

CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2006



CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

**WITH REPORT ON AUDIT BY INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

Prepared by the Finance Department

Introductory Section

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INTRODUCTORY SECTION

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CITY OF HUNTINGTON BEACH

March 1, 2007

**To the Honorable Mayor and City Council
City of Huntington Beach
Huntington Beach, California**

The Charter of the City of Huntington Beach requires that the City's financial statements be audited each year by an independent accounting firm. This report fulfills that requirement for the fiscal year ending September 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of any control should not exceed the anticipated benefits, management's objective is to provide reasonable, but not absolute, assurance that the financial statements are free of any material misstatements.

Caporicci and Larson, CPAs, a firm of licensed independent certified public accountants, has audited the City's financial statements for the year ending September 30, 2006. The auditors' report is located at the front of the financial statement. The City received an unqualified (clean) opinion. The goal of the audit is to provide reasonable assurance that the financial statements of the City of Huntington Beach are free of material misstatement. This independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the financial statements of the City of Huntington Beach for the fiscal year ending September 30, 2006 are presented fairly in accordance with generally accepted accounting principles. The opinion is presented as the first component of the financial section of this report.

This audit was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal granting agencies. The standards governing these engagements require the auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal issues, especially concerning federal awards. These reports are available from the City's Finance Department.

Management's Discussion and Analysis (MD & A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. MD & A complement this letter and should be read in conjunction with it.

ABOUT THE CITY OF HUNTINGTON BEACH

The City of Huntington Beach is located along the Southern California coast in Orange County, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of approximately 200,000 residents, it is known as Surf City due to its abundance of beaches; sunny, warm Mediterranean climate; and casual lifestyle. Huntington Beach covers 28 square miles of land, 26 square miles of water, and is the one of the 20 largest cities in California. With 8.5 miles of uninterrupted beach along the Pacific Ocean, the city also plays host to an annual visitor population of over 11 million people, especially during the summer, special events and weekends. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the Top Ten Safest Cities by City Crime Rankings.

Founded in the late 1880s, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a City Council/City Administrator form of government. The City Council has seven members, each of whom is elected to four-year terms. City Council Members are limited to two consecutive terms. There are three elected department heads, the City Attorney, City Clerk and City Treasurer. The position of Mayor is filled on a rotating basis.

The City of Huntington Beach is a full service city. Its departments include the City Administrator's Office, Building and Safety, City Attorney, City Clerk, City Treasurer, Community Services, Economic Development, Finance, Fire, Information Services, Library Services, Planning, Police, and Public Works.

This report includes the financial activity of separate legal entities whose activities the City controls. These entities are:

- Redevelopment Agency of the City of Huntington Beach
- Huntington Beach Public Financing Authority
- Various community facilities districts

A component unit report (stand-alone report) is available for the Redevelopment Agency.

The City operates on a fiscal year basis, beginning October 1st and ending September 30th. The budget is prepared under the supervision of the City Administrator and transmitted to the City Council for deliberation sixty days prior to the end of the fiscal year. The City Council adopts the annual budget by September 30th of the prior fiscal year 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. A Department Head, with the Finance Director's approval, may transfer funds within like categories (salaries and benefits, operating, and capital expenditures) of the same department.

LOCAL ECONOMY

The City of Huntington Beach is one of the leading commercial and industrial centers in Southern California. The City works diligently to maintain its business friendly atmosphere, working closely with the Huntington Beach Chamber of Commerce and the Huntington

Beach Conference and Visitors Bureau. The City seeks to attract new businesses and support existing business through retention and expansion efforts. Benefits from tourism and continued modest economic growth should allow for sustainable revenue growth for the City.

As the third largest city in Orange County, more than 118,800 people are currently employed by over 12,800 businesses and governmental entities in the City. Huntington Beach residents represent nearly 8% of the entire Orange County working population. Huntington Beach businesses include aerospace and high technology; petroleum and petroleum support; manufacturing; computer hardware and software; financial and business services; automobile services; machine shop services, precision instruments, retailers and surf apparel, just to name a few.

LONG-TERM FINANCIAL PLANNING

In November 2004 California voters approved Proposition 1A, which will help stabilize the flow of revenues to municipalities and end future State raids on City finances. This will allow for better forecasting of City revenues and, along with modest economic growth, should allow for future sustainable revenue growth. The City has recently adopted a long-term strategic plan.

MAJOR INITIATIVES

The Huntington Beach City Council undertook a strategic planning process to establish consensus about priorities for goals, and projects for the next five years. The strategic plan was approved by the Council in August 2006. The goals and projects identified through the strategic planning process will be used by the City Council and staff to guide decision making. With limited resources, knowing Council priorities will assist both the Council and staff in allocating resources in the operating and capital budget, identifying or clarifying City policies that relate to the goals and projects, utilizing staff, and evaluating progress of the City. Through this process the City Council also identified its vision for our community as “An engaged, sustainable, family friendly community that is safe, vibrant and attractive to tourists, business and residents alike.”

The City Council established twelve goals within five consolidated categories. Goals set the framework for Council policies that set the direction and focus of the organization, budget decisions, and allocation of other resources such as staff time. They are broad views of opportunities for change and improvement. The following is a summary of the goals within the five consolidated categories:

- Financial – Create long-term financial strategies and fully understand the financial implications of financial decisions before they are made.
- Infrastructure – Improve the City’s plan for funding and completing infrastructure needs and improve the energy efficiency of City equipment, vehicles, and buildings.
- Land Use & Economic Development – Establish the vision and create a land use plan for reuse of critical parcels, create a plan for the use of surplus school property, preserve the quality of our neighborhoods, maintain open space, and provide for the

preservation of historic neighborhoods, create an environment that promotes tourism, and improve the efficiency of the development review process.

- Engaging Community - Increase community involvement, dialogue, and outreach by educating residents about opportunities for involvement.
- City Services - Improve transportation through a variety of means and provide quality public services with the highest professional standards.

CASH MANAGEMENT POLICES AND PRACTICES

The elected City Treasurer invests surplus cash in authorized investments allowed by the government code and City policy. The City adopts an annual Investment Policy intended to provide guidelines for the prudent investment of the city's cash balances, and outlines the policies to assist in maximizing the efficiency of the city's cash management system while meeting the daily cash flow demands of the city. Both the Investment Advisory Board and the City Council approved the City's Investment Policy.

The investment practices and policies of the City of Huntington Beach are based upon state law and prudent money management. The primary goals of these practices are:

- To assure compliance with all Federal, State, and local laws governing the investment of public funds under the control of the City Treasurer.
- To protect the principal moneys entrusted to the City Treasurer.
- Achieve a reasonable rate of return within the parameters of prudent risk management while minimizing the potential for capital losses arising from market changes or issuer default.

The City forecasts revenues and expenditures to meet current obligations and to earn a market rate of return on its investments. The City Treasurer earned a return of 3.91% for the year. The California Government Code requires the City Treasurer to prepare an annual statement of investment policy. The City Treasurer complied with this law. Note 2 to the Basic Financial Statements shows further information on the City's cash and investments.

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The City of Huntington Beach is a member of the California Public Employees' Retirement System (CalPERS) that provides benefits to all permanent employees. The City also maintains a retirement supplemental plan to employees hired before January 1, 1998. There are also certain post-retirement medical benefits available to retirees. This information is detailed in notes 5, 6, and 7 of the accompanying financial statements. Below is summary information:

	Percent Funded	Unfunded Liability (in millions)
Retirement - Normal Plan	89%	\$64.1
Retirement - Supplemental	39%	\$26.2
Post-Employment Benefits	44%	\$ 6.2

The City has adopted actuarially sound funding plans to pay off the unfunded liabilities according to studies conducted by CalPERS and independent actuaries. The City will implement Government Accounting Standards Board Statement 45 (Other Post-Employment Benefits) for the fiscal year ending September 30, 2008. The City has made contributions to this plan since its inception in 1991, but GASB 45 will require that the City contribute additional amounts than have been contributed in past years. Options for this funding will be addressed during the next year.

RISK MANAGEMENT

The City is self-insured for workers compensation and liability. These programs are recorded in the general fund. The City is a member of the Big Independent Cities Excess Insurance Pool (BICEP) to handle large claims. Further information on the City's risk management issues can be found in note 8 of the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

The Governmental Finance Officers Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report ended September 30, 2005. This was the nineteenth consecutive year the City has received this prestigious award. To qualify for the Certificate of Achievement, the government entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such report must satisfy both generally accepted accounting principles as well as all legal requirements.

The Certificate of Achievement 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 GFOA to determine its eligibility for another certificate.

We wish to thank the City Council and the City Departments for responsibility conducting the fiscal affairs of the City of Huntington Beach. We would also like to thank Robert Sedlak, Valaya Chitchakkol, Dahle Bulosan, Josh Brooks, and Carrie Gonzales of the Finance Department who prepared this report.



Dan T. Villella, CPA
Finance Director

City of Huntington Beach
City Council 2005/2006

Gil Coerper, Mayor
Debbie Cook, Mayor Pro Tem

Keith Bohr, Councilmember
Joe Carchio, Councilmember
Cathy Green, Councilmember
Jill Hardy, Councilmember
Don Hansen, Councilmember

Executive Team

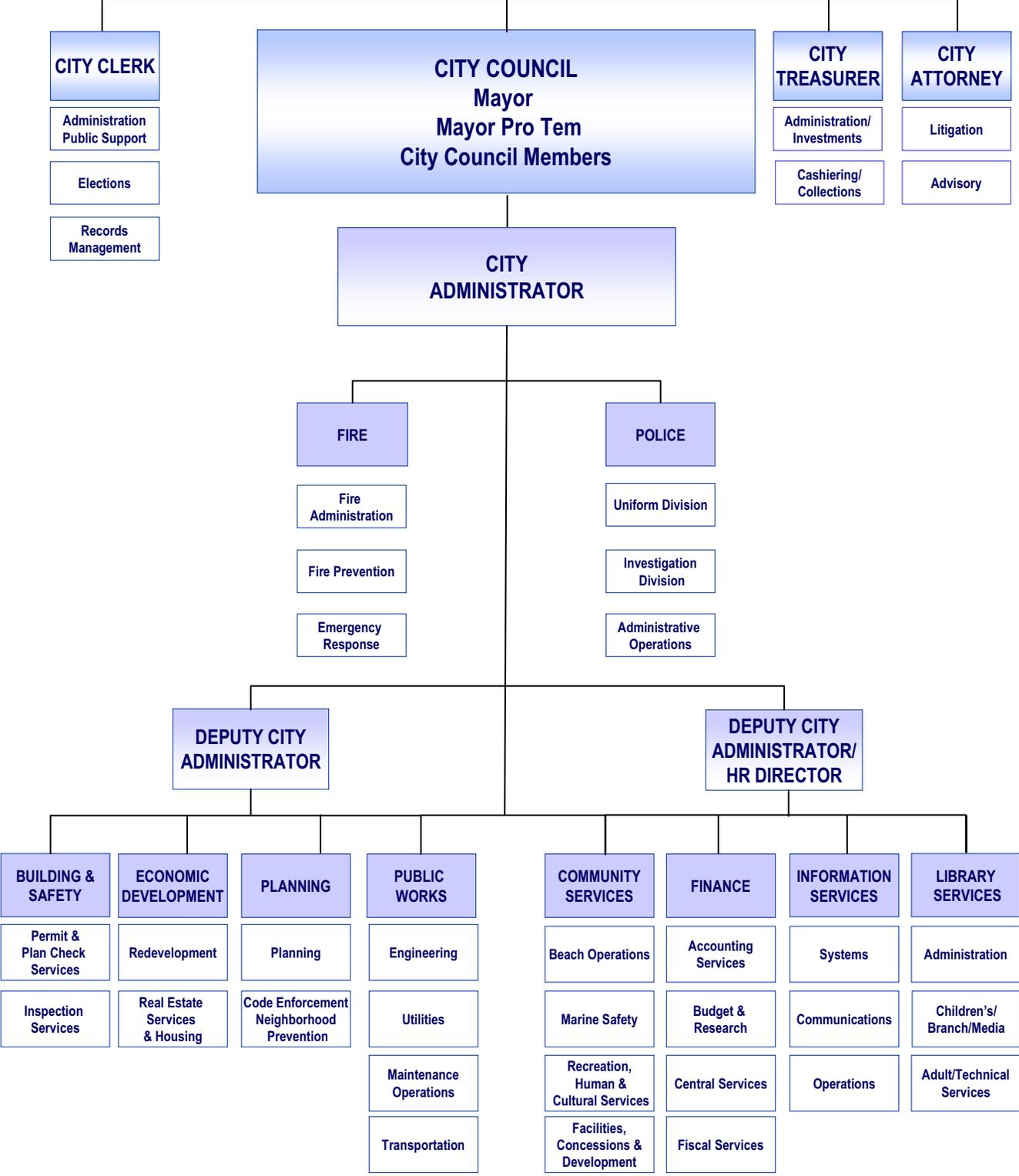
Penelope J. Culbreth-Graft, City Administrator
Paul Emery, Deputy City Administrator
Robert Hall, Deputy City Administrator
Laurie E. Payne, Community Relations Officer

