory benefits related to workers' comp claims, rising healthcare costs, and the implementation of GASB 68.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2017**

16. OTHER INFORMATION (Continued)

The City has established plans to reduce and eliminate the deficits in these funds. The City has increased refuse rates to address the deficit in the Refuse Fund. A citywide user fee and rate study was performed and Hazmat fees were increased as a result to help address the deficit in the Hazmat Fund. Costs were also reduced to the Hazmat fund by eliminating the transfer to the General Fund for overhead costs in FY 2016/17. Additional transfers will be made over the next ten to twenty years from the General Fund, Proprietary funds, and other governmental funds to address the deficit in the Self Insurance Workers' Comp Internal Service Fund.

17. SUBSEQUENT EVENTS

a. Fiscal Year Change

In December 2017, the City Council approved a change in the City's fiscal year end from a October 1 through September 30 period to a July 1 through June 30 period. This change will be effective beginning the fiscal year ending June 30, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Huntington Beach Required Supplementary Information For the Year Ended September 30, 2017

Budgetary Information

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

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

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

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

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

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

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

General Fund				Variance with Final Budget Positive (Negative)
REVENUES	Original Budget	Final Budget	Actual	
Property Taxes	\$ 80,120	\$ 80,678	\$ 80,826	\$ 148
Sales Taxes	41,441	40,303	40,371	68
Utility Taxes	19,837	19,267	19,303	36
Other Taxes	17,844	18,798	17,991	(807)
Licenses and Permits	8,336	8,368	8,736	368
Fines, Forfeitures and Penalties	5,090	4,357	3,995	(362)
Use of Money and Property	16,363	17,044	16,555	(489)
Intergovernmental	3,676	3,638	3,831	193
Charges for Current Service	26,132	25,632	24,800	(832)
Other	1,312	2,433	1,492	(941)
Total Revenues	220,151	220,518	217,900	(2,618)
EXPENDITURES				
Current:				
City Council	364	364	333	31
City Manager	2,403	2,405	2,116	289
City Treasurer	209	209	201	8
City Attorney	2,667	3,055	3,052	3
City Clerk	971	951	830	121
Finance	5,884	5,932	5,763	169
Human Resources	5,864	5,538	5,535	3
Community Development	7,313	7,812	6,770	1,042
Fire	45,710	46,873	46,746	127
Information Services	6,931	6,550	6,384	166
Police	74,144	73,741	73,543	198
Community Services	10,453	12,209	10,652	1,557
Library Services	4,270	4,791	4,246	545
Public Works	22,954	22,399	22,081	318
Non-Departmental	23,641	31,904	25,163	6,741
Debt Service:				
Principal	1,414	1,687	981	706
Interest	32	186	186	-
Total Expenditures	215,224	226,606	214,582	12,024
Excess of Revenues				
Over Expenditures	4,927	(6,088)	3,318	9,406
OTHER FINANCING SOURCES (USES)				
Transfers In	929	1,609	221	(1,388)
Transfers Out	(5,836)	(7,959)	(6,068)	1,891
Total Other Financing Sources (Uses)	(4,907)	(6,350)	(5,847)	503
Net Change In Fund Balances	20	(12,438)	(2,529)	9,909
Fund Balance - Beginning of Year	62,847	62,847	62,847	-
Prior Period Adjustment	862	862	862	-
Fund Balance Beginning Restated	63,709	63,709	63,709	-
Fund Balance - End of Year	\$ 63,729	\$ 51,271	\$ 61,180	\$ 9,909

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

Grants Special Revenue

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Use of Money and Property	\$ 200	\$ 220	\$ 149	\$ (71)
Intergovernmental	3,757	23,164	7,228	(15,936)
Other	-	87	80	(7)
Total Revenues	3,957	23,471	7,457	(16,014)
 EXPENDITURES				
Current:				
City Manager	1,381	3,354	1,948	1,406
Community Development	126	247	193	54
Fire	-	175	85	90
Police	424	2,226	1,469	757
Community Services	-	667	486	181
Library Services	-	133	122	11
Public Works	1,908	19,187	4,904	14,283
Debt Service:				
Principal	219	200	195	5
Interest	-	19	19	-
Total Expenditures	4,058	26,208	9,421	16,787
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(101)	(2,737)	(1,964)	773
OTHER FINANCING USES				
Transfers Out	-	(208)	(208)	-
Net Change In Fund Balances	(101)	(2,945)	(2,172)	773
Fund Balance - Beginning of Year	8,750	8,750	8,750	-
Fund Balance - End Of Year	\$ 8,649	\$ 5,805	\$ 6,578	\$ 773

**CITY OF HUNTINGTON BEACH
OTHER POST EMPLOYMENT BENEFITS - MEDICAL INSURANCE
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2013 Actual*	11,541	17,400	(5,859)	66.3%	81,724	-7.2%
6/30/2015 Actual	20,689	30,760	(10,071)	67.3%	85,719	-11.7%
6/30/2017 Actual	24,135	32,125	(7,990)	75.1%	77,512	-10.3%

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

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

Measurement Period	2016-17	2015-16	2014-15	2013-14
Total Pension Liability				
Service cost	\$ 8,084	\$ 7,436	\$ 7,102	\$ 7,263
Interest on total pension liability	37,749	37,194	35,653	34,413
Differences between expected and actual experience	(9,148)	1,072	(2,900)	-
Changes in assumptions	30,762	-	(8,565)	-
Benefit payments, including refunds of employee contributions	(25,312)	(24,316)	(23,377)	(22,444)
Net change in total pension liability	42,135	21,386	7,913	19,232
Total pension liability - beginning	514,955	493,569	485,656	466,425
Total pension liability - ending (a)	<u>\$ 557,090</u>	<u>\$ 514,955</u>	<u>\$ 493,569</u>	<u>\$ 485,656</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 12,316	\$ 10,982	\$ 9,747	\$ 9,066
Contributions - employee	3,869	3,736	3,790	3,909
Investment income	40,328	1,856	8,230	56,429
Administrative Expense	(536)	(226)	(418)	(472)
Benefit payments	(25,312)	(24,316)	(23,377)	(22,444)
Other	-	-	2	-
Net change in plan fiduciary net position	30,665	(7,968)	(2,026)	46,488
Plan fiduciary net position - beginning	363,147	371,115	373,141	326,653
Plan fiduciary net position - ending (b)	<u>\$ 393,812</u>	<u>\$ 363,147</u>	<u>\$ 371,115</u>	<u>\$ 373,141</u>
Net pension liability - beginning	151,808	122,454	112,515	139,771
Net pension liability - ending (a)-(b)	<u>\$ 163,278</u>	<u>\$ 151,808</u>	<u>\$ 122,454</u>	<u>\$ 112,515</u>
Plan fiduciary net position as a percentage of the total pension liability	70.69%	70.52%	75.19%	76.83%
Covered payroll	\$ 51,032	\$ 55,213	\$ 53,864	\$ 50,525
Net pension liability as a percentage of covered payroll	319.95%	274.95%	227.34%	222.69%

Notes to Schedule:

Benefit changes: there were no changes to benefit terms specific to the plan.

Changes in assumptions: in 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2013/14 was the first year of implementation, therefore only four years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

Measurement Period	2016-17	2015-16	2014-15	2013-14
Total Pension Liability				
Service cost	\$ 13,657	\$ 12,159	\$ 11,119	\$ 11,096
Interest on total pension liability	49,350	48,390	46,160	44,246
Differences between expected and actual experience	(10,819)	2,678	(820)	-
Changes in assumptions	40,352	-	(11,054)	-
Benefit payments, including refunds of employee contributions	(34,222)	(32,116)	(30,535)	(29,540)
Net change in total pension liability	58,318	31,111	14,870	25,802
Total pension liability - beginning	670,963	639,852	624,982	599,180
Total pension liability - ending (a)	\$ 729,281	\$ 670,963	\$ 639,852	\$ 624,982
Plan Fiduciary Net Position				
Contributions - employer	\$ 20,629	\$ 18,703	\$ 17,791	\$ 15,152
Contributions - employee	4,570	4,058	4,110	3,850
Investment income	48,413	2,144	9,661	66,805
Administrative Expense	(640)	(270)	(497)	(555)
Benefit payments	(34,222)	(32,116)	(30,535)	(29,540)
Net Plan to Plan Resource Movement	-	(29)	-	-
Net change in plan fiduciary net position	38,750	(7,510)	530	55,712
Plan fiduciary net position - beginning	433,724	441,234	440,704	384,992
Plan fiduciary net position - ending (b)	\$ 472,474	\$ 433,724	\$ 441,234	\$ 440,704
Net pension liability - beginning	237,239	198,618	184,278	214,188
Net pension liability - ending (a)-(b)	\$ 256,807	\$ 237,239	\$ 198,618	\$ 184,278
Plan fiduciary net position as a percentage of the total pension liability	64.79%	64.64%	68.96%	70.51%
Covered payroll	\$ 57,097	\$ 54,410	\$ 53,450	\$ 50,602
Net pension liability as a percentage of covered payroll	449.77%	436.02%	371.60%	364.17%

Notes to Schedule:

Benefit changes: there were no changes to benefit terms specific to the plan.

Changes in assumptions: in 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2013/14 was the first year of implementation, - therefore only four years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
(in Thousands)

Last Ten Fiscal Years*
Supplemental Retirement Plan

Total Pension Liability	2016-17	2015-16	2014-15	2013-14
Service cost	\$ 487	\$ 552	\$ 495	\$ 544
Interest on total pension liability	3,976	3,945	3,919	3,828
Differences between expected and actual experience	-	982	-	-
Changes in assumptions	1,515	2,928	-	-
Benefit payments, including refunds of employee contributions	(4,144)	(3,773)	(3,588)	(3,548)
Net change in total pension liability	1,834	4,634	826	824
Total pension liability - beginning	62,752	58,118	57,292	56,468
Total pension liability - ending (a)	\$ 64,586	\$ 62,752	\$ 58,118	\$ 57,292
Plan Fiduciary Net Position				
Contributions - employer	\$ 5,346	\$ 7,277	\$ 4,678	\$ 4,539
Contributions - employee	-	-	-	-
Investment income	6,373	4,282	(1,313)	3,465
Administrative Expense	(182)	(189)	(170)	(176)
Benefit payments	(4,144)	(3,773)	(3,588)	(3,548)
Other	-	-	3,183	258
Net change in plan fiduciary net position	7,393	7,597	2,790	4,538
Plan fiduciary net position - beginning	50,564	42,967	40,177	35,639
Plan fiduciary net position - ending (b)	\$ 57,957	\$ 50,564	\$ 42,967	\$ 40,177
Net pension liability - beginning	12,188	15,151	17,115	20,829
Net pension liability - ending (a)-(b)	\$ 6,629	\$ 12,188	\$ 15,151	\$ 17,115
Plan fiduciary net position as a percentage of the total pension liability	89.74%	80.58%	73.93%	70.13%
Covered-employee payroll	\$ 22,946	\$ 25,899	\$ 26,716	\$ 26,843
Net pension liability as a percentage of covered-employee payroll	28.89%	47.06%	56.71%	63.76%

* - Fiscal year 2013/14 was the first year of implementation, therefore only four years are shown.

