

# CITY OF HUNTINGTON BEACH

California



## Comprehensive Annual Financial Report

*For The Nine-Month  
Period Ended  
June 30, 2018*







# **CITY OF HUNTINGTON BEACH, CALIFORNIA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE NINE-MONTH PERIOD ENDED  
JUNE 30, 2018**

**Prepared by the Finance Department**

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# **INTRODUCTORY SECTION**

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**City of Huntington Beach  
Comprehensive Annual Financial Report  
For the Nine-Month Period Ended June 30, 2018**

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**INTRODUCTORY SECTION**

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# CITY OF HUNTINGTON BEACH

December 18, 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 nine-month period ended June 30, 2018.

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 nine-month period ended June 30, 2018. 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 201,761 residents, it is known as Surf City due to its abundance of beaches; the sunny, warm Mediterranean climate; and its casual lifestyle. With over 10 miles of coastline to boast of, Huntington Beach plays host to over 16 million visitors annually. In FY 2017/18, the City's pristine, inviting beaches and iconic 1,856 foot long pier- the longest recreational pier on the West Coast- have received accolades from numerous sources, including the following:

- "#1 Best California Beach" by *USA Today's* 10 Best Reader's Choice
- One of the "Top 10 California California Beach Getaways" by the Travel Channel
- "Best Beach" by the *Orange County Register's* Best of OC
- One of the "Best Surfing Spots in the World" by *Conde Nast Traveler*
- #4 of the "10 Top Destinations for the Family" by the *Financial Times*
- One of the "World's Best Surf Destinations" by the Travel Channel

In addition to its award-winning beaches, Huntington Beach was recently ranked as one of the top ten "Happiest Cities" in the U.S. by WalletHub (March 2018) and one of the top three "Best Cities to Live In" by the *Orange County Register*. Demographically, the City benefits from higher education levels, median incomes, and home values as compared with the State. The City boasts an annual median household income of \$94,281, 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 52.7 percent, have a college degree.

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, held annually for over 50 years.

A thriving beach community, Huntington Beach is 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 16,000 runners. The annual AVP Beach Volleyball Tour also commands a strong presence totaling 20,000 visitors each year.

In October, the Great Pacific Airshow- the only beachfront air show on the West Coast- featured the Thunderbirds flying F-16 Fighting Falcons, performing 40 heart-stopping formation and solo routines to a crowd of over 1.5 million over two days, with additional performances by the Lyon's Air Museum's C-47 Dakota, FedEx-757, U.S. Air Force C-17 Globemaster III and KC 135, among others. New in May 2019, the City will be hosting the inaugural International Cartoon Festival held by the National Cartoonists Society featuring comics and cartoon art from all over

the world. This three-day event, held in Downtown Huntington Beach, will host internationally renowned cartoonists such as Daniel Clowes, Patrick McDonnell, Sean Phillips, and Ed Brubaker participating in seminars, exhibitions, workshops, and panel discussions. The City also hosts a variety of other exciting events for families and visitors such as the annual Concours d'Elegance, Pacific Islander Festival, Cherry Blossom Festival, Civil War Days, and 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 23<sup>rd</sup> largest in California by population, there are over 109,900 people employed by public and private entities in Huntington Beach. With an unemployment rate of 2.6 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 2018/19, the City's assessed property value grew 5.3% to \$41.5 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 2017/18, secured property tax revenue collections totaled \$52.5 million. For FY 2018/19, secured property taxes are estimated at \$55.1 million, reflecting a 5 percent increase.

**City of Huntington Beach  
Total Assessed Valuation  
Fiscal Years 2009/10 - 2018/19  
(in billions)**



## **Factors Affecting Financial Condition**

U.S. Economy: The United States economy is in the 10<sup>th</sup> year of expansion, the longest economic expansion in history. Real Gross Domestic Product (GDP) increased 3.5 percent in the third quarter of 2018 compared with an annual GDP increase of 2.3 percent in 2017. The increase in real GDP is due to increased consumer spending, inventory investment, government spending and business investment. The GDP was adversely affected by decreases in exports and housing investment. Another positive note is that the unemployment rate reached an 18 year low of 3.8% in May of 2018. The U.S. economy is expected to grow about 2 percent annually through 2020; however, 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 year-over-year job gains at 1.8 percent. California has now gained jobs in 28 consecutive months and 86 of the past 88 months. As of October 2018, the State achieved strong gains in the construction, leisure and hospitality, and educational and health services sectors, adding 21,500, 32,200, and 54,400 jobs year-to-date, respectively. The unemployment rate in California is at a modern era low of 4.1 percent.

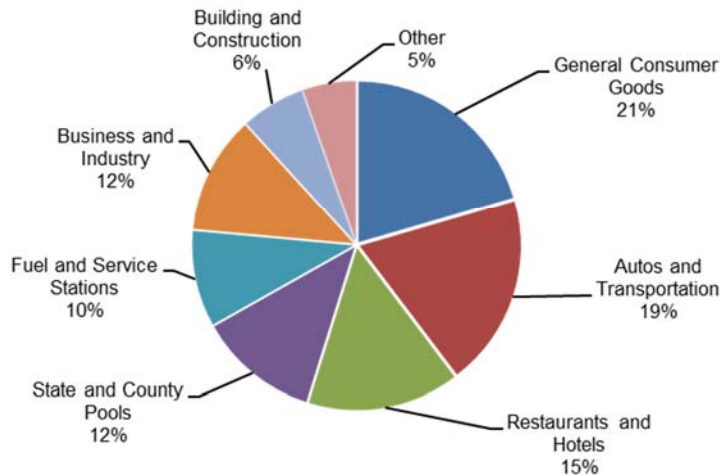
Orange County Forecast: The sixth most populous county in the United States, Orange County is a hub of economic activity. Labor markets remain tight, housing demand remains strong, and hotel occupancy continues to be high throughout the county. All leading economic indicators such as employment, consumer confidence, housing starts, and new hotels remain positive.

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, most recently affirmed in June 2018. The City also ranked #14 in a WalletHub.com poll as the “Best-Run City in America,” the only California city in the top 50 out of 150 cities.

The motto for Huntington Beach’s FY 2018/19 Adopted Budget is “The Challenge of Change,” reflecting the City Council’s adoption of a new fiscal year end, from September 30 to June 30. The new June 30 fiscal year end aligns the City’s financial period with that of the State, Orange County, over 487 California municipalities, and with CalPERS. It also provides the City with the opportunity to significantly reduce its long-term pension costs by implementing the new CalPERS prepayment option in July of each year, saving the City approximately \$1 million in CalPERS costs each fiscal year. The City’s General Fund revenue is projected to increase by \$2.1 million or 1 percent in FY 2018/19, largely due to property tax increases from year-over-year growth in assessed valuations and increased Transient Occupancy Taxes due to the opening of the new Waterfront Hilton Dolphin Twin Tower and Springhill Suites Marriot. The City’s expenses are also rising, primarily due to the increases in CalPERS pension costs and other employee benefit costs, General Plan implementation of the Research and Technology Zone section in Community Development, election costs, and one-time capital funding for the new Police Headquarters. The City continues to practice financial discipline through controlled spending and maintenance of flat staffing levels, with minor exceptions. With a total of 986.25 FTEs, the City is 157 positions below its all-time high of 1,143 FTEs in FY 2008/09.

Huntington Beach's business community is well-diversified with no single industry or business dominating the local economy. Local businesses include aerospace and high technology, petroleum, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, large-scale retailers, and surf apparel. The City's diverse sales tax base makes it a stable source of revenue and mitigates the impact of industry-specific downturns as shown below.

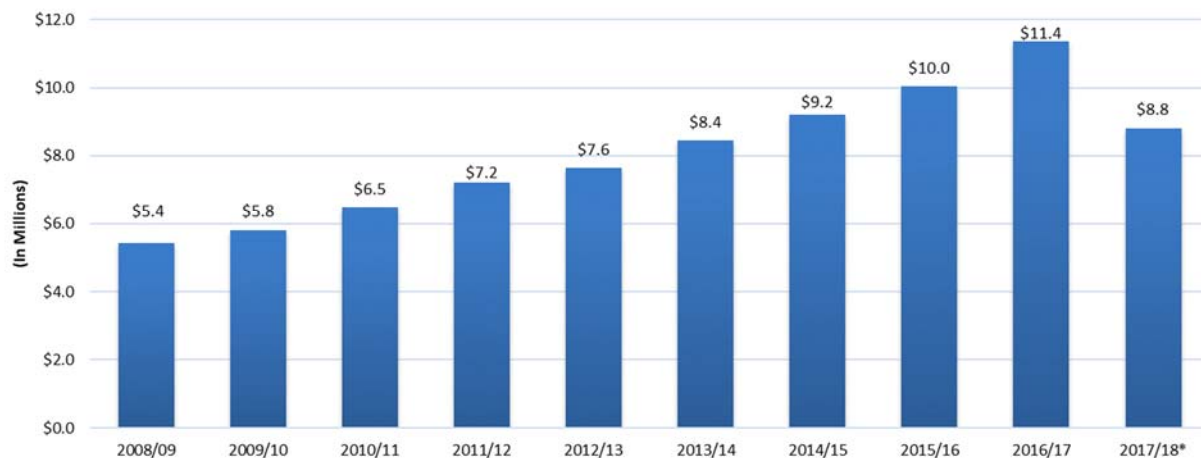
**City of Huntington Beach**  
**Composition of Sales Tax Revenue**  
**Fiscal Year 2017/18\***



\*The City changed its Fiscal Year End to June 30 effective FY 2017/18.

Transient Occupancy Tax (TOT), a 10 percent tax applied to hotel stays within the City remains strong as Huntington Beach remains a prime tourist destination and the hotel industry continues to thrive. The City collected \$8.8M in TOT revenues in the City's shortened nine-month period, a strong performance especially considering the absence of the peak summer months when hotel occupancy is at its highest.

**City of Huntington Beach**  
**Transient Occupancy Tax Revenue**



\*Fiscal Year 2017/18 reflects nine months of data only due to the change in the City's fiscal year

### Budget Development and Monitoring

The City operates on a fiscal year basis. Per City Council action taken December 18, 2017, the City's fiscal year changed from a September 30 year-end to a June 30 year-end. 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 30<sup>th</sup> and may amend it or revise it at any time at a properly noticed meeting. Budgetary control is at the Department level within each fund and a Department Head, with the 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 nine-month period ended June 30, 2018 was 1.49 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.

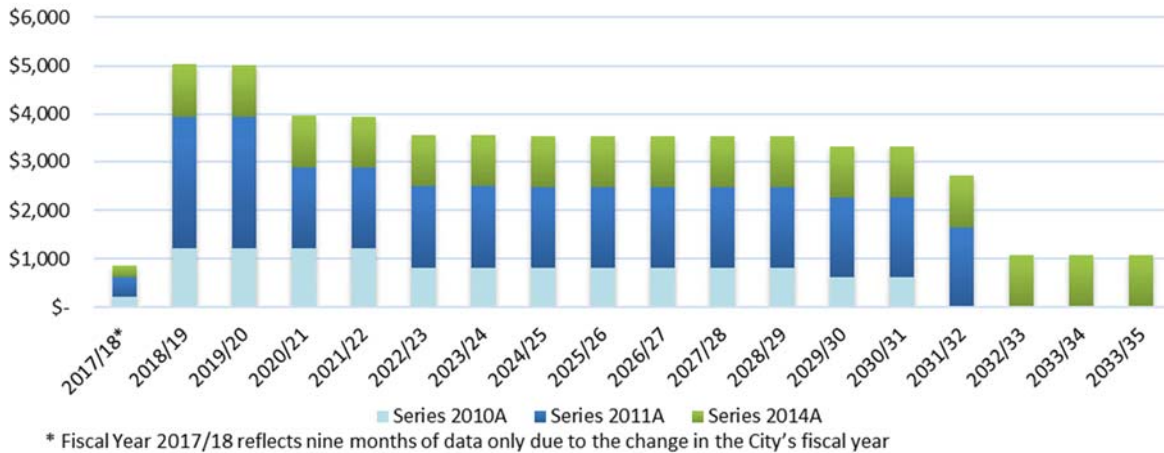
The Plan drives both short and long-term budgetary decisions and the daily operations of the City by ensuring everyone is consistently working to achieve the goals outlined in the Plan. To meet the goal of strengthening economic and financial sustainability, the City has implemented plans to reduce its 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 1.9 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.



**City of Huntington Beach  
General Fund Supported Annual Debt Service  
(in Thousands)**



**Major Initiatives**

Police Headquarters Renovation

The City's current police headquarters, built in the early 1970s, will undergo extensive renovations in order to modernize the building and to address critical structural deficiencies, such as a lack of adequate plumbing, drainage, and ventilation in the bathrooms and lockers. Improvements will include expansion of the 911 Communications Center. Currently, the City is in the design phase of the renovation with construction anticipated to begin in late FY 2019/20.

Energy Conservation

Huntington Beach is known throughout the region for its innovative and ground breaking energy conservation efforts. In 2017, the City acquired close to 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 early 2019.

Small-Cell Communications Deployment

The City has contracted with Philips Lighting for the development and replacement of up to 200 City-owned street lights with Smart Poles for purposes of small cell deployments within the Downtown and Pacific Coast Highway areas. The Smart Pole is an integrated unit that will replace the existing street light poles with equipment able to house multiple small cell installations within the pole. The Smart Pole will be available to wireless carriers to sub-license, which will increase wireless coverage in the high demand Downtown area to visitors and residents, especially during world-class events such as the Vans U.S. Open of Surfing. Installation of the Smart Poles is expected to begin in 2019.

Pension Rate Stabilization Plan (Section 115 Trust)

The City is continuing its 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. Based on actuarial valuations conducted in FY 2012/13, if this contribution is made consistently over a 25 year period, it is projected that taxpayers may save a net \$53.7 million. 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 \$420 million, representing a 67.3 percent funded status. During the nine-month period ended June 30, 2018, an additional \$1 million was transferred 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. In accordance with clarifying guidance from the Governmental Accounting Standards Board (GASB), the Section 115 Trust is included in the City's General Fund for financial reporting purposes beginning October 1, 2017.

### 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."

### *Residences at Pacific City*

The eagerly anticipated Residences at Pacific City recently opened in May 2018, with 516 luxury residences, including a limited number of penthouses, spread across seventeen acres that are located next to Pacific City's oceanfront dining, shopping, and entertainment center. Amenities include six themed courtyards, walking paths, a two-acre park, and a pet recreation center.

### *Pierside Pavillion Expansion*

The iconic Pierside Pavillion, recently rebranded as the Huntington Surf and Sport Building, is in the final stages of the expansion and remodeling of the building. This last phase will add a four-story, 30,000 square foot mixed-use building with high-end retail, an upscale restaurant with a rooftop terrace, and two floors of office space with balconies. The project is expected to be completed in early 2020.

### *Boeing Site Sale*

In September 2018, Sares-Regis, an Irvine-based property management company, purchased the 285,000 square foot office, surface parking area, and related 30-acre property that is a part of Boeing's 120-acre Huntington Beach campus on Bolsa Chica. Plans for the area are currently under development.

## Awards and Acknowledgements

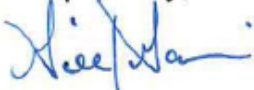
The City of Huntington Beach has once again received the “Certificate of Achievement for Excellence in Financial Reporting” award bestowed by the Government Finance Officers’ Association (GFOA) of the United States and Canada for the 32<sup>nd</sup> consecutive year. Receipt of the award requires government 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, 2017, 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 Rief, Ian Wuh, Ming Zhai, Leslie Zimmer, Tara Mukund, and Thuy Vi for their hard work and dedication.

Respectfully,



Gilbert Garcia  
Chief Financial Officer

# **City of Huntington Beach**

## **City Council**

Erik Peterson, Mayor  
Lyn Semeta, Mayor Pro Tem

Patrick Brenden, Councilmember  
Kim Carr, Councilmember  
Barbara Delgleize, Councilmember  
Jill Hardy, Councilmember  
Mike Posey, Councilmember

## **Executive Team**

Fred A. Wilson, City Manager  
Lori Ann Farrell Harrison, Assistant City Manager

## **Elected Department Heads**

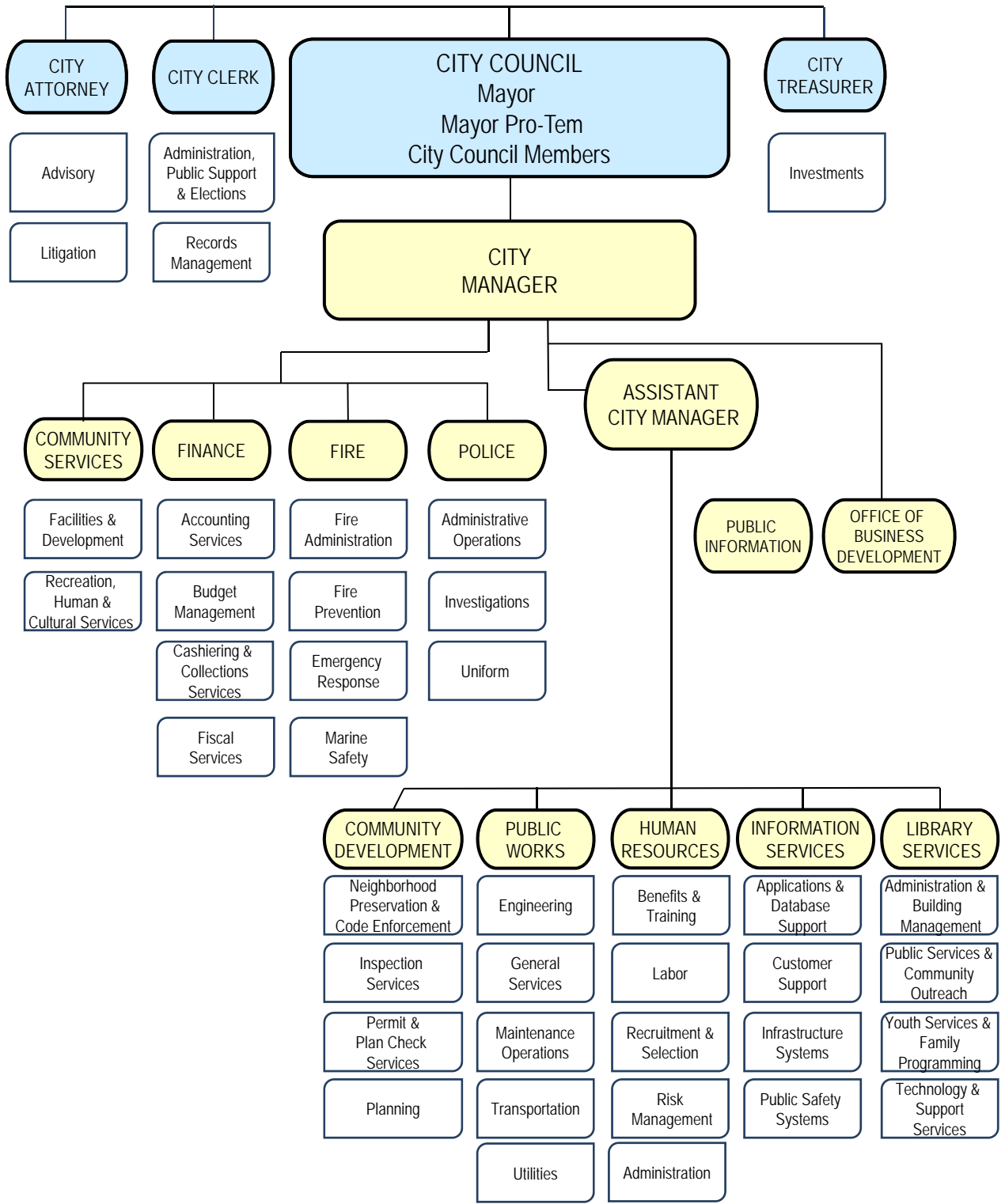
Alisa Backstrom, City Treasurer  
Robin Estanislau, City Clerk  
Michael Gates, City Attorney

## **Department Directors**

Stephanie Beverage, Library Services  
Gilbert Garcia, Finance  
Chief Robert Handy, Police  
Travis Hopkins, Public Works  
Marie Knight, Community Services  
Ursula Luna-Reynosa, Community Development  
Chief David Segura, Fire  
Michele Warren, Human Resources  
Behzad Zamanian, Information Services

# City of Huntington Beach Organizational Chart Adopted Budget – FY 2018/19

*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, 2017**

*Christopher P. Morrill*

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 June 30, 2018 and for the nine month period ending October 1, 2017 through June 30, 2018, 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 June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the period October 1, 2017 through June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The City of Huntington Beach changed its fiscal year from September 30 to June 30. As a result, the financial statements present nine months of activities. Our opinion is not modified with respect to this matter.

As described further in note 16 and 17 to the financial statements, during the year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75 and GASB Implementation Guide 2017-1 resulting in prior period adjustments. Our opinion is not modified with respect to these matters.

The financial statements for the year ended June 30, 2018 reflect another prior period adjustment as described further in note 16 and 17 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 changes in net pension liability and related ratios, schedule of pension contributions, schedule of money market weighted rate of return, schedule of changes in net OPEB liability and related ratios, and schedule of OPEB contributions* 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 December 18, 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 "Dennis Lam CPA".

Irvine, California  
December 18, 2018

# **MANAGEMENT DISCUSSION AND ANALYSIS**



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

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 nine-month period ended June 30, 2018. The City changed its fiscal year end from September 30<sup>th</sup> to June 30<sup>th</sup> effective October 1, 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			
	June 30, 2018	September 30, 2017 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,143,648	\$ 1,120,326	\$ 23,322	2.1%
Deferred Outflows of Resources	100,136	71,643	28,493	39.8%
Liabilities	574,787	573,219	1,568	0.3%
Deferred Inflows of Resources	17,190	17,630	(440)	-2.5%
Total Net Position	651,807	601,120	50,687	8.4%
Unrestricted Net Position	(227,036)	(263,254)	36,218	-13.8%
Long-Term Obligations	549,624	549,135	489	0.1%
Program Revenues	106,092	131,674	(25,582)	-19.4%
Taxes	123,926	163,770	(39,844)	-24.3%
Other General Revenues	7,511	10,166	(2,655)	-26.1%
Expenses	186,842	327,456	(140,614)	-42.9%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$651,807,000. Net position increased \$50,687,000 or 8.4 percent. This increase is primarily due to the increase in deferred outflows related to pensions as a result of CalPERS contributions made subsequent to the measurement date. The increase is also due to the additions made to capital assets for infrastructure improvements to the City's water and sewer systems and residential streets. Unrestricted net position increased by \$36,218,000 or 13.8 percent for the same reason.
- Long-term obligations increased by \$489,000 or 0.1 percent. This increase is primarily due to the increase in the workers' compensation liability.
- Deferred outflows of resources increased by \$28,493,000 or 39.8 percent as a result of CalPERS contributions made subsequent to the measurement date and the implementation of Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) – see note 14. Deferred inflows of resources decreased by \$440,000 or 2.5 percent primarily due to the net difference between the projected and actual earnings on pension plan investments.
- Program revenues decreased by \$25,582,000 or 19.4 percent due to the shortened fiscal year. City Council approved the change in the City's fiscal year end from September 30 to June 30 effective October 1, 2017, which resulted in a nine-month





## **City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018**

fiscal year. The truncated fiscal year excluded the peak summer months from the City's program revenues. Taxes decreased by \$39,844,000 or 24.3 percent due to the shortened fiscal year as well.

- Expenses decreased by \$140,615,000 or 42.9 percent primarily due to the nine-month fiscal year. Since the fiscal year ended on June 30, expenditures for the summer months of July through September were not included in fiscal year 2017/18. These months represent the peak season for the City when demand for services and overtime requirements to maintain essential levels of service are significantly higher than the rest of the year.

### **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 25-26 of this report.



# City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

## **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.

## **Governmental Funds**

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

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

The City maintains 23 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the General Fund, Grants Special Revenue Fund, 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 20 smaller funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in combining statements elsewhere in this report.

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue fund (Grants) are required to be presented and are included on pages 129 and 130 of this report and demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 27 and 29 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, self-insurance



## **City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018**

general liability activities, and equipment replacement needs. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

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, Self Insurance General Liability, and Equipment Replacement Funds.

The basic proprietary fund financial statements can be found on pages 31-32 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 34 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 37-125 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 128-138 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 143-150 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 \$651,807,000.



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

Below is a summary schedule of the City's net position at June 30, 2018 (in thousands):

	June 30, 2018	September 30, 2017 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Governmental Activities</b>				
Current and Other Assets	\$ 213,270	\$ 198,900	\$ 14,370	7.2%
Capital Assets	698,732	692,432	6,300	0.9%
<b>Total Assets</b>	<b>912,002</b>	<b>891,332</b>	<b>20,670</b>	<b>2.3%</b>
<b>Deferred Outflows of Resources</b>	<b>93,640</b>	<b>67,180</b>	<b>26,460</b>	<b>39.4%</b>
Current and Other Liabilities	15,717	15,561	156	1.0%
Long-Term Obligations	519,147	518,646	501	0.1%
<b>Total Liabilities</b>	<b>534,864</b>	<b>534,207</b>	<b>657</b>	<b>0.1%</b>
<b>Deferred Inflows of Resources</b>	<b>16,303</b>	<b>16,743</b>	<b>(440)</b>	<b>-2.6%</b>
Net Position:				
Net Investment in Capital Assets	650,466	646,281	4,185	0.6%
Restricted	58,537	45,676	12,861	28.2%
Unrestricted	(254,528)	(284,395)	29,867	-10.5%
<b>Total Net Position</b>	<b>\$ 454,475</b>	<b>\$ 407,562</b>	<b>\$ 46,913</b>	<b>11.5%</b>

	June 30, 2018	September 30, 2017 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Business-Type Activities</b>				
Current and Other Assets	\$ 87,692	\$ 87,021	\$ 671	0.8%
Capital Assets	143,954	141,973	1,981	1.4%
<b>Total Assets</b>	<b>231,646</b>	<b>228,994</b>	<b>2,652</b>	<b>1.2%</b>
<b>Deferred Outflows of Resources</b>	<b>6,496</b>	<b>4,463</b>	<b>2,033</b>	<b>45.6%</b>
Current and Other Liabilities	9,872	8,523	1,349	15.8%
Long-Term Obligations	30,051	30,489	(438)	-1.4%
<b>Total Liabilities</b>	<b>39,923</b>	<b>39,012</b>	<b>911</b>	<b>2.3%</b>
<b>Deferred Inflows of Resources</b>	<b>887</b>	<b>887</b>	<b>-</b>	<b>0.0%</b>
Net Position:				
Net Investment in Capital Assets	143,954	141,973	1,981	1.4%
Restricted	25,886	30,444	(4,558)	-15.0%
Unrestricted	27,492	21,141	6,351	30.0%
<b>Total Net Position</b>	<b>\$ 197,332</b>	<b>\$ 193,558</b>	<b>\$ 3,774</b>	<b>1.9%</b>

### Analysis of the City's Net position

**Current and Other Assets:** The increase in current and other assets of \$14,370,000 for governmental activities is due to an increase in the cash balance as a result of the fiscal year change. A large portion of the City debt service payment is due in August and September creating a larger cash balance in June versus September. In addition, there was a \$5,208,000 increase in Park Development Impact fees collected in fiscal year 2017/18 for various park and community center improvement projects for Murdy Park, Murdy Community Center, Edison Playground, Edison Community Center, Rodgers Senior Center, and Irby Park.



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

**Current and Other Liabilities:** Current and other liabilities for governmental activities and business-type activities increased by \$156,000 and \$1,349,000 due to normal fluctuations in the accounts payable and payroll cycle.

**Deferred Outflows and Inflows of Resources:** The increase in deferred outflows of \$26,460,000 for governmental activities and \$1,547,000 for business-type activities are a result of CalPERS contributions made subsequent to the measurement date. The decrease in deferred inflows of resources of \$440,000 for governmental activities is a result of net differences between the projected and actual earnings on pension plan investments. See notes 6, 7, and 8 for additional note disclosures.

**Long-Term Obligations:** Long-term obligations for governmental activities increased by \$501,000 due to an increase in the City's workers' compensation liability. Long-term obligations for business-type activities decreased by \$12,000 due to a decrease in the amount owed for compensated absences.

**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 \$4,185,000 or 0.6 percent, primarily due to street replacement in fiscal year 2017/18. Net position invested in capital assets net of related debt from business-type activities increased \$1,981,000 or 1.4 percent primarily due to increase in construction in progress, specifically for the Peck Reservoir and Boeing Sewer Station projects.