Department Directors

Robert Beardsley, Public Works
Ross D. Cranmer, Building & Safety
Jim B. Engle, Community Services
Joan L. Flynn, City Clerk
Shari L. Freidenrich, City Treasurer
Ron Hayden, Library Services
Scott Hess, Planning
Jack Marshall, Information Services
Jennifer M. McGrath, City Attorney
Chief Duane S. Olson, Fire
Stanley Smalewitz, Economic Development
Chief Kenneth W. Small, Police
Dan T. Villella, Finance

CITY OF HUNTINGTON BEACH

THE PEOPLE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Huntington Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emen".

Executive Director

Financial Section

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Huntington Beach
Huntington Beach, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California (City), as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the City adopted the Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

To the Honorable Mayor and Members of City Council
of the City of Huntington Beach
Huntington Beach, California

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carlson

Irvine, California
January 19, 2007



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2006

As management of the City of Huntington Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Huntington Beach for the fiscal year ended September 30, 2006. 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-vii of this report.

Financial Highlights

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

	Total Governmental and Business Activities			
	September 30, 2006	September 30, 2005	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 976,080	\$ 936,629	\$ 39,451	4.2%
Liabilities	205,278	199,563	5,715	2.9%
Total Net Assets	770,802	737,066	33,736	4.6%
Unrestricted Net Assets	87,289	81,789	5,500	6.7%
Long-Term Obligations	151,484	166,343	(14,859)	-8.9%
Program Revenues	108,620	139,638	(31,018)	-22.2%
Taxes	127,442	120,762	6,680	5.5%
Other General Revenues	33,788	34,030	(242)	-0.7%
Expenses	244,244	216,876	27,368	12.6%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$770,802,000. Of this amount, \$88,056,000 may be used to meet the City's ongoing obligations to citizens and creditors. Net assets increased \$33,736,000 or 4.6%. This increase is due in large part to investments in capitalized infrastructure. Unrestricted net assets increased by \$6,267,000 or 7.7%.
- Long-term liabilities decreased by (\$14,859,000) or (8.9%).
- Program revenues decreased by (\$31,018,000) or (22.2%) which is a direct result of the City not receiving any developer contributions in the current fiscal year. Taxes increased \$6,680,000 or 5.5%. Expenses increased \$27,368,000 or 12.6%

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the City of Huntington Beach 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.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2006

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

The statement of activities presents information on how the City's net assets changed during the most recent fiscal year. These changes are reported on the 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 activities). Governmental activities include public safety, public works, general government, and community-related activities. Business activities include the Water, Sewer, Refuse, Emerald Cove Housing, Emergency Fire Medical, Hazmat Service, and Ocean View Estates.

The government-wide financial statements include the City and all of its component units that are legally separate but whose activities entirely support the City of Huntington Beach. These entities are, the Redevelopment Agency of the City of Huntington Beach, the Huntington Beach Public Financing Authority, and various assessment districts described in Note 1 to the financial statements.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

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

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 reconciliation indicates to the reader the differences in financial reporting between the governmental activities section and the governmental funds section.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2006

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Redevelopment Agency, Huntington Beach Public Financing Authority, and Grants, all of which are considered to be major funds. Data from the other 16 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a combining statement elsewhere in this report.

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules on pages 65-66 and 77-84 demonstrate compliance.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary Funds

Proprietary funds or enterprise funds are used to account for the same activities as the business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Refuse, Emerald Cove Housing, Emergency Fire Medical, Hazmat Service, and Ocean View Estates activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides information for Water, Sewer Service, and Refuse Funds, which are considered to be major funds of the City. The remaining proprietary funds noted above are combined into a single, aggregated presentation.

The basic proprietary fund financial statements can be found on pages 22-24 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 25 of this report.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2006

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 26-63 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 benefits to its employees and General Fund budget to actual comparisons. Required supplementary information can be found on pages 64-67 of this report.

The combining statements referred to earlier in connection with non-major government funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on page 69-76 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Below is a summary schedule of the City's net assets at September 30, 2006 (in thousands):

	September 30, 2006	September 30, 2005	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 164,117	\$ 150,476	\$ 13,641	9.1%
Capital Assets	609,248	601,849	7,399	1.2%
Total Assets	773,365	752,325	21,040	2.8%
Current Liabilities	46,859	40,635	6,224	15.3%
Long-Term Liabilities	151,484	152,340	(856)	-0.6%
Total Liabilities	198,343	192,975	5,368	2.8%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	472,372	479,897	(7,525)	-1.6%
Restricted	68,381	39,227	29,154	74.3%
Unrestricted	34,269	40,226	(5,957)	-14.8%
Total Net Assets	\$ 575,022	\$ 559,350	\$ 15,672	2.8%
Business Activities				
Current and Other Assets	\$ 91,024	\$ 82,124	\$ 8,900	10.8%
Capital Assets	111,691	102,180	9,511	9.3%
Total Assets	202,715	184,304	18,411	10.0%
Current Liabilities	6,067	5,802	265	4.6%
Long-Term Obligations	868	786	82	10.4%
Total Liabilities	6,935	6,588	347	5.3%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	111,651	102,068	9,583	9.4%
Restricted	31,109	34,085	(2,976)	-8.7%
Unrestricted	53,020	41,563	11,457	27.6%
Total Net Assets	\$ 195,780	\$ 177,716	\$ 18,064	10.2%



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2006

The largest portion of the City's net assets reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets is subject to external (legally imposed or statutory) restrictions (\$68,381,000 for governmental activities, and \$31,109,000 for business activities). These amounts represent 11.9% and 15.9% of net assets for governmental activities and business activities respectively. The unrestricted assets (\$35,036,000 for governmental activities and \$53,020,000 for business activities) represent 6.1% and 27.1% of net assets for governmental activities and business activities respectively. A condensed summary of governmental activities (in thousands) follows:

	Governmental Activities			
	September 30, 2006	September 30, 2005	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 37,139	\$ 28,808	\$ 8,331	28.9%
Operating Grants and Contributions	917	1,657	(740)	-44.7%
Capital Grants and Contributions	6,893	43,341	(36,448)	-84.1%
Total Program Revenues	44,949	73,806	(28,857)	-39.1%
General Revenues:				
Property Taxes	66,598	61,466	5,132	8.3%
Sales Taxes	26,448	24,340	2,108	8.7%
Utility Taxes	21,170	20,004	1,166	5.8%
Other Taxes	13,226	14,952	(1,726)	-11.5%
Use of Money and Property	4,310	3,137	1,173	37.4%
From Other Agencies	10,390	8,186	2,204	26.9%
Participation Payments	6,221	12,697	(6,476)	-51.0%
Other	9,278	8,510	768	9.0%
Total General Revenues	157,641	153,292	4,349	2.8%
Total Revenues	202,590	227,098	(24,508)	-10.8%
Expenses:				
City Council	271	254	17	6.7%
City Administrator	5,540	1,990	3,550	178.4%
City Treasurer	1,479	1,568	(89)	-5.7%
City Attorney	2,317	2,852	(535)	-18.8%
City Clerk	756	685	71	10.4%
Administrative Services	-	5,554	(5,554)	-100.0%
Finance	3,306	2,501	805	32.2%
Planning	2,813	2,559	254	9.9%
Building	3,930	3,321	609	18.3%
Fire	24,787	23,365	1,422	6.1%
Information Systems	7,361	6,806	555	8.2%
Police	50,877	47,029	3,848	8.2%
Economic Development	4,977	4,199	778	18.5%
Community Services	15,777	13,693	2,084	15.2%
Library Services	4,829	4,394	435	9.9%
Public Works	49,654	33,018	16,636	50.4%
Non-Departmental	11,263	12,024	(761)	-6.3%
Interest on Long-Term Debt	5,575	6,810	(1,235)	-18.1%
Total Expenses	195,512	172,622	22,890	13.3%
Increase in Net Assets Before Transfers	7,078	54,476		
Transfers	464	4,884		
Net Assets - Beginning of Year As Restated	567,480	499,990		
Net Assets - End of Year	\$ 575,022	\$ 559,350		

See Independent Auditor's Report and Notes to the Financial Statements



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2006

The cost of all governmental activities this year was \$195,512,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$150,563,000, because costs of \$37,139,000 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 \$917,000, and capital grants and contributions of \$6,893,000. Overall, the City's governmental program revenues were \$44,949,000. The City paid for the remaining "public benefit" portion of governmental activities with \$157,641,000 in taxes and general revenue (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Capital Grants and Contributions have decreased by \$36,448,000 or 84.1%. This decrease is a result of the City receiving no contributions of infrastructure from developers in the current fiscal year. In the previous fiscal year the City received approximately \$30,000,000 in infrastructure contributions from developers.

Total resources available during the year to finance governmental operations were \$770,802,000 consisting of net assets at October 1, 2005 of \$567,480,000, program revenues of \$44,949,000, general revenues of \$157,641,000, and transfers of \$464,000. Total expenses for governmental activities during the year were \$195,512,000, thus, net assets were increased by \$7,542,000, to \$575,022,000. A condensed summary of business activities (in thousands) follows:

Business Activities				
	September 30, 2006	September 30, 2005	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 56,525	\$ 51,803	\$ 4,722	9.1%
Capital Grants and Contributions	7,146	14,029	(6,883)	-49.1%
Total Program Revenues	63,671	65,832	(2,161)	-3.3%
Use of Money and Property	3,589	1,500	2,089	139.3%
Total Revenues	67,260	67,332	(72)	-0.1%
Expenses:				
Water Utility	28,117	22,349	5,768	25.8%
Emerald Cove Housing	551	399	152	38.1%
Emergency Fire Medical	5,637	5,497	140	2.5%
Refuse Collection	10,289	9,826	463	4.7%
Sewer Service	3,855	5,924	(2,069)	-34.9%
Hazmat Service	163	141	22	15.6%
Ocean View Estates	120	118	2	1.7%
Total Expenses	48,732	44,254	4,478	10.1%
Increase in Net Assets Before Transfers	18,528	23,078		
Transfers	(464)	(4,884)		
Net Assets - Beginning of Year	177,716	159,522		
Net Assets - End of Year	\$ 195,780	\$ 177,716		

The City's net assets from business activities increased by \$18,528,000 before transfers. The largest reasons for this increase was operating income of \$7,793,000, capital contributions for the Water Master Plan of \$7,146,000 and



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2006

interest income of \$3,589,000.