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended September 30, 2017
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Miscellaneous Plan - 99

	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 11,921	\$ 11,238	\$ 10,510	\$ 8,685
Contributions in relation to the actuarially determined contributions	(11,921)	(11,238)	(10,510)	(8,685)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 51,231	\$ 55,135	\$ 54,586	\$ 51,173
Contributions as a percentage of covered-employee payroll	23.27%	20.38%	19.25%	16.97%

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

Notes to Schedule

Valuation dates: 6/30/2012 through 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see Funding Valuation Reports for the years ending June 30, 2012-2014
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-9/30/17, Market Value (for details, see June 30, 2013 and 2014 Funding Valuation Reports).
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Discount Rate	7.5%, net of pension plan investment and administrative expenses; includes inflation.
Retirement age	For 10/1/13-6/30/16, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2007. For 7/1/16-9/30/17, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011.
Mortality	For 10/1/13-6/30/16, the probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. For 7/1/16-9/30/17, the probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended September 30, 2017
(in Thousands)

Last Ten Fiscal Years*
CalPERS City Safety Plan - 100

	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 19,468	\$ 19,129	\$ 18,125	\$ 14,759
Contributions in relation to the actuarially determined contributions	(19,468)	(19,129)	(19,125)	(14,759)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 54,486	\$ 54,486	\$ 54,222	\$ 51,521
Contributions as a percentage of covered-employee payroll	35.73%	35.11%	35.27%	28.65%

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

Notes to Schedule

Valuation dates: 6/30/2012 through 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see Funding Valuation Reports for the years ending June 30, 2012-2014
Asset valuation method	For 10/1/14-6/30/15, 15 Year Smoothed Market (for details, see June 30, 2012 Funding Valuation Report). For 7/1/15-9/30/17, Market Value (for details, see June 30, 2013 and 2014 Funding Valuation Reports.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Discount Rate	7.5%, net of pension plan investment and administrative expenses; includes inflation.
Retirement age	For 10/1/13-6/30/16, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2007. For 7/1/16-9/30/17, the probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011.
Mortality	For 10/1/13-6/30/16, the probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. For 7/1/16-9/30/17, the probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

City of Huntington Beach
Required Supplementary Information
Schedule of Contributions
For the Year Ended September 30, 2017
(in Thousands)

Last Ten Fiscal Years*
Supplemental Retirement Plan

	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 3,895	\$ 3,576	\$ 3,634	\$ 4,534
Contributions in relation to the actuarially determined contributions	(5,346)	(7,277)	(4,678)	(4,539)
Contribution deficiency (excess)	<u>\$ (1,451)</u>	<u>\$ (3,701)</u>	<u>\$ (1,044)</u>	<u>\$ (5)</u>
Covered-employee payroll	\$ 22,946	\$ 25,899	\$ 26,716	\$ 26,843
Contributions as a percentage of covered-employee payroll	23.30%	28.10%	17.51%	16.91%

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

Notes to Schedule

Valuation date:	9/30/2015	9/30/2015	9/30/2014	9/30/2013
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal, Level Percentage of Payroll
Amortization method/period	9/30/12 UAAL: fixed 10-year period, Gains/Losses: fixed 15-year period, Discount rate change loss: 10-year period
Asset valuation method	Investment gains/losses spread over a 3-year rolling period
Inflation	3.00%
Salary increases	Varies by entry age and service
Payroll growth	Merit - CalPERS 1997-2007 Experience Study plus 3.25% aggregate increase
Investment rate of return	6.25%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the CalPERS 1997-2011 Experience Study
Mortality	The probabilities of mortality are based on the CalPERS 1997-2011 Experience Study. Pre-retirement and Post-retirement mortality rates include mortality projected fully generational with Scale MP-14, modified to converge to ultimate improvement rates in 2022

Schedule of Money Weighted Rate of Return

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money Weighted Rate of Return, net of investment expense	12.90%	10.20%	-2.82%	9.20%

SUPPLEMENTARY INFORMATION

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City of Huntington Beach Other Governmental Funds

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

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

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

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

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

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

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2017
(In Thousands)**

SPECIAL REVENUE FUNDS						
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
ASSETS						
Cash and Investments	\$ 845	\$ 6,264	\$ 53	\$ 1,442	\$ 112	\$ 2,602
Cash and Investments with Fiscal Agent	-	-	-	-	-	-
Other Receivables	81	22	-	5	13	310
Total Assets	\$ 926	\$ 6,286	\$ 53	\$ 1,447	\$ 125	\$ 2,912
LIABILITIES						
Accounts Payable	\$ 26	\$ 25	\$ 1	\$ 29	\$ 3	\$ 737
Accrued Payroll	-	2	-	-	-	2
Total Liabilities	26	27	1	29	3	739
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	65	-	-	-	-	-
Total Deferred Inflows of Resources	65	-	-	-	-	-
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	2,173
Low Income Housing	-	-	-	-	-	-
Air Quality	835	-	-	-	-	-
Other Capital Projects	-	6,259	-	1,418	-	-
Other Purposes	-	-	52	-	122	-
Committed						
Parks	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	-	-
Assigned						
Capital Improvement Reserve	-	-	-	-	-	-
Total Fund Balances	835	6,259	52	1,418	122	2,173
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 926	\$ 6,286	\$ 53	\$ 1,447	\$ 125	\$ 2,912

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2017
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS							
Housing Residual Receipt	Park Acquisition and Development	Safe and Sane Fireworks	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ 1,035	\$ 4,146	\$ -	\$ 242	\$ 1,479	\$ 4,014	\$ 3,464	\$ 25,698
-	-	-	-	-	-	-	-
3	15	-	1	88	14	281	833
<u>\$ 1,038</u>	<u>\$ 4,161</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 1,567</u>	<u>\$ 4,028</u>	<u>\$ 3,745</u>	<u>\$ 26,531</u>
\$ 2	\$ 43	\$ -	\$ -	\$ 29	\$ 232	\$ 522	\$ 1,649
-	1	-	-	-	1	16	22
<u>2</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>233</u>	<u>538</u>	<u>1,671</u>
-	-	-	-	-	-	-	65
-	-	-	-	-	-	-	<u>65</u>
-	332	-	-	-	-	-	332
-	-	-	-	-	-	-	-
-	-	-	-	1,538	3,795	3,207	10,713
1,036	-	-	-	-	-	-	1,036
-	-	-	-	-	-	-	835
-	-	-	-	-	-	-	7,677
-	-	-	243	-	-	-	417
-	3,785	-	-	-	-	-	3,785
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,036</u>	<u>4,117</u>	<u>-</u>	<u>243</u>	<u>1,538</u>	<u>3,795</u>	<u>3,207</u>	<u>24,795</u>
<u>\$ 1,038</u>	<u>\$ 4,161</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 1,567</u>	<u>\$ 4,028</u>	<u>\$ 3,745</u>	<u>\$ 26,531</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2017
(In Thousands)
(continued)**

	DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS		
	Property Tax Refund	Public Financing Authority	Total Debt Service Fund	Affordable Housing In-Lieu	Energy Efficiency	Infrastructure
ASSETS						
Cash and Investments	\$ -	\$ 35	\$ 35	\$ 351	\$ -	\$ 5,559
Cash and Investments with Fiscal Agent	-	4,982	4,982	-	-	-
Other Receivables	-	13	13	2	-	20
Total Assets	\$ -	\$ 5,030	\$ 5,030	\$ 353	\$ -	\$ 5,579
LIABILITIES						
Accounts Payable	\$ -	\$ 1	\$ 1	\$ 18	\$ -	\$ 718
Accrued Payroll	-	-	-	-	-	1
Total Liabilities	-	1	1	18	-	719
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	-	-	-	-
Debt Service	-	5,029	5,029	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	-
Low Income Housing	-	-	-	335	-	-
Air Quality	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Committed						
Parks	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	-	4,860
Assigned						
Capital Improvement Reserve	-	-	-	-	-	-
Total Fund Balances	-	5,029	5,029	335	-	4,860
Total Liabilities and Fund Balances	\$ -	\$ 5,030	\$ 5,030	\$ 353	\$ -	\$ 5,579

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2017
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS						
Lease Capital Project	Parking In-Lieu	Senior Center Development	Sewer Development	Technology	Total Capital Projects Funds	Total Other Governmental Funds
\$ -	\$ 952	\$ 16	\$ 8,060	\$ 823	\$ 15,761	\$ 41,494
2,801	-	896	-	-	3,697	8,679
-	-	-	29	3	54	900
\$ 2,801	\$ 952	\$ 912	\$ 8,089	\$ 826	\$ 19,512	\$ 51,073
\$ 1,732	\$ -	\$ -	\$ -	\$ -	\$ 2,468	\$ 4,118
-	-	-	-	-	1	23
1,732	-	-	-	-	2,469	4,141
-	-	-	-	-	-	65
-	-	-	-	-	-	65
-	-	-	-	-	-	332
-	-	-	-	-	-	5,029
-	-	-	-	-	-	10,713
-	-	-	-	-	335	1,371
-	-	-	-	-	-	835
1,069	-	912	-	-	1,981	9,658
-	-	-	-	-	-	417
-	-	-	-	-	-	3,785
-	952	-	8,089	-	13,901	13,901
-	-	-	-	826	826	826
1,069	952	912	8,089	826	17,043	46,867
\$ 2,801	\$ 952	\$ 912	\$ 8,089	\$ 826	\$ 19,512	\$ 51,073