**Restricted Net position:** An additional portion of the City's net position is subject to external (legally imposed or statutory) restrictions (\$58,537,000 for governmental activities, and \$25,886,000 for business-type activities). These amounts represent 12.9 percent and 13.1 percent of net position for governmental activities and business-type activities, respectively. Restricted net position from governmental activities increased \$12,861,000 or 28.2 percent. The increase is due to the following: an increase of \$3,881,000 in restricted Debt Service Funds, and an increase of \$9,178,000 in restricted Capital Projects Funds. The increase in Debt Service is due to the change in fiscal year end from September 30 to June 30. A large portion of the City's debt service payments are made in August and September, which is outside of the City's new fiscal year. GASB 54 requires governmental entities to report on constraints imposed upon the use of their resources. Therefore, \$3,300,000 of potential debt payment in fiscal year 2018/19 is required to be included with the Restricted Net Position. The increase to Other Capital Projects is related to a new restricted revenue source, Road Maintenance and Rehabilitation Account (RMRA) funding, as well as increased revenue due to an increase



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

in planned park development projects. Restricted net position from business-type activities decreased by \$4,558,000 or 15.0 percent primarily due to a decrease in restricted water master plan funds available for capital projects as funds are spent.

**Unrestricted Net position:** The unrestricted net position (negative \$254,528,000 for governmental activities and \$27,492,000 for business-type activities) represent negative 56.0 percent and 13.9 percent, respectively, of net position for governmental activities and business-type activities. Unrestricted net position for governmental activities increased \$29,867,000 largely due to reduced expenses as a result of the absence of higher costing summer months in the nine-month fiscal year 2017/18. Unrestricted net position for business-type activities increased by \$6,351,000 or 30.0 percent during the year due to net income from water and sewer operations in fiscal year 2017/18.





## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

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

	Governmental Activities			
	June 30, 2018	September 30, 2017 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for Current Services	\$ 49,324	\$ 58,576	\$ (9,252)	-15.8%
Operating Grants and Contributions	3,976	7,329	(3,353)	-45.7%
Capital Grants and Contributions	6,055	3,408	2,647	77.7%
<b>Total Program Revenues</b>	<b>59,355</b>	<b>69,313</b>	<b>(9,958)</b>	<b>-14.4%</b>
<b>General Revenues:</b>				
Property Taxes	61,185	82,925	(21,740)	-26.2%
Sales Taxes	33,844	43,551	(9,707)	-22.3%
Utility Taxes	14,014	19,303	(5,289)	-27.4%
Franchise Taxes	6,073	6,627	(554)	-8.4%
Transient Occupancy Tax	8,810	11,364	(2,554)	-22.5%
Use of Money and Property	2,158	3,370	(1,212)	-36.0%
From Other Agencies - Unrestricted	2,263	3,896	(1,633)	-41.9%
Other	2,811	2,438	373	15.3%
<b>Total General Revenues</b>	<b>131,158</b>	<b>173,474</b>	<b>(42,316)</b>	<b>-24.4%</b>
<b>Total Revenues</b>	<b>190,513</b>	<b>242,787</b>	<b>(52,274)</b>	<b>-21.5%</b>
<b>Expenses:</b>				
City Council	218	347	(129)	-37.2%
City Manager	2,063	4,691	(2,628)	-56.0%
City Treasurer	101	216	(115)	-53.2%
City Attorney	1,536	3,307	(1,771)	-53.6%
City Clerk	475	889	(414)	-46.6%
Finance	3,455	6,201	(2,746)	-44.3%
Human Resources	4,760	5,693	(933)	-16.4%
Planning and Building	4,301	7,576	(3,275)	-43.2%
Fire	26,688	52,941	(26,253)	-49.6%
Information Services	4,375	7,047	(2,672)	-37.9%
Police	42,109	84,786	(42,677)	-50.3%
Community Services	6,768	15,558	(8,790)	-56.5%
Library Services	2,890	5,064	(2,174)	-42.9%
Public Works	23,898	35,373	(11,475)	-32.4%
Non-Departmental	18,164	29,368	(11,204)	-38.2%
Interest on Long-Term Debt	1,467	2,063	(596)	-28.9%
<b>Total Expenses</b>	<b>143,268</b>	<b>261,120</b>	<b>(117,852)</b>	<b>-45.1%</b>
<b>Change in Net Position Before Transfers</b>	<b>47,245</b>	<b>(18,333)</b>		
Transfers	(332)	(51)		
<b>Change in Net Position</b>	<b>46,913</b>	<b>(18,384)</b>		
<b>Net Position - Beginning of Year</b>	<b>425,350</b>	<b>442,872</b>		
<b>Prior Period Adjustment</b>	<b>(17,788)</b>	<b>862</b>		
<b>Net Position - Beginning of Year as restated</b>	<b>407,562</b>	<b>443,734</b>		
<b>Net Position - End of Year</b>	<b>\$ 454,475</b>	<b>\$ 425,350</b>		





## **City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018**

The cost of all governmental activities this year was \$143,268,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$83,913,000, because costs of \$49,324,000 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 \$3,976,000, and capital grants and contributions of \$6,055,000. Overall, the City's governmental program revenues were \$59,355,000. The City paid for the remaining "public benefit" portion of governmental activities with \$131,158,000 in taxes and general revenue (some of which may only be used for certain programs) and with other revenues, such as interest and general entitlements. Due to the truncated fiscal year, Charges for Current Services decreased by \$9,252,000 or 15.8 percent.

Operating Grants and Contributions decreased by \$3,353,000 or 45.1 percent primarily due to a decrease in Housing and Urban Development Grant, Supplemental Law Enforcement Services, and Office of Traffic Safety Grants from the prior year. Capital Grants and Contributions have increased by \$2,647,000 or 77.7 percent primarily due to money received from Southern California Edison as part of their incentive program to convert city streetlights to LED lights and reimbursements for Federal and State grants related to street improvement.

Program expenses decreased by \$117,852,000 or 45.1 percent due to the shortened fiscal year. The change from the September 30 year-end to June 30 year-end resulted in a nine-month fiscal year which excludes the months of July to September. These months represent the peak season for the City due to increased number of visitors and events held during the summer. Related overtime costs typically incurred by Public Safety in order to maintain essential levels of service during this period were also avoided.

Total resources available during the year to finance governmental operations were \$598,075,000 consisting of net position at October 1, 2017 of \$407,562,000, program revenues of \$59,355,000, and general revenues of \$131,158,000. Total expenses for governmental activities during the year were \$143,268,000 plus transfers of \$332,000. Thus, net position increased by \$46,913,000 or 11.5 percent, to \$454,475,000.



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

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

	Business-Type Activities			
	June 30, 2018	September 30, 2017 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Program Revenues:</b>				
Charges for Current Services	\$ 46,737	\$ 62,361	\$ (15,624)	-25.1%
<b>Total Program Revenues</b>	<b>46,737</b>	<b>62,361</b>	<b>(15,624)</b>	<b>-25.1%</b>
Use of Money and Property	279	462	(183)	-39.6%
<b>Total Revenues</b>	<b>47,016</b>	<b>62,823</b>	<b>(15,807)</b>	<b>-25.2%</b>
<b>Expenses:</b>				
Water Utility	28,414	45,940	(17,526)	-38.1%
Sewer Service	6,127	9,351	(3,224)	-34.5%
Refuse Collection	8,916	10,821	(1,905)	-17.6%
Hazmat Service	117	224	(107)	-47.8%
<b>Total Expenses</b>	<b>43,574</b>	<b>66,336</b>	<b>(22,762)</b>	<b>-34.3%</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>3,442</b>	<b>(3,513)</b>		
Transfers	332	51		
Total Change In Net Position	3,774	(3,462)		
<b>Net Position - Beginning of Year</b>	<b>193,150</b>	<b>196,612</b>		
<b>Prior Period Adjustment</b>	<b>408</b>	<b>-</b>		
<b>Net Position - Beginning of Year as restated</b>	<b>193,558</b>	<b>196,612</b>		
<b>Net Position - End of Year</b>	<b>\$ 197,332</b>	<b>\$ 193,150</b>		

The City's net position from business-type activities increased by \$3,442,000 before transfers. This is mainly due to the nine-month fiscal year. Because fiscal year 2017/18 period is for from October 1, 2017 to June 30, 2018, it excludes the summer months when water usage and related maintenance costs are at their highest levels during the year.

The cost of all Business-Type activities this year was \$43,574,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$46,737,000, other revenue was \$279,000, and transfers were \$332,000. Beginning net position was \$193,558,000 and ending net position was \$197,332,000 an increase of \$3,774,000 or 1.9 percent. Of the ending net position amount, \$143,954,000, or 73.0 percent, was invested in capital assets, \$25,886,000 or 13.1 percent was restricted for expenses for the Water Master Plan, and \$27,492,000, or 13.9 percent was unrestricted.

The transfers for Business-Type activities were \$332,000 coming in for the current year and \$51,000 coming in for the prior year.



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

### Financial Analysis of the City's Major Governmental Funds

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

	<b>GOVERNMENTAL FUNDS</b>			
	<b>June 30, 2018</b>	<b>September 30, 2017 (Restated)</b>	<b>Amount Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
<b>Total Fund Equity:</b>				
General Fund	\$ 68,634	\$ 64,968	\$ 3,666	5.6%
Grants Special Revenue Fund	5,546	6,578	(1,032)	-15.7%
LMIHAF Capital Projects Fund	5,483	5,655	(172)	-3.0%
<b>Total Fund Equity</b>	<b>\$ 79,663</b>	<b>\$ 77,201</b>	<b>\$ 2,462</b>	<b>3.2%</b>

For CAFR reporting purposes, the General Fund financial statement includes several funds such as Donations funds, the Section 115 Trust, and the General Fund (Fund 100). New guidance from GASB Implementation Guide 2017-1 requires the Section 115 trust, previously reported as a fiduciary fund, to be included in the General Fund for CAFR reporting purposes. The Fund Balance in the Section 115 Trust increased by \$2,108,000 in FY 2017-18 due to budgeted contributions to the Trust as well as interest earnings. Fund 100, the General Fund, is the primary fund from which the City completes business activities for which there are no external restrictions. The General Fund (Fund 100) balance increased by \$1,951,000, due to one-time budgetary savings resulting from the City's nine-month fiscal year, which excludes the summer months of July-September, and from the change in months in which property taxes are accrued. The summer months typically represent the most expensive quarter for several departments, due to the increased demand for services during the summer. The planned use of one-time Triple Flip unwind monies and the drawdown of Donation funds, reduced the overall fund balance by \$393,000.

The Grants Special Revenue Fund Balance decreased by \$1,031,000 primarily due to expenditures related to the LED Streetlight retrofit project.

The LMIHAF Capital Projects Fund Balance decreased by \$172,000 primarily due to expenditures for homeless prevention activities.



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

### 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			
	June 30, 2018	September 30, 2017 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Net Position:</b>				
Water Fund	\$ 124,682	\$ 123,302	\$ 1,380	1.1%
Sewer Fund	72,774	70,513	2,261	3.2%
Refuse Fund	(128)	(80)	(48)	60.0%
Hazmat Service Fund	4	(177)	181	-102.3%
<b>Total Net Position</b>	<b>\$ 197,332</b>	<b>\$ 193,558</b>	<b>\$ 3,774</b>	<b>1.9%</b>
<b>Unrestricted Net Position:</b>				
Water Fund	\$ 5,616	\$ 2,471	\$ 3,145	127.3%
Sewer Fund	22,199	19,142	3,057	16.0%
Refuse Fund	(327)	(295)	(32)	10.8%
Hazmat Service Fund	4	(177)	181	-102.3%
<b>Total Unrestricted Net Position</b>	<b>\$ 27,492</b>	<b>\$ 21,141</b>	<b>\$ 6,351</b>	<b>30.0%</b>

The Water Fund total net position increased by \$1,380,000 and unrestricted net position increased by \$3,145,000 due to a decrease in water purchases. The shortened fiscal year excludes the period July 1, 2018 to September 30, 2018, when water usage and related maintenance is at its peak. The Sewer Fund net position increased by \$2,261,000 and unrestricted net position increased by \$3,057,000 due to planned sewer projects being deferred to the following year.

### Long-Term Obligations

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

	Balance October 1, 2017	Additions	Retirements	Balance June 30, 2018
<b>Governmental Activities:</b>				
Revenue Bonds	\$ 42,505	\$ -	\$ -	\$ 42,505
Compensated Absences	11,731	3,129	(3,029)	11,831
Claims Payable	39,386	8,881	(7,985)	40,282
Pollution Remediation	2,000	-	-	2,000
Section 108 Loan City	430	-	-	430
LED Lighting Phase I	866	-	(104)	762
I-Bank CLEEN Loan	2,730	-	-	2,730
CEC Loan	3,000	-	-	3,000
Leases Payable	6,286	-	(207)	6,079
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>108,934</b>	<b>12,010</b>	<b>(11,325)</b>	<b>109,619</b>
<b>Business-Type Activities:</b>				
Compensated Absences	1,568	297	(304)	1,561
<b>Business-Type Activities:</b>	<b>1,568</b>	<b>297</b>	<b>(304)</b>	<b>1,561</b>
<b>Total Long-Term Obligations</b>	<b>\$ 110,502</b>	<b>\$ 12,307</b>	<b>\$ (11,629)</b>	<b>\$ 111,180</b>



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

Additional information on the City's long-term debt is shown in Note 11 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 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 \$678,000 or 0.6 percent from the prior fiscal year primarily due to an increase in workers' compensation claims payable.

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 2018. The following are the ratings as determined by Moody's Investors Service and Standard and Poor's as of June 30, 2018.

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S &amp; 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

### Capital Assets

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

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



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

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

	June 30, 2018	September 30, 2017 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>Governmental Activities:</b>				
Land	\$ 361,901	\$ 361,267	\$ 634	0.2%
Buildings	130,152	133,040	(2,888)	-2.2%
Machinery and Equipment	12,806	11,423	1,383	12.1%
Construction in Progress	11,745	8,548	3,197	37.4%
Infrastructure	182,128	178,154	3,974	2.2%
<b>Total Governmental Activities</b>	<b>698,732</b>	<b>692,432</b>	<b>6,300</b>	<b>0.9%</b>
<b>Business-Type Activities:</b>				
Land	3,907	3,907	-	0.0%
Buildings	65,657	67,382	(1,725)	-2.6%
Machinery and Equipment	3,803	2,195	1,608	73.3%
Construction in Progress	3,907	1,458	2,449	168.0%
Infrastructure	66,680	67,031	(351)	-0.5%
<b>Total Business-Type Activities</b>	<b>143,954</b>	<b>141,973</b>	<b>1,981</b>	<b>1.4%</b>
<b>Total Capital Assets</b>	<b>\$ 842,686</b>	<b>\$ 834,405</b>	<b>\$ 8,281</b>	<b>1.0%</b>

Capital assets from governmental activities increased \$6,300,000 or 0.9 percent. This increase is largely due to street replacement infrastructure costs and increased spending on various construction in progress projects such as the LED street lighting retrofit and Enterprise Land Management software upgrade. Capital assets from business-type activities increased \$1,981,000 or 1.4 percent largely due to increased spending on construction in progress projects such as the Peck Reservoir Dual Drive and Boeing Sewer Station project. Further information on the City's capital assets can be found in Note 12 of the financial statements.



## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

### General Fund Budgetary Highlights

#### Changes to Original Budget

Comparing the FY 2017/18 General Fund Original (i.e. Adopted) Budget expenditures amount of \$207,447,000 to the final budgeted amount of \$175,810,000 shows a net decrease of \$31,637,000, or 15.3 percent. This overall decrease was the result of budget adjustments made to true up budgeted expenditures for the shortened fiscal year. City Council approved to change the fiscal year end from September 30<sup>th</sup> to June 30<sup>th</sup>. This resulted in a nine-month fiscal year for FY 2017/18.

Final budgeted revenues for the General Fund decreased \$41,995,000 or 18.7 percent from the original (adopted) budget for the nine-month fiscal year ended June 30, 2018. The change from original to final budget occurred primarily as a result of the change in fiscal year discussed in the preceding paragraph.

#### Variance with Final Budget

General Fund actual revenues were more than the final budget by \$2,686,000 for the fiscal year ended June 30, 2018 due in large part to:

- Property Taxes of \$1,556,000 due to a one-time increase in property tax revenue as a result of the fiscal year change. The property tax revenue in FY 2017/18 was similar to the amount in prior year despite the nine-month fiscal year. The increase is due to the recognition of December 2017 property tax receipts in FY 2017/18 in accordance with GASB modified accrual accounting standards.
- Sales Taxes of \$606,000 is due to greater than expected sales activity.
- Intergovernmental revenue received was greater than anticipated due to reimbursements from the State for interagency fire staff and equipment services provided to other agencies for wildfire containment assistance.

General Fund expenditures were \$6,808,000 less than the final budget. The favorable budget variance is due in large part to the following:

- Non-Departmental realized \$1,080,000 in savings primarily due timing differences in the actual replacement of certain equipment and completion of certain Capital Improvement Projects versus initial projections.
- The Fire and Police Department realized \$974,000 in savings due to vacancies in personnel as a result of turnover and time required to recruit new positions. In addition, the City did not have the overtime costs required during the peak summer months to maintain essential levels of service as a result of the nine-month fiscal year.
- The Community Services Department realized \$1,606,000 in savings primarily due to fewer expenditures than anticipated as a result of the shortened fiscal year and absence of the busier summer months in FY 2017/18.





## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

- The Community Development, City Manager and Finance Departments realized \$1,407,000 in savings primarily due to fewer expenditures than anticipated as a result of the nine-month fiscal year.
- The Public Works Department realized \$548,000 in savings primarily due to differences in the projected versus actual timing of design, construction, and maintenance contracts for projects.

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

#### Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund decreased by \$1,032,000. 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 \$172,000 due to homeless prevention costs.

### **Economic Factors and Next Year's Budget**

The Adopted FY 2018/19 Budget is structurally balanced, totaling \$373.1 million in All Funds. This reflects a \$11,884,000, or 3.3 percent, increase from the FY 2017/18 Adopted All Funds Budget.

The General Fund, which provides the majority of public services to the community, totals \$228.3 million, reflecting a \$4.3 million, or 1.9 percent increase from the FY 2017/18 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 \$124.8 million to these core services.

In the Police Department, the budget adds \$50,000 in contract security guard services at the Main Library, parks, beach and community centers to further protect residents in public places. In the Capital Improvement Program (CIP), \$2.2 million is included for improvements to the Police Department headquarters.

In the Fire Department, the Adopted Budget adds \$68,000 increase for emergency dispatching services provided by the Metro Cities Joint Powers Authority. In the CIP, \$125,000 is included for the reconfiguration of Fire Station 8 living quarters.





## City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018

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 \$3.5 million to \$5.4 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 \$22 to \$25 million per year in pension costs by FY 2022/23, bringing the City's total CalPERS pension costs to approximately \$57 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 2018/19 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 \$38.7 million in FY 2018/19. This reflects a \$2.3 million, or 6.3 percent increase to last year's adopted budget. The City's unfunded pension liability is currently \$420 million, representing a 67.3 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 2018/19 Budget does not contain 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 as a result.

The City Council also adopted a Pension Rate Stabilization Plan, otherwise known as a Section 115 Trust, to provide an additional alternative investment vehicle outside of PERS, providing the ability to select a portfolio based on the City's own distant risk tolerance; and, the desire to achieve a one-for-one reduction in its liabilities. The City's wisdom to prepay these liabilities several years ahead of schedule will help soften the blow of higher pension costs in the future. While the impact of higher CalPERS costs will not be entirely mitigated, this proactive strategy to prefund liabilities well ahead of schedule has placed Huntington Beach in a stronger position than many other cities.



## **City of Huntington Beach Management's Discussion and Analysis For the Nine-Month Period Ended June 30, 2018**

### **General Fund Revenue**

General Fund revenue is projected to reach \$226.2 million, a \$2.1 million or 1.0 percent increase from the current year adopted budget. General Fund revenue is stable and continues to perform modestly, although it is experiencing signs of tapering in certain key areas such, Utility Users' Tax revenues, parking citations, and licenses and permits.

- Property Taxes are estimated at \$85.9 million, reflecting an increase of 2.7 percent due to the year-over-year growth in assessed valuations.
- Sales Tax revenues are projected to reach \$43.0 million, an increase of 3.6 percent from fiscal year 17/18. The adopted estimate is consistent with national retail trends.
- Licenses and Permits are estimated to be \$7.6 million, reflecting a 3.8 percent decline due to a decrease in new development in the City.
- Transient Occupancy Taxes are anticipated to reach \$13.4 million, a 7.7 percent increase due to steady growth in occupancy in both large hotels as well as small hotels/motels.
- Utility Users' Taxes, budgeted at \$18.4 million, is decreasing by \$1.1 million or 5.7 percent due to conservation efforts and bundled telecommunication packages.

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

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# **BASIC FINANCIAL STATEMENTS**

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**  
(In Thousands)

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Investments	\$ 163,893	\$ 79,339	\$ 243,232
Cash and Investments with Fiscal Agent	7,458	-	7,458
Receivables, Net	35,397	5,979	41,376
Advances to Successor Agency	1,363	-	1,363
Inventories	-	1,509	1,509
Prepays	2,290	-	2,290
Joint Venture	2,869	865	3,734
<b>Subtotal</b>	<b>213,270</b>	<b>87,692</b>	<b>300,962</b>
Capital Assets:			
Non-Depreciable	373,646	7,814	381,460
Depreciable, Net	325,086	136,140	461,226
<b>Total Capital Assets</b>	<b>698,732</b>	<b>143,954</b>	<b>842,686</b>
<b>Total Assets</b>	<b>912,002</b>	<b>231,646</b>	<b>1,143,648</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	89,557	6,010	95,567
Deferred Outflows Related to Other Postemployment Benefits	4,083	486	4,569
<b>Total Deferred Outflows of Resources</b>	<b>93,640</b>	<b>6,496</b>	<b>100,136</b>
<b>LIABILITIES</b>			
Accounts Payable	6,887	7,401	14,288
Accrued Payroll	4,479	443	4,922
Unearned Revenue	1,730	-	1,730
Accrued Interest Payable	697	-	697
Deposits	1,924	1,602	3,526
<b>Subtotal</b>	<b>15,717</b>	<b>9,446</b>	<b>25,163</b>
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	20,277	426	20,703
Long-Term Obligations Due in More than One Year	89,342	1,135	90,477
Net Pension Liability	401,662	27,979	429,641
Net Other Postemployment Benefits Liability	7,866	937	8,803
<b>Total Long-Term Obligations</b>	<b>519,147</b>	<b>30,477</b>	<b>549,624</b>
<b>Total Liabilities</b>	<b>534,864</b>	<b>39,923</b>	<b>574,787</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	16,303	887	17,190
<b>NET POSITION</b>			
Net Investment in Capital Assets	650,466	143,954	794,420
Restricted for:			
Debt Service	8,910	-	8,910
Capital Projects	7,504	25,886	33,390
Public Works and Community Services Projects	42,123	-	42,123
<b>Total Restricted Net Position</b>	<b>58,537</b>	<b>25,886</b>	<b>84,423</b>
Unrestricted	(254,528)	27,492	(227,036)
<b>Total Net Position</b>	<b>\$ 454,475</b>	<b>\$ 197,332</b>	<b>\$ 651,807</b>

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF ACTIVITIES**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
(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
<b>Governmental Activities:</b>							
City Council	\$ 218	\$ 91	\$ -	\$ -	\$ (127)	\$ -	\$ (127)
City Manager	2,063	2,374	1,068	-	1,379	-	1,379
City Treasurer	101	81	-	-	(20)	-	(20)
City Attorney	1,536	4	-	-	(1,532)	-	(1,532)
City Clerk	475	229	-	-	(246)	-	(246)
Finance	3,455	1,746	-	-	(1,709)	-	(1,709)
Human Resources	4,760	373	-	-	(4,387)	-	(4,387)
Community Development	4,301	5,448	-	-	1,147	-	1,147
Fire	26,688	9,104	52	-	(17,532)	-	(17,532)
Information Services	4,375	381	-	-	(3,994)	-	(3,994)
Police	42,109	4,703	933	-	(36,473)	-	(36,473)
Community Services	6,768	19,245	327	-	12,804	-	12,804
Library Services	2,890	237	105	-	(2,548)	-	(2,548)
Public Works	23,898	4,392	1,491	6,055	(11,960)	-	(11,960)
Non-Departmental	18,164	916	-	-	(17,248)	-	(17,248)
Interest on Long-Term Debt	1,467	-	-	-	(1,467)	-	(1,467)
<b>Total Governmental Activities</b>	<b>143,268</b>	<b>49,324</b>	<b>3,976</b>	<b>6,055</b>	<b>(83,913)</b>	<b>-</b>	<b>(83,913)</b>
<b>Business-type Activities:</b>							
Water Utility	28,414	29,530	-	-	-	1,116	1,116
Sewer Service	6,127	8,362	-	-	-	2,235	2,235
Refuse Collection	8,916	8,820	-	-	-	(96)	(96)
Hazmat Service	117	25	-	-	-	(92)	(92)
<b>Total Business-Type Activities</b>	<b>43,574</b>	<b>46,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,163</b>	<b>3,163</b>
<b>Total Governmental and Business Type Activities</b>	<b>\$ 186,842</b>	<b>\$ 96,061</b>	<b>\$ 3,976</b>	<b>\$ 6,055</b>	<b>(83,913)</b>	<b>3,163</b>	<b>(80,750)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					61,185	-	61,185
Sales Taxes					33,844	-	33,844
Utility Taxes					14,014	-	14,014
Franchise Taxes					6,073	-	6,073
Transient Occupancy Tax					8,810	-	8,810
<b>Total Taxes</b>					<b>123,926</b>	<b>-</b>	<b>123,926</b>
<b>Other:</b>							
Use of Money and Property					2,158	279	2,437
From Other Agencies - Unrestricted					2,263	-	2,263
Other					2,811	-	2,811
<b>Total General Revenues</b>					<b>131,158</b>	<b>279</b>	<b>131,437</b>
<b>Transfers</b>					(332)	332	-
<b>Total General Revenues and Transfers</b>					<b>130,826</b>	<b>611</b>	<b>131,437</b>
<b>Change in Net Position</b>					<b>46,913</b>	<b>3,774</b>	<b>50,687</b>
<b>Net Position - Beginning of Year</b>					<b>425,350</b>	<b>193,150</b>	<b>618,500</b>
<b>Prior Period Adjustment</b>					<b>(17,788)</b>	<b>408</b>	<b>(17,380)</b>
<b>Net Position - Beginning of Year as restated</b>					<b>407,562</b>	<b>193,558</b>	<b>601,120</b>
<b>Net Position - End of Year</b>					<b>\$ 454,475</b>	<b>\$ 197,332</b>	<b>\$ 651,807</b>

**CITY OF HUNTINGTON BEACH  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(In Thousands)**

	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Investments	\$ 64,405	\$ 2,986	\$ 4,127	\$ 58,367	\$ 129,885
Cash and Investments with Fiscal Agent	-	1,160	-	6,298	7,458
Taxes Receivable	10,405	-	-	980	11,385
Other Receivables, Net	8,181	5,685	9,493	561	23,920
Due from Other Funds	-	-	-	756	756
Advances to Successor Agency	-	-	1,363	-	1,363
Prepays	41	-	-	726	767
<b>TOTAL ASSETS</b>	<b>\$ 83,032</b>	<b>\$ 9,831</b>	<b>\$ 14,983</b>	<b>\$ 67,688</b>	<b>\$ 175,534</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 4,096	\$ 976	\$ 15	\$ 944	\$ 6,031
Accrued Payroll	4,365	43	6	48	4,462
Due to Other Funds	-	-	-	756	756
Unearned Revenue	1,730	-	-	-	1,730
Deposits Payable	1,924	-	-	-	1,924
<b>Total Liabilities</b>	<b>12,115</b>	<b>1,019</b>	<b>21</b>	<b>1,748</b>	<b>14,903</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue	2,283	3,266	9,479	-	15,028
<b>Total Deferred Inflows of Resources</b>	<b>2,283</b>	<b>3,266</b>	<b>9,479</b>	<b>-</b>	<b>15,028</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Prepays	41	-	-	726	767
<b>Restricted</b>					
Underground Utilities	364	-	-	-	364
Restitution	281	-	-	-	281
Senior Center Donations	398	-	-	-	398
Section 115 Trust	4,896	-	-	-	4,896
Pollution Remediation	-	-	-	332	332
Debt Service	-	-	-	8,910	8,910
Highways, Streets and Transportation	-	-	-	12,439	12,439
Low Income Housing	-	-	5,483	1,416	6,899
Air Quality	-	-	-	1,057	1,057
Other Capital Projects	-	-	-	17,110	17,110
Other Purposes	445	5,546	-	449	6,440
<b>Committed</b>					
Economic Uncertainties	25,011	-	-	-	25,011
Parks	-	-	-	3,205	3,205
Other Capital Projects	-	-	-	17,595	17,595
<b>Assigned</b>					
Capital Improvement Reserve	8,046	-	-	2,701	10,747
Equipment Replacement	8,295	-	-	-	8,295
Redevelopment Dissolution	1,080	-	-	-	1,080
General Plan Maintenance	439	-	-	-	439
Senior Center Debt Service Reserve	2,000	-	-	-	2,000
General Liability Plan Migration	2,801	-	-	-	2,801
CalPERS Rate Increase	1,637	-	-	-	1,637
Cityview Replacement	1,028	-	-	-	1,028
Park Improvements	200	-	-	-	200
Section 115 Trust	1,500	-	-	-	1,500
Triple Flip	1,759	-	-	-	1,759
Police Facility Enhancement	2,000	-	-	-	2,000
Strategic Planning Initiatives	558	-	-	-	558
Other Purposes	3,121	-	-	-	3,121
<b>Unassigned</b>	<b>2,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,734</b>
<b>TOTAL FUND BALANCES</b>	<b>68,634</b>	<b>5,546</b>	<b>5,483</b>	<b>65,940</b>	<b>145,603</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 83,032</b>	<b>\$ 9,831</b>	<b>\$ 14,983</b>	<b>\$ 67,688</b>	<b>\$ 175,534</b>

**CITY OF HUNTINGTON BEACH**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**  
**(In Thousands)**

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

<b>Total Fund Balances Governmental Funds</b>	<b>\$</b>	<b>145,603</b>
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Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. Amounts exclude net Capital Assets of the Internal Service Funds.