The cost of all Proprietary (Business Type) activities this year was \$48,732,000. As shown in the Statement of Activities and Changes in Net Assets, the amount paid by users of the systems was \$56,525,000, capital grants and contributions were \$7,146,000, other revenue was \$3,589,000, and transfers were \$464,000. Beginning net assets were \$177,716,000 and ending net assets were \$195,780,000. Of the ending net asset amount, \$111,651,000, or 57.0%, was invested in capital assets, \$31,109,000 or 15.9% was restricted for expenditures for the Water Master Plan, and \$53,020,000, or 27.1% was unrestricted.

The City's programs for governmental activities include General Government, Fire, Police, Public Works, Redevelopment, Community Services and Library. Business type activities include the Water, Sewer, Refuse, FireMed, Hazmat Service, and Ocean View Estates. A listing of each program's revenues and expenses for the current year is presented below (in thousands):

	2005-2006			2004-2005
	Expenses	Less Program Revenues	Funded by Taxes and Other General Revenues	Funded by Taxes and Other General Revenues
Governmental Activities:				
City Council	\$ 271	\$ (90)	\$ 181	\$ 254
City Administrator	5,540	(1,612)	3,928	1,990
City Treasurer	1,479	(1,332)	147	1,568
City Attorney	2,317	(43)	2,274	2,852
City Clerk	756	(95)	661	574
Administrative Services	-	-	-	5,554
Finance	3,306	(325)	2,981	2,501
Planning	2,813	(825)	1,988	1,535
Building	3,930	(4,859)	(929)	(1,747)
Fire	24,787	(1,199)	23,588	21,522
Information Systems	7,361	(641)	6,720	6,806
Police	50,877	(5,487)	45,390	41,274
Economic Development	4,977	(877)	4,100	2,188
Community Services	15,777	(16,070)	(293)	(718)
Library Services	4,829	(1,009)	3,820	3,415
Public Works	49,654	(10,256)	39,398	(9,586)
Non-Departmental	11,263	(229)	11,034	12,024
Interest on Long-Term Debt	5,575	-	5,575	6,810
Total Governmental Activities	\$ 195,512	\$ (44,949)	\$ 150,563	\$ 98,816
Business Activities				
Water Utility	28,117	(37,946)	(9,829)	(18,022)
Emerald Cove Housing	551	(960)	(409)	(467)
Emergency Fire Medical	5,637	(6,145)	(508)	(228)
Refuse Collection	10,289	(10,292)	(3)	(159)
Sewer Service	3,855	(7,873)	(4,018)	(2,558)
Hazmat Service	163	(182)	(19)	31
Ocean View Estates	120	(273)	(153)	(145)
Total Business Activities	\$ 48,732	\$ (63,671)	\$ (14,939)	\$ (21,548)

See Independent Auditor's Report and Notes to the Financial Statements



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2006

Financial Analysis of the City's Major Governmental Funds

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

GOVERNMENTAL FUNDS				
	September 30, 2006	September 30, 2005	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 40,586	\$ 38,286	\$ 2,300	6.0%
Redevelopment Agency	31,993	29,107	2,886	9.9%
Public Financing Authority	7,120	7,158	(38)	-0.5%
Grants	7,062	4,283	2,779	64.9%
Total Fund Equity	\$ 86,761	\$ 78,834	\$ 7,927	10.1%
Unreserved Fund Equity:				
General Fund	\$ 33,204	32,371	\$ 833	2.6%
Redevelopment Agency	24,455	12,176	12,279	100.8%
Grants Fund	-	3,668	(3,668)	-100.0%
Total Unreserved Fund Equity	\$ 57,659	\$ 48,215	\$ 9,444	19.6%

The General fund balance increased by \$2,300,000. Key factors in this growth were increased property tax revenue as a result of increases in the assessed value off real estate and increased sales tax revenue as a result of increasing economic activity.

The Redevelopment Agency fund balance increased by \$2,886,000 primarily due to increased property tax revenue as a result of increases in assessed real estate values.

The Grants fund balance increased by \$2,779,000 primarily due to transfers from other funds and increased grant activity.

Financial Analysis of the City's Major Proprietary Funds

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

Enterprise Funds				
	September 30, 2006	September 30, 2005	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Assets:				
Water Fund	\$ 140,613	\$ 128,055	\$ 12,558	9.8%
Sewer Fund	40,205	35,648	4,557	12.8%
Refuse Fund	164	18	146	811.1%
Total Net Assets	\$ 180,982	\$ 163,721	\$ 17,261	10.5%
Unrestricted Net Assets:				
Water Fund	\$ 33,105	\$ 22,900	\$ 10,205	44.6%
Sewer Fund	12,366	12,285	81	0.7%
Refuse Fund	164	18	146	811.1%
Total Unrestricted Net Assets	\$ 45,635	\$ 35,203	\$ 10,432	29.6%



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2006

The Water Fund net assets increased by \$12,558,000 and unrestricted net assets increased by \$10,205,000. Key factors in this growth were capital improvement fees of \$7,146,000 and net operating income of \$2,683,000.

The Sewer Fund net assets increased by \$4,557,000 and unrestricted net assets increased by \$81,000. The key factor in this growth was net operating income of \$4,018,000.

Debt Administration

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

	Balance October 1, 2005	Additions	Retirements	Balance September 30, 2006
Governmental Activities:				
Certificates of Participation	\$ 15,525	\$ -	\$ (640)	\$ 14,885
Revenue Bonds	58,030	-	(2,910)	55,120
Tax Allocation Bonds	27,205	-	(1,140)	26,065
Judgement Obligation Bonds	12,245	-	(720)	11,525
Special District Bonds	-	-	-	-
Claims	14,545	2,383	(12,972)	3,956
Compensated Absences	9,045	2,858	(2,273)	9,630
Pension Obligation	7,640	752	(1,844)	6,548
Loans	17,749	15,579	(2,896)	30,432
Property Tax Claims	-	-	-	-
Leases Payable	3,461	614	(1,100)	2,975
Total Long-Term Obligations - Governmental Activities	165,445	22,186	(26,495)	161,136
Business Activities:				
Compensated Absences	786	82	-	868
Leases	112	-	(72)	40
Business Activities	898	82	(72)	908
Total Long-Term Obligations	\$ 166,343	\$ 22,268	\$ (26,567)	\$ 162,044

Additional information on the City's long-term debt is shown in note 10 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 15% of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. This is shown on page 103 of the financial statements. The majority of the current year borrowing by the City involves amounts owed to developers as part of the redevelopment of Bella Terra. The City's total debt decreased (\$4,299,000) or (2.6%) from its beginning amount primarily due to debt repayment.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2006

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

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S & P</u>
1998 Tax Allocation Refunding Bonds	Aaa	AAA
2000 Lease Revenue Bonds, Series A	Aaa	AAA
2001 Lease Revenue Bonds, Series A	Aaa	AAA
2001 Lease Revenue Bonds, Series B	Aaa	AAA
2002 Tax Allocation Refunding Bonds	Aaa	AAA
2004 Judgment Obligation Bonds	Aa3	AA-
2002 Tax Allocation Refunding Bonds	Aaa	Not Available

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 34 for infrastructure reporting. The following infrastructure networks are recorded as capital assets in the government-wide financial statements:

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

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

	<u>September 30, 2006</u>	<u>September 30, 2005</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Governmental Activities:				
Land	\$ 338,463	\$ 334,636	\$ 3,827	1.1%
Buildings	108,507	99,580	8,927	9.0%
Machinery and Equipment	19,945	18,445	1,500	8.1%
Construction in Progress	2,448	-	2,448	N/A
Joint Venture	1,284	1,321	(37)	-2.8%
Infrastructure	138,601	147,867	(9,266)	-6.3%
Total Governmental Activities	609,248	601,849	7,399	1.2%
Business Activities:				
Land	\$ 7,840	\$ 7,840	\$ -	0.0%
Buildings	38,210	39,412	(1,202)	-3.0%
Machinery and Equipment	5,515	6,188	(673)	-10.9%
Construction in Progress	4,143	-	4,143	N/A
Infrastructure	55,983	48,740	7,243	14.9%
Total Business Activities	111,691	102,180	9,511	9.3%
Total Capital Assets	\$ 720,939	\$ 704,029	\$ 16,910	2.4%

Capital assets from governmental activities increased \$7,399,000 (1.2%) while capital assets from business activities increased \$9,511,000 (9.3%). These increases were largely due to infrastructure and building additions. Further



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2006

information on the City's capital assets can be found in note 11 of the financial statements.

General Fund Budgetary Highlights

Comparing the fiscal year 2005/2006 original budget (or adopted) General Fund (expenditures and transfers) amount of \$166,888,000 to the final budgeted amount of \$169,126,000 shows a net increase of \$2,238,000 (1.3)%.

General Fund expenditures were \$12,757,000 less than the final budget. The favorable budget variance is due to lower than expected insurance, capital outlay, operating, and personal services expenditures.

Economic Factors And Next Year's Budgets And Rates

The key assumptions in the General Fund revenue forecast for fiscal year 2006/2007 are:

- Stabilization of local revenues due to recently passed statewide legislation and court decisions
- Modest, consistent general economic growth with emphasis on improving the sales tax and transient occupancy tax base
- Strong growth in property tax revenues
- Establish and maintain proper cost allocations to enterprise funds
- Maintain appropriate fee schedules for allowable cost recovery.

Contacting the City's Financial Management

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) 536-5907 or e-mail rsedlak@surfcity-hb.org.