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
REVENUES						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	20	-	-	-
Use of Money and Property	3	17	-	6	121	10
Intergovernmental	262	-	-	-	65	3,223
Charges for Current Service	-	3,716	-	58	135	-
Other	-	-	-	-	85	59
Total Revenues	<u>265</u>	<u>3,733</u>	<u>20</u>	<u>64</u>	<u>406</u>	<u>3,292</u>
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Information Systems	-	-	-	-	-	-
Police	-	-	-	-	-	-
Community Services	-	607	-	-	388	-
Library Services	-	54	-	-	-	-
Public Works	233	-	-	65	-	2,918
Non-Departmental	-	-	9	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>233</u>	<u>661</u>	<u>9</u>	<u>65</u>	<u>388</u>	<u>2,918</u>
Excess Of Revenues Over (Under) Expenditures	<u>32</u>	<u>3,072</u>	<u>11</u>	<u>(1)</u>	<u>18</u>	<u>374</u>
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Issuance of Long-Term Debt	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>32</u>	<u>3,072</u>	<u>11</u>	<u>(1)</u>	<u>18</u>	<u>374</u>
Fund Balances - Beginning Of Year	<u>803</u>	<u>3,187</u>	<u>41</u>	<u>1,419</u>	<u>104</u>	<u>1,799</u>
Fund Balances - End Of Year	<u>\$ 835</u>	<u>\$ 6,259</u>	<u>\$ 52</u>	<u>\$ 1,418</u>	<u>\$ 122</u>	<u>\$ 2,173</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS							
Housing Residual Receipt	Park Acquisiton and Development	Safe and Sane Fireworks	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,180	\$ 3,180
-	-	-	-	-	-	-	20
4	21	-	-	5	16	14	217
-	-	-	-	574	-	98	4,222
-	174	-	323	-	437	-	4,843
485	-	-	-	68	362	-	1,059
<u>489</u>	<u>195</u>	<u>-</u>	<u>323</u>	<u>647</u>	<u>815</u>	<u>3,292</u>	<u>13,541</u>
-	-	-	-	-	-	-	-
-	-	-	219	-	-	-	219
-	-	3	-	-	-	-	3
-	1,600	-	-	-	-	-	2,595
-	-	-	-	-	-	-	54
-	-	-	-	310	611	4,878	9,015
39	-	-	-	-	-	-	48
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>39</u>	<u>1,600</u>	<u>3</u>	<u>219</u>	<u>310</u>	<u>611</u>	<u>4,878</u>	<u>11,934</u>
<u>450</u>	<u>(1,405)</u>	<u>(3)</u>	<u>104</u>	<u>337</u>	<u>204</u>	<u>(1,586)</u>	<u>1,607</u>
-	-	-	139	-	-	-	139
-	-	-	-	-	-	-	-
(405)	-	-	-	-	-	-	(405)
<u>(405)</u>	<u>-</u>	<u>-</u>	<u>139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(266)</u>
45	(1,405)	(3)	243	337	204	(1,586)	1,341
991	5,522	3	-	1,201	3,591	4,793	23,454
<u>\$ 1,036</u>	<u>\$ 4,117</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 1,538</u>	<u>\$ 3,795</u>	<u>\$ 3,207</u>	<u>\$ 24,795</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)
(continued)**

	DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS		
	Property Tax Refund	Public Financing Authority	Total Debt Service Funds	Affordable Housing In-Lieu	Energy Efficiency	Infrastructure
REVENUES						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Use of Money and Property	-	41	41	63	-	25
Intergovernmental	-	-	-	-	-	-
Charges for Current Service	-	-	-	-	-	-
Other	-	-	-	-	-	22
Total Revenues	<u>-</u>	<u>41</u>	<u>41</u>	<u>63</u>	<u>-</u>	<u>47</u>
EXPENDITURES						
Current:						
City Manager	-	-	-	-	-	-
Information Systems	-	-	-	-	-	-
Police	-	-	-	-	-	-
Community Services	-	-	-	-	-	391
Library Services	-	-	-	-	-	-
Public Works	-	-	-	-	-	2,338
Non-Departmental	1	7	8	90	-	21
Debt Service:						
Principal	660	3,255	3,915	-	-	-
Interest	13	1,848	1,861	-	-	-
Total Expenditures	<u>674</u>	<u>5,110</u>	<u>5,784</u>	<u>90</u>	<u>-</u>	<u>2,750</u>
Excess Of Revenues Over (Under) Expenditures	<u>(674)</u>	<u>(5,069)</u>	<u>(5,743)</u>	<u>(27)</u>	<u>-</u>	<u>(2,703)</u>
Other Financing Sources (Uses):						
Transfers In	673	5,110	5,783	-	-	500
Issuance of Long-Term Debt	-	-	-	-	-	-
Transfers Out	-	(49)	(49)	-	(13)	-
Total Other Financing Sources (Uses)	<u>673</u>	<u>5,061</u>	<u>5,734</u>	<u>-</u>	<u>(13)</u>	<u>500</u>
Net Change in Fund Balances	<u>(1)</u>	<u>(8)</u>	<u>(9)</u>	<u>(27)</u>	<u>(13)</u>	<u>(2,203)</u>
Fund Balances - Beginning of Year	<u>1</u>	<u>5,037</u>	<u>5,038</u>	<u>362</u>	<u>13</u>	<u>7,063</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 5,029</u>	<u>\$ 5,029</u>	<u>\$ 335</u>	<u>\$ -</u>	<u>\$ 4,860</u>

**CITY OF HUNTINGTON BEACH
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AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS						
Lease Capital Project	Parking In-Lieu	Senior Center Development	Sewer Development	Technology	Total Capital Projects Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,180
-	56	-	-	-	56	76
2	-	6	31	1	128	386
-	-	-	12	-	12	4,234
-	-	-	39	-	39	4,882
-	-	16	-	-	38	1,097
<u>2</u>	<u>56</u>	<u>22</u>	<u>82</u>	<u>1</u>	<u>273</u>	<u>13,855</u>
-	52	-	-	-	52	52
-	-	-	-	-	-	219
-	-	-	-	-	-	3
-	-	-	-	-	391	2,986
-	-	-	-	-	-	54
-	-	138	159	-	2,635	11,650
2,575	-	-	-	-	2,686	2,742
-	-	-	-	-	-	3,915
-	-	-	-	-	-	1,861
<u>2,575</u>	<u>52</u>	<u>138</u>	<u>159</u>	<u>-</u>	<u>5,764</u>	<u>23,482</u>
<u>(2,573)</u>	<u>4</u>	<u>(116)</u>	<u>(77)</u>	<u>1</u>	<u>(5,491)</u>	<u>(9,627)</u>
-	-	49	-	-	549	6,471
2,767	-	-	-	-	2,767	2,767
-	-	-	-	-	(13)	(467)
<u>2,767</u>	<u>-</u>	<u>49</u>	<u>-</u>	<u>-</u>	<u>3,303</u>	<u>8,771</u>
194	4	(67)	(77)	1	(2,188)	(856)
875	948	979	8,166	825	19,231	47,723
<u>\$ 1,069</u>	<u>\$ 952</u>	<u>\$ 912</u>	<u>\$ 8,089</u>	<u>\$ 826</u>	<u>\$ 17,043</u>	<u>\$ 46,867</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 5	\$ 5	\$ 3	\$ (2)
Intergovernmental	255	255	262	7
TOTAL REVENUES	260	260	265	5
EXPENDITURES:				
Current:				
Public Works	544	761	233	528
Non-Departmental	-	300	-	300
TOTAL EXPENDITURES	544	1,061	233	828
NET CHANGE IN FUND BALANCE	(284)	(801)	32	833
Fund Balance - Beginning of Year	803	803	803	-
Fund Balance - End of Year	\$ 519	\$ 2	\$ 835	\$ 833

Development Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 17	\$ 17
Charges for Current Service	6,175	6,175	3,716	(2,459)
TOTAL REVENUES	6,175	6,175	3,733	(2,442)
EXPENDITURES:				
Current:				
Police	300	-	-	-
Community Services	793	745	607	138
Library Services	50	54	54	-
Debt Service:				
Principal	10	10	-	10
TOTAL EXPENDITURES	1,153	809	661	148
NET CHANGE IN FUND BALANCE	5,022	5,366	3,072	(2,294)
Fund Balance - Beginning of Year	3,187	3,187	3,187	-
Fund Balance - End of Year	\$ 8,209	\$ 8,553	\$ 6,259	\$ (2,294)

Disability Access

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 25	\$ 25	\$ 20	\$ (5)
EXPENDITURES:				
Current:				
Non-Departmental	25	26	9	17
NET CHANGE IN FUND BALANCE	-	(1)	11	12
Fund Balance - Beginning of Year	41	41	41	-
Fund Balance - End of Year	\$ 41	\$ 40	\$ 52	\$ 12

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
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(In Thousands)

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 6	\$ 6
Charges for Current Service	356	356	58	(298)
TOTAL REVENUES	<u>356</u>	<u>356</u>	<u>64</u>	<u>(292)</u>
EXPENDITURES:				
Current:				
Public Works	300	300	65	235
NET CHANGE IN FUND BALANCE	<u>56</u>	<u>56</u>	<u>(1)</u>	<u>(57)</u>
Fund Balance - Beginning of Year	<u>1,419</u>	<u>1,419</u>	<u>1,419</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,475</u>	<u>\$ 1,475</u>	<u>\$ 1,418</u>	<u>\$ (57)</u>

Fourth of July Parade

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ 113	\$ 121	\$ 8
Intergovernmental	-	-	65	65
Charges for Current Service	400	329	135	(194)
Other	-	-	85	85
TOTAL REVENUES	<u>400</u>	<u>442</u>	<u>406</u>	<u>(36)</u>
EXPENDITURES:				
Current:				
Community Services	430	430	388	42
NET CHANGE IN FUND BALANCE	<u>(30)</u>	<u>12</u>	<u>18</u>	<u>6</u>
Fund Balance - Beginning of Year	<u>104</u>	<u>104</u>	<u>104</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 74</u>	<u>\$ 116</u>	<u>\$ 122</u>	<u>\$ 6</u>

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 10	\$ 10	\$ 10	\$ -
Intergovernmental	3,579	3,579	3,223	(356)
Other	1	1	59	58
TOTAL REVENUES	<u>3,590</u>	<u>3,590</u>	<u>3,292</u>	<u>(298)</u>
EXPENDITURES:				
Current:				
Public Works	3,500	5,127	2,918	2,209
NET CHANGE IN FUND BALANCE	<u>90</u>	<u>(1,537)</u>	<u>374</u>	<u>1,911</u>
Fund Balance - Beginning of Year	<u>1,799</u>	<u>1,799</u>	<u>1,799</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,889</u>	<u>\$ 262</u>	<u>\$ 2,173</u>	<u>\$ 1,911</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
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(In Thousands)

Housing Residual Receipt

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 4	\$ 4
Other	383	383	485	102
TOTAL REVENUES	<u>383</u>	<u>383</u>	<u>489</u>	<u>106</u>
EXPENDITURES:				
Current:				
Non-Departmental	50	50	39	11
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>333</u>	<u>333</u>	<u>450</u>	<u>117</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(405)	(405)	(405)	-
NET CHANGE IN FUND BALANCE	<u>(72)</u>	<u>(72)</u>	<u>45</u>	<u>117</u>
Fund Balance - Beginning of Year	<u>991</u>	<u>991</u>	<u>991</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 919</u>	<u>\$ 919</u>	<u>\$ 1,036</u>	<u>\$ 117</u>