Capital Assets	1,038,224	
Accumulated Depreciation	(340,357)	
Total Capital Assets	697,867	697,867

Joint Venture		2,869
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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.		(5,834)
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Revenues that are measurable but not available are not recognized as revenue in governmental funds. Such amounts are recorded as unavailable revenue under the modified accrual basis of accounting.		15,028
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Deferred outflows related to pensions		89,266
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Deferred outflows related to Other Postemployment Benefits (OPEB)		4,061
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Governmental funds report all pension contributions as expenditures; however, in the statement of net position, the excess of the total pension liability over the plan fiduciary net position is reported as a net pension liability.		(400,310)
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Deferred inflows related to pensions		(16,260)
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Governmental funds report all OPEB contributions as expenditures; however, in the statement of net position, the excess of the total OPEB liability over the plan fiduciary net position is reported as a net pension liability.		(7,823)
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Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.

Accrued Interest Payable		(697)
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Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Amounts exclude Long-Term Obligation of the Internal Service Fund.

Long-Term Obligations Due in One Year		(9,355)
Long-Term Obligations Due in More than One Year		(59,940)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>454,475</b>
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**CITY OF HUNTINGTON BEACH  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

<b>REVENUES</b>	<b>General Fund</b>	<b>Grants Special Revenue</b>	<b>LMIHAF Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 80,614	\$ -	\$ -	\$ -	\$ 80,614
Sales Taxes	31,364	-	-	2,480	33,844
Utility Taxes	14,014	-	-	-	14,014
Other Taxes	14,883	-	-	3,526	18,409
Licenses and Permits	6,247	-	-	46	6,293
Fines and Forfeitures	3,048	-	-	-	3,048
From Use of Money and Property	11,211	121	68	200	11,600
Intergovernmental	3,901	5,412	-	1,071	10,384
Charges for Current Services	18,132	-	-	10,450	28,582
Other	1,502	-	-	132	1,634
<b>Total Revenues</b>	<b>184,916</b>	<b>5,533</b>	<b>68</b>	<b>17,905</b>	<b>208,422</b>
<b>EXPENDITURES</b>					
Current:					
City Council	279	-	-	-	279
City Manager	1,928	717	-	498	3,143
City Treasurer	134	-	-	-	134
City Attorney	2,037	-	-	-	2,037
City Clerk	602	-	-	-	602
Finance	4,376	-	-	-	4,376
Human Resources	5,323	-	-	-	5,323
Community Development	5,428	126	-	-	5,554
Fire	36,304	43	-	-	36,347
Information Services	5,225	-	-	160	5,385
Police	57,218	698	-	-	57,916
Community Services	6,410	176	-	1,372	7,958
Library Services	3,283	103	-	50	3,436
Public Works	19,009	4,542	-	6,806	30,357
Non-Departmental	20,048	-	240	2,144	22,432
Debt Service:					
Principal	311	-	-	-	311
Interest	87	7	-	871	965
<b>Total Expenditures</b>	<b>168,002</b>	<b>6,412</b>	<b>240</b>	<b>11,901</b>	<b>186,555</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>16,914</b>	<b>(879)</b>	<b>(172)</b>	<b>6,004</b>	<b>21,867</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	152	20	-	13,089	13,261
Transfers Out	(13,400)	(173)	-	(20)	(13,593)
Total Other Financing Sources (Uses)	(13,248)	(153)	-	13,069	(332)
<b>Net Change In Fund Balances</b>	<b>3,666</b>	<b>(1,032)</b>	<b>(172)</b>	<b>19,073</b>	<b>21,535</b>
<b>Fund Balances - Beginning Of Year</b>	<b>61,180</b>	<b>6,578</b>	<b>5,655</b>	<b>46,867</b>	<b>120,280</b>
<b>Prior Period Adjustments</b>	<b>3,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,788</b>
<b>Fund Balance Beginning Restated</b>	<b>64,968</b>	<b>6,578</b>	<b>5,655</b>	<b>46,867</b>	<b>124,068</b>
<b>Fund Balances - End Of Year</b>	<b>\$ 68,634</b>	<b>\$ 5,546</b>	<b>\$ 5,483</b>	<b>\$ 65,940</b>	<b>\$ 145,603</b>

**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 NINE-MONTH PERIOD ENDING JUNE 30, 2018  
(In Thousands)**

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

Net Changes in Fund Balances - Total Governmental funds \$ 21,535

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	12,059
Non-Depreciable Assets Purchased	4,226
Non-Depreciable Assets Disposition	(403)
Capital Asset Depreciation	(10,447)
Joint Venture	183

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	243
Prior Year Property and Sales Tax Accrual	(19,672)
Current Year Grant and Other Revenue Accrual	2,734
Prior Year Grant and Other Revenue Accrual	(1,214)

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. 154

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. 14,857

Governmental funds report expenditures for retirement contributions whereas these amounts are reported as deferred outflows of resources on the Statement of Net Position. 9,586

Other Postemployment Benefits Payments - Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (expenses). 2,544

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. 10,844

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	(697)
Prior Year Interest Accrual	195

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. 311

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. (125)

Change in Net Position of Governmental Activities	<b>\$ 46,913</b>
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**CITY OF HUNTINGTON BEACH  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018  
(In Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
<b>ASSETS</b>						
Current Assets:						
Cash and Investments	\$ 24,720	\$ 28,123	\$ 246	\$ 364	\$ 53,453	\$ 34,008
Restricted Cash and Investments	25,886	-	-	-	25,886	-
Other Receivables, Net	2,526	551	486	7	3,570	92
Prepays	-	-	-	-	-	1,523
Joint Ventures	865	-	-	-	865	-
Inventories	1,509	-	-	-	1,509	-
Unbilled Receivables	1,529	407	473	-	2,409	-
<b>Total Current Assets</b>	<b>57,035</b>	<b>29,081</b>	<b>1,205</b>	<b>371</b>	<b>87,692</b>	<b>35,623</b>
Capital Assets:						
Land	3,907	-	-	-	3,907	-
Buildings and Improvements	52,642	39,925	-	-	92,567	-
Machinery and Equipment	11,263	3,737	215	-	15,215	926
Infrastructure	101,281	43,651	-	-	144,932	-
Construction in Progress	3,868	39	-	-	3,907	8
Less Accumulated Depreciation	(79,781)	(36,777)	(16)	-	(116,574)	(69)
<b>Total Capital Assets</b>	<b>93,180</b>	<b>50,575</b>	<b>199</b>	<b>-</b>	<b>143,954</b>	<b>865</b>
<b>Total Assets</b>	<b>150,215</b>	<b>79,656</b>	<b>1,404</b>	<b>371</b>	<b>231,646</b>	<b>36,488</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows Related to Pensions	4,206	1,573	139	92	6,010	291
Deferred Outflows Related to Other Postemployment Benefits	349	120	12	5	486	22
<b>Total Deferred Outflows of Resources</b>	<b>4,555</b>	<b>1,693</b>	<b>151</b>	<b>97</b>	<b>6,496</b>	<b>313</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	6,216	260	925	-	7,401	856
Accrued Payroll	315	113	8	7	443	17
Deposits Payable	1,602	-	-	-	1,602	-
Current Portion of Claims Payable	-	-	-	-	-	10,910
Current Portion of Compensated Absences	294	113	15	4	426	12
<b>Total Current Liabilities</b>	<b>8,427</b>	<b>486</b>	<b>948</b>	<b>11</b>	<b>9,872</b>	<b>11,795</b>
Non-Current Liabilities:						
Compensated Absences	784	301	41	9	1,135	30
Net Pension Liability	19,584	7,325	650	420	27,979	1,352
Net Other Postemployment Benefits Liability	673	231	23	10	937	43
Claims Payable	-	-	-	-	-	29,372
<b>Total Non-Current Liabilities</b>	<b>21,041</b>	<b>7,857</b>	<b>714</b>	<b>439</b>	<b>30,051</b>	<b>30,797</b>
<b>Total Liabilities</b>	<b>29,468</b>	<b>8,343</b>	<b>1,662</b>	<b>450</b>	<b>39,923</b>	<b>42,592</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows Related to Pensions	620	232	21	14	887	43
<b>NET POSITION</b>						
Investment in Capital Assets	93,180	50,575	199	-	143,954	865
Restricted for:						
Capital Projects	25,886	-	-	-	25,886	-
Unrestricted	5,616	22,199	(327)	4	27,492	(6,699)
<b>Total Net Position</b>	<b>\$ 124,682</b>	<b>\$ 72,774</b>	<b>\$ (128)</b>	<b>\$ 4</b>	<b>\$ 197,332</b>	<b>\$ (5,834)</b>

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE NINE MONTH-PERIOD ENDED JUNE 30, 2018**  
(In Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
<b>OPERATING REVENUES</b>						
Sales	\$ 28,204	\$ -	\$ -	\$ -	\$ 28,204	\$ -
Fees and Charges for Service	-	8,330	8,731	25	17,086	20,343
Other	1,326	32	89	-	1,447	-
<b>Total Operating Revenues</b>	<b>29,530</b>	<b>8,362</b>	<b>8,820</b>	<b>25</b>	<b>46,737</b>	<b>20,343</b>
<b>OPERATING EXPENSES</b>						
Water Purchases	11,106	-	-	-	11,106	-
Supplies and Operations	4,825	4,624	8,900	117	18,466	2,330
Engineering	1,928	-	-	-	1,928	-
Production and Distribution	5,076	-	-	-	5,076	-
Maintenance	413	-	-	-	413	-
Water Meters	1,736	-	-	-	1,736	-
Water Quality	653	-	-	-	653	-
Water Use Efficiency	159	-	-	-	159	-
Claims and Judgments	-	-	-	-	-	7,100
Depreciation	2,518	1,503	16	-	4,037	69
<b>Total Operating Expenses</b>	<b>28,414</b>	<b>6,127</b>	<b>8,916</b>	<b>117</b>	<b>43,574</b>	<b>9,499</b>
<b>Operating Income (Loss)</b>	<b>1,116</b>	<b>2,235</b>	<b>(96)</b>	<b>(92)</b>	<b>3,163</b>	<b>10,844</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest Income	253	26	-	-	279	-
<b>Income (Loss) Before Transfers</b>	<b>1,369</b>	<b>2,261</b>	<b>(96)</b>	<b>(92)</b>	<b>3,442</b>	<b>10,844</b>
<b>TRANSFERS</b>						
Transfers In	11	-	48	273	332	-
<b>Change in Net Position</b>	<b>1,380</b>	<b>2,261</b>	<b>(48)</b>	<b>181</b>	<b>3,774</b>	<b>10,844</b>
<b>Net Position - Beginning Of Year</b>	<b>123,945</b>	<b>69,424</b>	<b>(53)</b>	<b>(166)</b>	<b>193,150</b>	<b>(16,628)</b>
Prior Period Adjustment	(643)	1,089	(27)	(11)	408	(50)
<b>Net Position - Beginning of Year as Restated</b>	<b>123,302</b>	<b>70,513</b>	<b>(80)</b>	<b>(177)</b>	<b>193,558</b>	<b>(16,678)</b>
<b>Net Position- End Of Year</b>	<b>\$ 124,682</b>	<b>\$ 72,774</b>	<b>\$ (128)</b>	<b>\$ 4</b>	<b>\$ 197,332</b>	<b>\$ (5,834)</b>

**CITY OF HUNTINGTON BEACH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers and Users	\$ 29,659	\$ 8,445	\$ 8,873	\$ 131	\$ 47,108	\$ 20,331
Cash Paid to Employees for Services	(11,966)	(2,506)	(217)	(124)	(14,813)	(568)
Cash Paid to Suppliers of Goods and Services	(15,113)	(2,482)	(8,691)	(15)	(26,301)	(6,651)
<b>Net Cash and Investment Provided (Used) by Operating Activities</b>	<b>2,580</b>	<b>3,457</b>	<b>(35)</b>	<b>(8)</b>	<b>5,994</b>	<b>13,112</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers In	11	-	48	273	332	-
<b>Net Cash and Investments Used by Noncapital Financing Activities</b>	<b>11</b>	<b>-</b>	<b>48</b>	<b>273</b>	<b>332</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of Capital Assets	(5,312)	(708)	-	-	(6,020)	(934)
<b>Net Cash and Investments Used by Capital and Related Financing Activities</b>	<b>(5,312)</b>	<b>(708)</b>	<b>-</b>	<b>-</b>	<b>(6,020)</b>	<b>(934)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	253	26	-	-	279	-
<b>Net Cash and Investments Provided (Used) by Investing Activities</b>	<b>253</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>279</b>	<b>-</b>
Net Increase (Decrease) in Cash and Investments	(2,468)	2,775	13	265	585	12,178
Cash and Investments - Beginning of Year	53,074	25,348	233	99	78,754	21,830
<b>Cash and Investments - End of Year</b>	<b>\$ 50,606</b>	<b>\$ 28,123</b>	<b>\$ 246</b>	<b>\$ 364</b>	<b>\$ 79,339</b>	<b>\$ 34,008</b>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 1,116	\$ 2,235	\$ (96)	\$ (92)	\$ 3,163	\$ 10,844
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities</b>						
Depreciation	2,518	1,503	16	-	4,037	69
(Increase) Decrease in Other Receivables, Net	(6)	42	66	106	208	(12)
(Increase) in Unbilled Receivables	29	41	(13)	-	57	-
Decrease in Prepays	224	-	-	-	224	1,458
(Increase) in Joint Ventures	(499)	-	-	-	(499)	-
(Increase) in Inventory	(76)	-	-	-	(76)	-
Increase (Decrease) in Accounts Payable	451	116	30	-	597	(26)
Increase in Accrued Payroll	161	50	3	6	220	5
Increase in Deposits Payable	106	-	-	-	106	-
Increase in Claims Payable	-	-	-	-	-	896
Increase (Decrease) in Compensated Absences	(12)	(3)	7	1	(7)	(25)
(Increase) in Deferred Pension Outflow	(1,160)	(433)	(38)	(25)	(1,656)	(80)
Increase in Deferred Pension Inflow	-	-	-	-	-	-
Increase in Net Pension Liability	179	67	6	2	254	(3)
(Increase) in Deferred Other Postemployment Benefits Outflow	(349)	(120)	(12)	(5)	(486)	(18)
Increase in Net Other Postemployment Benefits Liability	(102)	(41)	(4)	(1)	(148)	4
<b>Net Cash and Investments Provided (Used) by Operating Activities</b>	<b>\$ 2,580</b>	<b>\$ 3,457</b>	<b>\$ (35)</b>	<b>\$ (8)</b>	<b>\$ 5,994</b>	<b>\$ 13,112</b>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

There were no noncash investing, capital, or financing activities during the nine-month period ending June 30, 2018.

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF FIDUCIARY FUND NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**  
(In Thousands)

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund	Section 115 Trust Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
<b>ASSETS</b>				
Cash and Investments	\$ 13,962	\$ 956	\$ -	\$ 9,329
Cash and Investments with Fiscal Agent	3,433	-	-	2,464
Commodities and Real Estate		3,449		
Mutual Funds	-	52,296	-	-
Money Market Funds	-	526	-	-
Accounts Receivable, Net	462	1	-	44
<b>Total Assets</b>	<b>\$ 17,857</b>	<b>\$ 57,228</b>	<b>\$ -</b>	<b>\$ 11,837</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,995	\$ 131	\$ -	\$ 623
Accrued Payroll	8	-	-	6
Due to Bondholders	6,083	-	-	-
Advances from City of Huntington Beach	-	-	-	1,363
Held for Others	9,771	-	-	-
Long-Term Obligations				
Long-Term Obligations Due Within One Year	-	-	-	5,343
Long-Term Obligations Due in More than One Year	-	-	-	39,110
<b>Total Liabilities</b>	<b>\$ 17,857</b>	<b>\$ 131</b>	<b>\$ -</b>	<b>\$ 46,445</b>
<b>NET POSITION</b>				
Restricted for Pension Benefits		<u>\$ 57,097</u>	<u>\$ -</u>	
Held in Trust For Other Purposes				<u>\$ (34,608)</u>

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
(In Thousands)

	Pension Trust Fund - Retirement Supplemental Fund	Section 115 Trust Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
<b>ADDITIONS</b>			
Employer Contributions	\$ 4,463	\$ -	\$ -
Property Taxes	-	-	9,834
Total Additions Before Investment Income	4,463	-	9,834
Investment Income:			
Investment Income (Loss)	2,186	-	22
Less Investment Expense	(84)	-	-
Net Investment Income	2,102	-	22
<b>Total Additions</b>	<b>6,565</b>	<b>-</b>	<b>9,856</b>
<b>DEDUCTIONS</b>			
Benefits	3,520	-	-
Administrative Costs	145	-	-
Economic Development	-	-	215
Interest and Fiscal Agency Expenses	-	-	1,953
<b>Total Deductions</b>	<b>3,665</b>	<b>-</b>	<b>2,168</b>
Change in Net Position	2,900	-	7,688
<b>Net Position - Beginning of Year</b>	<b>54,197</b>	<b>3,788</b>	<b>(42,296)</b>
Prior Period Adjustment	-	(3,788)	-
<b>Net Position - Beginning of Year as Restated</b>	<b>54,197</b>	<b>-</b>	<b>(42,296)</b>
<b>Net Position - End of Year</b>	<b>\$ 57,097</b>	<b>\$ -</b>	<b>\$ (34,608)</b>

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**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

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# City of Huntington Beach Notes to Financial Statements For the Nine-Month Period Ended June 30, 2018

## 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 Nine-Month Period Ended June 30, 2018**

**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, Chief Financial Officer, 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 Nine-Month Period Ended June 30, 2018

## 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 \$58,537,000 of governmental activities restricted net position, of which \$35,503,000 is restricted by enabling legislation. The government-wide Statement of Net Position reports \$25,886,000 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.



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

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

**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 Position reports a deficit unrestricted net position of \$253,760,000 of governmental activities unrestricted net position, which is largely a result of the recent implementation of GASB Statement Nos. 68 and 75 that requires the City to report Net Pension Liabilities and Net Other Post-Employment Benefits (OPEB) Liability. The City's Net Pension Liability at June 30, 2018 is \$429,641,000 and Net OPEB Liability is \$8,803,000, respectively, of which \$401,662,000 and \$7,866,000, respectively, is payable from Governmental Activities. The government-wide Statement of Net Position reports \$27,492,000 of business-type activities unrestricted net position.

**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 Nine-Month Period Ended June 30, 2018

## 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 Nine-Month Period Ended June 30, 2018**

**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 June 30, 2018, by major fund (in thousands):

General Fund	\$	3,566
Grants Special Revenue		3,869
Other Governmental Funds		8,474
<b>Total Encumbrance All Funds</b>	<b>\$</b>	<b><u>15,909</u></b>

**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 Nine-Month Period Ended June 30, 2018**

**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.

The internal service funds, which provide services to the other funds of the City, are presented in a single column in the proprietary funds financial statements. Because the principal users of the internal services funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service fund services are spread to the appropriate function or program on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling effect of these revenues are expenses.



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**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. The Retiree Medical Insurance Trust Fund accounts for the activities of the City's Other Post-Employment Benefits plans, which provide postemployment medical insurance to retirees.

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.





**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**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.

**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.

**Equipment Replacement Fund** – accounts for the City's equipment replacement needs 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.



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**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.

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 54.

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



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**e. Capital Assets**

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

The City records all purchased capital assets at historical cost (where historical records are available) and at estimated historical cost where no historical records exist. Capital assets acquired from gifts or contributions are recorded at 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

**f. Unearned Revenue**

In the government-wide and the fund-level financial statements, unearned revenues are those where the asset recognition (availability criteria) has been met, but the revenue recognition criteria have not been met.



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**g. 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 and OPEB which are the result of the implementation of GASB Statement Nos. 68 and 75.

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.

**h. 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 Nine-Month Period Ended June 30, 2018**

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

**i. 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 monies that are to be paid or to be received from other funds.

**j. 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.

**k. 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 Nine-Month Period Ended June 30, 2018**

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

**I. 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. City property tax revenues are recognized when levied in the governmental funds to the extent that they result in current receivables collectible within 60 days after year-end.

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 Nine-Month Period Ended June 30, 2018**

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

**m. 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:

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

**n. 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.

**o. 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 Nine-Month Period Ended June 30, 2018**

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

**p. Pensions and OPEB**

For purposes of measuring the net pension liability, net OPEB liability, related deferred outflows of resources and deferred inflows of resources, pension/OPEB 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 Nos. 68 and 75 require reported results to 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	Other Post-Employment Benefit Plan
Valuation Date (VD)	September 30, 2017	June 30, 2016	June 30, 2017
Measurement Date (MD)	June 30, 2018	June 30, 2017	June 30, 2017
Measurement Period (MP)	October 1, 2017 to June 30, 2018*	July 1, 2016 to June 30, 2017	October 1, 2016 to June 30, 2017

\* Adjustment for new fiscal year. Short fiscal year of October 1, 2017 to June 30, 2018.





**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**q. 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.

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 Nine-Month Period Ended June 30, 2018**

**2. CASH AND INVESTMENTS**

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code Section 53601 (or the City's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. 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	MINIMUM QUALITY REQUIREMENTS
Bankers' Acceptances	180 days	25% (up to 40% with Council approval) / 10%	A1/P1, "A" Rating
Negotiable Certificates of Deposit	3 years (Up to 5 years with Council approval)	30% / 10%	A1/P1, "A" Rating
Commercial Paper	270 days	25% / 10%	A1, "A" Rating
State Obligations-- CA And Others	5 years	None / 10%	"A" Rating
City/Local Agency of CA Obligations	5 years	None / 10%	"A" Rating
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Obligations	5 years	None	None
IBRD, IFC, IDB	5 years	10%	"AA" Rating
Repurchase Agreements	3 Months	None	None
Reverse Repurchase Agreements	92 days	20% of the base value of the portfolio. Requires City Council Approval	None
Medium-Term Corporate Notes	5 years	30% / 10%	"A" Rating
Non-negotiable Certificates of Deposit	3 years	None / 10%	A1/P1, "A" Rating
Money Market Mutual Funds	60 days	15% / 10%	"AAA" Rating
Local Agency Investment Fund (LAIF)	N/A	Up to \$65,000,000	None



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
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 Nine-Month Period Ended June 30, 2018**

**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:

Authorized Investment Type	Minimum Allocation	Target Asset Allocation	Maximum Allocation
<b>Cash or Equivalents</b>	0%	0%	8%
Money Market	0%	0%	8%
<b>Fixed Income</b>	<b>12%</b>	<b>20%</b>	<b>28%</b>
Short-Term Bond	0%	0%	8%
Long-Term Bond	0%	0%	8%
High Yield Bond	0%	0%	8%
Inflation Protected Bond	0%	0%	8%
World Bond	0%	0%	8%
<b>Domestic Equity</b>	<b>27%</b>	<b>35%</b>	<b>43%</b>
Large Cap Equity (Value, Blend, Growth)	16%	24%	32%
Mid Cap Equity (Value, Blend, Growth)	0%	7%	15%
Small Cap Equity (Value, Blend, Growth)	0%	4%	12%
<b>Foreign Equity</b>	<b>31%</b>	<b>39%</b>	<b>47%</b>
Foreign Large Equity (Value, Blend, Growth)	23%	31%	39%
Foreign Sm / Mid Equity (Value, Growth)	0%	0%	8%
Emerging Markets	0%	8%	16%
<b>Real Estate</b>	<b>0%</b>	<b>3%</b>	<b>11%</b>
Real Estate	0%	3%	11%
<b>Commodities</b>	<b>0%</b>	<b>3%</b>	<b>11%</b>
Natural Resources	0%	3%	11%



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

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

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

<b>Primary Government:</b>	
Cash and Investments	\$ 243,232
Cash and Investments with Fiscal Agent	7,458
<b>Total Primary Government</b>	<b>250,690</b>
<b>Fiduciary Funds:</b>	
Cash and Investments	24,247
Cash and Investments with Fiscal Agent	62,168
<b>Total Fiduciary Funds</b>	<b>86,415</b>
<b>Total Deposits and Investments</b>	<b>\$ 337,105</b>

**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).

<b>INVESTMENTS:</b>	<b>Investment Maturities (In Years)</b>					<b>Total</b>
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 3</b>	<b>3 to 5</b>	<b>More than 5</b>	
US Agency Securities*	\$ 148,637	\$ 48,164	\$ 66,439	\$ 34,034	\$ -	\$ 148,637
Mutual Funds	55,745	55,745	-	-	-	55,745
Commercial Paper	19,977	19,977	-	-	-	19,977
Money Market Funds	569	569	-	-	-	569
Medium Term Notes - IBRD	4,997	4,997	-	-	-	4,997
Corporate Bonds	25,746	5,995	19,751	-	-	25,746
Local Agency Investment Fund	59,930	59,930	-	-	-	59,930
California Asset Mgmt Program	2,794	2,794	-	-	-	2,794
<b>Total Investments</b>	<b>\$ 318,395</b>	<b>\$ 198,171</b>	<b>\$ 86,190</b>	<b>\$ 34,034</b>	<b>\$ -</b>	<b>318,395</b>
	Total Deposits					18,710
	Total Deposits and Investments					<b>\$ 337,105</b>

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



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**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	\$ 148,637	\$ 148,637	\$ -	\$ -	\$ -
Mutual Funds	N/A	55,745	-	-	-	55,745
Commercial Paper	A	19,977	-	19,977	-	-
Money Market Funds	AAA	569	569	-	-	-
Medium Term Notes - IBRD	AA	4,997	4,997	-	-	-
Corporate Bonds	A	25,746	-	25,746	-	-
Local Agency Investment Fund	N/A	59,930	-	-	-	59,930
California Asset Mgmt Program	N/A	2,794	2,794	-	-	-
<b>Total Investments</b>		<b>\$ 318,395</b>	<b>\$ 156,997</b>	<b>\$ 45,723</b>	<b>\$ -</b>	<b>\$ 115,675</b>

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



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**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):

Issuer	Investment Type	Fair Value Amount
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$32,952
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$66,232
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$44,615
JP Morgan	Commercial Paper	\$14,993



## **City of Huntington Beach Notes to Financial Statements For the Nine-Month Period Ended June 30, 2018**

### **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 June 30, 2018, 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 Nine-Month Period Ended June 30, 2018**

**2. 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 City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. The Pool is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool invests in obligations of the United States Government and its agencies, high-quality, short-term debt obligations of U.S. companies and financial institutions. The Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). CAMP is rated AAAM by Standard & Poor's.