Basic Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006
(In Thousands)**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 25,564	\$ 50,077	\$ 75,641
Receivables	24,274	7,654	31,928
Inventories	-	1,148	1,148
Other Assets	12,467	-	12,467
Subtotal	62,305	58,879	121,184
Restricted Assets:			
Cash and Investments	62,668	32,145	94,813
Cash with Fiscal Agent	12,116	-	12,116
Receivables	24,346	-	24,346
Land Held for Resale	2,682	-	2,682
Total Restricted Assets	101,812	32,145	133,957
Capital Assets :			
Non-Depreciable	342,195	11,983	354,178
Depreciable	267,053	99,708	366,761
Total Capital Assets	609,248	111,691	720,939
Total Assets	773,365	202,715	976,080
LIABILITIES			
Accounts Payable	3,644	4,448	8,092
Accrued Payroll	2,393	195	2,588
Deposits	1,591	388	1,979
Claims Payable	5,800	-	5,800
Current Liabilities	13,428	5,031	18,459
Current Liabilities Payable from Restricted Assets:			
Accounts Payable	1,280	-	1,280
Accrued Interest Payable	635	-	635
Unearned Revenue	18,790	-	18,790
Deposits	3,074	996	4,070
Long-Term Obligations Due Within One Year	9,652	40	9,692
Total Current Liabilities Payable from Restricted Assets	33,431	1,036	34,467
Long-Term Obligations:			
Long-Term Obligations Due in More than One Year	151,484	868	152,352
Total Liabilities	198,343	6,935	205,278
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	472,372	111,651	584,023
Restricted for:			
Debt Service	7,120	-	7,120
Capital Projects	26,021	31,109	57,130
Other Purposes	35,240	-	35,240
Total Restricted Net Assets	68,381	31,109	99,490
Unrestricted	34,269	53,020	87,289
Total Net Assets	\$ 575,022	\$ 195,780	\$ 770,802

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in		Total
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
City Council	\$ 271	\$ 90	\$ -	\$ -	\$ (181)	\$ -
City Administrator	5,540	1,612	-	-	(3,928)	-
City Treasurer	1,479	1,332	-	-	(147)	-
City Attorney	2,317	43	-	-	(2,274)	-
City Clerk	756	95	-	-	(661)	-
Finance	3,306	325	-	-	(2,981)	-
Planning	2,813	825	-	-	(1,988)	-
Building	3,930	4,859	-	-	929	-
Fire	24,787	1,086	113	-	(23,588)	-
Information Systems	7,361	641	-	-	(6,720)	-
Police	50,877	5,355	132	-	(45,390)	-
Economic Development	4,977	505	372	-	(4,100)	-
Community Services	15,777	14,644	5	1,421	293	-
Library Services	4,829	714	295	-	(3,820)	-
Public Works	49,654	4,784	-	5,472	(39,398)	-
Non-Departmental	11,263	229	-	-	(11,034)	-
Interest on Long-Term Debt	5,575	-	-	-	(5,575)	-
Total Governmental Activities	195,512	37,139	917	6,893	(150,563)	-
Business-type Activities:						
Water Utility	28,117	30,800	-	7,146	-	9,829
Sewer Service	3,855	7,873	-	-	-	4,018
Refuse Collection	10,289	10,292	-	-	-	3
Emerald Cove Housing	551	960	-	-	-	409
Emergency Fire Medical	5,637	6,145	-	-	-	508
Hazmat Service	163	182	-	-	-	19
Ocean View Estates	120	273	-	-	-	153
Total Business Type Activities	48,732	56,525	-	7,146	-	14,939
Total Business and Government Type Activities	\$ 244,244	\$ 93,664	\$ 917	\$ 14,039	(150,563)	14,939
						(135,624)
General Revenues:						
Taxes:						
Property Taxes					66,598	-
Sales Taxes					26,448	-
Utility Taxes					21,170	-
Other Taxes					13,226	-
Total Taxes					127,442	-
Other:						
Use of Money and Property					4,310	3,589
From Other Agencies					10,390	-
Participation Payments					6,221	-
Other					9,278	-
Total Other General Revenue					157,641	3,589
Transfers					464	(464)
Total General Revenues and Transfers					158,105	3,125
Change in Net Assets					7,542	18,064
Net Assets - Beginning of Year as restated (see note 15)					567,480	177,716
Net Assets - End of Year					\$ 575,022	\$ 195,780
						\$ 770,802

See Independent Auditors' Report and Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006
(In Thousands)**

	Other Major Governmental Funds				Total Major Governmental Funds	Non Major Governmental Funds	Total
	General Fund	Redevelopment Agency	Public Financing Authority	Grants			
ASSETS							
Cash and Investments	\$ 25,564	\$ 25,180	\$ -	\$ 7,568	\$ 58,312	\$ 29,920	\$ 88,232
Cash and Investments with Fiscal Agent	150	2,413	7,060	-	9,623	2,493	12,116
Taxes Receivable	21,281	2,687	-	-	23,968	-	23,968
Other Receivables	2,993	11,719	61	8,545	23,318	1,334	24,652
Due from Other Funds	-	-	-	-	-	771	771
Advances to Other Funds	1,836	-	-	-	1,836	-	1,836
Land Held for Resale	-	2,682	-	-	2,682	-	2,682
Other Assets	-	-	-	-	-	1,266	1,266
Prepays	11,201	-	-	-	11,201	-	11,201
TOTAL ASSETS	\$ 63,025	\$ 44,681	\$ 7,121	\$ 16,113	\$ 130,940	\$ 35,784	\$ 166,724
LIABILITES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 3,644	\$ 65	\$ 1	\$ 434	\$ 4,144	\$ 780	\$ 4,924
Accrued Payroll	2,326	7	-	23	2,356	37	2,393
Due to Other Funds	-	-	-	-	-	771	771
Advances from Other Funds	-	-	-	-	-	1,836	1,836
Deposits Payable	1,591	1,694	-	66	3,351	1,314	4,665
Deferred Revenue	9,078	10,922	-	8,528	28,528	-	28,528
Claims Payable	5,800	-	-	-	5,800	-	5,800
Total Liabilities	22,439	12,688	1	9,051	44,179	4,738	48,917
Fund Balances:							
Reserved for:							
Encumbrances	5,546	91	-	2,859	8,496	3,752	12,248
Special Revenue Funds	-	-	-	-	-	-	-
Long-Term Receivables	1,836	4,765	-	-	6,601	-	6,601
Debt Service Funds	-	-	7,120	-	7,120	-	7,120
Capital Projects	-	-	-	4,203	4,203	-	4,203
Land Held for Resale	-	2,682	-	-	2,682	-	2,682
Total Reserved Fund Balance	7,382	7,538	7,120	7,062	29,102	3,752	32,854
Unreserved, Designated:							
Designated for Future Expenditure (Reported in):							
Special Revenue Funds	-	-	-	-	-	16,705	16,705
Capital Projects Funds	-	11,009	-	-	11,009	1,208	12,217
Other Designations:							
Equipment Replacement	6,000	-	-	-	6,000	-	6,000
Capital Projects	3,700	-	-	-	3,700	-	3,700
Council Projects	840	-	-	-	840	-	840
Second Tier	5,090	-	-	-	5,090	-	5,090
Insurance	2,000	-	-	-	2,000	-	2,000
Economic Uncertainties	12,002	-	-	-	12,002	-	12,002
Unreserved, Undesignated (Reported in):							
General Fund	3,572	-	-	-	3,572	-	3,572
Special Revenue Funds	-	-	-	-	-	3,926	3,926
Capital Projects Funds	-	13,446	-	-	13,446	1,433	14,879
Total Unreserved	33,204	24,455	-	-	57,659	27,294	84,953
TOTAL FUND BALANCE	40,586	31,993	7,120	7,062	86,761	31,046	117,807
TOTAL LIABILITES AND FUND BALANCE	\$ 63,025	\$ 44,681	\$ 7,121	\$ 16,113	\$ 130,940	\$ 35,784	\$ 166,724

See Independent Auditors' Report and Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006
(In Thousands)**

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

Total Fund Balances Governmental Funds	\$	117,807
<p>Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>		
Capital Assets		617,677
Accumulated Depreciation		(8,429)
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds</p>		
Accrued Property Taxes Receivable not Recorded in Assets		9,738
<p>Other long-term liabilities are not due in the current period and, therefore, are not recorded in the funds.</p>		
Accrued Interest Payable not Recorded in Liabilities		(635)
<p>Long-term Liabilities, including bonds and certificates of participation payable are due and payable and therefore are not reported in the funds.</p>		
Long-Term Obligations Due in One Year		(9,652)
Long-Term Obligations Due in More than One Year		(150,717)
Net Assets of Governmental Activities	\$	<u>575,789</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

	Other Major Governmental Funds			
	General Fund	Redevelopment Agency	Public Financing Authority	Grants
REVENUES				
Property Taxes	\$ 55,168	\$ 13,897	\$ -	\$ -
Sales Taxes	24,003	-	-	-
Utility Taxes	21,170	-	-	-
Other Taxes	13,226	-	-	-
Licenses and Permits	7,209	-	-	-
Fines and Forfeitures	4,288	-	-	-
From Use of Money and Property	12,084	1,773	305	528
From Other Agencies	5,367	-	-	3,348
Charges for Current Service	13,876	-	-	-
Other	3,224	6,262	-	-
Total Revenues	159,615	21,932	305	3,876
EXPENDITURES				
Current:				
City Council	271	-	-	-
City Administrator	5,504	-	-	-
City Treasurer	1,446	-	-	-
City Attorney	2,272	41	-	-
City Clerk	828	-	-	-
Finance	3,310	-	-	-
Planning	2,661	-	-	140
Building	3,576	-	-	152
Fire	23,918	-	-	468
Information Services	6,540	-	-	-
Police	49,708	-	-	361
Economic Development	1,121	1,986	-	568
Community Services	13,179	-	-	218
Library Services	3,129	-	-	108
Public Works	24,752	-	-	141
Non-Departmental	12,793	975	-	-
Capital Outlay	-	15,804	-	2,353
Debt Service:				
Principal	1,216	3,825	3,550	95
Interest	145	2,376	3,361	206
Total Expenditures	156,369	25,007	6,911	4,810
Excess (Deficiency) Of Revenues Over (Under) Expenditures	3,246	(3,075)	(6,606)	(934)
OTHER FINANCING SOURCES (USES)				
Transfers In	7,305	-	6,568	4,526
Issuance of Long-Term Debt	-	15,579	-	-
Transfers Out	(8,251)	(9,618)	-	(813)
Total Other Financing Sources (Uses)	(946)	5,961	6,568	3,713
Net Change In Fund Balances	2,300	2,886	(38)	2,779
Fund Balance- Beginning Of Year	38,286	29,107	7,158	4,283
Fund Balance- End Of Year	\$ 40,586	\$ 31,993	\$ 7,120	\$ 7,062

See Independent Auditors' Report and Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

Total Major Governmental Funds	Non Major Governmental Funds	Total
\$ 69,065	\$ -	\$ 69,065
24,003	2,445	26,448
21,170	-	21,170
13,226	-	13,226
7,209	223	7,432
4,288	-	4,288
14,690	1,771	16,461
8,715	7,896	16,611
13,876	2,956	16,832
9,486	919	10,405
185,728	16,210	201,938
271	-	271
5,504	4	5,508
1,446	-	1,446
2,313	-	2,313
828	-	828
3,310	-	3,310
2,801	-	2,801
3,728	-	3,728
24,386	-	24,386
6,540	-	6,540
50,069	38	50,107
3,675	497	4,172
13,397	1,013	14,410
3,237	1,122	4,359
24,893	3,555	28,448
13,768	-	13,768
18,157	12,017	30,174
8,686	720	9,406
6,088	424	6,512
193,097	19,390	212,487
(7,369)	(3,180)	(10,549)
18,399	2,140	20,539
15,579	-	15,579
(18,682)	(1,393)	(20,075)
15,296	747	16,043
7,927	(2,433)	5,494
78,834	33,479	112,313
\$ 86,761	\$ 31,046	\$ 117,807

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

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

Net Changes in Fund Balances - Total Governmental funds	\$	5,494
<p>Capital Expenditures- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciable Assets Purchased		17,537
Non-Depreciable Assets Purchased		6,275
Capital Asset Dispositions		(7,984)
Capital Asset Depreciation		(8,429)
<p>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.</p>		
Current Year Property Tax Accrual		9,738
Prior Year Property Tax Accrual		(12,205)
<p>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.</p>		
Current Year Interest Accrual		(635)
Prior Year Interest Accrual		1,572
<p>Long-Term Debt Proceeds - Issuances and changes in long-term debt (bonds, leases, certificates of participation, compensated absences, etc) provide current financial resources to governmental funds, while repayments of this debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, etc. when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.</p>		
		(21,419)
<p>Payments of Long-Term Debt - Principal payments on long-term debt are recorded an expenditure in the governmental funds and a reduction of liability in the government-wide statements.</p>		
		26,495
Change in Net Assets of Governmental Activities	\$	16,439