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 21	\$ 21
Charges for Current Service	450	450	174	(276)
TOTAL REVENUES	<u>450</u>	<u>450</u>	<u>195</u>	<u>(255)</u>
EXPENDITURES:				
Current:				
Community Services	203	2,210	1,600	610
NET CHANGE IN FUND BALANCE	<u>247</u>	<u>(1,760)</u>	<u>(1,405)</u>	<u>355</u>
Fund Balance - Beginning of Year	<u>5,522</u>	<u>5,522</u>	<u>5,522</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 5,769</u>	<u>\$ 3,762</u>	<u>\$ 4,117</u>	<u>\$ 355</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
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(In Thousands)

Safe and Sane Fireworks

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
Police	\$ -	\$ 3	\$ 3	\$ -
NET CHANGE IN FUND BALANCE	-	(3)	(3)	-
Fund Balance - Beginning of Year	3	3	3	-
Fund Balance - End of Year	\$ 3	\$ -	\$ -	\$ -

ELM Automation Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Current Service	\$ -	\$ 324	\$ 323	\$ (1)
EXPENDITURES:				
Current:				
Information Systems	-	219	219	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	105	104	(1)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	139	139	-
NET CHANGE IN FUND BALANCE	-	244	243	(1)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ 244	\$ 243	\$ (1)

Traffic Congestion Relief

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 3	\$ 3	\$ 5	\$ 2
Intergovernmental	481	481	574	93
Other	-	-	68	68
TOTAL REVENUES	484	484	647	163
EXPENDITURES:				
Current:				
Public Works	780	1,609	310	1,299
NET CHANGE IN FUND BALANCE	(296)	(1,125)	337	1,462
Fund Balance - Beginning of Year	1,201	1,201	1,201	-
Fund Balance - End of Year	\$ 905	\$ 76	\$ 1,538	\$ 1,462

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
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(In Thousands)

Traffic Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 5	\$ 5	\$ 16	\$ 11
Charges for Current Service	1,365	1,365	437	(928)
Other	-	-	362	362
TOTAL REVENUES	<u>1,370</u>	<u>1,370</u>	<u>815</u>	<u>(555)</u>
EXPENDITURES:				
Current:				
Public Works	-	758	611	147
NET CHANGE IN FUND BALANCE	<u>1,370</u>	<u>612</u>	<u>204</u>	<u>(408)</u>
Fund Balance - Beginning of Year	<u>3,591</u>	<u>3,591</u>	<u>3,591</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,961</u>	<u>\$ 4,203</u>	<u>\$ 3,795</u>	<u>\$ (408)</u>

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 3,336	\$ 3,336	\$ 3,180	\$ (156)
Use of Money and Property	6	6	14	8
Intergovernmental	-	-	98	98
TOTAL REVENUES	<u>3,342</u>	<u>3,342</u>	<u>3,292</u>	<u>(50)</u>
EXPENDITURES:				
Current:				
Public Works	3,471	7,286	4,878	2,408
NET CHANGE IN FUND BALANCE	<u>(129)</u>	<u>(3,944)</u>	<u>(1,586)</u>	<u>2,358</u>
Fund Balance - Beginning of Year	<u>4,793</u>	<u>4,793</u>	<u>4,793</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,664</u>	<u>\$ 849</u>	<u>\$ 3,207</u>	<u>\$ 2,358</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
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(In Thousands)

Property Tax Refund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
Non-Departmental	\$ 4	\$ 3	\$ 1	\$ 2
Debt Service:				
Principal	659	660	660	-
Interest	13	13	13	-
TOTAL EXPENDITURES	<u>676</u>	<u>676</u>	<u>674</u>	<u>2</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(676)	(676)	(674)	2
OTHER FINANCING SOURCES (USES):				
Transfers In	676	676	673	(3)
NET CHANGE IN FUND BALANCE	-	-	(1)	(1)
Fund Balance - Beginning of Year	1	1	1	-
Fund Balance - End of Year	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1)</u></u>

Public Financing Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 41	\$ 41
EXPENDITURES:				
Current:				
Non-Departmental	7	7	7	-
Debt Service:				
Principal	3,255	3,255	3,255	-
Interest	1,848	1,848	1,848	-
TOTAL EXPENDITURES	<u>5,110</u>	<u>5,110</u>	<u>5,110</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,110)	(5,110)	(5,069)	41
OTHER FINANCING SOURCES (USES):				
Transfers In	5,110	5,110	5,110	-
Transfers Out	-	(49)	(49)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,110</u>	<u>5,061</u>	<u>5,061</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(49)	(8)	41
Fund Balance - Beginning of Year	5,037	5,037	5,037	-
Fund Balance - End of Year	<u><u>\$ 5,037</u></u>	<u><u>\$ 4,988</u></u>	<u><u>\$ 5,029</u></u>	<u><u>\$ 41</u></u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

Affordable Housing In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 63	\$ 63
EXPENDITURES:				
Current:				
Non-Departmental	-	131	90	41
NET CHANGE IN FUND BALANCE	-	(131)	(27)	104
Fund Balance - Beginning of Year	362	362	362	-
Fund Balance - End of Year	<u>\$ 362</u>	<u>\$ 231</u>	<u>\$ 335</u>	<u>\$ 104</u>

Energy Efficiency

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES):				
Transfers Out	\$ -	\$ (13)	\$ (13)	\$ -
Fund Balance - Beginning of Year	13	13	13	-
Fund Balance - End of Year	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Infrastructure

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 25	\$ 25
Other	10	10	22	12
TOTAL REVENUES	10	10	47	37
EXPENDITURES:				
Current:				
Community Services	-	790	391	399
Public Works	1,200	6,098	2,338	3,760
Non-Departmental	-	500	21	479
TOTAL EXPENDITURES	1,200	7,388	2,750	4,638
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,190)	(7,378)	(2,703)	4,675
OTHER FINANCING SOURCES (USES):				
Transfers In	-	500	500	-
NET CHANGE IN FUND BALANCE	(1,190)	(6,878)	(2,203)	4,675
Fund Balance - Beginning of Year	7,063	7,063	7,063	-
Fund Balance - End of Year	<u>\$ 5,873</u>	<u>\$ 185</u>	<u>\$ 4,860</u>	<u>\$ 4,675</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

Lease Capital Project

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 2	\$ 2
EXPENDITURES:				
Current:				
Non-Departmental	-	3,642	2,575	1,067
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,642)	(2,573)	1,069
OTHER FINANCING SOURCES (USES):				
Issuance of Long-Term Debt	-	2,767	2,767	-
NET CHANGE IN FUND BALANCE	-	(875)	194	1,069
Fund Balance - Beginning of Year	875	875	875	-
Fund Balance - End of Year	<u>\$ 875</u>	<u>\$ -</u>	<u>\$ 1,069</u>	<u>\$ 1,069</u>

Parking In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 20	\$ 20	\$ 56	\$ 36
EXPENDITURES:				
Current:				
City Manager	550	587	52	535
NET CHANGE IN FUND BALANCE	(530)	(567)	4	571
Fund Balance - Beginning of Year	948	948	948	-
Fund Balance - End of Year	<u>\$ 418</u>	<u>\$ 381</u>	<u>\$ 952</u>	<u>\$ 571</u>

Senior Center Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 6	\$ 6
Other	-	-	16	16
TOTAL REVENUES	-	-	22	22
EXPENDITURES:				
Current:				
Public Works	-	512	138	374
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(512)	(116)	396
OTHER FINANCING SOURCES (USES):				
Transfers In	-	49	49	-
NET CHANGE IN FUND BALANCE	-	(463)	(67)	396
Fund Balance - Beginning of Year	979	979	979	-
Fund Balance - End of Year	<u>\$ 979</u>	<u>\$ 516</u>	<u>\$ 912</u>	<u>\$ 396</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

Sewer Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 10	\$ 10	\$ 31	\$ 21
Intergovernmental	-	-	12	12
Charges for Current Service	1,680	1,680	39	(1,641)
TOTAL REVENUES	<u>1,690</u>	<u>1,690</u>	<u>82</u>	<u>(1,608)</u>
EXPENDITURES:				
Current:				
Public Works	2,500	2,678	159	2,519
NET CHANGE IN FUND BALANCE	<u>(810)</u>	<u>(988)</u>	<u>(77)</u>	<u>911</u>
Fund Balance - Beginning of Year	<u>8,166</u>	<u>8,166</u>	<u>8,166</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 7,356</u>	<u>\$ 7,178</u>	<u>\$ 8,089</u>	<u>\$ 911</u>

Technology

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 1	\$ 1
Fund Balance - Beginning of Year	<u>825</u>	<u>825</u>	<u>825</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 825</u>	<u>\$ 825</u>	<u>\$ 826</u>	<u>\$ 1</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

LMIHAF Capital Projects Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 400	\$ 400	\$ 120	\$ (280)
EXPENDITURES:				
Current:				
Non-Departmental	332	585	491	94
Net Change in Fund Balance	68	(185)	(371)	(186)
Fund Balance - Beginning of Year	6,026	6,026	6,026	-
Fund Balance - End of Year	\$ 6,094	\$ 5,841	\$ 5,655	\$ (186)

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City of Huntington Beach Internal Service Funds

Internal Services Funds are used to accumulate and allocate costs internally among the City's various functions.

- The **Self Insurance Workers' Comp Fund** accounts for the City's self insurance workers' compensation program.
- The **Self Insurance General Liability Funds** accounts for the City's self insurance general liability program.