**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 June 30, 2018 (in thousands):

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
<b>INVESTMENTS:</b>				
U.S. Agency Securities	\$ -	\$ 148,637	\$ -	\$ 148,637
Mutual Funds	-	55,745	-	55,745
Commercial Paper	-	19,977	-	19,977
Medium Term Notes - IBRD	-	4,997	-	4,997
Corporate Bonds	-	25,746	-	25,746
Total Investments	\$ -	\$ 255,102	\$ -	\$ 255,102



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**3. OTHER RECEIVABLES**

A summary of Other Receivables as of June 30, 2018 is as follows (in thousands):

Description	Amount
Developer Loans Receivable	\$ 42,991
Emerald Cove Loan Receivable	7,632
Housing Rehabilitation Loans Receivable	2,592
First Time Homebuyers Receivable	1,846
Emergency Medical Fee Receivable	1,604
CDBG Program Receivable	459
Infrastructure Fund	282
Other Grants Receivable	2,650
Other Receivable	6,875
<b>Total Other Receivables</b>	<b>\$ 66,931</b>
Allowance for Uncollectible Developer Loans	(42,991)
Allowance for Uncollectible Housing Rehabilitation Loans	(20)
<b>Net Other Receivables on Governmental Fund Financial Statements</b>	<b>\$ 23,920</b>
 <b>Other Receivables Reconciliation</b>	
<b>Net Receivable on Government-wide Financial Statements</b>	<b>\$ 35,397</b>
Taxes Receivable on Governmental Fund Financial Statements	(11,385)
Other Receivables on Internal Service Fund	(92)
<b>Net Other Receivables on Governmental Fund Financial Statements</b>	<b>\$ 23,920</b>

**a. Developer Loans**

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$42,991,000 at year-end. These loans are allowed until a future event occurs. Loans to the Low and Moderate Income Housing Asset Fund total \$25,188,000, loans made under the Home Program total \$15,653,000, and loan made under the Affordable Housing In-Lieu Program total \$2,150,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$42,991,000 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 \$2,873,000 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 Nine-Month Period Ended June 30, 2018**

**3. OTHER RECEIVABLES (Continued)**

**b. 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 June 30, 2018 is \$7,632,000.

**c. 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 \$2,592,000 at year-end. The allowance for uncollectible developer loans is \$20,000. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

**d. 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 Nine-Month Period Ended June 30, 2018**

**4. UNEARNED REVENUE**

Governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned (unearned revenue). The amounts are as follows (in thousands):

	<b>General Fund</b>
Comm Services Unearned Revenue (Classes)	\$ 1,730

**5. 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	Total Unavailable Revenue
Property Taxes	\$ 243	\$ -	\$ -	\$ 243
Grants	-	694	-	694
Deferred Loans:				
Emerald Cove	-	-	7,632	7,632
Housing Rehabilitation	-	2,572	-	2,572
First Time Homebuyers	-	-	1,847	1,847
Other Unavailable Revenue	2,040	-	-	2,040
<b>Total</b>	<b>\$ 2,283</b>	<b>\$ 3,266</b>	<b>\$ 9,479</b>	<b>\$ 15,028</b>

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



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**6. 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)	9,556
<b>Total</b>	<b>\$ 429,641</b>

***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	\$ 13,494	\$ 36,838
CalPERS Safety Plan	6,368	30,006	1,305	21,050	58,729
<b>Total</b>	<b>\$ 11,589</b>	<b>\$ 47,950</b>	<b>\$ 1,484</b>	<b>\$ 34,544</b>	<b>\$ 95,567</b>

***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)	1,309	-		1,309
<b>Total</b>	<b>\$ 1,309</b>	<b>\$ 2,327</b>	<b>\$ 13,554</b>	<b>\$ 17,190</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**6. 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)	2,206
<b>Total</b>	<b>\$ 59,598</b>

**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 Nine-Month Period Ended June 30, 2018

### 6. 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 Nine-Month Period Ended June 30, 2018**

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

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	<b>Miscellaneous Agent Plans</b>	
	<b>Classic</b>	<b>PEPRA</b>
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, 2017 - June 30, 2018	28.428%	28.428%

	<b>Safety Agent Plans</b>	
	<b>Classic</b>	<b>PEPRA</b>
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%	11.000%
Required employer contribution rates		
October 1, 2017 - June 30, 2018	45.701%	45.701%





**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**6. 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 28.428% and 45.701% for the miscellaneous and safety plans, respectively, for the period October 1, 2017 through June 30, 2018.

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

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

For the nine-month period ended June 30, 2018, the contributions were:

	<b>Miscellaneous</b>	<b>Safety</b>	<b>Aggregate Total</b>
Contributions - employer	\$ 9,734	\$ 15,223	\$ 24,957



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**6. 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](http://www.calpers.ca.gov) under Forms and Publications.



## City of Huntington Beach Notes to Financial Statements For the Nine-Month Period Ended June 30, 2018

### 6. 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 Nine-Month Period Ended June 30, 2018**

**6. 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 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
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%

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

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

**e. Changes in the Net Pension Liability**

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

<b>Miscellaneous Plan</b>			
	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 contributions	(25,312)	(25,312)	-
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)	<u>\$ 557,090</u>	<u>\$ 393,812</u>	<u>\$ 163,278</u>

<b>Safety Plan</b>			
	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)
Benefit payments, including refunds of members contributions	(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)	<u>\$ 729,281</u>	<u>\$ 472,474</u>	<u>\$ 256,807</u>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**6. 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
<b>Aggregate Total</b>	<b>\$ 491,585</b>	<b>\$ 420,085</b>	<b>\$ 278,842</b>

**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 Nine-Month Period Ended June 30, 2018**

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

At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Miscellaneous Plan</b>			
		<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
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		13,494	
Total	\$	36,838	\$ (5,336)

<b>Safety Plan</b>			
		<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
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		21,050	
Total	\$	58,729	\$ (10,545)

For the Miscellaneous Plan and Safety Plan, \$13,494,000 and \$21,050,000, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Periods Ended June 30,	<b>Deferred Outflows/ (Inflows) of Resources</b>	
	<b>Miscellaneous</b>	<b>Safety</b>
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 Nine-Month Period Ended June 30, 2018

### 6. 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. Effective October 1, 2017, the City changed its fiscal year end from September 30 to June 30. As a result, the amortization of deferred outflows and inflows of resources for the nine-month period ended June 30, 2018 includes only the amortization of contributions made after September 30, 2017. There were no other subsequent events that would materially affect the results presented in this disclosure.

### 7. 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, 2017, the date of the Plan's most recent actuarial valuation, the average monthly benefit received by inactive plan members and beneficiaries receiving benefits is \$494. 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 Nine-Month Period Ended June 30, 2018**

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

**Employees Covered:** At June 30, 2018, the measurement date, the following employees were covered by the benefit terms for the Plan:

Inactive employees receiving benefits	722
Active employees	160
Inactive employees not receiving benefits	<u>-</u>
Total	<u><u>882</u></u>

**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 4.2% of total payroll for all permanent employees for the nine-month period ended June 30, 2018. 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 nine-month period ended June 30, 2018, the contributions were (in thousands):

Contributions - employer	\$ 3,507
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**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**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. The policy was reviewed at updated by the Board during the nine-month period ended June 30, 2018. 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 June 30, 2018 is listed below:

Asset Class	Strategic Allocation	Allocation as of June 30, 2018	Long Term Expected Rate of Return
Fixed Income	20.00%	20.23%	1.55%
Equity	74.00%	72.70%	5.35%
Real Estate	3.00%	3.05%	0.00%
Commodities	3.00%	3.08%	0.00%
Cash and Equivalents	0.00%	0.94%	0.45%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

Quoted market prices have been used to value investments as of June 30, 2018. 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 June 30, 2018:

**Concentration of Investments Equaling or Exceeding 5%**

Amer Cent Diversifi Bond Class I	5.77%
Columbia Corporate Income Y	5.78%
Baird Aggregate Bond Fd Instl	5.79%
Harbor Capital Appreciation Inst	7.90%
Vanguard Intl Grwth Fd	7.91%
Baron Emerging Markets Institutional	7.96%
Parnassus Core Equity Income Inst	7.96%
Cambiar Intl Equity Fund Ins	8.00%
T Rowe Price Intl Val Eqty Fd I	8.03%
Vanguard Equity Income Fund Admiral Shares	8.03%

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 nine-month period ended June 30, 2018, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 4.04%. 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 June 30, 2018, using an annual actuarial valuation as of September 30, 2017 rolled forward to June 30, 2018 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 Nine-Month Period Ended June 30, 2018**

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

**Actuarial Assumptions** – The total pension liabilities in the September 30, 2017 actuarial valuations for the June 30, 2018 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	2.75%
Salary Increases	CalPERS 1997-2011 Experience Study plus 3% aggregate increase
Investment Rate of Return	6.25% Net of Investment Expenses
Mortality Rate Table	CalPERS 1997-2011 Experience Study, mortality projected fully generational with Scale MP-2017
Retirement, Disability, Withdrawal	CalPERS 1997-2011 Experience Study plus 15% load on future service retirement liability added to reflect recent benefits experience.

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 2.75% 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



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

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

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, 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 Nine-Month Period Ended June 30, 2018**

**7. 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, 2017	\$ 64,586	\$ 57,957	\$ 6,629
Changes in the year:			
Service cost	344	-	344
Interest on the total pension liabilities	2,964	-	2,964
Differences between expected and actual experience	(794)	-	(794)
Changes of Assumptions	2,115	-	2,115
Benefit payments, including refunds of members contributions	(3,388)	(3,388)	-
Contributions - employer	-	3,507	(3,507)
Contributions - employee	-	-	-
Section 115 Trust segregation	-	(3,788)	3,788
Net investment income	-	2,128	(2,128)
Administrative expenses	-	(145)	145
Net changes	1,241	(1,686)	2,927
Balance at June 30, 2018	\$ 65,827	\$ 56,271	\$ 9,556

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:

<b>Plan's Aggregate Net Pension Liability/(Asset)</b>		
(in thousands)		
Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
\$ 16,253	\$ 9,556	\$ 3,851



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

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

For the nine-month period ended June 30, 2018, the City recognized pension expense in the amount of \$2,206,000 for the Supplemental Plan.

At June 30, 2018, 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	\$ (1,309)

For the Supplemental Plan, \$1,309,000 was reported as deferred inflows of resources related to pensions which will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	Deferred Inflows of Resources
2019	\$ (30)
2020	(826)
2021	(536)
2022	83
2023	-
Thereafter	-
	\$ (1,309)



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**8. 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 Nine-Month Period Ended June 30, 2018**

**8. 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.

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the plan:

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

	Postemployment Medical Insurance	PEMHCA
Retirees and beneficiares receiving benefits	245	171
Active Plan Members	886	375
Total Plan Participants	1,131	546

**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 \$597,000,000 for nine-month period ended June 30, 2018. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's policy is to make 100% of each year's ARC, 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 (\$125 in 2016, \$128 in 2017, and \$133 in 2018). 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 \$46.55 per employee for the Huntington Beach Firefighter's Association (HBFA) and \$93.10 for all other Safety groups in 2018. 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 Nine-Month Period Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS (Continued)**

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount rate – 5.50%
- Projected salary increases for covered employees due to inflation – aggregate increases of 3.00% per annum
- Investment Rate of Return – 5.50%, assuming actuarially determined contributions funded into CERBT Investment Strategy 3
- Mortality Rate<sup>1</sup> – Derived using CalPERS' membership data for all funds
- Pre-Retirement Turnover<sup>2</sup> – Derived using CalPERS' membership data for all funds
- PEMCHA minimum increases for actives - \$133 in 2018, with 4.25% annual increases beginning in 2019
- Healthcare Trend Rate – 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%

<sup>1</sup> Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications. Post-retirement mortality rates include mortality projected fully generational with Scale MP-17.

<sup>2</sup> The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS (Continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<b>CERBT Strategy 3</b>	
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	24%	4.82%
Fixed Income	39%	1.47%
Treasury Inflation-Protected Securities ("TIPS")	26%	1.29%
Commodities	3%	0.84%
Real Estate Investment Trusts ("REITS")	8%	3.76%
<b>Total</b>	<b>100%</b>	

\* Long-term expected rate of return is 5.50%

***Discount Rate***

The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS (Continued)**

The changes in the net OPEB Liability for the plan are as follows (in thousands):

	Increase / (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability / (Asset) (c) = (a) - (b)
<b>Balance at September 30, 2017</b> (Measurement Date September 30, 2016)	\$ 30,991	\$ 22,860	\$ 8,131
<b>Changes recognized for the measurement period:</b>			
Service Cost	877	-	877
Interest	1,293	-	1,293
Contributions - Employer	-	1,036	(1,036)
Net Investment Income	-	471	(471)
Benefit Payments	(1,036)	(1,036)	-
Administrative Expenses	-	(9)	9
<b>Net Changes</b>	<b>1,134</b>	<b>462</b>	<b>672</b>
<b>Balance at June 30, 2018</b> (Measurement Date June 30, 2017)	<b>\$ 32,125</b>	<b>\$ 23,322</b>	<b>\$ 8,803</b>

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017 (in thousands):

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
<b>Net OPEB Liability</b>	\$ 12,930	\$ 8,803	\$ 5,410



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017 (in thousands):

	<b>1% Decrease</b> (6.50% Non-Medicare / 5.50% Medicare, decreasing to 3.0% Non-Medicare / 3.0% Medicare)	<b>Current Discount Rate</b> (7.50% Non-Medicare / 6.50% Medicare, decreasing to 4.0% Non-Medicare / 4.0% Medicare)	<b>1% Increase</b> (8.50% Non-Medicare / 7.50% Medicare, decreasing to 5.0% Non-Medicare / 5.0% Medicare)
<b>Net OPEB Liability</b>	\$ 5,378	\$ 8,803	\$ 13,137

***OPEB Plan Fiduciary Net Position***

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
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**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS (Continued)**

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the nine-month period ended June 30, 2018, the City recognized OPEB expense of \$1,330,000. As of June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB Contributions subsequent to the measurement date	\$ 4,191	\$ -
Net difference between projected and actual earnings on OPEB Plan Investments	378	-
	<b>\$ 4,569</b>	<b>\$ -</b>

The \$4,191,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows (in thousands):

<b>Fiscal Year Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2019	\$ 94
2020	94
2021	94
2022	96
2023	-
Thereafter	-



## City of Huntington Beach Notes to Financial Statements For the Nine-Month Period Ended June 30, 2018

### 9. 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 provides member entities with liability coverage for claims that exceed the city's retained amount of \$1,000,000. The maximum coverage limit is \$27,000,000 which is inclusive of the self-insured retention. Over the last several years, BICEP has retained some liability as it has pooled a portion of the limit excess of the member retention and then reinsured the remainder through the open marketplace. The pooled structure has changed year to year based on the reinsurance rating and actuarial analysis. 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 Nine-Month Period Ended June 30, 2018**

**9. RISK MANAGEMENT (Continued)**

The Self Insurance Workers' Comp Internal Service Fund has a \$15.2 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 nine years.

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

**Governmental Activities:**

	<b>Workers' Compensation</b>	<b>General Liability</b>	<b>Total</b>
<b>Balance September 30, 2016</b>	<b>\$ 21,663</b>	<b>\$ 12,109</b>	<b>\$ 33,772</b>
Additions	13,367	1,829	15,196
Reductions	(7,537)	(2,045)	(9,582)
Net Increase (Decrease)	5,830	(216)	5,614
<b>Balance September 30, 2017</b>	<b>27,493</b>	<b>11,893</b>	<b>39,386</b>
Additions	6,322	2,559	8,881
Reductions	(5,004)	(2,981)	(7,985)
Net Increase (Decrease)	1,318	(422)	896
<b>Balance June 30, 2018</b>	<b>\$ 28,811</b>	<b>\$ 11,471</b>	<b>\$ 40,282</b>





**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**10. INTERFUND TRANSACTIONS**

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

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

	Other Governmental Funds		Total Due from (Receivable):
	Lease Capital Project Fund	Senior Center Development	
<b>Due from (Receivable):</b>			
Other Governmental Funds			
Infrastructure Fund	\$ 722	\$ 34	\$ 756
<b>Total Due to (Payable):</b>	<u>\$ 722</u>	<u>\$ 34</u>	<u>\$ 756</u>

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

**b. Advances to/from Other Funds**

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

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

There is a \$1,363,000 advance from the LMIHAF Capital Projects Fund to the Redevelopment Agency Private Purpose Trust Fund as of June 30, 2018 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 Nine-Month Period Ended June 30, 2018**

**10. INTERFUND TRANSACTIONS (Continued)**

**c. Transfers In/Out**

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

Transfers In	Transfers Out			Total Governmental Funds	Total Transfers In
	General Fund	Grants Special Revenue	Other Governmental Funds		
General Fund	\$ -	\$ 152	\$ -	\$ 152	\$ 152
Grants Special Revenue	-	-	20	20	20
Other Governmental Funds	13,089	-	-	13,089	13,089
<b>Total Governmental Funds</b>	<b>13,089</b>	<b>152</b>	<b>20</b>	<b>13,261</b>	<b>13,261</b>
Water Fund	-	11	-	11	11
Refuse Fund	38	10	-	48	48
Hazmat Service Fund	273	-	-	273	273
<b>Total Enterprise Funds</b>	<b>311</b>	<b>21</b>	<b>-</b>	<b>332</b>	<b>332</b>
<b>Total Transfers Out</b>	<b>\$ 13,400</b>	<b>\$ 173</b>	<b>\$ 20</b>	<b>\$ 13,593</b>	<b>\$ 13,593</b>

The following is a summary of the significant transfers:

- \$13,089,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$4,704,000, strategic plan technology initiatives including the Police Computer Aided Dispatch (CAD) and Records Management System (RMS) software of \$1,863,000, and infrastructure related projects including road repairs, police facility repairs and enhancement, equipment, and other capital improvement projects of \$6,522,000.
- \$38,000 was transferred from the General Fund to the Refuse Enterprise Fund to fund the senior citizen rate reduction on refuse charges.
- \$273,000 was transferred from the General Fund to the Hazmat Service Enterprise Fund to fund the year end fund deficit.
- \$152,000 was transferred from the Grants Special Revenue Fund to the General Fund to cover qualified grant expenditures.
- \$11,000 was transferred from the Grants Special Revenue Fund to the Water Enterprise Fund to cover qualified grant expenditures.
- \$10,000 was transferred from the Grants Special Revenue Fund to the Refuse Enterprise Fund to cover qualified grant expenditures.
- \$20,000 was transferred from Other Governmental Funds to the Grant Special Revenue Fund to utilize air quality funding for Project V, OCTA Grant/Shuttle Services.



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**11. LONG-TERM OBLIGATIONS**

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

<b>Governmental Activities:</b>	<b>September</b>			<b>June 30,</b>	<b>Accrued</b>	<b>Due Within</b>
<b>Public Financing Authority:</b>	<b>30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>2018</b>	<b>Interest</b>	<b>One Year</b>
2010(a) Lease Revenue Bonds	\$ 9,030	\$ -	\$ -	\$ 9,030	\$ 146	\$ 795
2011(a) Lease Revenue Bonds	19,735	-	-	19,735	264	1,965
2014(a) Lease Revenue Bonds	13,740	-	-	13,740	163	595
<b>Total Public Financing Authority</b>	<b>42,505</b>	<b>-</b>	<b>-</b>	<b>42,505</b>	<b>573</b>	<b>3,355</b>
<b>Other Long-Term Obligations:</b>						
Compensated Absences	11,731	3,129	(3,029)	11,831	-	4,350
Claims Payable	39,386	8,881	(7,985)	40,282	-	10,984
Pollution Remediation	2,000	-	-	2,000	-	-
Section 108 Loan City	430	-	-	430	6	210
LED Lighting Phase I	866	-	(104)	762	4	107
I-Bank CLEEN Loan	2,730	-	-	2,730	26	276
CEC Loan	3,000	-	-	3,000	-	-
Leases Payable	6,286	-	(207)	6,079	88	995
<b>Total Other Long-Term Obligations</b>	<b>66,429</b>	<b>12,010</b>	<b>(11,325)</b>	<b>67,114</b>	<b>124</b>	<b>16,922</b>
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>\$ 108,934</b>	<b>\$ 12,010</b>	<b>\$ (11,325)</b>	<b>\$ 109,619</b>	<b>\$ 697</b>	<b>\$ 20,277</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

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

Increase in Compensated Absences	\$ 100
Increase in Claims Payable	896
<b>Increase in Above Schedule</b>	<b><u>996</u></b>
Internal Service Fund:	
Decrease in Current Portion of Compensated Absences	6
Decrease in Non-Current Portion of Compensated Absences	19
Increase in Current Portion of Claims Payable	(1,558)
Decrease in Non-Current Portion of Claims Payable	662
<b>Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements</b>	<b><u>\$ 125</u></b>
Principal Paid in Governmental Fund Financial Statements	\$ 311
<b>Decreases in Above Schedule</b>	<b><u>\$ 311</u></b>
 <b>Long-Term Obligations Due Within One Year in Above Schedule</b>	 <b>\$ 20,277</b>
Internal Service Fund:	
Current Portion of Compensated Absences	(12)
Current Portion of Claims Payable	(10,910)
<b>Reconciliation of the Long-Term Obligation Due Within One Year to the Statement of Net Position</b>	<b><u>\$ 9,355</u></b>
 <b>Long-Term Obligations Due in More than One Year in Above Schedule</b>	 <b>\$ 89,342</b>
Internal Service Fund:	
Non-Current Portion of Compensated Absences	(30)
Non-Current Portion of Claims Payable	(29,372)
<b>Reconciliation of the Long-Term Obligation Due in More than One Year to the Statement of Net Position</b>	<b><u>\$ 59,940</u></b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**a. Public Financing Authority**

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

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

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 795	\$ 428	\$ 1,223
2020	825	391	1,216
2021	865	349	1,214
2022	905	305	1,210
2023	550	268	818
2024-2028	3,185	889	4,074
2029-2031	1,905	136	2,041
<b>Total</b>	<b>\$ 9,030</b>	<b>\$ 2,766</b>	<b>\$ 11,796</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

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

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

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 1,965	\$ 765	\$ 2,730
2020	2,045	674	2,719
2021	1,060	607	1,667
2022	1,095	564	1,659
2023	1,150	519	1,669
2024-2028	6,360	1,943	8,303
2029-2032	6,060	541	6,601
<b>Total</b>	<b>\$ 19,735</b>	<b>\$ 5,614</b>	<b>\$ 25,349</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**11. 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 <sup>st</sup> , September 1 <sup>st</sup>
Principal Payment Dates	September 1 <sup>st</sup>
Purpose of Debt	Finance the construction of a new Senior Center

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 595	\$ 483	\$ 1,078
2020	615	456	1,071
2021	650	431	1,081
2022	665	411	1,076
2023	685	384	1,069
2024-2028	3,900	1,465	5,365
2029-2033	4,580	789	5,369
2034-2035	2,050	83	2,133
<b>Total</b>	<b>\$ 13,740</b>	<b>\$ 4,502</b>	<b>\$ 18,242</b>

**b. Other Long-Term Obligations**

**(1) Compensated Absences**

There is no repayment schedule to pay the compensated absences amount of \$11,831,000 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 Nine-Month Period Ended June 30, 2018**

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

**(2) Claims Payable**

There is no repayment schedule for the claims payable for governmental activities of \$40,282,000 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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	August 1 <sup>st</sup>
Purpose of Debt	Capital Improvements. Section 108 Loan

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 210	\$ 11	\$ 221
2020	220	4	224
<b>Total</b>	<b>\$ 430</b>	<b>\$ 15</b>	<b>\$ 445</b>





**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**11. 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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	August 1 <sup>st</sup>
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):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 107	\$ 25	\$ 132
2020	110	21	131
2021	114	18	132
2022	118	14	132
2023	122	10	132
2024-2025	191	7	198
<b>Total</b>	<b>\$ 762</b>	<b>\$ 95</b>	<b>\$ 857</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**11. 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 <sup>st</sup> and August 1 <sup>st</sup>
Principal Payment Dates	August 1 <sup>st</sup>
Purpose of Debt	To purchase and upgrade street pole lighting to energy efficient LED light sources

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 276	\$ 60	\$ 336
2020	283	54	336
2021	289	47	336
2022	296	40	336
2023	303	33	336
2024-2027	1,283	60	1,343
<b>Total</b>	<b>\$ 2,730</b>	<b>\$ 295</b>	<b>\$ 3,025</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**11. 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 <sup>nd</sup> and December 22 <sup>nd</sup>
Principal Payment Dates	June 22 <sup>nd</sup> and December 22 <sup>nd</sup>
Purpose of Debt	To upgrade street pole lighting to energy efficient LED light sources

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ -	\$ -	\$ -
2020	162	121	283
2021	255	28	283
2022	258	25	283
2023	260	23	283
2024-2028	1,341	73	1,414
2029-2031	724	11	736
<b>Total</b>	<b>\$ 3,000</b>	<b>\$ 282</b>	<b>\$ 3,282</b>

\*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 Nine-Month Period Ended June 30, 2018**

**11. 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):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 995	\$ 115	\$ 1,110
2020	1,014	97	1,111
2021	1,033	78	1,111
2022	906	59	965
2023	924	42	965
2024-2025	1,207	30	1,237
<b>Total</b>	<b>\$ 6,079</b>	<b>\$ 421</b>	<b>\$ 6,500</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

**c. 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, 2017	Additions	Retirements	June 30, 2018	Due Within One Year
Compensated Absences	\$ 1,568	\$ 297	\$ (304)	\$ 1,561	\$ 426
<b>Total Long-Term Obligations - Business-Type Activities</b>	<b>\$ 1,568</b>	<b>\$ 297</b>	<b>\$ (304)</b>	<b>\$ 1,561</b>	<b>\$ 426</b>

**(1) Compensated Absences**

There is no repayment schedule for the compensated absences amount of \$1,561,000 relating to business-type activities. The balance for the outstanding business-type compensated absences is predominately related to the Water and Sewer funds.

**d. 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, 2017	Additions	Retirements	June 30, 2018
Community Facilities District No. 1990-1 Special Tax Refunding Bonds	\$ 485	\$ -	\$ -	\$ 485
Community Facilities District No. 2000-1 2013 Special Tax Refunding Bonds	10,850	-	-	10,850
Community Facilities District No. 2002-1 Special Assessment Tax Bonds	4,220	-	-	4,220
Community Facilities District No. 2003-1 2013 Special Tax Refunding Bonds	18,025	-	-	18,025
<b>Total Community Facilities Districts</b>	<b>33,580</b>	<b>-</b>	<b>-</b>	<b>33,580</b>
Residential Redevelopment Bonds	4,200	-	-	4,200
<b>Total Obligations Not Recorded in Financial Statements</b>	<b>\$ 37,780</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,780</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**11. 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

**12. CAPITAL ASSETS**

**a. Changes in Capital Assets**

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

	September 30, 2017 (Restated)	Additions	Dispositions	June 30, 2018
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated:				
Land	\$ 361,267	\$ 634	\$ -	\$ 361,901
Construction in Progress	8,548	3,600	(403)	11,745
<b>Total Capital Assets -Not Depreciated</b>	<b>369,815</b>	<b>4,234</b>	<b>(403)</b>	<b>373,646</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	205,548	345	-	205,893
Machinery and Equipment	58,926	3,254	(590)	61,590
Infrastructure	389,183	9,386	(540)	398,029
<b>Total Capital Assets Being Depreciated</b>	<b>653,657</b>	<b>12,985</b>	<b>(1,130)</b>	<b>665,512</b>
Less Accumulated Depreciation:				
Buildings	(72,508)	(3,233)	-	(75,741)
Machinery and Equipment	(47,503)	(1,871)	590	(48,784)
Infrastructure	(211,029)	(5,412)	540	(215,901)
<b>Total Accumulated Depreciation</b>	<b>(331,040)</b>	<b>(10,516)</b>	<b>1,130</b>	<b>(340,426)</b>
Total Depreciated - Net	322,617	2,469	-	325,086
<b>Total Capital Assets</b>	<b>1,023,472</b>	<b>17,219</b>	<b>(1,533)</b>	<b>1,039,158</b>
Total Accumulated Depreciation	(331,040)	(10,516)	1,130	(340,426)
<b>Capital Assets of Governmental Activities - Net</b>	<b>\$ 692,432</b>	<b>\$ 6,703</b>	<b>\$ (403)</b>	<b>\$ 698,732</b>



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**12. CAPITAL ASSETS (Continued)**

	September 30, 2017 (Restated)	Additions	Dispositions	June 30, 2018
<b>Business-Type Activities:</b>				
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	1,458	3,801	(1,352)	3,907
<b>Total Capital Assets -Not Depreciated</b>	<b>5,365</b>	<b>3,801</b>	<b>(1,352)</b>	<b>7,814</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	92,567	-	-	92,567
Machinery and Equipment	13,155	2,060	-	15,215
Infrastructure	143,525	1,509	(102)	144,932
<b>Total Capital Assets Being Depreciated</b>	<b>249,247</b>	<b>3,569</b>	<b>(102)</b>	<b>252,714</b>
Less Accumulated Depreciation:				
Buildings	(25,185)	(1,725)	-	(26,910)
Machinery and Equipment	(10,960)	(452)	-	(11,412)
Infrastructure	(76,494)	(1,860)	102	(78,252)
<b>Total Accumulated Depreciation</b>	<b>(112,639)</b>	<b>(4,037)</b>	<b>102</b>	<b>(116,574)</b>
Total Depreciated - Net	136,608	(468)	-	136,140
<b>Total Capital Assets</b>	<b>254,612</b>	<b>7,370</b>	<b>(1,454)</b>	<b>260,528</b>
Total Accumulated Depreciation	(112,639)	(4,037)	102	(116,574)
<b>Capital Assets of Business Activities - Net</b>	<b>\$ 141,973</b>	<b>\$ 3,333</b>	<b>\$ (1,352)</b>	<b>\$ 143,954</b>

**b. Depreciation Expense**

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

<b>Department:</b>	
City Manager	\$ 51
Fire	191
Police	161
Community Services	1,258
Library Services	213
Public Works	7,279
Non-Departmental	1,294
Internal Service Fund depreciation charged to functions	69
<b>Total</b>	<b>\$ 10,516</b>

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

<b>Fund:</b>	
Water	\$ 2,518
Sewer Service	1,503
Refuse	16
<b>Total</b>	<b>\$ 4,037</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**13. 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, 2018 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 Nine-Month Period Ended June 30, 2018**

**14. 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 Nine-Month Period Ended June 30, 2018**

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

**a. Long-Term Debt**

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

Successor Agency:	September 30, 2017	Additions	Retirements	June 30, 2018	Accrued Interest	Due Within One Year
<b>Bonds Payable</b>						
1999 Tax Allocation Refunding Bonds	\$ 3,155	\$ -	\$ -	\$ 3,155	\$ 65	\$ 595
2002 Tax Allocation Bonds	6,880	-	-	6,880	143	1,295
<b>Total Bonds Payable</b>	<b>10,035</b>	<b>-</b>	<b>-</b>	<b>10,035</b>	<b>208</b>	<b>1,890</b>
<b>Other Long-Term Obligations</b>						
Mayer DDA	3,222	-	(260)	2,962	48	539
Bella Terra OPA (Parking)	11,711	-	(2,824)	8,887	2	1,612
Bella Terra AHA (Phase II)	15,541	-	(529)	15,012	2	529
CIM DDA (Parking & Infrastructure)	6,088	-	-	6,088	319	252
CIM DDA (Additional Parking)	387	-	-	387	29	11
Section 108 Loan RDA	1,010	-	-	1,010	13	490
Compensated Absences	71	16	(15)	72	-	20
<b>Total Other Long-Term Obligations</b>	<b>38,030</b>	<b>16</b>	<b>(3,628)</b>	<b>34,418</b>	<b>413</b>	<b>3,453</b>
<b>Total Long-Term Obligations</b>	<b>\$ 48,065</b>	<b>\$ 16</b>	<b>\$ (3,628)</b>	<b>\$ 44,453</b>	<b>\$ 621</b>	<b>\$ 5,343</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 595	\$ 143	\$ 738
2020	625	112	737
2021	365	88	453
2022	380	69	449
2023	405	49	454
2024-2025	785	38	823
<b>Total</b>	<b>\$ 3,155</b>	<b>\$ 499</b>	<b>\$ 3,654</b>



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

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

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 1,295	\$ 312	\$ 1,607
2020	1,370	245	1,615
2021	800	191	991
2022	840	150	990
2023	875	107	982
2024-2025	1,700	82	1,782
<b>Total</b>	<b>\$ 6,880</b>	<b>\$ 1,086</b>	<b>\$ 7,966</b>

***Pledged Revenues***

The Successor Agency will repay a total of \$11,619,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of June 30, 2018 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 Nine-Month Period Ended June 30, 2018**

**14. 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 \$2,962,000. 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 \$8,887,000. 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 \$15,012,000. 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 Nine-Month Period Ended June 30, 2018**

**14. 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 <sup>th</sup>
Principal Payment Dates	September 30 <sup>th</sup>
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 Nine-Month Period Ended June 30, 2018**

**14. 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 <sup>th</sup>
Principal Payment Dates	September 30 <sup>th</sup>
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 Nine-Month Period Ended June 30, 2018**

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

Debt service requirements to maturity are (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 490	\$ 25	\$ 515
2020	520	9	529
<b>Total</b>	<b>\$ 1,010</b>	<b>\$ 34</b>	<b>\$ 1,044</b>

**b. 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 Nine-Month Period Ended June 30, 2018**

**15. 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 \$548,200 in the nine-month period ending June 30, 2018. Sales tax sharing agreements include an agreement with Surf City Auto Group II, Inc. for a new Jeep car dealership that extends through 2038. The Sales tax sharing is a 50%/50% Auto Group/City split with base sales of \$1,681,797 (Jeep sales for 2016) 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 base sales of \$150,800.