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Total Major Enterprise Funds	Non-Major Enterprise Funds	Total
ASSETS						
Current Assets:						
Cash and Investments	\$ 30,536	\$ 12,892	\$ -	\$ 43,428	\$ 6,649	\$ 50,077
Restricted Cash	32,145	-	-	32,145	-	32,145
Other Receivables	2,951	680	601	4,232	1,129	5,361
Inventories	1,148	-	-	1,148	-	1,148
Unbilled Receivable	1,579	282	432	2,293	-	2,293
Due from Other Funds	36	-	-	36	-	36
Total Current Assets	68,395	13,854	1,033	83,282	7,778	91,060
Capital Assets:						
Land	3,907	-	-	3,907	3,933	7,840
Buildings and Improvements	39,743	3,708	-	43,451	4,662	48,113
Machinery and Equipment	9,156	252	-	9,408	1,154	10,562
Infrastructure	69,379	39,504	-	108,883	-	108,883
Construction in Progress	-	4,143	-	4,143	-	4,143
Less Accumulated Depreciation	(45,746)	(19,768)	-	(65,514)	(2,336)	(67,850)
Total Capital Assets	76,439	27,839	-	104,278	7,413	111,691
Total Assets	144,834	41,693	1,033	187,560	15,191	202,751
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,214	1,228	826	4,268	180	4,448
Accrued Payroll	110	32	3	145	50	195
Due to Other Funds	-	-	36	36	-	36
Deposits Payable	1,329	-	2	1,331	53	1,384
Current Portion of Claims and Leases	40	-	-	40	-	40
Total Current Liabilities	3,693	1,260	867	5,820	283	6,103
Liabilities Payable from Restricted Assets						
Non-Current Liabilities:						
Compensated Absences	528	228	2	758	110	868
Capital Leases	40	-	-	40	-	40
Less Current Portion of Claims and Leases	(40)	-	-	(40)	-	(40)
Total Non-Current Liabilities	528	228	2	758	110	868
Total Liabilities	4,221	1,488	869	6,578	393	6,971
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	76,399	27,839	-	104,238	7,413	111,651
Restricted for:						
Capital Projects	31,109	-	-	31,109	-	31,109
Unrestricted	33,105	12,366	164	45,635	7,385	53,020
Total Net Assets	\$ 140,613	\$ 40,205	\$ 164	\$ 180,982	\$ 14,798	\$ 195,780

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)

	Water Fund	Sewer Service Fund	Refuse Fund	Total Major Enterprise Funds	Non-Major Enterprise Funds	Total
OPERATING REVENUES						
Sales	\$ 29,211	\$ -	\$ -	\$ 29,211	\$ -	\$ 29,211
Rentals	-	-	-	-	1,233	1,233
Fees for Service	-	6,732	10,247	16,979	6,327	23,306
Other	1,589	1,141	45	2,775	-	2,775
Total Operating Revenues	30,800	7,873	10,292	48,965	7,560	56,525
OPERATING EXPENSES						
Water Purchases	9,625	-	-	9,625	-	9,625
Supplies and Operations	5,959	2,976	10,289	19,224	6,249	25,473
Engineering	1,886	-	-	1,886	-	1,886
Production and Distribution	5,114	-	-	5,114	-	5,114
Maintenance	794	-	-	794	-	794
Water Meters	1,349	-	-	1,349	-	1,349
Water Quality	332	-	-	332	-	332
Depreciation	3,058	879	-	3,937	222	4,159
Total Operating Expenses	28,117	3,855	10,289	42,261	6,471	48,732
Operating Income	2,683	4,018	3	6,704	1,089	7,793
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	2,761	564	-	3,325	264	3,589
Capital Improvement Fees	7,146	-	-	7,146	-	7,146
Total Non-Operating Revenues (Expenses)	9,907	564	-	10,471	264	10,735
Change In Net Assets Before Transfers and Capital Contributions	12,590	4,582	3	17,175	1,353	18,528
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers In	-	-	143	143	-	143
Transfers Out	(32)	(25)	-	(57)	(550)	(607)
Total Transfers And Capital Contributions	(32)	(25)	143	86	(550)	(464)
Total Change In Net Assets	12,558	4,557	146	17,261	803	18,064
Net Assets - Beginning Of Year	128,055	35,648	18	163,721	13,995	177,716
Net Assets- End Of Year	\$ 140,613	\$ 40,205	\$ 164	\$ 180,982	\$ 14,798	\$ 195,780

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Total Major Enterprise Funds	Non-Major Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 30,295	\$ 7,645	\$ 10,286	\$ 48,226	\$ 7,644	\$ 55,870
Cash Paid to Employees for Services	(3,862)	(1,059)	(87)	(5,008)	(1,725)	(6,733)
Cash Paid to Suppliers of Goods and Services	(21,458)	(1,029)	(10,342)	(32,829)	(4,608)	(37,437)
Net Cash Provided (Used) by Operating Items	4,975	5,557	(143)	10,389	1,311	11,700
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	143	143	-	143
Transfers Out	(32)	(25)	-	(57)	(550)	(607)
Net Cash Provided (Used) by Non Capital Financing Activities	(32)	(25)	143	86	(550)	(464)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Plant, Property, and Equipment	(8,316)	(5,375)	-	(13,691)	-	(13,691)
Capital Surcharge	7,146	-	-	7,146	-	7,146
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,170)	(5,375)	-	(6,545)	-	(6,545)
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash Received from Investments	2,761	564	-	3,325	288	3,613
Net Increase in Cash and Cash Equivalents	6,534	721	-	7,255	1,049	8,304
Cash and Cash Equivalents - Beginning of Year	56,147	12,171	-	68,318	5,600	73,918
Cash and Cash Equivalents - End of Year	\$ 62,681	\$ 12,892	\$ -	\$ 75,573	\$ 6,649	\$ 82,222
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 2,683	\$ 4,018	\$ 3	\$ 6,704	\$ 1,089	\$ 7,793
Adjustments to Reconcile Operating income to Net Cash Provided (Used) by Operating Activities						
Depreciation	3,058	879	-	3,937	222	4,159
Decrease (Increase) in Accounts Receivable	(439)	(206)	5	(640)	84	(556)
Decrease (Increase) in Unbilled Receivables	(66)	(22)	(11)	(99)	-	(99)
Decrease (Increase) in Due from Other Funds	175	-	-	175	-	175
Decrease (Increase) in Inventory	59	-	-	59	-	59
Increase (Decrease) in Accounts Payable	324	842	30	1,196	(66)	1,130
Increase (Decrease) in Accrued Payroll	(5)	2	3	-	(6)	(6)
Increase (Decrease) in Due to Other Funds	-	-	(175)	(175)	-	(175)
Increase (Decrease) in Claims Payable	(72)	-	-	(72)	-	(72)
Increase (Decrease) in Deposits	(762)	-	-	(762)	(16)	(778)
Increase (Decrease) in Compensated Absences	20	44	2	66	4	70
Net Cash Provided (Used) by Operating Activities	\$ 4,975	\$ 5,557	\$ (143)	\$ 10,389	\$ 1,311	\$ 11,700

See Independent Auditors' Report and Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006
(In Thousands)**

	Total Agency Funds	Trust Fund - Retirement Supplemental Fund
ASSETS		
Cash and Investments - Local Agency Investment Fund	\$ 8,620	\$ 16,687
Cash with Fiscal Agent	5,860	-
Accounts Receivable, Net	432	134
Interest Receivable	-	-
Total Assets	\$ 14,912	\$ 16,821
LIABILITIES		
Accounts Payable	\$ 350	\$ -
Due to Bondholders	7,358	-
Held for Others	7,204	-
Net Pension/Benefit Obligation	-	6,548
Total Liabilities	14,912	6,548
NET ASSETS		
Held in Trust For Pension Benefits and Other Purposes	\$ -	\$ 10,273

**CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

	Trust Fund - Retirement Supplemental Fund
ADDITIONS	
Employer Contributions	\$ 3,943
Other Income	1,093
Interest Income	644
Total Additions	\$ 5,680
DEDUCTIONS	
Benefits	1,844
Total Deductions	1,844
Change in Net Assets	3,836
Net Assets- Beginning of Year	6,437
Net Assets- End of Year	\$ 10,273

NOTES TO FINANCIAL STATEMENTS

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City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The City of Huntington Beach is the primary government. It was incorporated in 1909, is a charter, full-service city. The form of government is Council-Manager. Component units are legally separate organizations for which the City Council is financially accountable, or organizations that if excluded from the accompanying financial statements, would make them misleading. The component units described below are blended (presented as if they are part of the primary government) with the primary government for financial reporting purposes because either the component units have governing bodies identical to the City's (the City Council) or provide services exclusively to the City. Financial accountability means the appointment of a voting majority of the component unit's board and either the ability to impose will by the City or the possibility that the component unit will provide a financial benefit or impose a financial burden on the City.

- **Redevelopment Agency of the City of Huntington Beach** (the Redevelopment Agency) – This entity was formed in 1967 to renovate older areas in the City. The City Council serves as its governing body and adopts its annual budget. The Redevelopment Agency is financially dependent on the City for all of its operations. Separately prepared financial statements are available for the Redevelopment Agency from the Finance Department.
- **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 Redevelopment Agency. The Public Financing Authority's governing body is the City Council, which also adopts the annual budget. The Public Financing Authority is financially dependent on the City. There are no prepared financial statements available for the Public Financing Authority.
- **The City of Huntington Beach Community Facilities Districts 1990-1, 2000-1, 2002-1, and 2003-1** (Community Facilities Districts), were formed to construct public improvements within the City boundaries. The governing board of these districts is the City Council. The proceeds of debt issued and the expenditures for the public improvements are recorded in capital projects funds. The Community Facilities Districts' debt is not an obligation of the City. There are no separate financial statements prepared for these entities.

b. Government-Wide Financial Statements

The Government-Wide Financial Statements include a Statement of Net Assets, a Statement of Activities, and Changes in Net Assets. These statements present



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statement of activities demonstrates the degree with which the direct expenses of a given function or segment are 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.

Government-wide financial statements do not provide information by fund or account group. They simply distinguish between governmental and business activities. The City’s statement of net assets includes both current and non-current assets and liabilities.

Financial Statement Classification

In the Government-Wide financial statements net assets are classified in the following categories:

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

Restricted Net Assets – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. This category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

Unrestricted Net Assets – represent the net assets of the City, not restricted for any project or other purpose.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Fund Financial Statements

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

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

In the Fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

The City reports the following major funds:



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

- **General Fund** - accounts for activity not required to be accounted for in another fund.
- **Redevelopment Agency** - accounts for acquisition and construction of capital assets and the related debt service activity for certain projects in the City's Redevelopment project areas.
- **Public Financing Authority** - accounts for the activity of the Huntington Beach Public Financing Authority.
- **Grant Fund** - accounts for revenues and expenses of grant related activity.

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 the activities of the City's refuse program.