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**CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017
(In Thousands)**

	Governmental Activities		
	Self Insurance Workers' Comp	Self Insurance General Liability	Internal Service Fund Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 11,052	\$ 10,778	\$ 21,830
Other Receivables, Net	41	39	80
Prepays	852	2,129	2,981
Total Assets	11,945	12,946	24,891
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	211	-	211
LIABILITIES			
Current Liabilities:			
Accounts Payable	359	523	882
Accrued Payroll	10	2	12
Current Portion of Claims Payable	6,191	3,161	9,352
Current Portion of Compensated Absences	12	6	18
Total Current Liabilities	6,572	3,692	10,264
Non-Current Liabilities:			
Compensated Absences	32	17	49
Net Pension Liability	1,340	-	1,340
Claims Payable	21,302	8,732	30,034
Total Non-Current Liabilities	22,674	8,749	31,423
Total Liabilities	29,246	12,441	41,687
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	43	-	43
NET POSITION			
Unrestricted	(17,133)	505	(16,628)
Total Net Position	\$ (17,133)	\$ 505	\$ (16,628)

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)

	Governmental Activities		
	Self Insurance Workers' Comp	Self Insurance General Liability	Internal Service Fund Total
OPERATING REVENUES			
Fees and Charges for Service	\$ 7,488	\$ 3,768	\$ 11,256
Other	162	-	162
Total Operating Revenues	<u>7,650</u>	<u>3,768</u>	<u>11,418</u>
OPERATING EXPENSES			
Supplies and Operations	1,537	305	1,842
Claims and Judgments	11,912	3,637	15,549
Total Operating Expenses	<u>13,449</u>	<u>3,942</u>	<u>17,391</u>
Operating (Loss)	(5,799)	(174)	(5,973)
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	45	80	125
Change in Net Position	(5,754)	(94)	(5,848)
Net Position - Beginning Of Year	<u>(11,379)</u>	<u>599</u>	<u>(10,780)</u>
Net Position- End Of Year	<u>\$ (17,133)</u>	<u>\$ 505</u>	<u>\$ (16,628)</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In Thousands)**

	Governmental Activities		
	Self Insurance Workers' Comp	Self Insurance General Liability	Internal Service Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Users	\$ 7,647	\$ 3,732	\$ 11,379
Cash Paid to Employees for Services	(522)	(123)	(645)
Cash Paid to Suppliers of Goods and Services	(7,160)	(3,195)	(10,355)
Net Cash and Investment Provided (Used) by Operating Activities	(35)	414	379
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	45	80	125
Net Cash and Investments Provided (Used) by Investing Activities	45	80	125
Net Increase in Cash and Investments	10	494	504
Cash and Investments - Beginning of Year	11,042	10,284	21,326
Cash and Investments - End of Year	\$ 11,052	\$ 10,778	\$ 21,830
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating (Loss)	\$ (5,799)	\$ (174)	\$ (5,973)
Other Nonoperating Items			
Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities			
(Increase) in Other Receivables, Net	(3)	(36)	(39)
Decrease (Increase) in Prepays	(252)	292	40
Increase in Accounts Payable	105	523	628
Increase in Accrued Payroll	4	2	6
Increase (Decrease) in Claims Payable	5,830	(216)	5,614
Increase (Decrease) in Compensated Absences	(1)	23	22
(Increase) in Deferred Pension Outflow	(14)	-	(14)
Increase in Deferred Pension Inflow	25	-	25
Increase in Net Pension Liability	70	-	70
Net Cash and Investments Provided (Used) by Operating Activities	\$ (35)	\$ 414	\$ 379

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City of Huntington Beach Fiduciary Funds

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

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

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CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Agency Funds						
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	Total Agency Funds
Assets:							
Cash and Investments	\$ 183	\$ 125	\$ 481	\$ 375	\$ 3,380	\$ 633	\$ 5,177
Cash with Fiscal Agent	-	3,408	-	-	-	-	3,408
Accounts Receivable, Net	-	1,038	316	-	12	-	1,366
Total Assets	\$ 183	\$ 4,571	\$ 797	\$ 375	\$ 3,392	\$ 633	\$ 9,951
Liabilities:							
Accounts Payable	\$ -	\$ 2	\$ 680	\$ 6	\$ 166	\$ 28	\$ 882
Accrued Payroll	-	-	-	5	-	-	5
Due to Bondholders	-	4,569	-	-	-	-	4,569
Held for Others	183	-	117	364	3,226	605	4,495
Total Liabilities	\$ 183	\$ 4,571	\$ 797	\$ 375	\$ 3,392	\$ 633	\$ 9,951

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
General Deposit				
Assets:				
Cash and Investments	\$ 188	\$ 454	\$ (459)	\$ 183
Total Assets	\$ 188	\$ 454	\$ (459)	\$ 183
Liabilities:				
Held for others	\$ 188	\$ -	\$ (5)	\$ 183
Total Liabilities	\$ 188	\$ -	\$ (5)	\$ 183
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 107	\$ 4,805	\$ (4,787)	\$ 125
Cash with Fiscal Agent	3,403	5	-	3,408
Accounts Receivable, Net	712	2,046	(1,720)	1,038
Total Assets	\$ 4,222	\$ 6,856	\$ (6,507)	\$ 4,571
Liabilities:				
Accounts Payable	\$ 2	\$ 3,340	\$ (3,340)	\$ 2
Due to Bondholders	4,220	349	-	4,569
Total Liabilities	\$ 4,222	\$ 3,689	\$ (3,340)	\$ 4,571
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 444	\$ 3,653	\$ (3,616)	\$ 481
Accounts Receivable, Net	295	536	(515)	316
Total Assets	\$ 739	\$ 4,189	\$ (4,131)	\$ 797
Liabilities:				
Accounts Payable	\$ 649	\$ 4,275	\$ (4,244)	\$ 680
Held for others	90	27	-	117
Total Liabilities	\$ 739	\$ 4,302	\$ (4,244)	\$ 797
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 578	\$ 1,090	\$ (1,293)	\$ 375
Accounts Receivable, Net	-	56	(56)	-
Total Assets	\$ 578	\$ 1,146	\$ (1,349)	\$ 375
Liabilities:				
Accounts Payable	\$ 6	\$ 156	\$ (156)	\$ 6
Accrued Payroll	3	6	(4)	5
Held for others	569	-	(205)	364
Total Liabilities	\$ 578	\$ 162	\$ (365)	\$ 375

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(CONTINUED)

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Parking Structures				
Assets:				
Cash and Investments	\$ 3,151	\$ 2,066	\$ (1,837)	\$ 3,380
Accounts Receivable, Net	11	25	(24)	12
Total Assets	\$ 3,162	\$ 2,091	\$ (1,861)	\$ 3,392
Liabilities:				
Accounts Payable	\$ 143	\$ 1,709	\$ (1,686)	\$ 166
Held for others	3,019	207	-	3,226
Total Liabilities	\$ 3,162	\$ 1,916	\$ (1,686)	\$ 3,392
West Orange County Water Board				
Assets:				
Cash and Investments	\$ 443	\$ 1,271	\$ (1,081)	\$ 633
Accounts Receivable, Net	1	129	(130)	-
Capital Assets:				
Construction in Progress	45	-	(45)	-
Total Assets	\$ 489	\$ 1,400	\$ (1,256)	\$ 633
Liabilities:				
Accounts Payable	\$ 22	\$ 226	\$ (220)	\$ 28
Held for others	467	138	-	605
Total Liabilities	\$ 489	\$ 364	\$ (220)	\$ 633
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 4,911	\$ 13,339	\$ (13,073)	\$ 5,177
Cash with Fiscal Agent	3,403	5	-	3,408
Accounts Receivable, Net	1,019	2,792	(2,445)	1,366
Capital Assets:				
Construction in Progress	45	-	(45)	-
Total Assets	\$ 9,378	\$ 16,136	\$ (15,563)	\$ 9,951
Liabilities:				
Accounts Payable	\$ 822	\$ 9,706	\$ (9,646)	\$ 882
Accrued Payroll	3	6	(4)	5
Due to Bondholders	4,220	349	-	4,569
Held for others	4,333	372	(210)	4,495
Total Liabilities	\$ 9,378	\$ 10,433	\$ (9,860)	\$ 9,951

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City of Huntington Beach Statistical Section

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

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

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

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

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Governmental Activities					
Net investment in capital assets	646,336	\$ 624,180	\$ 615,512	\$ 618,825	\$ 617,267
Restricted	41,888	41,555	52,270	34,018	51,867
Unrestricted	(262,874)	(222,863)	(222,787)	89,524	54,076
Total Governmental Activities Net Position	\$ 425,350	\$ 442,872	\$ 444,995	\$ 742,367	\$ 723,210
Business - Type Activities					
Net investment in capital assets	140,478	\$ 142,566	\$ 142,616	\$ 140,770	\$ 145,886
Restricted	30,444	32,049	28,096	27,951	27,488
Unrestricted	22,228	21,997	28,476	53,166	65,595
Total Business - Type Activities Net Position	\$ 193,150	\$ 196,612	\$ 199,188	\$ 221,887	\$ 238,969
Primary Government					
Net investment in capital assets	\$ 786,814	\$ 766,746	\$ 758,128	\$ 759,595	\$ 763,153
Restricted	72,332	73,604	80,366	61,969	79,355
Unrestricted	(240,646)	(200,866)	(194,311)	142,690	119,671
Total Primary Government Net Position	\$ 618,500	\$ 639,484	\$ 644,183	\$ 964,254	\$ 962,179

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

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Expenses:					
Governmental Activities:					
City Council	\$ 347	\$ 321	\$ 270	\$ 258	\$ 271
City Manager	4,691	3,849	3,302	3,878	1,583
City Treasurer	216	208	158	169	132
City Attorney	3,307	2,598	2,284	2,321	2,221
City Clerk	889	806	855	747	797
Finance	6,201	5,765	5,208	5,314	4,825
Human Resources	5,693	6,814	5,169	4,616	5,032
Community Development*	7,576	7,208	6,605	7,091	6,155
Building	-	-	-	-	-
Fire	52,941	47,965	42,162	43,194	36,323
Information Services	7,047	6,852	6,552	6,456	6,096
Police	84,786	74,943	64,048	66,681	60,466
Economic Development**	-	-	-	-	8,395
Community Services	15,558	9,935	13,809	12,509	15,521
Library Services	5,064	4,611	4,246	4,024	3,873
Public Works	35,373	31,791	27,979	31,691	28,500
Non-Departmental	29,368	35,240	24,080	21,602	25,563
Interest on Long-Term Debt	2,063	2,119	2,245	1,946	2,289
Total Governmental Activities	261,120	241,025	208,972	212,497	208,042
Business-type Activities:					
Water Utility	45,940	41,643	38,614	41,499	38,446
Sewer Service	9,351	8,729	8,192	9,712	7,253
Refuse Collection	10,821	11,277	11,308	11,145	10,882
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	224	244	204	231	220
Ocean View Estates	-	-	-	-	-
Total Business Type Activities	66,336	61,893	58,318	62,587	56,801
Total Business and Government Type Activities	\$ 327,456	\$ 302,918	\$ 267,290	\$ 275,084	\$ 264,843

* Planning and Building departments were combined in the year ended September 30, 2011. The combined department was later renamed to Community Development in the year ended September 30, 2016