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**15. 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 Nine-Month Period Ended June 30, 2018**

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

**d. Redevelopment Successor Agency Debt to City (Continued)**

	September 30, 2017	Additions	Reductions	June 30, 2018
<b>General Fund</b>				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	26,568	783	-	27,351
<b>Total General Fund</b>	<b>68,280</b>	<b>783</b>	<b>-</b>	<b>69,063</b>
<b>Sewer Fund</b>				
Direct Advances	282	3	-	285
Deferred Development Fees	176	2	-	178
<b>Total Sewer Fund</b>	<b>458</b>	<b>5</b>	<b>-</b>	<b>463</b>
<b>Drainage Fund</b>				
Direct Advances	681	8	-	689
Deferred Development Fees	188	2	-	190
<b>Total Drainage Fund</b>	<b>869</b>	<b>10</b>	<b>-</b>	<b>879</b>
<b>Park Acquisition and Development Fund</b>				
Direct Advances	5,606	64	-	5,670
Deferred Development Fees	417	4	-	421
<b>Total Park Acquisition and Development Fund</b>	<b>6,023</b>	<b>68</b>	<b>-</b>	<b>6,091</b>
<b>Water Fund</b>				
Direct Advances	4,220	48	-	4,268
<b>Total Water Fund</b>	<b>4,220</b>	<b>48</b>	<b>-</b>	<b>4,268</b>
<b>Total All Funds</b>	<b>\$ 79,850</b>	<b>\$ 914</b>	<b>\$ -</b>	<b>\$ 80,764</b>

**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 15f). Below is a schedule of the activity for the year (in thousands):

	September 30, 2017	Additions	Reductions	June 30, 2018
<b>General Fund</b>				
Emerald Cove	\$ 3,245	\$ -	\$ -	\$ 3,245



**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**15. 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 Nine-Month Period Ended June 30, 2018**

**15. 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. The City of San Bernardino withdrew from BICEP on July 1, 2017. There is currently no impact on the City of Huntington Beach's equity position in BICEP.

**16. RESTATEMENT OF NET POSITION**

For the nine-month period ended June 30, 2018, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB"). The implementation of GASB Statement No. 75 requires the City to record a beginning net OPEB liability and a deferred outflow of resources for contributions made after the measurement date.

GASB Implementation Guide No. 2017-1 also provided clarifying guidance regarding Section 115 Trust funds. Under this new guidance, the trust should be reported as a restricted asset of the City rather than as a fiduciary asset of the City's Supplemental Retirement Plan and the Net Pension Liability for the Supplemental Plan would be reduced accordingly.

The City also recorded a prior period adjustment as a result of an inventory evaluation of its Capital Assets during the fiscal year (see Note 17).



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**16. RESTATEMENT OF NET POSITION (Continued)**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position as October 1, 2017, as previously stated	\$ 425,350	\$ 193,150	\$ 618,500
Other Postemployment Benefits Asset	(11,723)	-	(11,723)
Section 115 Trust	3,788		3,788
Net OPEB Liability	(7,265)	(866)	(8,131)
Net Pension Liability	(3,458)	(330)	(3,788)
Deferred Outflow adjustment - Contributions subsequent to the measurement date	925	109	1,034
Differences between City's contributions and proportionate share of contributions			
Capital Assets adjustment, net	(55)	1,495	1,440
Total adjustments	<u>(17,788)</u>	<u>408</u>	<u>(17,380)</u>
Net position at October 1, 2017, as restated	<u>\$ 407,562</u>	<u>\$ 193,558</u>	<u>\$ 601,120</u>

The following is the pro- forma effect of the retroactive application:

	<u>Water Fund</u>	<u>Sewer Service Fund</u>	<u>Refuse Fund</u>	<u>Hazmat Service Fund</u>	<u>Business-Type Total</u>
Net position as October 1, 2017, as previously stated	\$ 123,945	\$ 69,424	\$ (53)	\$ (166)	\$ 193,150
Net OPEB Liability	(622)	(213)	(22)	(9)	(866)
Net Pension Liability	(232)	(87)	(8)	(3)	(330)
Deferred Outflow adjustment - Contributions subsequent to the measurement date	78	27	3	1	109
Differences between City's contributions and proportionate share of contributions					-
Capital Assets adjustment, net	133	1,362	-	-	1,495
Total adjustments	<u>(643)</u>	<u>1,089</u>	<u>(27)</u>	<u>(11)</u>	<u>408</u>
Net position at October 1, 2017, as restated	<u>\$ 123,302</u>	<u>\$ 70,513</u>	<u>\$ (80)</u>	<u>\$ (177)</u>	<u>\$ 193,558</u>

	<u>Self-Insurance Workers' Comp</u>	<u>Self-Insurance General Liability</u>	<u>Internal Service Funds Total</u>
Net position as October 1, 2017, as previously stated	\$ (17,133)	\$ 505	\$ (16,628)
Net OPEB Liability	(27)	(12)	(39)
Net Pension Liability	(15)	-	(15)
Deferred Outflow adjustment - Contributions subsequent to the measurement date	3	1	4
Differences between City's contributions and proportionate share of contributions			-
Capital Assets adjustment, net	-	-	-
Total adjustments	<u>(39)</u>	<u>(11)</u>	<u>(50)</u>
Net position at October 1, 2017, as restated	<u>\$ (17,172)</u>	<u>\$ 494</u>	<u>\$ (16,678)</u>



**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**16. RESTATEMENT OF NET POSITION (Continued)**

	<u>September 30,</u> <u>2017</u>	<u>Restatement</u>	<u>September 30,</u> <u>2017 (Restated)</u>
<b>Governmental Activities</b>			
Other Postemployment Benefits Asset	\$ 11,723	\$ (11,723)	\$ -
Section 115 Trust	-	3,788	3,788
Net OPEB Liability	-	(7,265)	(7,265)
Net Pension Liability	398,989	(3,458)	395,531
Deferred Outflows of Resources	66,255	925	67,180
Capital Assets, net	692,487	(55)	692,432
<b>Business-type Activities</b>			
Net OPEB Liability	\$ -	\$ (866)	\$ (866)
Net Pension Liability	27,725	(330)	27,395
Deferred Outflows of Resources	4,354	109	4,463
Capital Assets, net	140,478	1,495	141,973
<b>Water Fund</b>			
Net OPEB Liability	\$ -	\$ (622)	\$ (622)
Net Pension Liability	19,405	(232)	19,173
Deferred Outflows of Resources	3,046	78	3,124
Capital Assets, net	90,254	133	90,387
<b>Sewer Service Fund</b>			
Net OPEB Liability	\$ -	\$ (213)	\$ (213)
Net Pension Liability	7,258	(87)	7,171
Deferred Outflows of Resources	1,140	27	1,167
Capital Assets, net	50,009	1,362	51,371
<b>Refuse Fund</b>			
Net OPEB Liability	\$ -	\$ (22)	\$ (22)
Net Pension Liability	644	(8)	636
Deferred Outflows of Resources	101	3	104
Capital Assets, net	215	-	215
<b>Hazmat Service Fund</b>			
Net OPEB Liability	\$ -	\$ (9)	\$ (9)
Net Pension Liability	418	(3)	415
Deferred Outflows of Resources	67	1	68
<b>Self-Insurance Workers' Comp</b>			
Net OPEB Liability	\$ -	\$ (27)	\$ (27)
Net Pension Liability	1,340	(15)	1,325
Deferred Outflows of Resources	211	3	214
<b>Self-Insurance General Liability</b>			
Net OPEB Liability	\$ -	\$ (12)	\$ (12)
Net Pension Liability	-	-	-
Deferred Outflows of Resources	-	1	1
Capital Assets, net	-	-	-





**City of Huntington Beach**  
**Notes to Financial Statements**  
**For the Nine-Month Period Ended June 30, 2018**

**17. PRIOR PERIOD ADJUSTMENT**

The City conducted an inventory evaluation of Capital Assets during the fiscal year. The adjustment made as a result are recorded as a prior period adjustment to Capital Assets (in thousands):

	September 30, 2017	Prior Period Additions	Prior Period Dispositions	September 30, 2017 (Restated)
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated:				
Land	\$ 361,267	\$ -	\$ -	\$ 361,267
Construction in Progress	8,491	273	(216)	8,548
<b>Total Capital Assets -Not Depreciated</b>	<b>369,758</b>	<b>273</b>	<b>(216)</b>	<b>369,815</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	205,981	-	(433)	205,548
Machinery and Equipment	59,820	2,917	(3,811)	58,926
Infrastructure	389,183	-	-	389,183
<b>Total Capital Assets Being Depreciated</b>	<b>654,984</b>	<b>2,917</b>	<b>(4,244)</b>	<b>653,657</b>
Less Accumulated Depreciation:				
Buildings	(72,551)	-	43	(72,508)
Machinery and Equipment	(48,675)	(2,570)	3,742	(47,503)
Infrastructure	(211,029)	0	0	(211,029)
<b>Total Accumulated Depreciation</b>	<b>(332,255)</b>	<b>(2,570)</b>	<b>3,785</b>	<b>(331,040)</b>
Total Depreciated - Net	322,729	347	(459)	322,617
<b>Total Capital Assets</b>	<b>1,024,742</b>	<b>3,190</b>	<b>(4,460)</b>	<b>1,023,472</b>
Total Accumulated Depreciation	(332,255)	(2,570)	3,785	(331,040)
<b>Capital Assets of Governmental Activities - Net</b>	<b>\$ 692,487</b>	<b>\$ 620</b>	<b>\$ (675)</b>	<b>\$ 692,432</b>

	September 30, 2017	Prior Period Additions	Prior Period Dispositions	September 30, 2017 (Restated)
<b>Business-Type Activities:</b>				
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	1,458	-	-	1,458
<b>Total Capital Assets -Not Depreciated</b>	<b>5,365</b>	<b>-</b>	<b>-</b>	<b>5,365</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	91,244	2,052	(729)	92,567
Machinery and Equipment	12,276	1,069	(190)	13,155
Infrastructure	143,525	-	-	143,525
<b>Total Capital Assets Being Depreciated</b>	<b>247,045</b>	<b>3,121</b>	<b>(919)</b>	<b>249,247</b>
Less Accumulated Depreciation:				
Buildings	(25,198)	(716)	729	(25,185)
Machinery and Equipment	(10,240)	(888)	168	(10,960)
Infrastructure	(76,494)	-	-	(76,494)
<b>Total Accumulated Depreciation</b>	<b>(111,932)</b>	<b>(1,604)</b>	<b>897</b>	<b>(112,639)</b>
Total Depreciated - Net	135,113	1,517	(22)	136,608
<b>Total Capital Assets</b>	<b>252,410</b>	<b>3,121</b>	<b>(919)</b>	<b>254,612</b>
Total Accumulated Depreciation	(111,932)	(1,604)	897	(112,639)
<b>Capital Assets of Business Activities - Net</b>	<b>\$ 140,478</b>	<b>\$ 1,517</b>	<b>\$ (22)</b>	<b>\$ 141,973</b>

The City determined that the value of the capitalized assets reporting under Governmental and Business-Type Activities was overstated by \$55,000 and understated by \$1,495,000.





**City of Huntington Beach  
Notes to Financial Statements  
For the Nine-Month Period Ended June 30, 2018**

**17. PRIOR PERIOD ADJUSTMENT (Continued)**

As discussed in Note 16, GASB Implementation Guide No. 2017-1 also provided clarifying guidance regarding Section 115 Trust funds. Under this new guidance, the trust should be reported as a restricted asset of the City rather than as a fiduciary asset of the City's Supplemental Retirement Plan Fund. A prior period adjustment was recorded to report the Section 115 Trust in the General Fund.

**18. OTHER INFORMATION**

**a. Fund and Accumulated Deficits**

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

<b>Enterprise Funds:</b>	
Refuse Fund	\$ 128
<b>Internal Service Fund:</b>	
Self Insurance Workers' Comp	15,160

The fund deficit in the Refuse Fund is due to fees and charges below the costs to provide services and the implementation of GASB Nos. 68 and 75 that require the net pension liability and net other postemployment benefits 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 Nos. 68 and 75.

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. 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.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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## **City of Huntington Beach Required Supplementary Information For the Nine-Month Period Ended June 30, 2018**

### **Budgetary Information**

The City Council must annually adopt a budget by June 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 February 28<sup>th</sup> of each year, each department submits data to the City Manager 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 May 1<sup>st</sup>, 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 NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

**General Fund**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 83,694	\$ 79,058	\$ 80,614	\$ 1,556
Sales Taxes	41,496	30,758	31,364	606
Utility Taxes	19,460	13,743	14,014	271
Other Taxes	19,437	14,599	14,883	284
Licenses and Permits	7,890	6,128	6,247	119
Fines, Forfeitures and Penalties	4,342	2,989	3,048	59
Use of Money and Property	17,348	10,931	11,211	280
Intergovernmental	3,211	3,521	3,901	380
Charges for Current Service	25,945	18,401	18,132	(269)
Other	1,402	2,102	1,502	(600)
<b>Total Revenues</b>	<b>224,225</b>	<b>182,230</b>	<b>184,916</b>	<b>2,686</b>
<b>EXPENDITURES</b>				
Current:				
City Council	385	301	279	22
City Manager	2,564	2,190	1,928	262
City Treasurer	234	178	134	44
City Attorney	2,602	2,097	2,037	60
City Clerk	804	647	602	45
Finance	5,936	5,009	4,376	633
Human Resources	1,920	5,431	5,323	108
Community Development	7,386	5,940	5,428	512
Fire	46,809	36,976	36,304	672
Information Services	6,956	5,402	5,225	177
Police	75,782	57,520	57,218	302
Community Services	9,036	8,016	6,410	1,606
Library Services	4,550	3,807	3,283	524
Public Works	25,579	19,557	19,009	548
Non-Departmental	15,286	22,128	20,048	2,080
Debt Service:				
Principal	1,496	524	311	213
Interest	122	87	87	-
<b>Total Expenditures</b>	<b>207,447</b>	<b>175,810</b>	<b>168,002</b>	<b>7,808</b>
Excess of Revenues Over Expenditures	16,778	6,420	16,914	10,494
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	499	1,463	152	(1,311)
Transfers Out	(17,289)	(13,400)	(13,400)	-
Total Other Financing Sources (Uses)	(16,790)	(11,937)	(13,248)	(1,311)
Net Change In Fund Balances	(12)	(5,517)	3,666	9,183
<b>Fund Balance - Beginning of Year</b>	<b>61,180</b>	<b>61,180</b>	<b>61,180</b>	<b>-</b>
Prior Period Adjustment	3,788	3,788	3,788	-
<b>Fund Balance Beginning Restated</b>	<b>64,968</b>	<b>64,968</b>	<b>64,968</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 64,956</b>	<b>\$ 59,451</b>	<b>\$ 68,634</b>	<b>\$ 9,183</b>

**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
**(In Thousands)**

**Grants Special Revenue**

<b>REVENUES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Use of Money and Property	\$ 200	\$ 228	\$ 121	\$ (107)
Intergovernmental	2,578	20,331	5,412	(14,919)
<b>Total Revenues</b>	<b>2,778</b>	<b>20,559</b>	<b>5,533</b>	<b>(15,026)</b>
<b>EXPENDITURES</b>				
Current:				
City Manager	2,671	3,574	717	2,857
Community Development	257	241	126	115
Fire	-	143	43	100
Police	507	1,772	698	1,074
Community Services	-	251	176	75
Library Services	52	122	103	19
Public Works	717	15,031	4,542	10,489
Debt Service:				
Principal	5	214	-	214
Interest	-	14	7	7
<b>Total Expenditures</b>	<b>4,209</b>	<b>21,362</b>	<b>6,412</b>	<b>14,950</b>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(1,431)	(803)	(879)	(76)
<b>OTHER FINANCING USES</b>				
Transfers In	-	20	20	-
Transfers Out	-	(173)	(173)	-
Total Other Financing Uses	-	(153)	(153)	-
Net Change In Fund Balances	(1,431)	(956)	(1,032)	(76)
<b>Fund Balance - Beginning of Year</b>	<b>6,578</b>	<b>6,578</b>	<b>6,578</b>	<b>-</b>
<b>Fund Balance - End Of Year</b>	<b>\$ 5,147</b>	<b>\$ 5,622</b>	<b>\$ 5,546</b>	<b>\$ (76)</b>

**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
<b>Total Pension Liability</b>				
Service cost	\$ 8,084	\$ 7,436	\$ 7,102	\$ 7,263
Interest on total pension liability	37,749	37,194	35,653	34,412
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)
<b>Net change in total pension liability</b>	42,135	21,386	7,913	19,231
<b>Total pension liability - beginning</b>	514,955	493,569	485,656	466,425
<b>Total pension liability - ending (a)</b>	<u>\$ 557,090</u>	<u>\$ 514,955</u>	<u>\$ 493,569</u>	<u>\$ 485,656</u>
<b>Plan Fiduciary Net Position</b>				
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	-
<b>Net change in plan fiduciary net position</b>	30,665	(7,968)	(2,026)	46,488
<b>Plan fiduciary net position - beginning</b>	363,147	371,115	373,141	326,653
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 393,812</u>	<u>\$ 363,147</u>	<u>\$ 371,115</u>	<u>\$ 373,141</u>
<b>Net pension liability - beginning</b>	151,808	122,454	112,515	139,771
<b>Net pension liability - ending (a)-(b)</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
<b>Total Pension Liability</b>				
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)
<b>Net change in total pension liability</b>	<b>58,318</b>	<b>31,111</b>	<b>14,870</b>	<b>25,802</b>
<b>Total pension liability - beginning</b>	<b>670,963</b>	<b>639,852</b>	<b>624,982</b>	<b>599,180</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 729,281</b>	<b>\$ 670,963</b>	<b>\$ 639,852</b>	<b>\$ 624,982</b>
<b>Plan Fiduciary Net Position</b>				
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)	-	-
<b>Net change in plan fiduciary net position</b>	<b>38,750</b>	<b>(7,510)</b>	<b>530</b>	<b>55,712</b>
<b>Plan fiduciary net position - beginning</b>	<b>433,724</b>	<b>441,234</b>	<b>440,704</b>	<b>384,992</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 472,474</b>	<b>\$ 433,724</b>	<b>\$ 441,234</b>	<b>\$ 440,704</b>
<b>Net pension liability - beginning</b>	<b>237,239</b>	<b>198,618</b>	<b>184,278</b>	<b>214,188</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 256,807</b>	<b>\$ 237,239</b>	<b>\$ 198,618</b>	<b>\$ 184,278</b>
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**

<b>Total Pension Liability</b>	<b>2017-18**</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
Service cost	\$ 344	\$ 487	\$ 552	\$ 495	\$ 544
Interest on total pension liability	2,964	3,976	3,945	3,919	3,828
Differences between expected and actual experience	(794)	-	982	-	-
Changes in assumptions	2,115	1,515	2,928	-	-
Benefit payments, including refunds of employee contributions	(3,388)	(4,144)	(3,773)	(3,588)	(3,548)
<b>Net change in total pension liability</b>	<b>1,241</b>	<b>1,834</b>	<b>4,634</b>	<b>826</b>	<b>824</b>
<b>Total pension liability - beginning</b>	<b>64,586</b>	<b>62,752</b>	<b>58,118</b>	<b>57,292</b>	<b>56,468</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 65,827</b>	<b>\$ 64,586</b>	<b>\$ 62,752</b>	<b>\$ 58,118</b>	<b>\$ 57,292</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 3,507	\$ 5,346	\$ 7,277	\$ 4,678	\$ 4,539
Contributions - employee	-	-	-	-	-
Investment income	2,128	6,373	4,282	(1,313)	3,465
Administrative Expense	(145)	(182)	(189)	(170)	(176)
Benefit payments	(3,388)	(4,144)	(3,773)	(3,588)	(3,548)
Section 115 Trust Segregation	(3,788)	-	-	-	-
Other	-	-	-	3,183	258
<b>Net change in plan fiduciary net position</b>	<b>(1,686)</b>	<b>7,393</b>	<b>7,597</b>	<b>2,790</b>	<b>4,538</b>
<b>Plan fiduciary net position - beginning</b>	<b>57,957</b>	<b>50,564</b>	<b>42,967</b>	<b>40,177</b>	<b>35,639</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 56,271</b>	<b>\$ 57,957</b>	<b>\$ 50,564</b>	<b>\$ 42,967</b>	<b>\$ 40,177</b>
<b>Net pension liability - beginning</b>	<b>6,629</b>	<b>12,188</b>	<b>15,151</b>	<b>17,115</b>	<b>20,829</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 9,556</b>	<b>\$ 6,629</b>	<b>\$ 12,188</b>	<b>\$ 15,151</b>	<b>\$ 17,115</b>
Plan fiduciary net position as a percentage of the total pension liability	85.48%	89.74%	80.58%	73.93%	70.13%
Covered payroll	\$ 13,899	\$ 22,946	\$ 25,899	\$ 26,716	\$ 26,843
Net pension liability as a percentage of covered payroll	68.75%	28.89%	47.06%	56.71%	63.76%

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

\*\* - The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

**City of Huntington Beach**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Measurement Periods Ended June 30**  
**(in Thousands)**

Last Ten Fiscal Years\*

**Other Post Employment Benefits Plan**

Measurement Period	2017
<b>Total OPEB Liability</b>	
Service cost	\$ 877
Interest on the total OPEB liability	1,293
Benefit payments	(1,036)
Net change in total OPEB liability	1,134
Total OPEB liability - beginning	30,991
Total OPEB liability - ending (a)	\$ 32,125
 <b>Plan Fiduciary Net Position</b>	
Contribution - employer	\$ 1,036
Net investment income	471
Benefit payments	(1,036)
Administrative expense	(9)
Net change in plan fiduciary net position	462
Plan fiduciary net position - beginning	22,860
Plan fiduciary net position - ending (b)	\$ 23,322
Net OPEB liability - ending (a)-(b)	\$ 8,803
Plan fiduciary net position as a percentage of the total OPEB liability	72.60%
Covered payroll	\$ 68,095
Net OPEB liability as a percentage of covered payroll	12.93%

**Notes to Schedule:**

\* Fiscal year 2017/18 was the first year of implementation, therefore only one year of information is shown.

**City of Huntington Beach**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Nine-Month Period Ended June 30, 2018**  
**(in Thousands)**

**Last Ten Fiscal Years\***  
**CalPERS City Miscellaneous Plan - 99**

	2017-18 <sup>1,2</sup>	2016-17 <sup>1</sup>	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially determined contribution	\$ 9,734	\$ 11,921	\$ 11,238	\$ 10,510	\$ 8,685
Contributions in relation to the actuarially determined contributions	(9,734)	(11,921)	(11,238)	(10,510)	(8,685)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered payroll	\$ 33,211	\$ 45,026	\$ 44,077	\$ 44,544	\$ 43,271
Contributions as a percentage of covered payroll	29.31%	26.48%	25.50%	23.59%	20.07%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

**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 7/1/15-6/30/18, 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 7/1/16-6/30/18, 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 7/1/16-6/30/18, 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 Nine-Month Period Ended June 30, 2018**  
**(in Thousands)**

**Last Ten Fiscal Years\***  
**CalPERS City Safety Plan - 100**

	2017-18 <sup>1,2</sup>	2016-17 <sup>1</sup>	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially determined contribution	\$ 15,223	\$ 19,468	\$ 19,129	\$ 18,125	\$ 14,759
Contributions in relation to the actuarially determined contributions	(15,223)	(19,468)	(19,129)	(19,125)	(14,759)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,000)</b>	<b>\$ -</b>
Covered payroll	\$ 32,520	\$ 44,175	\$ 43,517	\$ 43,183	\$ 41,814
Contributions as a percentage of covered payroll	46.81%	44.07%	43.96%	44.29%	35.30%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

**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 7/1/15-6/30/18, 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 7/1/16-6/30/18, 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 7/1/16-6/30/18, 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 Nine-Month Period Ended June 30, 2018**  
**(in Thousands)**

**Last Ten Fiscal Years\***  
**Supplemental Retirement Plan**

	<u>2017-18<sup>1,2</sup></u>	<u>2016-17<sup>1</sup></u>	<u>2015-16<sup>1</sup></u>	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
Actuarially determined contribution	\$ 2,879	\$ 3,895	\$ 3,576	\$ 3,634	\$ 4,534
Contributions in relation to the actuarially determined contributions	(3,507)	(5,346)	(7,277)	(4,678)	(4,539)
<b>Contribution deficiency (excess)</b>	<u>\$ (628)</u>	<u>\$ (1,451)</u>	<u>\$ (3,701)</u>	<u>\$ (1,044)</u>	<u>\$ (5)</u>
Covered payroll	\$ 13,899	\$ 22,946	\$ 25,899	\$ 26,716	\$ 26,843
Contributions as a percentage of covered payroll	25.23%	23.30%	28.10%	17.51%	16.91%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine-month reporting period from October 1, 2017 to June 30, 2018.