Governmental Fund Financial Statements

Governmental Fund 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. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City presents all major funds that met those qualifications.

d. Fund Financial Statements

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets for Trust Funds. The City's Fiduciary funds represent Agency Funds, which 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. Contributions made are funded by a percentage of payroll and are recognized when the payroll is incurred. Fiduciary funds are not presented in the government-wide financial statements because these funds do not represent net assets available to the City.

Reconciliations of Financial Statements

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

e. Cash and Investments

The City records investments at fair value. The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements 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 ending accounting period cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

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

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State 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 with the full faith and credit of the State of California collateralizing these



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates. The City early-implemented GASB Statement 40 (*Deposit and Investment Risk Disclosures*). The City's investment policy is further discussed in note 2 on page 36.

f. 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. Capital assets have an acquisition cost of \$10,000 or greater (\$50,000 for infrastructure) and a useful life of two years or more. The City records all purchased capital assets at historical cost (where historical records are available) and at estimated historical cost where no historical records exist. Capital assets acquired from gifts or contributions are recorded at fair market value at the time received, or in the case of infrastructure assets, at City Council acceptance date.

g. Capital Assets

In the Government-Wide and proprietary fund financial statements, depreciation is recorded on the on the straight-line method over the estimated useful lives of the assets shown below and charged to the respective fund. No depreciation is recorded in the governmental funds of the fund financial statements.

Production, pumping transmission and distribution plant	10 to 15 years
General Plant	20 to 50 years
Transportation Equipment	5 to 30 years
Infrastructure	50 Years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on the invested proceeds over the same period.

h. Inventories

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

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

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

j. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term obligations are recorded as liabilities in the applicable governmental activities, business type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt for all issues after October 1, 2001. Premiums and discounts for debt issued before October 1, 2001 are not recorded or amortized.

In the governmental fund financial statements, bond discounts and premiums are recognized as other financing source or use. Issuance costs are recorded a current year expenditure.

k. Employee Compensated Absences

The City records the cost of all accumulated and unused leave time (vacation, sick, comp) as a liability when earned in the government-wide financial statements. In the fund financial statements these amounts are recorded as expenditures in the years paid since it is the City's policy to pay these from future financial resources, rather than available, spendable resources.

l. 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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

valuation and is allocated to county governments, school districts, cities and special districts. Additional levies require two-thirds approval by voters and are allocated directly to the specific government.

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

m. Property Tax Revenue

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 - Prior Fiscal Year
- Due Date, First Installment - November 10
- Due Date, Second Installment - February 10
- Delinquent Date, First Installment - December 10
- Delinquent Date, Second Installment - April 10

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

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

n. Allocation of Interest Income Among Funds

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Cash Flow Statements

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

p. Estimates

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

q. Implementation of New GASB Pronouncements

The City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 46 Net Assets Restricted by Enabling Legislation addresses selected issues and amends GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.

GASB Statement No. 47 Accounting for Termination Benefits provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

2. CASH AND INVESTMENTS

Cash and investments were recorded in the government-wide statements as follows (in thousands):

	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	more than 5	
DEPOSITS:						
Demand Accounts	\$ 2	\$ 2				\$ 2
INVESTMENTS:						
US Treasuries	26,080	15,904	9,846	-	330	26,080
US Agencies	96,931	34,423	55,896	6,612	-	96,931
Guaranteed Investment Contracts	8,238	-	-	-	8,238	8,238
Commercial Paper	28,775	28,775	-	-	-	28,775
Money Market Funds	2,369	2,369	-	-	-	2,369
Local Agency Investment Fund	20,175	20,175	-	-	-	20,175
Subtotal of Investments	182,568	101,646	65,742	6,612	8,568	182,568
Total Deposits and Investments	\$ 182,570	\$ 101,648	\$ 65,742	\$ 6,612	\$ 8,568	\$ 182,570

At Year end the City had the following investments and maturities (amounts in thousands):

Statement of Net Assets:	
Cash and Investments	\$ 75,641
Restricted Assets (Cash and Cash Equivalents)	94,813
Cash with Fiscal Agent - Restricted	12,116
Total Per Statement of Net Assets	182,570
Fiduciary Funds:	
Cash and Investments	25,307
Cash with Fiscal Agent - Restricted	5,860
Total Fiduciary Funds	31,167
Total Cash and Investments	\$ 213,737

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

Credit Risk- State law limits investments in commercial paper and corporate bonds to have at least an “A” rating issued by a nationally recognized statistical rating organization. It is the City’s policy to limit its investments in these investment types to the top two ratings issued by these rating organizations. As of Year end, Standard and Poor’s rating of the City’s investments in commercial paper was A1 or better, and p-1 was the rating placed by Moody’s Investor’s Service. Standard and Poors rated the City’s investments in medium-term bonds AAA or AA-, and a rating of Aaa or Aa3 was placed by Moody’s.

Concentration of Credit Risk – The City’s investment policy limits investments in any one issuer, except for U.S. Treasury Securities and U.S. Government Agencies to no more than



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

2. CASH AND INVESTMENTS (Continued)

10% of the investments. In addition, no more than 50% can be invested in a single security type or with single financial institution and every security type has a specific limit.

Local Agency Investment Fund – The City holds investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, which at Year end also included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flow from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of September 30, 2006, the City held \$47,485,000 in callable securities, which amounted to approximately 24% of investments. The LAIF had invested 2.634% of the pooled investments funds in Structured Notes and Asset-Backed Securities. This external investment pool is not rated.

3. DEFERRED COMPENSATION

Permanent City employees may defer a portion of their salary under tax deferred plans as permitted under Internal Revenue Code. These plan permits employees to defer a portion of their salary until future years. The compensation is not available to the employees until termination, retirement, or unforeseen emergency.

The City has established a trust for the assets of the plans held by third parties. All property and rights purchased with these assets, as well as all income attributable to them are held in trust for the exclusive benefit of the participant and their beneficiary. The amounts are no longer the property of the City and are not subject to the claims of the City's general creditors. Amounts administered by outside organizations in a trustee capacity are no longer reported as assets of the City. The City does not have fiduciary responsibility for these assets.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

4. UNEARNED REVENUE

Certain revenues in governmental funds are deferred until received. The property tax amounts are recognized in the year as revenue in the government-wide financial statements, but are recorded as deferred revenue in the fund financial statements. The other amounts are unearned revenue in both the funds and government-wide financial statements. The amounts are as follows (in thousands):

	Property Taxes	Other Deferred Revenue	Total
General Fund	\$ 8,987	\$ 91	\$ 9,078
Grant Fund	-	8,528	8,528
Redevelopment Agency	751	10,171	10,922
Total	\$ 9,738	\$ 18,790	\$ 28,528

5. RETIREMENT PLAN – NORMAL

a. Plan Description

The City contributes to the California Public Employees’ Retirement System (CalPERS), an agent, which is a multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

b. Employer and Employee Contribution Obligations

The City makes two types of contributions for covered employees. The first contribution represents the amount the City is required to make (the employer rate). The second represents an amount, which is made by the employee, but is reimbursed to the employee by the City (the member rate). The member rate is set by contract and normally remains unchanged.

The employer rate is an actuarially established rate, is set by CalPERS, and changes from year to year. The employer rates for the fiscal year ending Year end are:

	October 1, 2005 to June 30, 2006	July 1, 2006 to Year end
Local Miscellaneous	7.182%	7.849%
Local Safety	29.957%	28.556%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

5. RETIREMENT PLAN – NORMAL (Continued)

c. Employer and Employee Contribution Obligations

The member rates are as follows:

	Rate
Local Miscellaneous	7.000%
Local Safety	9.000%

d. Annual Pension Cost

The City's annual pension cost of \$11,739,000 was equal to the City's required and actual contributions. The required contribution was determined as part of a June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

CalPERS conducted an actuarial valuation using the entry-age actuarial cost method using a level percent of payroll to determine the City's net pension obligation as of June 30, 2005. Significant assumptions were:

- Average amortization remaining period -18 Years as of the Valuation Date – closed end
- Asset valuation method - 3 years smoothed market
- Investment Rate of Return -7.75%
- Projected salary increases - 3.25% to 14.45% (safety) and 3.75% to 14.2% (miscellaneous) depending on age, service, and type of employment
- Inflation - 3.00%
- Payroll growth -3.25%
- Individual salary growth - A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of .25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of the unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of the assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

5. RETIREMENT PLAN – NORMAL (Continued)

e. Trend Information

Fiscal Year	Annual Pension Cost	Percentage of APC Funded	Net Pension Obligation
9/30/2004	\$8,123	100%	\$0
9/30/2005	\$8,729	100%	\$0
9/30/2006	\$11,739	100%	\$0

6. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description

The City provides a supplemental retirement plan for all employees hired prior to December 27, 1997 (dates are different for various associations). It is a single-employer CalPERS. It is a defined benefit plan and will pay the retiree an additional amount to his or her normal amount for life. The City's contracts with employee bargaining associations establish the plan. These associations must agree to any changes to the plan. The amount will cease upon the employee's death. The amount that is computed as a factor of an employee's normal retirement allowance is computed at retirement and remains constant for his or her life. Of the 1,036 active employees reported on the September 30, 2006 data, only 538 were eligible for plan benefits. No separately prepared financial statements are prepared for this plan and it is not included in the financial report of any other pension plan. The assets used to pay these liabilities have not yet been set up in a legal trust.

b. Employer Obligations and Funding Status and Progress

The City annually transfers amounts from the various City funds to a pension trust fund. The City is required to contribute the actuarially determined rate of 3.68% of total payroll for all permanent employees. Administrative costs of this plan are financed through investment earnings.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

c. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for this plan at June 30, 2006 were (in thousands):

Annual required contribution	\$ 3,022
Interest on net pension obligation	420
Adjustment to annual required contribution	<u>(591)</u>
Annual pension cost	2,851
Contributions made	<u>(3,943)</u>
Increase (decrease) in net pension obligation	(1,092)
Net Pension Obligation – Beginning of Year	<u>7,640</u>
Net Pension Obligation – End of Year	<u><u>\$ 6,548</u></u>

The annual required contribution was determined as part of an independent actuarial valuation using the Entry Age Normal Actuarial Cost Method which is a projected benefit full-cost method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions used were:

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

d. Trend Information

Below is the required three-year trend information (dollar amounts in thousands):

Fiscal Year	Annual Pension Cost	Percentage of APC Funded	Net Pension Obligation
6/30/04	\$3,073	98%	\$8,409
6/30/05	\$2,900	127%	\$7,640
6/30/06	\$2,851	138%	\$6,548

Below is other required trend information (dollar amounts in thousands):



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

Fiscal Year Ending June 30	Annual Required Contribution	Percentage of ARC Contributed
2004	3,231	98%
2005	3,074	120%
2006	3,022	130%

e. Accounting for Plan

Since the City is required to adopt GASB 25 for the supplemental pension plan, the difference between the ARC and the amount of pension cost funded for the years in which there was an actuarial study must be recorded as a liability in the government-wide financial statements. The amount of this liability is \$6,548,000. Benefits are recognized when due and payable (see Note 10).

7. POST-EMPLOYMENT MEDICAL INSURANCE

a. Plan Description

The City agreed via contract with each employee association to provide post-employment medical insurance to retirees. The benefits 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
- The retiree becomes eligible to enroll automatically or voluntarily in Medicare

If a retiree dies, the benefits that would be payable for his or her insurance are provided to the spouse or family for 18 months. Benefits for insurance premiums are payable based on the years of service credit for the retiree. The retiree may use the subsidy for any of the medical insurance plans that the City's active employees may enroll.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

7. POST-EMPLOYMENT MEDICAL INSURANCE (Continued)

The assets used to pay these liabilities have not yet been set up in a legal trust

b. Accounting and Funding

The Retiree Medical Insurance Fund is an agency fund. Other funds contribute on a periodic basis. Employees do not contribute. The actuarial assumptions for the plan are identical to the assumptions used for the Retirement Supplement Plan (see Note 6).