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

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

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

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

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

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

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	108	\$ 116	\$ 71	\$ 68	\$ 66
City Manager	3,515	3,029	2,994	2,835	134
City Treasurer	100	101	639	621	602
City Attorney	5	4	143	139	135
City Clerk	257	201	199	321	248
Finance	2,047	2,277	1,353	1,313	1,275
Human Resources	654	513	1,263	2,499	1,236
Community Development*	7,448	9,252	10,670	9,357	9,411
Building	-	-	-	-	-
Fire	10,296	9,894	8,625	8,672	9,482
Information Services	501	521	834	809	786
Police	4,968	5,958	5,512	5,170	4,653
Economic Development**	-	-	-	-	2,505
Community Services	21,693	18,853	18,569	18,055	17,832
Library Services	476	408	495	434	634
Public Works	5,392	5,733	6,474	6,367	7,315
Non-Departmental	1,116	1,290	327	318	306
Total Charges for Services	<u>58,576</u>	<u>58,150</u>	<u>58,168</u>	<u>56,978</u>	<u>56,620</u>
Operating Grants	7,329	4,723	7,458	7,958	7,303
Capital Grants	3,408	5,939	9,809	5,486	7,191
Total Governmental Activities Program Revenue	<u>69,313</u>	<u>68,812</u>	<u>75,435</u>	<u>70,422</u>	<u>71,114</u>
Business-Type Activities:					
Water Utility	39,938	35,765	35,350	36,944	38,679
Sewer Service	10,854	11,280	11,239	10,665	12,267
Refuse Collection	11,282	11,215	11,221	11,006	10,950
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	287	235	222	183	278
Ocean View Estates	-	-	-	-	-
Total Business-Type Activities Program Revenues	<u>62,361</u>	<u>58,495</u>	<u>58,032</u>	<u>58,798</u>	<u>62,174</u>
Total Primary Government Program Revenue	<u>131,674</u>	<u>127,307</u>	<u>133,467</u>	<u>129,220</u>	<u>133,288</u>
Net (Expense) Revenue:					
Governmental Activities:	(191,807)	(172,213)	(133,537)	(142,075)	(136,928)
Business-Type Activities	(3,975)	(3,398)	(286)	(3,789)	5,373
Total Net (Expense) Revenue	<u>(195,782)</u>	<u>(175,611)</u>	<u>(133,823)</u>	<u>(145,864)</u>	<u>(131,555)</u>
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	82,925	87,128	82,615	81,355	74,795
Sales Taxes	43,551	34,289	33,063	29,243	30,276
Utility Taxes	19,303	19,482	20,229	20,621	20,764
Other Taxes	17,991	17,313	16,464	15,601	14,568
Use of Money and Property	3,370	3,618	5,551	3,725	2,816
From Other Agencies	3,896	4,397	5,653	4,279	6,003
Other	2,438	5,693	4,440	6,903	5,240
Transfers	(51)	(38)	35	(38)	(38)
Total Governmental Activities General Revenues	<u>173,423</u>	<u>171,882</u>	<u>168,050</u>	<u>161,689</u>	<u>154,424</u>
Business-Type Activities:					
Use of Money and Property	462	939	1,281	1,015	137
Transfers	51	38	(35)	38	38
Total Business-Type Activities General Revenues	<u>513</u>	<u>977</u>	<u>1,246</u>	<u>1,053</u>	<u>175</u>
Total General Revenues and Transfers	<u>173,936</u>	<u>172,859</u>	<u>169,296</u>	<u>291,939</u>	<u>154,599</u>
Extraordinary Gain	-	-	-	-	(4,669)
Changes in Net Position - Governmental Activities	(18,384)	(331)	34,513	19,614	12,827
Changes in Net Position - Business-Type Activities	(3,462)	(2,421)	960	(2,736)	5,548
Net Position - Beginning of Year	<u>639,484</u>	<u>642,236</u>	<u>964,254</u>	<u>962,179</u>	<u>935,283</u>
Prior Period Adjustment - Governmental Activities	862	-	(333,677)	(457)	719
Prior Period Adjustment - Business-Type Activities	-	-	(23,814)	(14,346)	7,802
Net Position - Beginning of Year as restated	<u>640,346</u>	<u>642,236</u>	<u>606,763</u>	<u>947,376</u>	<u>943,804</u>
Net Position - End of Year	<u>\$ 618,500</u>	<u>\$ 639,484</u>	<u>\$ 642,236</u>	<u>\$ 964,254</u>	<u>\$ 962,179</u>

* Planning and Building departments were combined in the year ended September 30, 2011. The combined department was later renamed to Community Development in the year ended September 30, 2016

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

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

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

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

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
General Fund:					
Nonspendable	\$ -	\$ -	\$ 4,479	\$ 4,378	\$ 4,040
Restricted	2,671	2,637	2,871	2,070	1,878
Committed	25,011	25,011	25,011	25,011	24,011
Assigned	33,498	35,199	32,431	29,595	24,578
Total General Fund	\$ 61,180	\$ 62,847	\$ 64,792	\$ 61,054	\$ 54,507
Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	40,588	40,293	45,515	27,214	27,425
Committed	17,686	21,368	21,659	16,447	11,098
Assigned	826	838	161	151	316
Unassigned	-	-	-	-	(210)
Total Other Governmental Funds	\$ 59,100	\$ 62,499	\$ 67,335	\$ 43,812	\$ 38,629

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

	Fiscal Year Ended September 30, 2008
General Fund:	
Reserved	\$ 10,967
Unreserved	33,476
Total General Fund	\$ 44,443
Other Governmental Funds:	
Reserved	\$ 35,445
Unreserved, Reported in:	
Special Revenue Funds	11,307
Debt Service Funds	5,467
Capital Projects Funds	15,316
Total Other Governmental Funds	\$ 67,535

Notes:

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

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

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
REVENUES:					
Property Taxes	\$ 80,826	\$ 86,382	\$ 82,472	\$ 79,460	\$ 74,442
Sales Taxes	43,551	39,305	32,234	30,454	29,763
Utility Taxes	19,303	19,482	20,229	20,621	20,764
Other Taxes	17,991	17,313	16,464	15,601	14,568
Licenses and Permits	8,812	9,820	9,270	7,976	9,880
Fines and Forfeitures	3,995	5,144	4,746	4,392	4,058
From Use of Money and Property	17,210	18,055	17,473	16,695	16,046
From Other Agencies	15,293	13,712	18,634	16,804	18,237
Charges for Current Service/Other Revenue	32,351	32,506	35,869	33,886	34,150
TOTAL REVENUES	239,332	241,719	237,391	225,889	221,908
EXPENDITURES					
Current:					
City Council	333	318	278	258	260
City Manager	4,116	3,092	2,703	3,040	1,574
City Treasurer	201	204	167	169	132
City Attorney	3,052	2,539	2,425	2,321	2,221
City Clerk	830	790	895	747	797
Administrative Services	-	-	-	-	-
Finance*	5,763	5,659	5,452	5,314	4,825
Human Resources	5,535	6,776	4,606	4,298	5,661
Community Development**	6,963	7,062	6,954	7,091	6,155
Building	-	-	-	-	-
Fire	46,831	46,200	45,008	42,602	35,920
Information Systems	6,603	6,742	6,846	6,456	6,096
Police	75,015	72,612	68,940	66,628	60,460
Economic Development***	-	-	-	-	7,012
Community Services	14,124	10,768	10,223	10,040	13,952
Library Services	4,422	4,247	4,146	3,739	3,588
Public Works	38,635	23,659	23,820	22,872	22,169
Non-Departmental	28,396	24,670	20,067	21,033	19,684
Capital Outlay****	-	27,269	14,986	10,729	10,745
Debt Service:					
Principal	5,091	5,933	5,454	4,797	9,381
Interest	2,066	2,138	2,226	1,987	2,321
TOTAL EXPENDITURES	247,976	250,678	225,196	214,121	212,953
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER)					
EXPENDITURES	(8,644)	(8,959)	12,195	11,768	8,955
OTHER FINANCING SOURCES (USES):					
Transfers In	6,692	9,034	12,158	9,832	9,501
Issuance of Long-Term Debt	2,767	10,197	-	-	-
Issuance Premium	-	-	-	-	-
Payments to Escrow	-	-	-	-	-
Transfers Out	(6,743)	(17,053)	(14,238)	(9,870)	(10,339)
TOTAL OTHER FINANCING SOURCES (USES)	2,716	2,178	(2,080)	(38)	(838)
Extraordinary Item - Dissolution of RDA	-	-	-	-	(4,669)
INCREASE (DECREASE) IN FUND BALANCES	\$ (5,928)	\$ (6,781)	\$ 10,115	\$ 11,730	\$ 3,448
DEBT SERVICE AS A PERCENTAGE OF					
NON-CAPITAL EXPENDITURES	3.0%	3.7%	3.8%	3.5%	6.1%

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

** Planning and Building departments were combined in the year ended September 30, 2011. The department was later renamed to Community Development in the year ended September 30, 2016

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

**** Beginning with the fiscal year ended September 30, 2017, capital outlay expenditures are no longer presented separately but are included as part of functional expenditures.

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

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

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

Fiscal Year	Common Property	Public Utilities	Total Secured	Unsecured	Total Assessed Valuation	Total Direct Tax Rate
2007-2008	24,294,404	305	24,294,709	1,066,668	25,361,377	0.16382
2008-2009	25,062,579	263	25,062,842	1,039,636	26,102,478	0.16482
2009-2010	25,324,857	263	25,325,120	1,086,770	26,411,890	0.17082
2010-2011	25,513,584	70,602	25,584,186	1,090,869	26,675,055	0.17082
2011-2012	25,480,770	72,602	25,553,372	1,170,004	26,723,376	0.17082
2012-2013	26,927,738	60,802	26,988,540	1,056,938	28,045,478	0.17082
2013-2014	28,005,989	53,702	28,059,691	1,106,038	29,165,729	0.17082
2014-2015	29,723,274	74,102	29,797,376	989,809	30,787,185	0.17082
2015-2016	31,193,211	66,802	31,260,013	1,132,728	32,392,741	0.17082
2016-2017	32,540,317	55,802	32,596,119	1,067,760	33,663,879	0.17082

Source: County of Orange Auditor Controller

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

Fiscal Year	Direct		Overlapping			Total Direct and Overlapping
	City Basic Rate (1), (2)	City Other	School Districts	Metro Water District	Others	
2007-2008	0.15582	0.00800	0.57893	0.00450	0.32299	1.07024
2008-2009	0.15582	0.00900	0.57673	0.00430	0.32270	1.06855
2009-2010	0.15582	0.01500	0.58099	0.00430	0.32471	1.08082
2010-2011	0.15582	0.01500	0.58252	0.00370	0.32548	1.08252
2011-2012	0.15582	0.01500	0.58334	0.00370	0.32513	1.08299
2012-2013	0.15582	0.01500	0.60412	0.00350	0.30798	1.08642
2013-2014	0.15582	0.01500	0.59841	0.00350	0.31444	1.08717
2014-2015	0.15582	0.01500	0.62448	0.00350	0.29444	1.09324
2015-2016	0.15582	0.01500	0.07615	0.00350	0.84418	1.09465
2016-2017	0.15582	0.01500	0.07786	0.00350	0.83599	1.08817