**Notes to Schedule**

Valuation date:	9/30/2017	9/30/2015	9/30/2013	9/30/2013	9/30/2011
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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, Level dollar amortization
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 1997-2011 Experience Study plus 3.25% aggregate increase
Investment rate of return	6.5%, 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>2018<sup>2</sup></u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money Weighted Rate of Return, net of investment expense	4.04%	12.87%	10.20%	-2.82%	9.20%

**City of Huntington Beach**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Nine-Month Period Ended June 30, 2018**  
**(in Thousands)**

**Last Ten Fiscal Years\***  
**Other Post Employment Benefits Plan**

Fiscal Year Ended June 30	<u>2018**</u>
Actuarially Determined Contribution (ADC)	\$ 2,022
Contributions in relation to the ADC	<u>(4,192)</u>
Contribution deficiency (excess)	<u>\$ (2,170)</u>
Covered payroll**	\$ 66,321
Contributions as a percentage of covered-employee payroll	6.32%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were from the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	7.00% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1.
Healthcare cost-trend rates	7.0% initial, 1.0% - 2.0% near term increase then decreasing 0.5% per year to trend rate that reflects medical price inflation.
Retirement Age	Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @62 The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

\*\* For the nine-month period ending June 30, 2018. The City changed its fiscal year effective October 1, 2017.

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# **SUPPLEMENTARY INFORMATION**



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## City of Huntington Beach Other Governmental Funds

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

- The **Air Quality Fund** accounts for revenues from the local agencies used to improve local air quality.
- The **Development Impact Fee Fund** accounts for fees collected for new developments to be used for transportation, park land acquisition and development, library and other public facilities in an effort to mitigate the impacts of those new developments.
- The **Disability Access Fund** accounts for the State Mandated Disability Access Fee (SB 1186) to fund increased training certified access specialist (CASp) services for the public and to facilitate compliance with construction related accessibility requirements.
- The **Drainage Fund** accounts for fees received from developers to construct and maintain the City's drainage system.
- The **Fourth of July Parade Fund** accounts for the activities of the City's annual parade.
- The **Gas Tax Fund** accounts for monies 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 **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 **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 **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  
June 30, 2018  
(In Thousands)**

SPECIAL REVENUE FUNDS						
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
<b>ASSETS</b>						
Cash and Investments	\$ 989	\$ 14,907	\$ 91	\$ 1,271	\$ 71	\$ 3,194
Taxes Receivable	-	-	-	-	-	419
Other Receivables	68	51	-	4	-	8
<b>Total Assets</b>	<b>\$ 1,057</b>	<b>\$ 14,958</b>	<b>\$ 91</b>	<b>\$ 1,275</b>	<b>\$ 71</b>	<b>\$ 3,621</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ -	\$ 37	\$ -	\$ 16	\$ 37	\$ 210
Accrued Payroll	-	5	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>16</b>	<b>37</b>	<b>210</b>
<b>FUND BALANCES</b>						
<b>Restricted</b>						
Pollution Remediation	-	-	-	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	3,411
Low Income Housing	-	-	-	-	-	-
Air Quality	1,057	-	-	-	-	-
Other Capital Projects	-	14,916	-	1,259	-	-
Other Purposes	-	-	91	-	34	-
<b>Committed</b>						
Parks	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>1,057</b>	<b>14,916</b>	<b>91</b>	<b>1,259</b>	<b>34</b>	<b>3,411</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,057</b>	<b>\$ 14,958</b>	<b>\$ 91</b>	<b>\$ 1,275</b>	<b>\$ 71</b>	<b>\$ 3,621</b>

**CITY OF HUNTINGTON BEACH  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
June 30, 2018  
(In Thousands)  
(continued)**

SPECIAL REVENUE FUNDS						
Housing Residual Receipt	Park Acquisition and Development	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ 1,052	\$ 3,529	\$ 329	\$ 1,645	\$ 4,415	\$ 2,629	\$ 34,122
-	-	-	-	-	561	980
4	12	1	5	15	8	176
<u>\$ 1,056</u>	<u>\$ 3,541</u>	<u>\$ 330</u>	<u>\$ 1,650</u>	<u>\$ 4,430</u>	<u>\$ 3,198</u>	<u>\$ 35,278</u>
\$ -	\$ 2	\$ -	\$ 198	\$ 4	\$ 15	\$ 519
-	2	6	6	1	26	46
-	4	6	204	5	41	565
-	332	-	-	-	-	332
-	-	-	1,446	4,425	3,157	12,439
1,056	-	-	-	-	-	1,056
-	-	-	-	-	-	1,057
-	-	-	-	-	-	16,175
-	-	324	-	-	-	449
-	3,205	-	-	-	-	3,205
<u>1,056</u>	<u>3,537</u>	<u>324</u>	<u>1,446</u>	<u>4,425</u>	<u>3,157</u>	<u>34,713</u>
<u>\$ 1,056</u>	<u>\$ 3,541</u>	<u>\$ 330</u>	<u>\$ 1,650</u>	<u>\$ 4,430</u>	<u>\$ 3,198</u>	<u>\$ 35,278</u>

**CITY OF HUNTINGTON BEACH  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS**

**June 30, 2018  
(In Thousands)  
(continued)**

	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS		
	Public Financing Authority	Affordable Housing In-Lieu	Infrastructure	Lease Capital Project
<b>ASSETS</b>				
Cash and Investments	\$ 4,283	\$ 362	\$ 8,424	\$ -
Cash and Investments with Fiscal Agent	4,607	-	-	786
Taxes Receivable	-	-	-	-
Other Receivables	23	1	313	-
Due from Other Funds	-	-	756	-
Prepays	-	-	-	726
<b>Total Assets</b>	<b>\$ 8,913</b>	<b>\$ 363</b>	<b>\$ 9,493</b>	<b>\$ 1,512</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3	\$ 3	\$ 344	\$ -
Accrued Payroll	-	-	2	-
Due to Other Funds	-	-	-	722
<b>Total Liabilities</b>	<b>3</b>	<b>3</b>	<b>346</b>	<b>722</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Prepaid Insurance	-	-	-	726
<b>Restricted</b>				
Pollution Remediation	-	-	-	-
Debt Service	8,910	-	-	-
Highways, Streets and Transportation	-	-	-	-
Low Income Housing	-	360	-	-
Air Quality	-	-	-	-
Other Capital Projects	-	-	-	64
Other Purposes	-	-	-	-
<b>Committed</b>				
Parks	-	-	-	-
Other Capital Projects	-	-	9,147	-
<b>Assigned</b>				
Capital Improvement Reserve	-	-	-	-
<b>Total Fund Balances</b>	<b>8,910</b>	<b>360</b>	<b>9,147</b>	<b>790</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,913</b>	<b>\$ 363</b>	<b>\$ 9,493</b>	<b>\$ 1,512</b>

**CITY OF HUNTINGTON BEACH  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS**

**June 30, 2018  
(In Thousands)  
(continued)**

CAPITAL PROJECT FUNDS						Total Other Governmental Funds
Parking In-Lieu	Senior Center Development	Sewer Development	Technology	Total Capital Projects Funds		
\$ 454	\$ -	\$ 8,025	\$ 2,697	\$ 19,962	\$ 58,367	
-	905	-	-	1,691	6,298	
-	-	-	-	-	980	
3	-	40	5	362	561	
-	-	-	-	756	756	
-	-	-	-	726	726	
<u>\$ 457</u>	<u>\$ 905</u>	<u>\$ 8,065</u>	<u>\$ 2,702</u>	<u>\$ 23,497</u>	<u>\$ 67,688</u>	
\$ -	\$ -	\$ 74	\$ 1	\$ 422	\$ 944	
-	-	-	-	2	48	
-	34	-	-	756	756	
<u>-</u>	<u>34</u>	<u>74</u>	<u>1</u>	<u>1,180</u>	<u>1,748</u>	
-	-	-	-	726	726	
-	-	-	-	-	332	
-	-	-	-	-	8,910	
-	-	-	-	-	12,439	
-	-	-	-	360	1,416	
-	-	-	-	-	1,057	
-	871	-	-	935	17,110	
-	-	-	-	-	449	
-	-	-	-	-	3,205	
457	-	7,991	-	17,595	17,595	
-	-	-	2,701	2,701	2,701	
<u>457</u>	<u>871</u>	<u>7,991</u>	<u>2,701</u>	<u>22,317</u>	<u>65,940</u>	
<u>\$ 457</u>	<u>\$ 905</u>	<u>\$ 8,065</u>	<u>\$ 2,702</u>	<u>\$ 23,497</u>	<u>\$ 67,688</u>	

**CITY OF HUNTINGTON BEACH  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	3,506
Licenses and Permits	-	-	43	-	-	-
Use of Money and Property	2	-	-	4	1	3
Intergovernmental	252	-	-	-	58	-
Charges for Current Service	-	9,124	-	73	23	-
Other	-	-	-	-	69	24
<b>Total Revenues</b>	<u>254</u>	<u>9,124</u>	<u>43</u>	<u>77</u>	<u>151</u>	<u>3,533</u>
<b>EXPENDITURES</b>						
Current:						
Information Systems	-	-	-	-	-	-
Community Services	-	417	-	-	239	-
Library Services	-	50	-	-	-	-
Public Works	12	-	-	236	-	2,295
Non-Departmental	-	-	4	-	-	-
<b>Total Expenditures</b>	<u>12</u>	<u>467</u>	<u>4</u>	<u>236</u>	<u>239</u>	<u>2,295</u>
<b>Excess Of Revenues Over (Under) Expenditures</b>	<u>242</u>	<u>8,657</u>	<u>39</u>	<u>(159)</u>	<u>(88)</u>	<u>1,238</u>
<b>Other Financing Sources (Uses):</b>						
Transfers Out	(20)	-	-	-	-	-
<b>Total Other Financing Sources Sources (Uses)</b>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>222</u>	<u>8,657</u>	<u>39</u>	<u>(159)</u>	<u>(88)</u>	<u>1,238</u>
<b>Fund Balances - Beginning Of Year</b>	<u>835</u>	<u>6,259</u>	<u>52</u>	<u>1,418</u>	<u>122</u>	<u>2,173</u>
<b>Fund Balances - End Of Year</b>	<u>\$ 1,057</u>	<u>\$ 14,916</u>	<u>\$ 91</u>	<u>\$ 1,259</u>	<u>\$ 34</u>	<u>\$ 3,411</u>

**CITY OF HUNTINGTON BEACH  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

SPECIAL REVENUE FUNDS						
Housing Residual Receipt	Park Acquisiton and Development	ELM Automation Fund	Traffic Congestion Relief	Traffic Impact Fee	Transportation	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,480	\$ 2,480
-	-	-	-	-	-	3,506
-	-	-	-	-	-	43
3	12	3	4	6	12	50
-	-	-	736	-	-	1,046
-	98	238	-	714	-	10,270
28	-	-	-	-	-	121
<u>31</u>	<u>110</u>	<u>241</u>	<u>740</u>	<u>720</u>	<u>2,492</u>	<u>17,516</u>
-	-	160	-	-	-	160
-	690	-	-	-	-	1,346
-	-	-	-	-	-	50
-	-	-	832	90	2,542	6,007
11	-	-	-	-	-	15
<u>11</u>	<u>690</u>	<u>160</u>	<u>832</u>	<u>90</u>	<u>2,542</u>	<u>7,578</u>
<u>20</u>	<u>(580)</u>	<u>81</u>	<u>(92)</u>	<u>630</u>	<u>(50)</u>	<u>9,938</u>
-	-	-	-	-	-	(20)
-	-	-	-	-	-	(20)
<u>20</u>	<u>(580)</u>	<u>81</u>	<u>(92)</u>	<u>630</u>	<u>(50)</u>	<u>9,918</u>
1,036	4,117	243	1,538	3,795	3,207	24,795
<u>\$ 1,056</u>	<u>\$ 3,537</u>	<u>\$ 324</u>	<u>\$ 1,446</u>	<u>\$ 4,425</u>	<u>\$ 3,157</u>	<u>\$ 34,713</u>



**CITY OF HUNTINGTON BEACH**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
(In Thousands)  
(continued)

	DEBT SERVICE FUNDS	CAPITAL PROJECT FUNDS		
	Public Financing Authority	Affordable Housing In-Lieu	Infrastructure	Lease Capital Project
<b>REVENUES</b>				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Use of Money and Property	54	52	-	7
Intergovernmental	-	-	-	-
Charges for Current Service	-	-	-	-
Other	-	-	11	-
<b>Total Revenues</b>	<b>54</b>	<b>52</b>	<b>11</b>	<b>7</b>
<b>EXPENDITURES</b>				
Current:				
City Manager	-	-	-	-
Information Systems	-	-	-	-
Community Services	-	-	26	-
Library Services	-	-	-	-
Public Works	-	-	410	-
Non-Departmental	6	27	1,810	286
Debt Service:				
Interest	871	-	-	-
<b>Total Expenditures</b>	<b>877</b>	<b>27</b>	<b>2,246</b>	<b>286</b>
<b>Excess Of Revenues Over (Under) Expenditures</b>	<b>(823)</b>	<b>25</b>	<b>(2,235)</b>	<b>(279)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	4,704	-	6,522	-
Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,704</b>	<b>-</b>	<b>6,522</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>3,881</b>	<b>25</b>	<b>4,287</b>	<b>(279)</b>
<b>Fund Balances - Beginning of Year</b>	<b>5,029</b>	<b>335</b>	<b>4,860</b>	<b>1,069</b>
<b>Fund Balances - End of Year</b>	<b>\$ 8,910</b>	<b>\$ 360</b>	<b>\$ 9,147</b>	<b>\$ 790</b>

**CITY OF HUNTINGTON BEACH  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)  
(continued)**

CAPITAL PROJECT FUNDS						
Parking In-Lieu	Senior Center Development	Sewer Development	Technology	Total Capital Projects Funds	Total Other Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,480	
-	-	20	-	20	3,526	
3	-	-	-	3	46	
-	8	17	12	96	200	
-	-	25	-	25	1,071	
-	-	180	-	180	10,450	
-	-	-	-	11	132	
<u>3</u>	<u>8</u>	<u>242</u>	<u>12</u>	<u>335</u>	<u>17,905</u>	
498	-	-	-	498	498	
-	-	-	-	-	160	
-	-	-	-	26	1,372	
-	-	-	-	-	50	
-	49	340	-	799	6,806	
-	-	-	-	2,123	2,144	
-	-	-	-	-	871	
<u>498</u>	<u>49</u>	<u>340</u>	<u>-</u>	<u>3,446</u>	<u>11,901</u>	
<u>(495)</u>	<u>(41)</u>	<u>(98)</u>	<u>12</u>	<u>(3,111)</u>	<u>6,004</u>	
-	-	-	1,863	8,385	13,089	
-	-	-	-	-	(20)	
-	-	-	<u>1,863</u>	<u>8,385</u>	<u>13,069</u>	
<u>(495)</u>	<u>(41)</u>	<u>(98)</u>	<u>1,875</u>	<u>5,274</u>	<u>19,073</u>	
<u>952</u>	<u>912</u>	<u>8,089</u>	<u>826</u>	<u>17,043</u>	<u>46,867</u>	
<u>\$ 457</u>	<u>\$ 871</u>	<u>\$ 7,991</u>	<u>\$ 2,701</u>	<u>\$ 22,317</u>	<u>\$ 65,940</u>	

**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
**(In Thousands)**

**Air Quality**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 5	\$ 5	\$ 2	\$ (3)
Intergovernmental	255	255	252	(3)
<b>TOTAL REVENUES</b>	<b>260</b>	<b>260</b>	<b>254</b>	<b>(6)</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	91	495	12	483
Non-Departmental	-	300	-	300
<b>TOTAL EXPENDITURES</b>	<b>91</b>	<b>795</b>	<b>12</b>	<b>783</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>169</b>	<b>(535)</b>	<b>242</b>	<b>777</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	-	(20)	(20)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(20)</b>	<b>(20)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>169</b>	<b>(555)</b>	<b>222</b>	<b>777</b>
Fund Balance - Beginning of Year	835	835	835	-
Fund Balance - End of Year	<u>\$ 1,004</u>	<u>\$ 280</u>	<u>\$ 1,057</u>	<u>\$ 777</u>

**Development Impact Fee**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Charges for Current Service	\$ 860	\$ 6,182	\$ 9,124	\$ 2,942
<b>EXPENDITURES:</b>				
Current:				
Community Services	2,879	3,124	417	2,707
Library Services	50	50	50	-
Debt Service:				
Principal	10	10	-	10
<b>TOTAL EXPENDITURES</b>	<b>2,939</b>	<b>3,184</b>	<b>467</b>	<b>2,717</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,079)</b>	<b>2,998</b>	<b>8,657</b>	<b>5,659</b>
Fund Balance - Beginning of Year	6,259	6,259	6,259	-
Fund Balance - End of Year	<u>\$ 4,180</u>	<u>\$ 9,257</u>	<u>\$ 14,916</u>	<u>\$ 5,659</u>

**Disability Access**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Licenses and Permits	\$ 21	\$ 21	\$ 43	\$ 22
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	21	21	4	17
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>39</b>
Fund Balance - Beginning of Year	52	52	52	-
Fund Balance - End of Year	<u>\$ 52</u>	<u>\$ 52</u>	<u>\$ 91</u>	<u>\$ 39</u>

**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
(In Thousands)

**Drainage**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
From Use of Money and Property	\$ -	\$ -	\$ 4	\$ 4
Charges for Current Service	100	100	73	(27)
<b>TOTAL REVENUES</b>	<b>100</b>	<b>100</b>	<b>77</b>	<b>(23)</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	236	236	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>100</b>	<b>(136)</b>	<b>(159)</b>	<b>(23)</b>
<b>Fund Balance - Beginning of Year</b>	<b>1,418</b>	<b>1,418</b>	<b>1,418</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 1,518</b>	<b>\$ 1,282</b>	<b>\$ 1,259</b>	<b>\$ (23)</b>

**Fourth of July Parade**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 32	\$ 32	\$ 1	\$ (31)
Intergovernmental	70	70	58	(12)
Charges for Current Service	149	149	23	(126)
Other	108	108	69	(39)
<b>TOTAL REVENUES</b>	<b>359</b>	<b>359</b>	<b>151</b>	<b>(208)</b>
<b>EXPENDITURES:</b>				
Current:				
Community Services	430	375	239	136
<b>NET CHANGE IN FUND BALANCE</b>	<b>(71)</b>	<b>(16)</b>	<b>(88)</b>	<b>(72)</b>
<b>Fund Balance - Beginning of Year</b>	<b>122</b>	<b>122</b>	<b>122</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 51</b>	<b>\$ 106</b>	<b>\$ 34</b>	<b>\$ (72)</b>

**Gas Tax**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 3	\$ 3
Other Taxes	4,650	3,683	3,506	(177)
Other	-	-	24	24
<b>TOTAL REVENUES</b>	<b>4,650</b>	<b>3,683</b>	<b>3,533</b>	<b>(150)</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	4,392	5,760	2,295	3,465
<b>NET CHANGE IN FUND BALANCE</b>	<b>258</b>	<b>(2,077)</b>	<b>1,238</b>	<b>3,315</b>
<b>Fund Balance - Beginning of Year</b>	<b>2,173</b>	<b>2,173</b>	<b>2,173</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 2,431</b>	<b>\$ 96</b>	<b>\$ 3,411</b>	<b>\$ 3,315</b>

**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
**(In Thousands)**

**Housing Residual Receipt**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 3	\$ 3
Other	406	406	28	(378)
<b>TOTAL REVENUES</b>	<u>406</u>	<u>406</u>	<u>31</u>	<u>(375)</u>
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	50	60	11	49
<b>NET CHANGE IN FUND BALANCE</b>	<u>356</u>	<u>346</u>	<u>20</u>	<u>(326)</u>
Fund Balance - Beginning of Year	1,036	1,036	1,036	-
Fund Balance - End of Year	<u>\$ 1,392</u>	<u>\$ 1,382</u>	<u>\$ 1,056</u>	<u>\$ (326)</u>

**Park Acquisition and Development**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 12	\$ 12
Charges for Current Service	1,412	1,412	98	(1,314)
<b>TOTAL REVENUES</b>	<u>1,412</u>	<u>1,412</u>	<u>110</u>	<u>(1,302)</u>
<b>EXPENDITURES:</b>				
Current:				
Community Services	1,499	2,046	690	1,356
<b>NET CHANGE IN FUND BALANCE</b>	<u>(87)</u>	<u>(634)</u>	<u>(580)</u>	<u>54</u>
Fund Balance - Beginning of Year	4,117	4,117	4,117	-
Fund Balance - End of Year	<u>\$ 4,030</u>	<u>\$ 3,483</u>	<u>\$ 3,537</u>	<u>\$ 54</u>

**ELM Automation Fund**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
From Use of Money and Property	\$ -	\$ -	\$ 3	\$ 3
Charges for Current Service	225	225	238	13
<b>TOTAL REVENUES</b>	<u>225</u>	<u>225</u>	<u>241</u>	<u>16</u>
<b>EXPENDITURES:</b>				
Current:				
Information Systems	216	176	160	16
<b>NET CHANGE IN FUND BALANCE</b>	<u>9</u>	<u>49</u>	<u>81</u>	<u>32</u>
Fund Balance - Beginning of Year	243	243	243	-
Fund Balance - End of Year	<u>\$ 252</u>	<u>\$ 292</u>	<u>\$ 324</u>	<u>\$ 32</u>

**CITY OF HUNTINGTON BEACH  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
OTHER GOVERNMENTAL FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

**Traffic Congestion Relief**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ 3	\$ 3	\$ 4	\$ 1
Intergovernmental	782	339	736	397
<b>TOTAL REVENUES</b>	<b>785</b>	<b>342</b>	<b>740</b>	<b>398</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	812	1,770	832	938
<b>NET CHANGE IN FUND BALANCE</b>	<b>(27)</b>	<b>(1,428)</b>	<b>(92)</b>	<b>1,336</b>
<b>Fund Balance - Beginning of Year</b>	<b>1,538</b>	<b>1,538</b>	<b>1,538</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 1,511</b>	<b>\$ 110</b>	<b>\$ 1,446</b>	<b>\$ 1,336</b>

**Traffic Impact Fee**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 6	\$ 6
Charges for Current Service	100	100	714	614
<b>TOTAL REVENUES</b>	<b>100</b>	<b>100</b>	<b>720</b>	<b>620</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	2,311	90	2,221
<b>NET CHANGE IN FUND BALANCE</b>	<b>100</b>	<b>(2,211)</b>	<b>630</b>	<b>2,841</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,795</b>	<b>3,795</b>	<b>3,795</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 3,895</b>	<b>\$ 1,584</b>	<b>\$ 4,425</b>	<b>\$ 2,841</b>

**Transportation**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property Taxes				
Sales Taxes	\$ 3,247	\$ 1,889	\$ 2,480	\$ 591
Use of Money and Property	-	-	12	12
<b>TOTAL REVENUES</b>	<b>3,247</b>	<b>1,889</b>	<b>2,492</b>	<b>603</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	4,096	4,575	2,542	2,033
<b>NET CHANGE IN FUND BALANCE</b>	<b>(849)</b>	<b>(2,686)</b>	<b>(50)</b>	<b>2,636</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,207</b>	<b>3,207</b>	<b>3,207</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 2,358</b>	<b>\$ 521</b>	<b>\$ 3,157</b>	<b>\$ 2,636</b>

**CITY OF HUNTINGTON BEACH  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
OTHER GOVERNMENTAL FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

**Public Financing Authority**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 54	\$ 54
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	12	12	6	6
Debt Service:				
Principal	3,355	3,355	-	3,355
Interest	1,743	1,743	871	872
<b>TOTAL EXPENDITURES</b>	<b>5,110</b>	<b>5,110</b>	<b>877</b>	<b>4,233</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,110)</b>	<b>(5,110)</b>	<b>(823)</b>	<b>4,287</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	5,110	5,110	4,704	(406)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>3,881</b>	<b>3,881</b>
Fund Balance - Beginning of Year	5,029	5,029	5,029	-
Fund Balance - End of Year	<u>\$ 5,029</u>	<u>\$ 5,029</u>	<u>\$ 8,910</u>	<u>\$ 3,881</u>

**Affordable Housing In-Lieu**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 52	\$ 52
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	-	41	27	14
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(41)</b>	<b>25</b>	<b>66</b>
Fund Balance - Beginning of Year	335	335	335	-
Fund Balance - End of Year	<u>\$ 335</u>	<u>\$ 294</u>	<u>\$ 360</u>	<u>\$ 66</u>

**Infrastructure**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Other	\$ 10	\$ 10	\$ 11	\$ 1
<b>EXPENDITURES:</b>				
Current:				
Community Services	-	351	26	325
Public Works	-	6,941	410	6,531
Non-Departmental	3,100	3,979	1,810	2,169
<b>TOTAL EXPENDITURES</b>	<b>3,100</b>	<b>11,271</b>	<b>2,246</b>	<b>9,025</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,090)</b>	<b>(11,261)</b>	<b>(2,235)</b>	<b>9,026</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	3,100	5,722	6,522	800
Transfers Out	-	(722)	-	722
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,100</b>	<b>5,000</b>	<b>6,522</b>	<b>1,522</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>10</b>	<b>(6,261)</b>	<b>4,287</b>	<b>10,548</b>
Fund Balance - Beginning of Year	4,860	4,860	4,860	-
Fund Balance - End of Year	<u>\$ 4,870</u>	<u>\$ (1,401)</u>	<u>\$ 9,147</u>	<u>\$ 10,548</u>

**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
**(In Thousands)**

**Lease Capital Project**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 7	\$ 7
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	-	1,068	286	782
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(1,068)</b>	<b>(279)</b>	<b>789</b>
<b>Fund Balance - Beginning of Year</b>	<b>1,069</b>	<b>1,069</b>	<b>1,069</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 1,069</b>	<b>\$ 1</b>	<b>\$ 790</b>	<b>\$ 789</b>

**Parking In-Lieu**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Licenses and Permits	\$ 40	\$ 40	\$ 3	\$ (37)
<b>EXPENDITURES:</b>				
Current:				
City Manager	50	585	498	87
<b>NET CHANGE IN FUND BALANCE</b>	<b>(10)</b>	<b>(545)</b>	<b>(495)</b>	<b>50</b>
<b>Fund Balance - Beginning of Year</b>	<b>952</b>	<b>952</b>	<b>952</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 942</b>	<b>\$ 407</b>	<b>\$ 457</b>	<b>\$ 50</b>

**Senior Center Development**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 8	\$ 8
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	103	49	54
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(103)</b>	<b>(41)</b>	<b>62</b>
<b>Fund Balance - Beginning of Year</b>	<b>912</b>	<b>912</b>	<b>912</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 912</b>	<b>\$ 809</b>	<b>\$ 871</b>	<b>\$ 62</b>



**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
(In Thousands)

**Sewer Development**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Other Taxes	\$ -	\$ -	\$ 20	\$ 20
Use of Money and Property	-	-	17	17
Intergovernmental	-	-	25	25
Charges for Current Service	100	100	180	80
<b>TOTAL REVENUES</b>	<u>100</u>	<u>100</u>	<u>242</u>	<u>142</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	2,500	4,744	340	4,404
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,400)</u>	<u>(4,644)</u>	<u>(98)</u>	<u>4,546</u>
<b>Fund Balance - Beginning of Year</b>	<u>8,089</u>	<u>8,089</u>	<u>8,089</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 5,689</u>	<u>\$ 3,445</u>	<u>\$ 7,991</u>	<u>\$ 4,546</u>

**Technology**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of Money and Property	\$ -	\$ -	\$ 12	\$ 12
<b>EXPENDITURES:</b>				
Current:				
Information Systems	-	1,758	-	1,758
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(1,758)</u>	<u>12</u>	<u>1,770</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	1,758	1,863	105
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>1,758</u>	<u>1,863</u>	<u>105</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>1,875</u>	<u>1,875</u>
<b>Fund Balance - Beginning of Year</b>	<u>826</u>	<u>826</u>	<u>826</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 826</u>	<u>\$ 826</u>	<u>\$ 2,701</u>	<u>\$ 1,875</u>

**CITY OF HUNTINGTON BEACH  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 MAJOR GOVERNMENTAL FUNDS  
 FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
 (In Thousands)**

**LMIHAF Capital Projects Fund**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Use of Money and Property	\$ 406	\$ 406	\$ 68	\$ (338)
<b>EXPENDITURES:</b>				
Current:				
Non-Departmental	405	458	240	218
<b>Net Change in Fund Balance</b>	<b>1</b>	<b>(52)</b>	<b>(172)</b>	<b>(120)</b>
<b>Fund Balance - Beginning of Year</b>	<b>5,655</b>	<b>5,655</b>	<b>5,655</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 5,656</b>	<b>\$ 5,603</b>	<b>\$ 5,483</b>	<b>\$ (120)</b>

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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.
- The **Equipment Replacement Fund** accounts for the City's equipment replacement needs.