Below are the required disclosures for this plan (in thousands):

Number of active participants	1,036
Employer's actuarially required contributions	\$740
Employer's actual contributions	\$1,011

Below is a summary of the Unfunded Actuarial Accrued Liability for the plan (in thousands)

Actuarial accrued liability	\$11,402
Net assets available for plan benefits	\$5,158
Unfunded Actuarial Accrued Liability	\$6,243

c. Accounting and Funding

Under current generally accepted accounting principles, recording of unfunded liabilities on other post-employment benefits in the financial statements is not required.

8. RISK MANAGEMENT

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

Liability Claims

Claims of up to \$1,000,000 are paid from the General Fund. The City is also a participant in the Big Independent Cities Excess Pool Joint Powers Authority (BICEP), which shares payments for claims between \$1,000,000 and \$2,000,000. It also provides general liability



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

8. RISK MANAGEMENT (Continued)

insurance of \$25,000,000 above the City's retention of \$1,000,000. BICEP was created by a joint powers agreement between the City of Huntington Beach and four other local entities for the purpose of providing joint insurance coverage and related risk management services for member cities. BICEP allows member entities to finance claims payment pool for certain liability claims in excess of \$1,000,000 million to a limit of \$25,000,000. BICEP's governing board has one representative from each city (either a member of the City Council or designate). Current members must approve any changes to the board. Each participating City pays an insurance premium to BICEP that is used to fund the operating and debt service requirements.

Workers' Compensation Claims

Workers' compensation claims of up to \$1,000,000 per claim are paid from the General Fund. The BICEP is a member of CSAC-Excess Insurance Authority for excess workers' compensation coverage. Payments for claims from \$1,000,000 to \$5,000,000 are shared. Payments for claims between \$5,000,000 and \$200,000,000 are paid by excess insurance coverage.

All funds of the City participate in the program and make payments to these funds based on estimated cost information.

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

	Workers Compensation	Liability Insurance	Total
Balance September 30, 2004	\$ 5,909	\$ 11,128	\$ 17,037
Additions	1,874	5,062	6,936
Reductions	(990)	(2,494)	(3,484)
Net Increase (Decrease)	884	2,568	3,452
Balance September 30, 2005	6,793	13,696	20,489
Additions	1,039	767	1,806
Reductions	(1,098)	(11,441)	(12,539)
Net Increase (Decrease)	(59)	(10,674)	(10,733)
Balance September 30, 2006	\$ 6,734	\$ 3,022	\$ 9,756

Below is a reconciliation of the above schedule of total claims payable to the financial statements (in thousands):

Current Claims Payable - Reported on the Balance Sheet of Both the Government-Wide and Fund Statements	\$ 5,800
Claims Payable - Long-Term (Greater than One Year) - Reported in Government-Wide Statements, but not in Fund Statements	3,956
Total	\$ 9,756



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

9. INTERFUND TRANSACTIONS

a. Due To/From Other Funds

The amounts at Year end were (in thousands):

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
Gas Tax	\$ 771	\$ -
Drainage	-	771
Total Due to/from and Advances to/from Other Funds Governmental Funds	<u>\$ 771</u>	<u>\$ 771</u>
Proprietary Funds		
Water	36	-
Refuse	-	36
Total all Funds	<u>\$ 36</u>	<u>\$ 36</u>

These outstanding balances result mainly from short-term borrowings to cover payments for goods and services.

b. Advances to/from Other Funds

There is \$1,836,000 advanced from the General Fund to the Park Acquisition and Development Fund (a non-major governmental fund) for closed school site purchases. The amount will be repaid in 2 years.

c. Transfers In/Out

The amounts at Year end were (in thousands):

Transfers In	Transfers Out				
	General Fund	Redevelopment Agency	Grants	Non-Major Governmental Funds	Total Governmental Funds
General Fund	\$ 22	\$ 5,539	\$ 364	\$ 1,129	\$ 7,054
Public Financing Authority	5,961	79	-	172	6,212
Grants	68	4,000	449	9	4,526
Non-Major Governmental Funds	2,057	-	-	83	2,140
Total Governmental Funds	8,108	9,618	813	1,393	19,932
Refuse Fund	143	-	-	-	143
Total Transfers Out	\$ 8,251	\$ 9,618	\$ 813	\$ 1,393	\$ 20,075

Transfers In	Transfers Out				
	Water Fund	Sewer Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Total Transfers In
General Fund	\$ 32	\$ 25	\$ 194	\$ 251	\$ 7,305
Public Financing Authority	-	-	356	356	6,568
Grants	-	-	-	-	4,526
Non-Major Governmental Funds	-	-	-	-	2,140
Total Governmental Funds	32	25	550	607	20,539
Refuse Fund	-	-	-	-	143
Total Transfers Out	\$ 32	\$ 25	\$ 550	\$ 607	\$ 20,682



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2006

9. INTERFUND TRANSACTIONS (Continued)

These transfers are mainly used to:

- Move revenues from a specific fund to the specific debt service fund as payments become due
- Move monies to specific funds to finance programs that the City wishes to or is required to account for in other funds
- Close out or open specific funds per City Council direction

10. LONG-TERM OBLIGATIONS

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

	Note	October 1, 2005	Additions	Retirements	September 30, 2006	Accrued Interest	Principal Due Within One Year
Governmental Activities:							
Judgment Obligation Bonds	10(a)	\$ 12,245	\$ -	\$ (720)	\$ 11,525	\$ 68	\$ 730
Public Financing Authority:							
1997 Leasehold Revenue Bonds	10(b)(1)	4,330	-	(640)	3,690	58	665
2000 Certificates of Participation	10(b)(2)	15,525	-	(640)	14,885	48	670
2001-a Lease Revenue Bonds	10(b)(3)	29,030	-	(630)	28,400	83	650
2001-b Lease Revenue Bonds	10(b)(4)	24,670	-	(1,640)	23,030	96	1,690
Total Public Financing Authority		73,555	-	(3,550)	70,005	285	3,675
Redevelopment Agency:							
1999 Tax Allocation Refunding Bonds	10(c)(1)	8,505	-	(350)	8,155	63	365
2002 Tax Allocation Refunding Bonds	10(c)(2)	18,700	-	(790)	17,910	133	815
Mayer Disposition and Development Agreement	10(c)(3)	10,083	579	(2,465)	8,197	-	-
Bella Terra Parking	10(c)(4)	-	15,000	-	15,000	-	-
Section 108 Loan/Bowen Court	10(c)(5)	7,550	-	(315)	7,235	86	340
Total Redevelopment Agency		44,838	15,579	(3,920)	56,497	282	1,520
Other Long-Term Obligations:							
California Energy Commission		116		(116)	-	-	-
Leases Payable	10(d)(1)	3,461	614	(1,100)	2,975	-	727
Compensated Absences	10(d)(2)	9,045	2,858	(2,273)	9,630	-	2,000
Net Pension Obligation	10(d)(3)	7,640	752	(1,844)	6,548	-	-
Claims Payable	10(d)(4)	14,545	2,383	(12,972)	3,956	-	1,000
Total Other Long-Term Obligations		34,807	6,607	(18,305)	23,109	-	3,727
Total Long-Term Obligations - Governmental Activities		\$ 165,445	\$ 22,186	\$ (26,495)	\$ 161,136	\$ 635	\$ 9,652



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

Below are reconciliations from amounts in the above table to amounts in the accompanying government-wide financial statements (in thousands):

Issuance of Long-Term Debt in Governmental Fund Financial Statements	\$ 15,579
Increase in Leases Payable	614
Increase in Net Pension Obligation	752
Increase in Compensated Absences	2,858
Increase in Claims Payable	1,616
Increases in Above Schedule	<u>\$ 21,419</u>

Principal Paid in Governmental Fund Financial Statements	\$ 9,406
Decrease in Compensated Absences	2,273
Decrease in Net Pension Obligation	1,844
Decrease in Claims Payable	12,972
Decreases in Above Schedule	<u>\$ 26,495</u>

a. Judgment Obligation Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	730	405	1,135
2008	745	389	1,134
2009	765	369	1,134
2010	785	346	1,131
2011	810	320	1,130
2012-2016	4,520	1,115	5,635
2017-2019	3,170	201	3,371
Total	\$ 11,525	\$ 3,145	\$ 14,670



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

b. Public Financing Authority

(1) 1997 Public Financing Authority Revenue Bonds

Year of Issuance	1997
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$8,070,000
Security	Lease Agreement with City for Central Library
Interest Rates	5.00% to 5.50%
Interest Payment Dates	June 15 th and December 15 th
Principal Payment Dates	December 15 th
Purpose of Debt	Construct Pier Plaza and Purchase 800 MHZ System

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	665	181	846
2008	80	163	243
2009	85	159	244
2010	90	154	244
2011	95	149	244.0
2012-2016	550	663	1,213
2017-2021	720	489	1,209
2022-2026	950	262	1,212
2027-2028	455	26	481
Total	\$ 3,690	\$ 2,246	\$ 5,936



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

(2) 2000 Public Financing Authority Certificates of Participation

Year of Issuance	2000
Type of Debt	Certificates of Participation
Original Principal Amount	\$18,310,000
Security	Lease with City
Interest Rates	4.0% to 5.0%
Interest Payment Dates	September 1 st and March 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Capital improvements and defeasance of Emerald Cove Certificates of Participation

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	670	774	1,444
2008	700	744	1,444
2009	730	714	1,444
2010	760	680	1,440
2011	490	645	1,135
2012-2016	2,815	2,850	5,665
2017-2021	3,655	2,018	5,673
2022-2026	2,510	1,132	3,642
2027-2029	2,555	358	2,913
Total	\$ 14,885	\$ 9,915	\$ 24,800

(3) 2001(a) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2001
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$31,360,000
Security	Lease Agreement with City for Public Buildings
Interest Rates	2.45% to 5.0%
Interest Payment Dates	March 1 st and September 1 st
Principal Payment Dates	September 1 st
Purpose of Debt	Construct Sports Complex and South Beach Phase II Improvements



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	650	1,334	1,984
2008	675	1,312	1,987
2009	700	1,288	1,988
2010	725	1,262	1,987
2011	750	1,234	1,984
2012-2016	4,260	5,668	9,928
2017-2021	5,315	4,610	9,925
2022-2026	6,735	3,192	9,927
2027-2031	8,590	1,330	9,920
Total	\$ 28,400	\$ 21,230	\$ 49,630

(4) 2001(b) Public Financing Authority Lease Revenue Bonds

Year of Issuance	2001
Type of Debt	Lease Revenue Bonds
Original Principal Amount	\$31,095,000
Security	Lease on Civic Center Buildings
Interest Rates	4.0% to 5.0%
Interest Payment Dates	August 1, February 1
Principal Payment Dates	August 1
Purpose of Debt	Defeasement of Civic Improvement Corporation Certificates

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	1,690	925	2,615
2008	1,745	875	2,620
2009	1,800	818	2,618
2010	1,880	737	2,617
2011	1,955	662	2,617
2012-2016	10,985	2,100	13,085
2017-2019	2,975	286	3,261
Total	\$ 23,030	\$ 6,403	\$ 29,433



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

c. Redevelopment Agency

(1) 1999 Redevelopment Agency Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	365	380	745
2008	380	365	745
2009	390	350	740
2010	410	334	744
2011	430	317	747
2012-2016	2,460	1,278	3,738
2017-2021	2,530	645	3,175
2022-2024	1,190	117	1,307
Total	\$ 8,155	\$ 3,786	\$ 11,941

(2) 2002 Redevelopment Agency Tax Allocation Refunding Bonds

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	815	798	1,613
2008	845	772	1,617
2009	870	742	1,612
2010	910	712	1,622
2011	945	677	1,622
2012-2016	5,410	2,776	8,186
2017-2021	5,540	1,410	6,950
2022-2024	2,575	253	2,828
Total	\$ 17,910	\$ 8,140	\$ 26,050

(3) Mayer Disposition and Development Agreement

In fiscal year 1996-97, the Agency entered into a disposition and development agreement 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 Agency obligation under the agreement amounted to \$8,197,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance.