Note: Rates are per \$100 of assessed valuation

Source: County of Orange Auditor Controller

(1) Excludes rates associated with Mello-Roos Districts

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

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

Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections				
	Total Levy	Amount	Percentage of Levy	Delinquent Tax Collections*	Amount	Percentage of Levy	Delinquent Taxes Receivable	Delinquency Percent
<u>Secured Taxes</u>								
2007-2008	42,269	40,001	94.6%	1,113	41,114	97.3%	1,734	4.1%
2008-2009	42,569	40,298	94.7%	1,789	42,087	98.9%	1,582	3.7%
2009-2010	43,892	36,992	84.3%	1,880	38,872	88.6%	1,038	2.4%
2010-2011	44,014	42,233	96.0%	1,339	43,572	99.0%	746	1.7%
2011-2012	44,304	42,611	96.2%	951	43,562	98.3%	660	1.5%
2012-2013	47,162	45,722	96.9%	855	46,577	98.8%	565	1.2%
2013-2014	49,808	48,452	97.3%	656	49,108	98.6%	545	1.1%
2014-2015	52,188	50,759	97.3%	576	51,335	98.4%	519	1.0%
2015-2016	55,886	53,916	96.5%	546	54,462	97.5%	1,263	2.3%
2016-2017	58,258	56,481	96.9%	525	57,006	97.9%	1,253	2.2%
<u>Unsecured Taxes</u>								
2007-2008	1,718	1,618	94.2%	60	1,678	97.7%	34	2.0%
2008-2009	1,783	1,606	90.1%	90	1,696	95.1%	49	2.7%
2009-2010	1,882	1,677	89.1%	44	1,721	91.4%	65	3.5%
2010-2011	1,940	1,739	89.6%	22	1,761	90.8%	75	3.9%
2011-2012	1,863	1,731	92.9%	28	1,759	94.4%	68	3.7%
2012-2013	1,882	1,653	87.8%	23	1,676	89.1%	62	3.3%
2013-2014	1,922	1,693	88.1%	33	1,726	89.8%	76	4.0%
2014-2015	2,016	1,839	91.2%	37	1,876	93.1%	69	3.4%
2015-2016	1,925	1,740	90.4%	35	1,775	92.2%	39	2.0%
2016-2017	1,899	1,692	89.1%	23	1,715	90.3%	34	1.8%
<u>Community Facilities Districts</u>								
2007-2008	4,106	4,085	99.5%	21	4,106	100.0%	9	0.2%
2008-2009	4,053	4,034	99.5%	12	4,046	99.8%	7	0.2%
2009-2010	3,937	3,925	99.7%	11	3,936	100.0%	-	0.0%
2010-2011	3,850	3,838	99.7%	-	3,838	99.7%	1	0.0%
2011-2012	4,106	4,091	99.6%	3	4,094	99.7%	2	0.0%
2012-2013	4,093	4,077	99.6%	4	4,081	99.7%	4	0.1%
2013-2014	3,968	3,957	99.7%	6	3,963	99.9%	-	0.0%
2014-2015	3,981	3,967	99.6%	1	3,968	99.7%	2	0.1%
2015-2016	4,121	4,106	99.6%	9	4,115	99.9%	2	0.0%
2016-2017	4,098	4,085	99.7%	2	4,087	99.7%	-	0.0%

Source: County of Orange Auditor Controller's Office

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

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

Note:

2002/2003 to current fiscal year includes the following:

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

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

Miscellaneous: excluded from all tables

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

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

2016-2017

	Taxable Assessed Value (In Thousands)	Percent of Total TAV
McDonnell Douglas/Boeing	\$ 418,241	1.24%
Bella Terra Associates LLC	359,685	1.07%
Oxy USA Inc	268,589	0.80%
LSREF4 Shark Huntington LLC	115,525	0.34%
Freeway Industrial Park HB Boardwalk LLC	105,400	0.31%
Bella Terra Villas LLC	101,662	0.30%
PR One Pacific Plaza LLC	91,712	0.27%
HB Village Partners Fee LLC	87,500	0.26%
DCO Pacific City LLC	80,513	0.24%
Janeen R and David Tunstall	76,081	0.23%
Total Top Ten	1,704,908	3.82%
All Other Property Taxpayers	31,958,971	96.18%
City Total	\$ 33,663,879	100.00%

2007-2008

	Taxable Assessed Value (In Thousands)	Percent of Total TAV
Boeing Company/McDonnell Douglas Corporation	\$ 266,014	1.05%
UDR Huntington Villas II	81,151	0.32%
Cambro Manufacturing	74,266	0.29%
Seacliff Village Shopping Center Inc	65,556	0.26%
Calresources LLC	63,836	0.25%
WCC Phase II Realty Holding Company LLC	54,769	0.22%
Plains Exploration & Production Company	51,539	0.20%
Casa Apartments Limited Partnership	49,108	0.19%
FG Seacliff Senior Apartments Limited Partnership	46,410	0.18%
Time Warner Cable Inc.	44,280	0.17%
Total Top Ten	796,929	3.14%
All Other Property Taxpayers	24,564,448	96.86%
City Total	\$ 25,361,377	100.00%

Source: HdL Coren & Cone

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

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

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Long-Term Indebtedness					
Governmental Activities:					
Judgement Obligation Bonds	\$ -	\$ 659	\$ 1,634	\$ 2,574	\$ 3,474
Public Financing Authority:					
1997 Leasehold Revenue Bond	-	-	-	-	-
2000 Lease Revenue Bond	-	-	-	-	-
2001(a) Lease Revenue Bond	-	-	-	-	-
2001(b) Lease Revenue Bond	-	-	-	-	-
2010(a) Lease Revenue Bond	9,030	9,795	10,525	11,230	11,910
2011(a) Lease Revenue Bond	19,735	21,650	24,985	28,165	31,195
2014(a) Lease Revenue Bond	13,740	14,315	14,865	-	-
Total Public Financing Authority	42,505	45,760	50,375	39,395	43,105
Redevelopment Agency:					
1999 Tax Allocation Refunding Bonds	-	-	-	-	-
2002 Tax Allocation Refunding Bonds	-	-	-	-	-
Mayer Disposition and Development Agreement	-	-	-	-	-
Bella Terra OPA (Parking)	-	-	-	-	-
CIM DDA (Parking & Infrastructure)	-	-	-	-	-
CIM DDA (Additional Parking)	-	-	-	-	-
Section 108 Loan RDA/Bowen Court	-	-	-	-	-
Total Redevelopment Agency	-	-	-	-	-
Other Long-Term Obligations:					
Capital Leases Payable	6,286	4,130	-	-	-
PARS Payable	-	-	-	29	56
Section 108 Loan City	430	625	805	975	1,135
LED Lighting Phase I	866	966	1,063	-	-
CEC	3,000	3,000	-	-	-
I-Bank	2,730	3,000	-	-	-
Total Other Long-Term Obligations	13,312	11,721	1,868	1,004	1,191
Total Long-Term Obligations - Governmental Activities	\$ 55,817	\$ 58,140	\$ 53,877	\$ 42,973	\$ 47,770
Long-Term Obligations - Business-Type Activities:					
Leases Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long-Term Obligations - Business Activities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 55,817	\$ 58,140	\$ 53,877	\$ 42,973	\$ 47,770
	2017	2016	2015	2014	2013
Population*	202,413	201,919	198,389	195,999	195,999
Debt Per Capita	\$ 276	\$ 288	\$ 272	\$ 219	\$ 246
Total Personal Income (In Thousands)**	\$8,878,441	\$8,880,801	\$8,725,545	\$8,278,410	\$7,839,899
Per Capita Personal Income**	\$ 43,863	\$ 43,982	\$ 43,982	\$ 42,237	\$ 42,237
Unemployment Rate***	2.80%	3.90%	3.90%	3.60%	3.60%
Total Employment***	103,200	107,200	104,000	120,200	120,200

Source:

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

** Claritas, Inc.

*** State of California Employment Development Department

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

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
Long-Term Indebtedness					
Governmental Activities:					
Judgement Obligation Bonds	\$ 4,339	\$ 5,179	\$ 5,989	\$ 6,774	\$ 10,050
Public Financing Authority:					
1997 Leasehold Revenue Bond	-	-	-	2,860	2,945
2000 Lease Revenue Bond	-	-	-	12,785	13,515
2001(a) Lease Revenue Bond	-	-	25,650	26,375	27,075
2001(b) Lease Revenue Bond	-	-	15,915	17,795	19,595
2010(a) Lease Revenue Bond	12,565	13,200	13,820	-	-
2011(a) Lease Revenue Bond	34,155	36,275	-	-	-
2014(a) Lease Revenue Bond	-	-	-	-	-
Total Public Financing Authority	46,720	49,475	55,385	59,815	63,130
Redevelopment Agency:					
1999 Tax Allocation Refunding Bonds	-	6,180	6,610	7,020	7,410
2002 Tax Allocation Refunding Bonds	-	13,525	14,470	15,380	16,250
Mayer Disposition and Development Agreement	-	5,803	6,153	6,503	6,810
Bella Terra OPA (Parking)	-	13,922	14,076	14,227	14,532
CIM DDA (Parking & Infrastructure)	-	7,288	7,444	7,768	-
CIM DDA (Additional Parking)	-	435	440	421	-
Section 108 Loan RDA/Bowen Court	-	3,997	5,725	6,140	6,530
Total Redevelopment Agency	-	51,150	54,918	57,459	51,532
Other Long-Term Obligations:					
Capital Leases Payable	290	572	857	1,161	1,681
PARS Payable	4,517	5,868	7,149	-	-
Section 108 Loan City	1,285	1,425	-	-	-
LED Lighting Phase I	-	-	-	-	-
CEC	-	-	-	-	-
I-Bank	-	-	-	-	-
Total Other Long-Term Obligations	6,092	7,865	8,006	1,161	1,681
Total Long-Term Obligations - Governmental Activities	\$ 57,151	\$ 113,669	\$ 124,298	\$ 125,209	\$ 126,393
Long-Term Obligations - Business-Type Activities:					
Leases Payable	\$ 3	\$ 6	\$ 9	\$ 12	\$ 40
Total Long-Term Obligations - Business Activities	\$ 3	\$ 6	\$ 9	\$ 12	\$ 40
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 57,154	\$ 113,675	\$ 124,307	\$ 125,221	\$ 126,433
	2012	2011	2010	2009	2008
Population*	193,616	192,524	190,377	203,484	202,480
Debt Per Capita	\$ 297	\$ 300	\$ 559	\$ 578	\$ 712
Total Personal Income (In Thousands)**	\$7,573,894	\$7,356,548	\$ 8,440,720	\$8,207,324	\$ 8,000,943
Per Capita Personal Income**	\$ 40,492	\$ 39,340	\$ 38,642	\$ 41,481	\$ 40,534
Unemployment Rate***	4.30%	6.30%	7.40%	7.80%	7.90%
Total Employment***	119,600	115,100	110,600	112,100	114,100