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**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2018**  
**(In Thousands)**

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 14,373	\$ 13,832	\$ 5,803	\$ 34,008
Other Receivables, Net	46	46	-	92
Prepays	600	923	-	1,523
<b>Total Current Assets</b>	<b>15,019</b>	<b>14,801</b>	<b>5,803</b>	<b>35,623</b>
Capital Assets:				
Machinery and Equipment	-	-	926	926
Construction in Progress	-	-	8	8
Less Accumulated Depreciation	-	-	(69)	(69)
<b>Total Capital Assets</b>	<b>-</b>	<b>-</b>	<b>865</b>	<b>865</b>
<b>Total Assets</b>	<b>15,019</b>	<b>14,801</b>	<b>6,668</b>	<b>36,488</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pensions	291	-	-	291
Deferred Outflows Related to Other Postemployment Benefits	15	7	-	22
<b>Total Deferred Outflows of Resources</b>	<b>306</b>	<b>7</b>	<b>-</b>	<b>313</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	223	92	541	856
Accrued Payroll	12	5	-	17
Current Portion of Claims Payable	5,762	5,148	-	10,910
Current Portion of Compensated Absences	4	8	-	12
<b>Total Current Liabilities</b>	<b>6,001</b>	<b>5,253</b>	<b>541</b>	<b>11,795</b>
Non-Current Liabilities:				
Compensated Absences	10	20	-	30
Net Pension Liability	1,352	-	-	1,352
Net Other Postemployment Benefits Liability	30	13	-	43
Claims Payable	23,049	6,323	-	29,372
<b>Total Non-Current Liabilities</b>	<b>24,441</b>	<b>6,356</b>	<b>-</b>	<b>30,797</b>
<b>Total Liabilities</b>	<b>30,442</b>	<b>11,609</b>	<b>541</b>	<b>42,592</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	43	-	-	43
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	-	865	865
Unrestricted	(15,160)	3,199	5,262	(6,699)
<b>Total Net Position</b>	<b>\$ (15,160)</b>	<b>\$ 3,199</b>	<b>\$ 6,127</b>	<b>\$ (5,834)</b>

**CITY OF HUNTINGTON BEACH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
(In Thousands)

	Governmental Activities			Internal Service Fund Total
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	
<b>OPERATING REVENUES</b>				
Fees and Charges for Service	\$ 8,346	\$ 4,974	\$ 7,023	\$ 20,343
<b>Total Operating Revenues</b>	<u>8,346</u>	<u>4,974</u>	<u>7,023</u>	<u>20,343</u>
<b>OPERATING EXPENSES</b>				
Supplies and Operations	1,260	243	827	2,330
Claims and Judgments	5,074	2,026	-	7,100
Depreciation	-	-	69	69
<b>Total Operating Expenses</b>	<u>6,334</u>	<u>2,269</u>	<u>896</u>	<u>9,499</u>
<b>Operating Income</b>	<u>2,012</u>	<u>2,705</u>	<u>6,127</u>	<u>10,844</u>
<b>Net Position - Beginning Of Year</b>	(17,133)	505	-	(16,628)
Prior Period Adjustment	(39)	(11)	-	(50)
<b>Net Position - Beginning of Year as Restated</b>	<u>(17,172)</u>	<u>494</u>	<u>-</u>	<u>(16,678)</u>
<b>Net Position- End Of Year</b>	<u>\$ (15,160)</u>	<u>\$ 3,199</u>	<u>\$ 6,127</u>	<u>\$ (5,834)</u>

**CITY OF HUNTINGTON BEACH  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018  
(In Thousands)**

	Governmental Activities			
	Self Insurance Workers' Comp	Self Insurance General Liability	Equipment Replacement Fund	Internal Service Fund Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers and Users	\$ 8,341	\$ 4,967	\$ 7,023	\$ 20,331
Cash Paid to Employees for Services	(429)	(139)	-	(568)
Cash Paid to Suppliers of Goods and Services	(4,591)	(1,774)	(286)	(6,651)
<b>Net Cash and Investment Provided (Used) by Operating Activities</b>	<b>3,321</b>	<b>3,054</b>	<b>6,737</b>	<b>13,112</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets	-	-	(934)	(934)
<b>Net Cash and Investments Used by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(934)</b>	<b>(934)</b>
Net Increase in Cash and Investments	3,321	3,054	5,803	12,178
Cash and Investments - Beginning of Year	11,052	10,778	-	21,830
<b>Cash and Investments - End of Year</b>	<b>\$ 14,373</b>	<b>\$ 13,832</b>	<b>\$ 5,803</b>	<b>\$ 34,008</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating (Loss)	\$ 2,012	\$ 2,705	\$ 6,127	\$ 10,844
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash and Investments Provided (Used) by Operating Activities</b>				
Depreciation	-	-	69	69
(Increase) in Other Receivables, Net	(5)	(7)	-	(12)
Decrease in Prepays	252	1,206	-	1,458
Increase (Decrease) in Accounts Payable	(136)	(431)	541	(26)
Increase in Accrued Payroll	2	3	-	5
Increase (Decrease) in Claims Payable	1,318	(422)	-	896
Increase (Decrease) in Compensated Absences	(30)	5	-	(25)
(Increase) in Deferred Pension Outflow	(80)	-	-	(80)
Decrease in Net Pension Liability	(3)	-	-	(3)
(Increase) in Deferred Other Postemployment Benefits Outflow	(12)	(6)	-	(18)
Increase in Ending Net Other Postemployment Benefits Liability	3	1	-	4
<b>Net Cash and Investments Provided (Used) by Operating Activities</b>	<b>\$ 3,321</b>	<b>\$ 3,054</b>	<b>\$ 6,737</b>	<b>\$ 13,112</b>



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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**  
**JUNE 30, 2018**

Agency Funds							
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	Total Agency Funds
<b>Assets:</b>							
Cash and Investments	\$ 183	\$ 2,637	\$ 493	\$ 372	\$ 3,914	\$ 6,363	\$ 13,962
Cash with Fiscal Agent	-	3,433	-	-	-	-	3,433
Accounts Receivable, Net	-	13	398	2	13	36	462
<b>Total Assets</b>	<b>\$ 183</b>	<b>\$ 6,083</b>	<b>\$ 891</b>	<b>\$ 374</b>	<b>\$ 3,927</b>	<b>\$ 6,399</b>	<b>\$ 17,857</b>
<b>Liabilities:</b>							
Accounts Payable	\$ -	\$ -	\$ 740	\$ 10	\$ 363	\$ 882	\$ 1,995
Accrued Payroll	-	-	-	8	-	-	8
Due to Bondholders	-	6,083	-	-	-	-	6,083
Held for Others	183	-	151	356	3,564	5,517	9,771
<b>Total Liabilities</b>	<b>\$ 183</b>	<b>\$ 6,083</b>	<b>\$ 891</b>	<b>\$ 374</b>	<b>\$ 3,927</b>	<b>\$ 6,399</b>	<b>\$ 17,857</b>

**CITY OF HUNTINGTON BEACH**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**

	Balance September 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>General Deposit</b>				
<b>Assets:</b>				
Cash and Investments	\$ 183	\$ -	\$ -	\$ 183
<b>Total Assets</b>	<b>\$ 183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 183</b>
<b>Liabilities:</b>				
Held for Others	\$ 183	\$ -	\$ -	\$ 183
<b>Total Liabilities</b>	<b>\$ 183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 183</b>
<b>Community Facilities Districts</b>				
<b>Assets:</b>				
Cash and Investments	\$ 125	\$ 4,333	\$ (1,821)	\$ 2,637
Cash with Fiscal Agent	3,408	25	-	3,433
Accounts Receivable, Net	1,038	13	(1,038)	13
<b>Total Assets</b>	<b>\$ 4,571</b>	<b>\$ 4,371</b>	<b>\$ (2,859)</b>	<b>\$ 6,083</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 2	\$ 137	\$ (139)	\$ -
Due to Bondholders	4,569	1,514	-	6,083
<b>Total Liabilities</b>	<b>\$ 4,571</b>	<b>\$ 1,651</b>	<b>\$ (139)</b>	<b>\$ 6,083</b>
<b>Business Improvement Districts</b>				
<b>Assets:</b>				
Cash and Investments	\$ 481	\$ 2,695	\$ (2,683)	\$ 493
Accounts Receivable, Net	316	529	(447)	398
<b>Total Assets</b>	<b>\$ 797</b>	<b>\$ 3,224</b>	<b>\$ (3,130)</b>	<b>\$ 891</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 680	\$ 3,397	\$ (3,337)	\$ 740
Held for Others	117	34	-	151
<b>Total Liabilities</b>	<b>\$ 797</b>	<b>\$ 3,431</b>	<b>\$ (3,337)</b>	<b>\$ 891</b>
<b>Central Net Operations Authority</b>				
<b>Assets:</b>				
Cash and Investments	\$ 375	\$ 551	\$ (554)	\$ 372
Accounts Receivable, Net	-	39	(37)	2
<b>Total Assets</b>	<b>\$ 375</b>	<b>\$ 590</b>	<b>\$ (591)</b>	<b>\$ 374</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 6	\$ 33	\$ (29)	\$ 10
Accrued Payroll	5	8	(5)	8
Held for Others	364	-	(8)	356
<b>Total Liabilities</b>	<b>\$ 375</b>	<b>\$ 41</b>	<b>\$ (42)</b>	<b>\$ 374</b>

**CITY OF HUNTINGTON BEACH**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2018**  
**(CONTINUED)**

	Balance September 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>Parking Structures</b>				
<b>Assets:</b>				
Cash and Investments	\$ 3,380	\$ 2,195	\$ (1,661)	\$ 3,914
Accounts Receivable, Net	12	14	(13)	13
<b>Total Assets</b>	<b>\$ 3,392</b>	<b>\$ 2,209</b>	<b>\$ (1,674)</b>	<b>\$ 3,927</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 166	\$ 1,352	\$ (1,155)	\$ 363
Held for Others	3,226	338	-	3,564
<b>Total Liabilities</b>	<b>\$ 3,392</b>	<b>\$ 1,690</b>	<b>\$ (1,155)</b>	<b>\$ 3,927</b>
<b>West Orange County Water Board</b>				
<b>Assets:</b>				
Cash and Investments	\$ 633	\$ 27,947	\$ (22,217)	\$ 6,363
Accounts Receivable, Net	-	6,722	(6,686)	36
<b>Total Assets</b>	<b>\$ 633</b>	<b>\$ 34,669</b>	<b>\$ (28,903)</b>	<b>\$ 6,399</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 28	\$ 1,972	\$ (1,118)	\$ 882
Held for Others	605	4,912	-	5,517
<b>Total Liabilities</b>	<b>\$ 633</b>	<b>\$ 6,884</b>	<b>\$ (1,118)</b>	<b>\$ 6,399</b>
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash and Investments	\$ 5,177	\$ 37,721	\$ (28,936)	\$ 13,962
Cash with Fiscal Agent	3,408	25	-	3,433
Accounts Receivable, Net	1,366	7,317	(8,221)	462
<b>Total Assets</b>	<b>\$ 9,951</b>	<b>\$ 45,063</b>	<b>\$ (37,157)</b>	<b>\$ 17,857</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 882	\$ 6,891	\$ (5,778)	\$ 1,995
Accrued Payroll	5	8	(5)	8
Due to Bondholders	4,569	1,514	-	6,083
Held for Others	4,495	5,284	(8)	9,771
<b>Total Liabilities</b>	<b>\$ 9,951</b>	<b>\$ 13,697</b>	<b>\$ (5,791)</b>	<b>\$ 17,857</b>

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## City of Huntington Beach Statistical Section

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

<p><b>Financial Trends</b> – contain trend information to aid the reader understand how the City's financial performance has changed over time.</p>
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<p><b>Revenue Capacity</b> – contain information to help the reader assess the City's most significant local revenue source, the property tax.</p>
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<p><b>Debt Capacity</b> – present information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>
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<p><b>Demographic and Economic Information</b> – offers information to help the reader understand the environment within which the City's financial activities take place.</p>
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<p><b>Operating Information</b> – contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.</p>
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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				
	June 30, 2018***	September 30,			
	2017	2016	2015	2014	
<b>Governmental Activities</b>					
Net investment in capital assets	650,466	\$ 646,336	\$ 624,180	\$ 615,512	\$ 618,825
Restricted	58,537	41,888	41,555	52,270	34,018
Unrestricted	(254,528)	(262,874)	(222,863)	(222,787)	89,524
<b>Total Governmental Activities Net Position</b>	<b>\$ 454,475</b>	<b>\$ 425,350</b>	<b>\$ 442,872</b>	<b>\$ 444,995</b>	<b>\$ 742,367</b>
<b>Business - Type Activities</b>					
Net investment in capital assets	143,954	\$ 140,478	\$ 142,566	\$ 142,616	\$ 140,770
Restricted	25,886	30,444	32,049	28,096	27,951
Unrestricted	27,492	22,228	21,997	28,476	53,166
<b>Total Business - Type Activities Net Position</b>	<b>\$ 197,332</b>	<b>\$ 193,150</b>	<b>\$ 196,612</b>	<b>\$ 199,188</b>	<b>\$ 221,887</b>
<b>Primary Government</b>					
Net investment in capital assets	\$ 794,420	\$ 786,814	\$ 766,746	\$ 758,128	\$ 759,595
Restricted	84,423	72,332	73,604	80,366	61,969
Unrestricted	(227,036)	(240,646)	(200,866)	(194,311)	142,690
<b>Total Primary Government Net Position</b>	<b>\$ 651,807</b>	<b>\$ 618,500</b>	<b>\$ 639,484</b>	<b>\$ 644,183</b>	<b>\$ 964,254</b>

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

	Fiscal Year Ended				
	June 30, 2018***	September 30,			
	2017	2016	2015	2014	
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
City Council	\$ 218	\$ 347	\$ 321	\$ 270	\$ 258
City Manager	2,063	4,691	3,849	3,302	3,878
City Treasurer	101	216	208	158	169
City Attorney	1,536	3,307	2,598	2,284	2,321
City Clerk	475	889	806	855	747
Finance	3,455	6,201	5,765	5,208	5,314
Human Resources	4,760	5,693	6,814	5,169	4,616
Community Development*	4,301	7,576	7,208	6,605	7,091
Building	-	-	-	-	-
Fire	26,688	52,941	47,965	42,162	43,194
Information Services	4,375	7,047	6,852	6,552	6,456
Police	42,109	84,786	74,943	64,048	66,681
Economic Development**	-	-	-	-	-
Community Services	6,768	15,558	9,935	13,809	12,509
Library Services	2,890	5,064	4,611	4,246	4,024
Public Works	23,898	35,373	31,791	27,979	31,691
Non-Departmental	18,164	29,368	35,240	24,080	21,602
Interest on Long-Term Debt	1,467	2,063	2,119	2,245	1,946
<b>Total Governmental Activities</b>	<b>143,268</b>	<b>261,120</b>	<b>241,025</b>	<b>208,972</b>	<b>212,497</b>
<b>Business-type Activities:</b>					
Water Utility	28,414	45,940	41,643	38,614	41,499
Sewer Service	6,127	9,351	8,729	8,192	9,712
Refuse Collection	8,916	10,821	11,277	11,308	11,145
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	117	224	244	204	231
Ocean View Estates	-	-	-	-	-
<b>Total Business Type Activities</b>	<b>43,574</b>	<b>66,336</b>	<b>61,893</b>	<b>58,318</b>	<b>62,587</b>
<b>Total Business and Government Type Activities</b>	<b>\$ 186,842</b>	<b>\$ 327,456</b>	<b>\$ 302,918</b>	<b>\$ 267,290</b>	<b>\$ 275,084</b>

\* 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

\*\*\* The 2018 period reflects nine months of activity only as the fiscal year change resulted in reporting period from October 1, 2017 to June 30, 2018.

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

	Fiscal Year Ended				
	September 30,				
	2013	2012	2011	2010	2009
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 617,267	\$ 612,346	\$ 569,497	\$ 567,351	\$ 559,059
Restricted	51,867	44,220	51,195	49,100	48,198
Unrestricted	54,076	53,098	41,239	33,135	36,319
<b>Total Governmental Activities Net Position</b>	<b>\$ 723,210</b>	<b>\$ 709,664</b>	<b>\$ 661,931</b>	<b>\$ 649,586</b>	<b>\$ 643,576</b>
<b>Business - Type Activities</b>					
Net investment in capital assets	\$ 145,886	\$ 134,129	\$ 134,882	\$ 121,576	\$ 118,059
Restricted	27,488	27,804	27,988	30,512	30,794
Unrestricted	65,595	63,686	59,260	61,723	59,810
<b>Total Business - Type Activities Net Position</b>	<b>\$ 238,969</b>	<b>\$ 225,619</b>	<b>\$ 222,130</b>	<b>\$ 213,811</b>	<b>\$ 208,663</b>
<b>Primary Government</b>					
Net investment in capital assets	\$ 763,153	\$ 746,475	\$ 704,379	\$ 688,927	\$ 677,118
Restricted	79,355	72,024	79,183	79,612	78,992
Unrestricted	119,671	116,784	100,499	94,858	96,129
<b>Total Primary Government Net Position</b>	<b>\$ 962,179</b>	<b>\$ 935,283</b>	<b>\$ 884,061</b>	<b>\$ 863,397</b>	<b>\$ 852,239</b>

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

	Fiscal Year Ended				
	September 30,				
	2013	2012	2011	2010	2009
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
City Council	\$ 271	\$ 310	\$ 300	\$ 301	\$ 295
City Manager	1,583	1,767	1,502	1,674	1,861
City Treasurer	132	141	1,274	1,532	1,308
City Attorney	2,221	2,313	2,354	2,772	2,877
City Clerk	797	689	813	883	1,099
Finance	4,825	4,573	3,423	4,309	4,479
Human Resources	5,032	4,743	4,792	5,284	4,749
Community Development*	6,155	6,123	6,036	3,170	3,232
Building	-	-	-	4,608	9,549
Fire	36,323	35,336	35,393	33,545	33,942
Information Services	6,096	5,857	5,909	6,812	7,377
Police	60,466	60,690	60,192	59,049	60,551
Economic Development**	8,395	3,703	10,876	11,891	15,758
Community Services	15,521	15,586	16,104	16,147	17,110
Library Services	3,873	3,777	3,838	4,519	4,574
Public Works	28,500	26,508	27,232	26,483	29,514
Non-Departmental	25,563	19,190	19,595	24,303	21,196
Interest on Long-Term Debt	2,289	2,376	6,287	6,146	5,232
<b>Total Governmental Activities</b>	<b>208,042</b>	<b>193,682</b>	<b>205,920</b>	<b>213,428</b>	<b>224,703</b>
<b>Business-type Activities:</b>					
Water Utility	38,446	37,437	31,712	34,902	34,290
Sewer Service	7,253	7,623	6,338	6,575	7,306
Refuse Collection	10,882	10,785	10,690	10,585	10,623
Emerald Cove Housing	-	-	-	-	306
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	220	216	243	315	196
Ocean View Estates	-	-	-	-	-
<b>Total Business Type Activities</b>	<b>56,801</b>	<b>56,061</b>	<b>48,983</b>	<b>52,377</b>	<b>52,721</b>
<b>Total Business and Government Type Activities</b>	<b>\$ 264,843</b>	<b>\$ 249,743</b>	<b>\$ 254,903</b>	<b>\$ 265,805</b>	<b>\$ 277,424</b>

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

	Fiscal Year Ended				
	June 30, 2018***	2017	2016	2015	2014
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
Charges for Services					
City Council	\$ 91	\$ 108	\$ 116	\$ 71	\$ 68
City Manager	2,374	3,515	3,029	2,994	2,835
City Treasurer	81	100	101	639	621
City Attorney	4	5	4	143	139
City Clerk	229	257	201	199	321
Finance	1,746	2,047	2,277	1,353	1,313
Human Resources	373	654	513	1,263	2,499
Community Development*	5,448	7,448	9,252	10,670	9,357
Building	-	-	-	-	-
Fire	9,104	10,296	9,894	8,625	8,672
Information Services	381	501	521	834	809
Police	4,703	4,968	5,958	5,512	5,170
Economic Development**	-	-	-	-	-
Community Services	19,245	21,693	18,853	18,569	18,055
Library Services	237	476	408	495	434
Public Works	4,392	5,392	5,733	6,474	6,367
Non-Departmental	916	1,116	1,290	327	318
Total Charges for Services	49,324	58,576	58,150	58,168	56,978
Operating Grants	3,976	7,329	4,723	7,458	7,958
Capital Grants	6,055	3,408	5,939	9,809	5,486
<b>Total Governmental Activities Program Revenue</b>	<b>59,355</b>	<b>69,313</b>	<b>68,812</b>	<b>75,435</b>	<b>70,422</b>
<b>Business-Type Activities:</b>					
Water Utility	29,530	39,938	35,765	35,350	36,944
Sewer Service	8,362	10,854	11,280	11,239	10,665
Refuse Collection	8,820	11,282	11,215	11,221	11,006
Emerald Cove Housing	-	-	-	-	-
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	25	287	235	222	183
Ocean View Estates	-	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b>46,737</b>	<b>62,361</b>	<b>58,495</b>	<b>58,032</b>	<b>58,798</b>
Total Primary Government Program Revenue	106,092	131,674	127,307	133,467	129,220
<b>Net (Expense) Revenue:</b>					
Governmental Activities:	(83,913)	(191,807)	(172,213)	(133,537)	(142,075)
Business-Type Activities	3,163	(3,975)	(3,398)	(286)	(3,789)
<b>Total Net (Expense) Revenue</b>	<b>(80,750)</b>	<b>(195,782)</b>	<b>(175,611)</b>	<b>(133,823)</b>	<b>(145,864)</b>
<b>General Revenue and Other Changes in Net Position</b>					
<b>Governmental Activities:</b>					
Property Taxes	61,185	82,925	87,128	82,615	81,355
Sales Taxes	33,844	43,551	34,289	33,063	29,243
Utility Taxes	14,014	19,303	19,482	20,229	20,621
Other Taxes	14,883	17,991	17,313	16,464	15,601
Use of Money and Property	2,158	3,370	3,618	5,551	3,725
From Other Agencies	2,263	3,896	4,397	5,653	4,279
Other	2,811	2,438	5,693	4,440	6,903
Transfers	(332)	(51)	(38)	35	(38)
<b>Total Governmental Activities General Revenues</b>	<b>130,826</b>	<b>173,423</b>	<b>171,882</b>	<b>168,050</b>	<b>161,689</b>
<b>Business-Type Activities:</b>					
Use of Money and Property	279	462	939	1,281	1,015
Transfers	332	51	38	(35)	38
<b>Total Business-Type Activities General Revenues</b>	<b>611</b>	<b>513</b>	<b>977</b>	<b>1,246</b>	<b>1,053</b>
<b>Total General Revenues and Transfers</b>	<b>131,437</b>	<b>173,936</b>	<b>172,859</b>	<b>169,296</b>	<b>162,742</b>
Extraordinary Gain	-	-	-	-	-
<b>Changes in Net Position - Governmental Activities</b>	<b>46,913</b>	<b>(18,384)</b>	<b>(331)</b>	<b>34,513</b>	<b>19,614</b>
<b>Changes in Net Position - Business-Type Activities</b>	<b>3,774</b>	<b>(3,462)</b>	<b>(2,421)</b>	<b>960</b>	<b>(2,736)</b>
<b>Net Position - Beginning of Year</b>	<b>618,500</b>	<b>639,484</b>	<b>642,236</b>	<b>964,254</b>	<b>962,179</b>
<b>Prior Period Adjustment - Governmental Activities</b>	<b>(17,788)</b>	<b>862</b>	<b>-</b>	<b>(333,677)</b>	<b>(457)</b>
<b>Prior Period Adjustment - Business-Type Activities</b>	<b>408</b>	<b>-</b>	<b>-</b>	<b>(23,814)</b>	<b>(14,346)</b>
<b>Net Position - Beginning of Year as restated</b>	<b>601,120</b>	<b>640,346</b>	<b>642,236</b>	<b>606,763</b>	<b>947,376</b>
<b>Net Position - End of Year</b>	<b>\$ 651,807</b>	<b>\$ 618,500</b>	<b>\$ 639,484</b>	<b>\$ 642,236</b>	<b>\$ 964,254</b>

\* 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

\*\*\* The 2018 period reflects nine months of activity only as the fiscal year change resulted in reporting period from October 1, 2017 to June 30, 2018.

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

	Fiscal Year Ended				
	2013	2012	2011	2010	2009
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
Charges for Services					
City Council	\$ 66	\$ 65	\$ 63	\$ 62	\$ 94
City Manager	134	130	127	126	370
City Treasurer	602	585	568	566	765
City Attorney	135	131	127	456	50
City Clerk	248	170	98	106	108
Finance	1,275	1,238	1,202	1,234	1,264
Human Resources	1,236	1,150	1,117	1,103	1,254
Community Development*	9,411	7,706	6,084	682	801
Building	-	-	-	4,126	3,665
Fire	9,482	9,497	8,632	8,504	7,978
Information Services	786	763	741	731	674
Police	4,653	5,073	5,207	4,849	5,083
Economic Development**	2,505	2,303	2,800	2,685	3,049
Community Services	17,832	17,792	15,345	15,470	15,278
Library Services	634	466	325	415	437
Public Works	7,315	5,482	5,638	4,850	4,328
Non-Departmental	306	281	273	269	216
Total Charges for Services	<u>56,620</u>	<u>52,832</u>	<u>48,347</u>	<u>46,234</u>	<u>45,414</u>
Operating Grants	7,303	5,088	8,914	7,069	4,181
Capital Grants	7,191	6,624	5,198	7,418	25,625
<b>Total Governmental Activities Program Revenue</b>	<b><u>71,114</u></b>	<b><u>64,544</u></b>	<b><u>62,459</u></b>	<b><u>60,721</u></b>	<b><u>75,220</u></b>
<b>Business-Type Activities:</b>					
Water Utility	38,679	35,926	34,583	34,394	34,200
Sewer Service	12,267	11,546	10,532	10,565	10,535
Refuse Collection	10,950	10,786	10,631	10,506	10,386
Emerald Cove Housing	-	-	-	-	843
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	278	154	383	198	204
Ocean View Estates	-	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b><u>62,174</u></b>	<b><u>58,412</u></b>	<b><u>56,129</u></b>	<b><u>55,663</u></b>	<b><u>56,168</u></b>
Total Primary Government Program Revenue	<u>133,288</u>	<u>122,956</u>	<u>118,588</u>	<u>116,384</u>	<u>131,388</u>
<b>Net (Expense) Revenue:</b>					
Governmental Activities:	(136,928)	(129,138)	(143,461)	(152,707)	(149,483)
Business-Type Activities	5,373	2,351	7,146	3,286	3,447
<b>Total Net (Expense) Revenue</b>	<b><u>(131,555)</u></b>	<b><u>(126,787)</u></b>	<b><u>(136,315)</u></b>	<b><u>(149,421)</u></b>	<b><u>(146,036)</u></b>
<b>General Revenue and Other Changes in Net Position</b>					
<b>Governmental Activities:</b>					
Property Taxes	74,795	74,856	86,056	85,552	84,010
Sales Taxes	30,276	30,051	25,339	23,646	21,427
Utility Taxes	20,764	20,152	19,135	19,757	20,616
Other Taxes	14,568	12,930	13,368	11,629	12,085
Use of Money and Property	2,816	3,434	3,239	4,043	5,002
From Other Agencies	6,003	6,585	5,647	4,184	8,500
Other	5,240	4,941	3,060	5,448	7,849
Transfers	(38)	(38)	(38)	(38)	7,175
<b>Total Governmental Activities General Revenues</b>	<b><u>154,424</u></b>	<b><u>152,911</u></b>	<b><u>155,806</u></b>	<b><u>158,717</u></b>	<b><u>166,664</u></b>
<b>Business-Type Activities:</b>					
Use of Money and Property	137	1,100	1,135	1,824	3,351
Transfers	38	38	38	38	(7,175)
<b>Total Business-Type Activities General Revenues</b>	<b><u>175</u></b>	<b><u>1,138</u></b>	<b><u>1,173</u></b>	<b><u>1,862</u></b>	<b><u>(3,824)</u></b>
<b>Total General Revenues and Transfers</b>	<b><u>154,599</u></b>	<b><u>154,049</u></b>	<b><u>156,979</u></b>	<b><u>160,579</u></b>	<b><u>162,840</u></b>
<b>Extraordinary Gain</b>	<b><u>(4,669)</u></b>	<b><u>23,960</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Changes in Net Position - Governmental Activities</b>	<b>12,827</b>	<b>47,733</b>	<b>12,345</b>	<b>6,010</b>	<b>17,181</b>
<b>Changes in Net Position - Business-Type Activities</b>	<b>5,548</b>	<b>3,489</b>	<b>8,319</b>	<b>5,148</b>	<b>(377)</b>
<b>Net Position - Beginning of Year</b>	<b><u>935,283</u></b>	<b><u>884,061</u></b>	<b><u>863,397</u></b>	<b><u>852,239</u></b>	<b><u>835,435</u></b>
<b>Prior Period Adjustment - Governmental Activities</b>	<b>719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period Adjustment - Business-Type Activities</b>	<b>7,802</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position - Beginning of Year as restated</b>	<b><u>943,804</u></b>	<b><u>884,061</u></b>	<b><u>863,397</u></b>	<b><u>852,239</u></b>	<b><u>835,435</u></b>
<b>Net Position - End of Year</b>	<b><u>\$ 962,179</u></b>	<b><u>\$ 935,283</u></b>	<b><u>\$ 884,061</u></b>	<b><u>\$ 863,397</u></b>	<b><u>\$ 852,239</u></b>

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

	<u>Fiscal Year Ended</u> <u>June 30, 2018</u>
<b>General Fund:</b>	
Nonspendable	\$ 41
Restricted	6,384
Committed	25,011
Assigned	34,464
Unassigned	2,734
<b>Total General Fund</b>	<b><u>\$ 68,634</u></b>
<b>Other Governmental Funds:</b>	
Nonspendable	\$ 726
Restricted	52,742
Committed	20,800
Assigned	2,701
<b>Total Other Governmental Funds</b>	<b><u>\$ 76,969</u></b>

	<u>Fiscal Year Ended September 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>General Fund:</b>				
Nonspendable	\$ -	\$ -	\$ 4,479	\$ 4,378
Restricted	2,671	2,637	2,871	2,070
Committed	25,011	25,011	25,011	25,011
Assigned	33,498	35,199	32,431	29,595
Unassigned	-	-	-	-
<b>Total General Fund</b>	<b><u>\$ 61,180</u></b>	<b><u>\$ 62,847</u></b>	<b><u>\$ 64,792</u></b>	<b><u>\$ 61,054</u></b>
<b>Other Governmental Funds:</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	40,588	40,293	45,515	27,214
Committed	17,686	21,368	21,659	16,447
Assigned	826	838	161	151
Unassigned	-	-	-	-
<b>Total Other Governmental Funds</b>	<b><u>\$ 59,100</u></b>	<b><u>\$ 62,499</u></b>	<b><u>\$ 67,335</u></b>	<b><u>\$ 43,812</u></b>

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

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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				
	June 30, 2018*	2017	2016	September 30, 2015	2014
<b>REVENUES:</b>					
Property Taxes	\$ 80,614	\$ 80,826	\$ 86,382	\$ 82,472	\$ 79,460
Sales Taxes	33,844	43,551	39,305	32,234	30,454
Utility Taxes	14,014	19,303	19,482	20,229	20,621
Other Taxes	18,409	17,991	17,313	16,464	15,601
Licenses and Permits	6,293	8,812	9,820	9,270	7,976
Fines and Forfeitures	3,048	3,995	5,144	4,746	4,392
From Use of Money and Property	11,600	17,210	18,055	17,473	16,695
From Other Agencies	10,384	15,293	13,712	18,634	16,804
Charges for Current Service/Other Revenue	30,216	32,351	32,506	35,869	33,886
<b>TOTAL REVENUES</b>	<b>208,422</b>	<b>239,332</b>	<b>241,719</b>	<b>237,391</b>	<b>225,889</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
City Council	279	333	318	278	258
City Manager	3,143	4,116	3,092	2,703	3,040
City Treasurer	134	201	204	167	169
City Attorney	2,037	3,052	2,539	2,425	2,321
City Clerk	602	830	790	895	747
Finance	4,376	5,763	5,659	5,452	5,314
Human Resources	5,323	5,535	6,776	4,606	4,298
Community Development**	5,554	6,963	7,062	6,954	7,091
Building	-	-	-	-	-
Fire	36,347	46,831	46,200	45,008	42,602
Information Systems	5,385	6,603	6,742	6,846	6,456
Police	57,916	75,015	72,612	68,940	66,628
Economic Development***	-	-	-	-	-
Community Services	7,958	14,124	10,768	10,223	10,040
Library Services	3,436	4,422	4,247	4,146	3,739
Public Works	30,357	38,635	23,659	23,820	22,872
Non-Departmental	22,432	28,396	24,670	20,067	21,033
Capital Outlay****	-	-	27,269	14,986	10,729
Debt Service:					
Principal	311	5,091	5,933	5,454	4,797
Interest	965	2,066	2,138	2,226	1,987
<b>TOTAL EXPENDITURES</b>	<b>186,555</b>	<b>247,976</b>	<b>250,678</b>	<b>225,196</b>	<b>214,121</b>
<b>EXCESS (DEFICIENCY) OF</b>					
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>21,867</b>	<b>(8,644)</b>	<b>(8,959)</b>	<b>12,195</b>	<b>11,768</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	13,261	6,692	9,034	12,158	9,832
Issuance of Long-Term Debt	-	2,767	10,197	-	-
Issuance Premium	-	-	-	-	-
Payments to Escrow	-	-	-	-	-
Transfers Out	(13,593)	(6,743)	(17,053)	(14,238)	(9,870)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(332)</b>	<b>2,716</b>	<b>2,178</b>	<b>(2,080)</b>	<b>(38)</b>
<b>Extraordinary Item - Dissolution of RDA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) IN FUND BALANCES</b>	<b>\$ 21,535</b>	<b>\$ (5,928)</b>	<b>\$ (6,781)</b>	<b>\$ 10,115</b>	<b>\$ 11,730</b>
<b>DEBT SERVICE AS A PERCENTAGE OF</b>					
<b>NON-CAPITAL EXPENDITURES</b>	<b>0.7%</b>	<b>3.0%</b>	<b>3.7%</b>	<b>3.8%</b>	<b>3.5%</b>

\* The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

\*\* 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,				
	2013	2012	2011	2010	2009
<b>REVENUES:</b>					
Property Taxes	\$ 74,442	\$ 74,554	\$ 85,869	\$ 85,072	\$ 85,612
Sales Taxes	29,763	29,126	25,034	22,582	22,356
Utility Taxes	20,764	20,152	19,135	19,757	20,616
Other Taxes	14,568	12,930	13,368	11,629	12,085
Licenses and Permits	9,880	7,773	6,728	6,204	5,879
Fines and Forfeitures	4,058	4,252	4,334	3,965	4,144
From Use of Money and Property	16,046	16,855	15,660	16,330	17,285
From Other Agencies	18,237	18,537	17,659	19,893	21,152
Charges for Current Service/Other Revenue	34,150	30,051	26,996	26,401	24,894
<b>TOTAL REVENUES</b>	<b>221,908</b>	<b>214,230</b>	<b>214,783</b>	<b>211,833</b>	<b>214,023</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
City Council	260	310	300	301	295
City Manager	1,574	1,758	1,493	1,652	1,839
City Treasurer	132	141	1,274	1,532	1,308
City Attorney	2,221	2,313	2,354	2,772	2,877
City Clerk	797	689	798	868	1,084
Finance*	4,825	4,573	3,423	4,286	4,456
Human Resources	5,661	5,213	6,106	5,284	4,749
Community Development**	6,155	6,119	6,034	3,170	3,232
Building	-	-	-	3,449	4,176
Fire	35,920	35,145	34,546	32,816	33,596
Information Systems	6,096	5,857	5,879	6,782	7,339
Police	60,460	60,249	59,546	58,566	59,686
Economic Development***	7,012	3,389	13,784	14,704	11,086
Community Services	13,952	14,082	13,724	14,501	15,407
Library Services	3,588	3,492	3,546	4,158	4,336
Public Works	22,169	22,666	19,006	20,466	22,143
Non-Departmental	19,684	15,455	14,914	14,832	16,710
Capital Outlay****	10,745	11,096	6,872	17,175	38,494
Debt Service:					
Principal	9,381	6,012	9,446	7,351	11,480
Interest	2,321	2,564	6,397	6,368	5,383
<b>TOTAL EXPENDITURES</b>	<b>212,953</b>	<b>201,123</b>	<b>209,442</b>	<b>221,033</b>	<b>249,676</b>
<b>EXCESS (DEFICIENCY) OF</b>					
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>8,955</b>	<b>13,107</b>	<b>5,341</b>	<b>(9,200)</b>	<b>(35,653)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	9,501	18,904	27,385	20,850	27,125
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	(10,339)	(18,942)	(27,423)	(20,888)	(19,950)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(838)</b>	<b>(38)</b>	<b>520</b>	<b>(553)</b>	<b>16,025</b>
<b>Extraordinary Item - Dissolution of RDA</b>	<b>(4,669)</b>	<b>(11,839)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) IN FUND BALANCES</b>	<b>\$ 3,448</b>	<b>\$ 1,230</b>	<b>\$ 5,861</b>	<b>\$ (9,753)</b>	<b>\$ (19,628)</b>
<b>DEBT SERVICE AS A PERCENTAGE OF</b>					
<b>NON-CAPITAL EXPENDITURES</b>	<b>6.1%</b>	<b>4.7%</b>	<b>8.5%</b>	<b>7.2%</b>	<b>8.7%</b>



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

Fiscal Year	Common			Unsecured	Total Assessed Valuation	Total Direct Tax Rate
	Property	Public Utilities	Total Secured			
2008-2009	25,062,579	263	25,062,842	1,039,636	26,102,478	0.16382
2009-2010	25,324,857	263	25,325,120	1,086,770	26,411,890	0.16482
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
2017-2018	34,199,035	41,102	34,240,137	1,100,077	35,340,214	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	
2008-2009	0.15582	0.00800	0.57673	0.00430	0.32299	1.06855
2009-2010	0.15582	0.00900	0.58099	0.00430	0.32270	1.08082
2010-2011	0.15582	0.01500	0.58252	0.00370	0.32471	1.08252
2011-2012	0.15582	0.01500	0.58334	0.00370	0.32548	1.08299
2012-2013	0.15582	0.01500	0.60412	0.00350	0.32513	1.08642
2013-2014	0.15582	0.01500	0.59841	0.00350	0.30798	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
2017-2018	0.15582	0.01500	0.09970	0.00350	0.84418	1.11820

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
<b>Secured Taxes</b>								
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%
2017-2018	62,418	59,731	95.7%	474	60,205	96.5%	2,073	3.3%
<b>Unsecured Taxes</b>								
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%
2017-2018	1,964	1,829	93.1%	28	1,857	94.6%	26	1.3%
<b>Community Facilities Districts</b>								
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%
2017-2018	4,141	4,128	99.7%	5	4,133	99.8%	-	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 lty 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**

2017-2018		
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
McDonnell Douglas/Boeing	\$ 419,709	1.19%
Bella Terra Associates LLC	366,849	1.04%
Socal Holdings LLC	219,425	0.62%
PCH Beach Resort LLC	188,540	0.53%
Elan Multifimly LLC	131,501	0.37%
LSREF4 Shartk Huntington LLC	117,836	0.33%
Pacific City Hotel LLC	117,226	0.33%
Freeway Industrial Park HB Boardwalk LLC	107,738	0.30%
DCO Pacific City LLC	106,119	0.30%
Bella Terra Villas LLC	103,830	0.29%
<b>Total Top Ten</b>	<b>1,878,773</b>	<b>5.32%</b>
All Other Property Taxpayers	33,461,441	94.68%
<b>City Total</b>	<b>\$ 35,340,214</b>	<b>100.00%</b>

2008-2009		
	Taxable Assessed Value (In Thousands)	Percent of Total TAV
The Boeing Company/McDonnell Douglas Corporation	\$ 267,888	1.03%
Bella Terra Associates LLC	209,703	0.80%
Mayer Financial LP	197,284	0.76%
Bella Terra Office JV LLC	140,148	0.54%
AES Huntington Beach LLC	98,000	0.38%
NF Huntington Plaza LP	74,256	0.28%
Bambro Manufacturing Company	61,265	0.23%
CIM Huntington LLC	48,481	0.19%
Waterfront Contstruction	43,347	0.17%
Essex Huntington Breakers	32,579	0.12%
<b>Total Top Ten</b>	<b>1,172,951</b>	<b>4.49%</b>
All Other Property Taxpayers	24,929,527	95.51%
<b>City Total</b>	<b>\$ 26,102,478</b>	<b>100.00%</b>

*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				
	June 30, 2018****	September 30,			
	2017	2016	2015	2014	
<b>Long-Term Indebtedness</b>					
<b>Governmental Activities:</b>					
Judgement Obligation Bonds	\$ -	\$ -	\$ 659	\$ 1,634	\$ 2,574
<b>Public Financing Authority:</b>					
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	9,030	9,795	10,525	11,230
2011(a) Lease Revenue Bond	19,735	19,735	21,650	24,985	28,165
2014(a) Lease Revenue Bond	13,740	13,740	14,315	14,865	-
<b>Total Public Financing Authority</b>	<b>42,505</b>	<b>42,505</b>	<b>45,760</b>	<b>50,375</b>	<b>39,395</b>
<b>Redevelopment Agency:</b>					
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	-	-	-	-	-
<b>Total Redevelopment Agency</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Long-Term Obligations:</b>					
Capital Leases Payable	6,079	6,286	4,130	-	-
PARS Payable	-	-	-	-	29
Section 108 Loan City	430	430	625	805	975
LED Lighting Phase I	762	866	966	1,063	-
CEC	3,000	3,000	3,000	-	-
I-Bank	2,730	2,730	3,000	-	-
<b>Total Other Long-Term Obligations</b>	<b>13,001</b>	<b>13,312</b>	<b>11,721</b>	<b>1,868</b>	<b>1,004</b>
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>\$ 55,506</b>	<b>\$ 55,817</b>	<b>\$ 58,140</b>	<b>\$ 53,877</b>	<b>\$ 42,973</b>
<b>Long-Term Obligations - Business-Type Activities:</b>					
Leases Payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Long-Term Obligations - Business Activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Long Term Obligations - Governmental Activities and Business-Type Activities</b>	<b>\$ 55,506</b>	<b>\$ 55,817</b>	<b>\$ 58,140</b>	<b>\$ 53,877</b>	<b>\$ 42,973</b>
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Population*	201,761	202,413	201,919	198,389	195,999
Debt Per Capita	\$ 275	\$ 276	\$ 288	\$ 272	\$ 219
Total Personal Income (In Thousands)**	\$8,849,843	\$8,878,441	\$8,880,801	\$8,725,545	\$8,278,410
Per Capita Personal Income**	\$ 43,863	\$ 43,863	\$ 43,982	\$ 43,982	\$ 42,237
Unemployment Rate***	2.70%	2.80%	3.90%	3.90%	3.60%
Total Employment***	109,900	103,200	107,200	104,000	120,200

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

\*\* Source: Claritas, Inc.

\*\*\* Source: State of California Employment Development Department

\*\*\*\* The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

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

	Fiscal Year Ended				
	September 30,				
	2013	2012	2011	2010	2009
<b>Long-Term Indebtedness</b>					
<b>Governmental Activities:</b>					
Judgement Obligation Bonds	\$ 3,474	\$ 4,339	\$ 5,179	\$ 5,989	\$ 6,774
<b>Public Financing Authority:</b>					
1997 Leasehold Revenue Bond	-	-	-	-	2,860
2000 Lease Revenue Bond	-	-	-	-	12,785
2001(a) Lease Revenue Bond	-	-	-	25,650	26,375
2001(b) Lease Revenue Bond	-	-	-	15,915	17,795
2010(a) Lease Revenue Bond	11,910	12,565	13,200	13,820	-
2011(a) Lease Revenue Bond	31,195	34,155	36,275	-	-
2014(a) Lease Revenue Bond	-	-	-	-	-
<b>Total Public Financing Authority</b>	<b>43,105</b>	<b>46,720</b>	<b>49,475</b>	<b>55,385</b>	<b>59,815</b>
<b>Redevelopment Agency:</b>					
1999 Tax Allocation Refunding Bonds	-	-	6,180	6,610	7,020
2002 Tax Allocation Refunding Bonds	-	-	13,525	14,470	15,380
Mayer Disposition and Development Agreement	-	-	5,803	6,153	6,503
Bella Terra OPA (Parking)	-	-	13,922	14,076	14,227
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
<b>Total Redevelopment Agency</b>	-	-	<b>51,150</b>	<b>54,918</b>	<b>57,459</b>
<b>Other Long-Term Obligations:</b>					
Capital Leases Payable	-	290	572	857	1,161
PARS Payable	56	4,517	5,868	7,149	-
Section 108 Loan City	1,135	1,285	1,425	-	-
LED Lighting Phase I	-	-	-	-	-
CEC	-	-	-	-	-
I-Bank	-	-	-	-	-
<b>Total Other Long-Term Obligations</b>	<b>1,191</b>	<b>6,092</b>	<b>7,865</b>	<b>8,006</b>	<b>1,161</b>
<b>Total Long-Term Obligations - Governmental Activities</b>	<b>\$ 47,770</b>	<b>\$ 57,151</b>	<b>\$ 113,669</b>	<b>\$ 124,298</b>	<b>\$ 125,209</b>
<b>Long-Term Obligations - Business-Type Activities:</b>					
Leases Payable	\$ -	\$ 3	\$ 6	\$ 9	\$ 12
<b>Total Long-Term Obligations - Business Activities</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ 6</b>	<b>\$ 9</b>	<b>\$ 12</b>
<b>Total Long Term Obligations - Governmental Activities and Business-Type Activities</b>	<b>\$ 47,770</b>	<b>\$ 57,154</b>	<b>\$ 113,675</b>	<b>\$ 124,307</b>	<b>\$ 125,221</b>
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Population*	195,999	193,616	192,524	190,377	203,484
Debt Per Capita	\$ 246	\$ 297	\$ 300	\$ 559	\$ 578
Total Personal Income (In Thousands)**	\$ 7,839,899	\$ 7,573,894	\$ 7,356,548	\$ 8,440,720	\$ 8,207,324
Per Capita Personal Income**	\$ 42,237	\$ 40,492	\$ 39,340	\$ 38,642	\$ 41,481
Unemployment Rate***	3.60%	4.30%	6.30%	7.40%	7.80%
Total Employment***	120,200	119,600	115,100	110,600	112,100

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

<b>Fiscal Year</b>	<b>Assessed Valuation</b>	<b>Debt Limit - 12% of Assessed Valuation</b>	<b>Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>
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
2017-2018	35,340,214	4,240,826	-	4,240,826

**CITY OF HUNTINGTON BEACH  
STATEMENT OF DIRECT AND  
OVERLAPPING BONDED DEBT  
JUNE 30, 2018**

2017-18 Assessed Valuation \$38,103,212,015

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

<b>Overlapping Tax and Assessment Debt</b>	<b>Percent Applicable (1)</b>	<b>Debt Applicable to City</b>
Metropolitan Water District	1.388%	841,128
Coast Community College District	28.734%	224,508,656
Huntington Beach Union High School District	73.018%	136,554,611
Fountain Valley School District	27.234%	5,719,140
Huntington Beach City School District	99.944%	62,284,063
Ocean View School District	93.454%	42,054,300
Westminster School District	25.137%	23,017,936
Los Alamitos Unified School District Facilities District No. 1	1.166%	1,211,418
City of Huntington Beach Community Facilities Districts (1990-1, 2000-1, 2002-1, 2003-1)	100.00%	33,580,000
<b>Total Overlapping Tax and Assessment Debt</b>		<b><u>\$ 529,771,252</u></b>

**Ratios to 20116-17 Assessed Valuation**

Total Overlapping Tax and Assessment Debt 1.39%

**Direct and Overlapping General Fund Debt**

Orange County General Fund Obligations	6.833%	14,373,011
Orange County Pension Obligations	6.833%	26,208,955
Orange County Board of Education Certificates of Participation	6.833%	955,937
North Orange County Regional Occupation Program Certificates of Participation	0.086%	8,265
Coast Community College District General Fund Obligations	28.734%	943,912
Huntington Beach Union High School District Certificates of Participation	73.018%	46,407,386
Los Alamitos Unified School District Certificates of Participation	1.051%	435,442
Huntington Beach School District Certificates of Participation	99.944%	13,446,849
Ocean View School District Certificates of Participation	93.454%	21,069,204
Westminster School District Certificates of Participation	25.137%	10,772,878
City of Huntington Beach General Fund Obligations:	100.000%	55,507,000
<b>Total Direct and Overlapping General Fund Obligation Debt</b>		<b><u>\$ 190,128,839</u></b>

Overlapping Tax Increment Debt (Successor Agency) 100.000% 10,035,000

**Total Direct Debt** **\$ 55,507,000**

Total Overlapping Debt 674,428,091

Combined Total Debt **\$ 729,935,091**

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

**Ratios to Adjusted Assessed Valuations**

Combined Direct Debt (\$55,507,000) 0.15%

Combined Total Debt 1.92%

**Ratios to Redevelopment Successor Agency Incremental Valuation (\$2,532,922,305)**

Total Overlapping Tax Increment Debt 0.40%

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



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

	<b>2018</b>	<b>% of total</b>
Boeing	3,827	3.48%
Hyatt Regency Huntington Beach	641	0.58%
Zodiac Aerospace / Driessen Aircraft	709	0.65%
C & D Aerospace	555	0.51%
Cambro MFG Co.	550	0.50%
Huntington Beach Hospital	527	0.48%
No Ordinary Moments	421	0.38%
Wal-mart	462	0.42%
Huntington Valley Healthcare	381	0.35%
Harbor Distributing	350	0.32%
<b>Total of top 10</b>	<b>8,423</b>	<b>7.66%</b>
All others	101,477	92.34%
<b>Total employment (public and private)</b>	<b>109,900</b>	<b>100.00%</b>

	<b>2009</b>	<b>% of total</b>
Boeing	5,638	4.94%
Quiksilver	1,120	0.98%
Cambro MFG Co.	951	0.83%
Verizon	701	0.61%
Hyatt Regency Huntington Beach	641	0.56%
C & D Aerospace	618	0.54%
Huntington Beach Hospital	527	0.46%
Fisher & Paykel	442	0.39%
Rainbow Disposal	408	0.36%
Home Depot (including Expo)	386	0.34%
<b>Total of top 10</b>	<b>11,432</b>	<b>10.02%</b>
All others	102,668	89.98%
<b>Total employment (public and private)</b>	<b>114,100</b>	<b>100.00%</b>

Source: Economic Development Department, City of Huntington Beach

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

General Government:	Actual								Budgeted	
	2018***	2017	2016	2015	2014	2013	2012	2011	2010	2009
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager	12.50	11.50	11.50	11.50	11.50	7.00	7.00	7.00	6.00	9.00
City Treasurer	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50	10.00	10.00
City Attorney	11.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00	17.00	18.00
City Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	8.00	8.00
Finance	33.00	33.00	32.50	31.50	31.50	29.50	29.50	29.50	32.00	33.00
Human Resources	15.00	15.00	15.00	15.00	15.00	14.50	15.00	15.00	20.50	20.50
Community Development	44.00	44.00	43.50	44.00	43.00	42.75	42.75	43.75	26.00	28.00
Building *	-	-	-	-	-	-	-	-	25.75	30.50
Information Systems	30.00	30.00	30.00	30.00	30.00	29.50	29.50	29.50	39.00	40.00
Economic Development **	-	-	-	-	-	4.50	5.50	11.50	14.00	14.00
Library Services	28.25	28.25	28.25	28.25	28.25	27.75	27.75	29.75	32.25	37.25
Fire	198.00	198.00	198.00	198.00	196.50	176.50	176.50	176.50	176.00	185.00
Police	364.50	364.50	364.50	361.50	360.50	358.50	363.00	367.00	355.00	381.00
Community Services	36.00	44.00	44.00	43.00	43.00	56.00	61.00	61.00	65.75	69.75
Public Works	207.00	199.00	199.00	198.00	196.00	196.00	196.00	203.00	227.00	258.00
	<b>986.25</b>	<b>986.25</b>	<b>983.75</b>	<b>978.25</b>	<b>972.75</b>	<b>960.00</b>	<b>971.00</b>	<b>991.00</b>	<b>1,055.25</b>	<b>1,143.00</b>

Source: Finance Department, City of Huntington Beach

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

Budgeted full-time employees provided for remaining years.

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

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

\*\*\* The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

**CITY OF HUNTINGTON BEACH  
OPERATING INDICATORS BY FUNCTION/ACTIVITY  
LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>2018***</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Finance:</b>					
Water Bills Processed	476,290	632,997	635,052	536,684	630,240
Active Business Licenses	21,782	22,074	21,420	21,424	20,450
Accounts Receivable Billings Processed	25,000	34,963	30,826	38,594	42,360
<b>City Clerk:</b>					
Passports Issued	5,757	7,408	5,623	5,121	4,598
<b>Planning:</b>					
Entitlements Processed	206	216	221	280	204
Plan Reviews	1,466	1,376	1,653	1,595	1,466
Field Inspection Complaints	7,005	8,459	7,951	8,233	7,030
Code Violation Cases	4,219	3,981	4,324	4,710	2,545
<b>Building:</b>					
Number of Permits Issued	7,490	9,728	10,981	10,670	9,348
Number of Inspections Completed	30,501	38,796	39,380	38,320	36,142
Value of Construction Permits (Thousands of Dollars)	109,462	216,252	283,910	234,946	216,343
Processed Number of Certificate of Occupancies*	523	740	n/a	n/a	n/a
Completed Plan Reviews	2,771	4,172	4,172	3,815	3,148
Counter Visits	16,498	21,731	23,492	21,893	21,326
<b>Fire:</b>					
Inspections	3,963	2,758	5,132	6,499	6,641
Responses	14,490	20,555	20,279	19,562	15,815
Ocean Rescues	3,530	3,639	3,977	5,371	6,426
Estimated Beach Visitors	12,522,640	13,339,518	12,272,030	11,803,943	12,035,134
<b>Police:</b>					
Physical Arrests	4,614	5,298	5,112	4,854	4,303
Parking Violations	54,500	70,846	90,361	83,453	74,668
Traffic Violations	11,869	19,916	17,639	17,596	16,330
<b>Community Services:</b>					
Park/Open Space Acreage	1,065	1,065	1,062	1,062	1,062
Enrollment in Recreation Classes	27,152	37,968	34,424	30,228	30,184
<b>Public Works:</b>					
Water Sold (Acre Feet)**	19,777	25,944	24,505	24,763	29,279
Gallons of Sewage Pumped Per Day**	19 million	22 million	19 million	19 million	22 million
<b>Library:</b>					
Items in Collection	292,037	288,599	285,814	343,655	332,092
Items Borrowed	655,626	943,642	921,105	908,656	937,533

\* 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.

\*\*\* The 2017-18 period reflects nine months of activity only as the fiscal year change resulted in a nine month reporting period from October 1, 2017 to June 30, 2018.

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	2013	2012	2011	2010	2009
<b>Finance:</b>					
Water Bills Processed	628,207	646,229	630,268	640,351	641,602
Active Business Licenses	21,127	22,304	21,903	21,045	20,841
Accounts Receivable Billings Processed	45,422	45,422	42,968	37,146	31,894
<b>City Clerk:</b>					
Passports Issued	4,220	3,850	3,082	3,251	3,186
<b>Planning:</b>					
Entitlements Processed	231	205	195	353	465
Plan Reviews	1,575	1,184	1,524	2,216	1,447
Field Inspection Complaints	7,301	6,105	6,064	8,187	9,345
Code Violation Cases	2,385	2,573	2,521	3,315	3,876
<b>Building:</b>					
Number of Permits Issued	8,970	8,444	8,413	8,037	8,114
Number of Inspections Completed	33,962	31,224	29,905	29,792	33,734
Value of Construction Permits (Thousands of Dollars)	248,246	190,992	104,238	91,049	72,727
Processed Number of Certificate of Occupancies*	477	647	765	796	484
Completed Plan Reviews	n/a	n/a	n/a	n/a	n/a
Counter Visits	20,854	19,777	20,288	20,272	19,149
<b>Fire:</b>					
Inspections	5,087	6,974	7,858	7,450	6,375
Responses	15,608	15,040	15,940	15,629	14,130
Ocean Rescues	4,195	4,669	3,845	2,822	6,047
Estimated Beach Visitors	11,016,615	8,906,592	7,840,968	8,208,477	9,922,165
<b>Police:</b>					
Physical Arrests	4,237	5,774	6,457	5,695	6,380
Parking Violations	72,347	77,282	77,261	74,115	55,840
Traffic Violations	13,016	16,916	16,770	22,660	19,433
<b>Community Services:</b>					
Park/Open Space Acreage	1,062	1,062	998	1,003	999
Enrollment in Recreation Classes	30,218	32,817	32,565	31,743	32,906
<b>Public Works:</b>					
Water Sold (Acre Feet)**	28,354	27,784	26,868	27,268	30,537
Gallons of Sewage Pumped Per Day**	22 million	22 million	22 million	22 million	23 million
<b>Library:</b>					
Items in Collection	385,901	420,956	427,707	437,603	440,578
Items Borrowed	892,543	888,019	943,695	1,009,634	944,492

**CITY OF HUNTINGTON BEACH  
CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY  
JUNE 30, 2018**

<b>Library Services</b>	One Main Library and Four Branches
<b>Fire:</b>	
Fire Stations	8
<b>Police:</b>	
Stations	One Main Station and Three Substations
<b>Community Services:</b>	
Acreage of Parks	1,065
Community Centers	6
<b>Public Works:</b>	
Centerline Square Miles of Streets Maintained	451
Miles of Beach Maintained	4.7
Miles of Storm Drains Maintained	120
Miles of Sewer Maintained	362

Source: Various departments of the City of Huntington Beach