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

Fiscal Year	Assessed Valuation	Debt Limit - 12% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
2007-2008	25,361,377	3,043,365	-	3,043,365
2008-2009	26,102,478	3,132,297	-	3,132,297
2009-2010	26,411,890	3,169,427	-	3,169,427
2010-2011	26,675,055	3,201,007	-	3,201,007
2011-2012	26,723,376	3,206,805	-	3,206,805
2012-2013	28,045,478	3,365,457	-	3,365,457
2013-2014	29,165,729	3,499,887	-	3,499,887
2014-2015	30,787,185	3,694,462	-	3,694,462
2015-2016	32,392,741	3,887,129	-	3,887,129
2016-2017	33,663,879	4,039,665	-	4,039,665

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2017**

2016-17 Assessed Valuation \$36,014,185,098

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

Overlapping Tax and Assessment Debt	Percent Applicable (1)	Debt Applicable to City
Metropolitan Water District	1.391%	1,041,929
Coast Community College District	28.832%	225,274,364
Huntington Beach Union High School District	72.984%	136,531,167
Fountain Valley School District	27.368%	5,747,280
Huntington Beach City School District	99.972%	62,301,513
Ocean View School District	93.552%	42,098,400
Westminster School District	25.476%	23,328,358
Los Alamitos Unified School District Facilities District No. 1	1.162%	1,207,263
City of Huntington Beach Community Facilities Districts (1990-1, 2000-1, 2002-1, 2003-1)	100.00%	33,725,000
Total Overlapping Tax and Assessment Debt		\$ 531,255,274

Ratios to 20116-17 Assessed Valuation

Total Overlapping Tax and Assessment Debt 1.48%

Direct and Overlapping General Fund Debt

Orange County General Fund Obligations	6.859%	15,221,904
Orange County Pension Obligations	6.859%	25,636,156
Orange County Board of Education Certificates of Participation	6.859%	990,440
North Orange County Regional Occupation Program Certificates of Participation	0.086%	8,265
Coast Community College District General Fund Obligations	28.832%	1,040,835
Huntington Beach Union High School District Certificates of Participation	72.984%	46,385,777
Los Alamitos Unified School District Certificates of Participation	1.050%	442,273
Huntington Beach School District Certificates of Participation	99.972%	13,883,306
Ocean View School District Certificates of Participation	93.552%	22,377,638
Westminster School District Certificates of Participation	25.476%	11,055,733
City of Huntington Beach General Fund Obligations:	100.000%	55,817,000
Total Direct and Overlapping General Fund Obligation Debt		192,859,327
Overlapping Tax Increment Debt (Successor Agency)	100.000%	10,035,000
Total Direct Debt		\$ 55,817,000
Total Overlapping Debt		678,332,601

Combined Total Debt **\$ 734,149,601 (1)**

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds.

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$55,817,000) 0.15%
 Combined Total Debt 2.04%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$2,117,624,662)

Total Overlapping Tax Increment Debt 0.47%

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

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

	2017	% of total
Boeing	3,829	3.71%
Hyatt Regency Huntington Beach	641	0.62%
Zodiac Aerospace / Driessen Aircraft	584	0.57%
C & D Aerospace	555	0.54%
Cambro MFG Co.	550	0.53%
Huntington Beach Hospital	527	0.51%
Walter's Electric	480	0.47%
Huntington Valley Healthcare	381	0.37%
Quiksilver	348	0.34%
Hilton Hotel Huntington Beach	343	0.33%
Total of top 10	8,238	7.98%
All others	94,962	92.02%
Total employment (public and private)	103,200	100.00%

	2008	% of total
Boeing	4,352	3.65%
Quiksilver	1,337	1.12%
Cambro MFG Co.	909	0.76%
Verizon	723	0.61%
Hyatt Regency Huntington Beach	670	0.56%
C & D Aerospace	600	0.50%
Huntington Beach Hospital	503	0.42%
Fisher & Paykel	441	0.37%
Rainbow Disposal	408	0.34%
Home Depot (including Expo)	386	0.32%
Total of top 10	10,329	8.66%
All others	108,971	91.34%
Total employment (public and private)	119,300	100.00%

Source: Economic Development Department, City of Huntington Beach

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

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

General Government:	Actual							Budgeted		
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager	11.50	11.50	11.50	11.50	7.00	7.00	7.00	6.00	9.00	9.00
City Treasurer	2.00	1.50	1.50	1.50	1.50	1.50	1.50	10.00	10.00	10.00
City Attorney	12.00	11.00	11.00	11.00	11.00	11.00	11.00	17.00	18.00	18.00
City Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	8.00	8.00	8.00
Finance	33.00	32.50	31.50	31.50	29.50	29.50	29.50	32.00	33.00	33.00
Human Resources	15.00	15.00	15.00	15.00	14.50	15.00	15.00	20.50	20.50	20.50
Community Development	44.00	43.50	44.00	43.00	42.75	42.75	43.75	26.00	28.00	28.00
Building *	-	-	-	-	-	-	-	25.75	30.50	31.50
Information Systems	30.00	30.00	30.00	30.00	29.50	29.50	29.50	39.00	40.00	39.00
Economic Development **	-	-	-	-	4.50	5.50	11.50	14.00	14.00	14.00
Library Services	28.25	28.25	28.25	28.25	27.75	27.75	29.75	32.25	37.25	37.25
Fire	198.00	198.00	198.00	196.50	176.50	176.50	176.50	176.00	185.00	185.00
Police	364.50	364.50	361.50	360.50	358.50	363.00	367.00	355.00	381.00	381.00
Community Services	44.00	44.00	43.00	43.00	56.00	61.00	61.00	65.75	69.75	69.75
Public Works	199.00	199.00	198.00	196.00	196.00	196.00	203.00	227.00	258.00	258.00
	986.25	983.75	978.25	972.75	960.00	971.00	991.00	1,055.25	1,143.00	1,143.00

Source: Finance Department, City of Huntington Beach

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

Budgeted full-time employees provided for remaining years.

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

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

**CITY OF HUNTINGTON BEACH
OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS**

Function/Program	2017	2016	2015	2014	2013
Finance:					
Water Bills Processed	632,997	635,052	536,684	630,240	628,207
Active Business Licenses	22,074	21,420	21,424	20,450	21,127
Accounts Receivable Billings Processed	34,963	30,826	38,594	42,360	45,422
City Clerk:					
Passports Issued	7,408	5,623	5,121	4,598	4,220
Planning:					
Entitlements Processed	216	221	280	204	231
Plan Reviews	1,376	1,653	1,595	1,466	1,575
Field Inspection Complaints	8,459	7,951	8,233	7,030	7,301
Code Violation Cases	3,981	4,324	4,710	2,545	2,385
Building:					
Number of Permits Issued	9,728	10,981	10,670	9,348	8,970
Number of Inspections Completed	38,796	39,380	38,320	36,142	33,962
Value of Construction Permits (Thousands of Dollars)	216,252	283,910	234,946	216,343	248,246
Processed Number of Certificate of Occupancies*	740	n/a	n/a	n/a	477
Completed Plan Reviews	4,172	4,172	3,815	3,148	n/a
Counter Visits	21,731	23,492	21,893	21,326	20,854
Fire:					
Inspections	2,758	5,132	6,499	6,641	5,087
Responses	20,555	20,279	19,562	15,815	15,608
Ocean Rescues	3,639	3,977	5,371	6,426	4,195
Estimated Beach Visitors	13,339,518	12,272,030	11,803,943	12,035,134	11,016,615
Police:					
Physical Arrests	5,298	5,112	4,854	4,303	4,237
Parking Violations	70,846	90,361	83,453	74,668	72,347
Traffic Violations	19,916	17,639	17,596	16,330	13,016
Community Services:					
Park/Open Space Acreage	1,065	1,062	1,062	1,062	1,062
Enrollment in Recreation Classes	37,968	34,424	30,228	30,184	30,218
Public Works:					
Water Sold (Acre Feet)**	25,944	24,505	24,763	29,279	28,354
Gallons of Sewage Pumped Per Day**	22 million	19 million	19 million	22 million	22 million
Library:					
Items in Collection	288,599	285,814	343,655	332,092	385,901
Items Borrowed	943,642	921,105	908,656	937,533	892,543

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

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

Source: Various departments of the City of Huntington Beach

**CITY OF HUNTINGTON BEACH
OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS**

(Continued)

Function/Program	2012	2011	2010	2009	2008
Finance:					
Water Bills Processed	646,229	630,268	640,351	641,602	642,883
Active Business Licenses	22,304	21,903	21,045	20,841	21,129
Accounts Receivable Billings Processed	45,422	42,968	37,146	31,894	26,263
City Clerk:					
Passports Issued	3,850	3,082	3,251	3,186	4,929
Planning:					
Entitlements Processed	205	195	353	465	674
Plan Reviews	1,184	1,524	2,216	1,447	1,941
Field Inspection Complaints	6,105	6,064	8,187	9,345	7,932
Code Violation Cases	2,573	2,521	3,315	3,876	3,385
Building:					
Number of Permits Issued	8,444	8,413	8,037	8,114	9,254
Number of Inspections Completed	31,224	29,905	29,792	33,734	40,510
Value of Construction Permits (Thousands of Dollars)	190,992	104,238	91,049	72,727	123,843
Processed Number of Certificate of Occupancies*	647	765	796	484	540
Completed Plan Reviews	n/a	n/a	n/a	n/a	n/a
Counter Visits	19,777	20,288	20,272	19,149	2,854
Fire:					
Inspections	6,974	7,858	7,450	6,375	6,203
Responses	15,040	15,940	15,629	14,130	13,879
Ocean Rescues	4,669	3,845	2,822	6,047	n/a
Estimated Beach Visitors	8,906,592	7,840,968	8,208,477	9,922,165	10,452,461
Police:					
Physical Arrests	5,774	6,457	5,695	6,380	6,930
Parking Violations	77,282	77,261	74,115	55,840	67,270
Traffic Violations	16,916	16,770	22,660	19,433	18,882
Community Services:					
Park/Open Space Acreage	1,062	998	1,003	999	1,001
Enrollment in Recreation Classes	32,817	32,565	31,743	32,906	35,537
Public Works:					
Water Sold (Acre Feet)**	27,784	26,868	27,268	30,537	30,518
Gallons of Sewage Pumped Per Day**	22 million	22 million	22 million	23 million	23 million
Library:					
Items in Collection	420,956	427,707	437,603	440,578	438,467
Items Borrowed	888,019	943,695	1,009,634	944,492	879,225

**CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
SEPTEMBER 30, 2017**

Library Services	One Main Library and Four Branches
Fire:	
Fire Stations	8
Police:	
Stations	One Main Station and Three Substations
Community Services:	
Acreage of Parks	1,065
Community Centers	6
Miles of Beach Maintained	4.7
Public Works:	
Centerline Square Miles of Streets Maintained	451
Miles of Storm Drains Maintained	120
Miles of Sewer Maintained	362

Source: Various departments of the City of Huntington Beach