(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. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

(5) Section 108 Loan

Year of Issuance	2000
Type of Debt	Loan from Federal Government
Original Principal Amount	\$8,570,000
Security	Loan Agreement with Federal Government
Interest Rates	7.7%
Interest Payment Dates	February 1 st and August 1 st
Principal Payment Dates	August 1 st
Purpose of Debt	Capital Improvements

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	340	518	858
2008	365	493	858
2009	390	467	857
2010	415	439	854
2011	445	408	853
2012-2016	3,185	1,487	4,672
2017-2019	2,095	339	2,434
Total	\$ 7,235	\$ 4,151	\$ 11,386

d. Other Long-Term Obligations

(1) Leases Payable

The City entered into capital leases for various items:

Year of Insurance	2001 through 2006
Type of Debt	Capital Leases
Original Principal Amount	Various (\$10,000 to \$1,800,000)
Security	Lease Agreement
Interest Rates	4.2% to 6.9%
Interest Payment Dates	Monthly, Quarterly, Semi-Annually
Principal Payment Dates	Monthly, Quarterly, Semi-Annually
Purpose of Debt	Equipment Financing



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

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

Year Ending September 30	Principal	Interest	Total
2007	\$ 727	\$ 126	\$ 853
2008	582	95	677
2009	516	67	583
2010	300	47	347
2011	284	33	317
2012-2013	566	29	595
Total	\$ 2,975	\$ 397	\$ 3,372

(2) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$9,630,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.

(3) Net Pension Obligation

There is no fixed repayment schedule to fund the actuarial liability for the unfunded net pension obligation totaling \$6,548,000 for the City's Retirement Supplement Plan described in Note 6. The amount will be funded through a contribution rate determined by an independent actuarial study.

(4) Claims Payable

There is no repayment schedule for the claims payable of \$3,956,000 described in note 8. The City pays the claims upon final settlement.

e. Long-Term Obligations – Business Activities

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

Long-Term Obligations - Business Activities:	October 1, 2005	Additions	Retirements	September 30, 2006	Accrued Interest	Principal Due Within One Year
Compensated Absences 10(e)(1)	786 \$	82 \$	- \$	868 \$	- \$	-
Leases Payable 10(e)(2)	112		(72)	40	-	40
Total Long-Term Obligations - Business Activities	\$ 898	\$ 82	\$ (72)	\$ 908	\$ -	40



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$868,000 relating to business activities.

(2) Leases Payable

The City entered into capital leases for various items:

Year of Issuance	1993 through 2003
Type of Debt	Capital Leases
Original Principal Amount	Various
Security	Lease Agreement
Interest Rates	4.4% to 6.2%
Interest Payment Dates	Monthly, Quarterly, Semi-Annually
Principal Payment Dates	Monthly, Quarterly, Semi-Annually
Purpose of Debt	Equipment Financing

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

Year Ending September 30	Principal	Interest	Total
2007	\$ 40	\$ 1	\$ 41

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

Obligations Not Recorded in Financial Statements:

		October 1, 2005	Additions	Retirements	September 30, 2006
Community Facilities Districts:					
Community Facilities District No. 1990-1					
Special Tax Refunding Bonds	10(f)(1)	\$ 1,830	\$ -	\$ (85)	\$ 1,745
Community Facilities District 2000-1					
Special Assessment Tax Bonds	10(f)(2)	15,500	-	(265)	15,235
Community Facilities District NO. 2002-1					
Special Assessment Tax Bonds	10(f)(3)	4,895	-	(10)	4,885
Community Facilities District NO. 2003-1					
Special Assessment Tax Bonds	10(f)(4)	25,000	-	(440)	24,560
Total Community Facilities Districts		47,225	-	(800)	46,425
Without City Commitment Debt	10(f)(5)	25,500	-	-	25,500
Total Obligations Not Recorded in Financial Statements		\$ 72,725	\$ -	\$ (800)	\$ 71,925



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	-	-	-
2008	90	88	178
2009	95	84	179
2010	95	80	175
2011	100	75	175
2012-2016	595	291	886
2017-2021	770	109	879
Total	\$ 1,745	\$ 727	\$ 2,472

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	280	956	1,236
2008	295	943	1,238
2009	305	928	1,233
2010	325	912	1,237
2011	340	895	1,235
2012-2016	2,030	4,150	6,180
2017-2021	2,755	3,426	6,181
2022-2026	3,765	2,416	6,181
2027-2031	5,140	1,036	6,176
Total	\$ 15,235	\$ 15,662	\$ 30,897

(3) Community Facilities District 2002-1 Special Tax Bonds

Year of Issuance	2002
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$4,900,000
Security	Special Tax Levies
Interest Rates	3.80% to 6.20%
Interest Payment Dates	March 1 st and September 1 st
Principal Payment Dates	September 1 st

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	15	298	313
2008	25	298	323
2009	30	296	326
2010	40	295	335
2011	50	293	343
2012-2016	390	1,417	1,807
2017-2021	730	1,271	2,001
2022-2026	1,215	994	2,209
2027-2031	1,905	532	2,437
2032	485	30	515
Total	\$ 4,885	\$ 5,724	\$ 10,609



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

10. LONG-TERM OBLIGATIONS (Continued)

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

Year of Issuance	2003
Type of Debt	Community Facilities District Assessment Bonds
Original Principal Amount	\$25,000,000
Security	Special Tax Levies
Interest Rates	2.65% to 5.85%
Interest Payment Dates	March 1 st and September 1 st
Principal Payment Dates	September 1 st

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2007	450	1,354	1,804
2008	465	1,340	1,805
2009	485	1,323	1,808
2010	500	1,305	1,805
2011	520	1,284	1,804
2012-2016	2,995	6,036	9,031
2017-2021	3,875	5,158	9,033
2022-2026	5,130	3,897	9,027
2027-2031	6,825	2,212	9,037
2032-2033	3,315	294	3,609
Total	\$ 24,560	\$ 24,203	\$ 48,763

(5) Residential Development Bonds

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



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006

10. LONG-TERM OBLIGATIONS (Continued)

These bond issues are (in thousands):

Bond Issue	Outstanding Year end	Original Issue Amount
Five Points Senior Project Multi-Family Housing Revenue Bonds – Series A – 1991	\$9,500	\$9,500
Huntington Breakers Mortgage Revenue Bonds Refunding Issue – 1996 Series A	\$16,000	\$16,000
Total	\$25,500	\$25,500

11. CAPITAL ASSETS

a. Changes in Capital Assets

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

	October 1, 2005	Additions	Dispositions	September 30, 2006
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 334,636	3,827	-	\$ 338,463
Construction in Progress	-	2,448	-	2,448
Joint Ventures	1,321	-	(37)	1,284
Total Capital Assets -Not Depreciated	335,957	6,275	(37)	342,195
Capital Assets Being Depreciated				
Buildings	127,238	11,527	-	138,765
Machinery and Equipment	54,276	6,010	(2,446)	57,840
Infrastructure	300,456	-	(7,917)	292,539
Total Capital Assets Being Depreciated	481,970	17,537	(10,363)	489,144
Less Accumulated Depreciation:				
Buildings	(27,658)	(2,600)		(30,258)
Machinery and Equipment	(35,831)	(4,480)	2,416	(37,895)
Infrastructure	(152,589)	(1,349)	-	(153,938)
Total Accumulated Depreciation	(216,078)	(8,429)	2,416	(222,091)
Total Depreciated - Net	265,892	9,108	(7,947)	267,053
Total Capital Assets	817,927	23,812	(10,400)	831,339
Total Accumulated Depreciation	(216,078)	(8,429)	2,416	(222,091)
Capital Assets of Governmental Activities - Net	\$ 601,849	\$ 15,383	\$ (7,984)	\$ 609,248



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

11. CAPITAL ASSETS (Continued)

	October 1, 2005	Additions	Dispositions	September 30, 2006
Business Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 7,840	-	-	\$ 7,840
Construction in Progress	1,189	4,143	(1,189)	4,143
Total Capital Assets -Not Depreciated	9,029	4,143	(1,189)	11,983
Capital Assets Being Depreciated				
Buildings	46,924	1,189	-	48,113
Machinery and Equipment	10,235	422	(75)	10,582
Infrastructure	100,242	9,126	(485)	108,883
Total Capital Assets Being Depreciated	157,401	10,737	(560)	167,578
Less Accumulated Depreciation:				
Buildings	(8,702)	(1,201)	-	(9,903)
Machinery and Equipment	(4,047)	(1,095)	75	(5,067)
Infrastructure	(51,502)	(1,863)	465	(52,900)
Total Accumulated Depreciation	(64,251)	(4,159)	540	(67,870)
Total Depreciated - Net	93,150	6,578	(20)	99,708
Total Capital Assets	166,430	14,880	(1,749)	179,561
Total Accumulated Depreciation	(64,251)	(4,159)	540	(67,870)
Capital Assets of Governmental Activities - Net	\$ 102,179	\$ 10,721	\$ (1,209)	\$ 111,691

b. Depreciation Expense

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

Department:	
City Council	\$ -
City Administrator	32
City Treasurer	33
City Attorney	4
City Clerk	3
Finance	60
Planning	13
Building and Safety	229
Fire	554
Information Services	988
Police	774
Economic Development	1
Community Services	1,056
Library Services	402
Public Works	2,903
Non-Departmental	1,377
Total	\$ 8,429



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

11. CAPITAL ASSETS (Continued)

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

Fund:	
Water	\$ 3,058
Sewer Service	879
Emerald Cove	82
Fire Medical Program	129
Ocean View Estates	11
Total	<u>\$ 4,159</u>

c. Capital Assets Acquired via Capital Leases

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

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$ 6,162	\$ 824
Less: Accumulated Depreciation	(2,797)	(340)
Total	<u>\$ 3,365</u>	<u>\$ 484</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

12. 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. Huntington Beach Union High School District (HBUHSD) Sharing Agreement

In 1997 the City Council agreed to pay the HBUHSD certain increased sales tax revenues relating to the development of a new commercial site by Home Depot. The City will retain the first \$50,000 of annual increased sales tax revenues and will pay HBUHSD a portion of the amount over \$50,000 until the year 2015/2016.

c. Disposition and Development and Owner Participation Agreements

In June 1999, the Redevelopment Agency entered into a disposition and development agreement with the CIM Group, LLC to allow development of a hotel, retail and restaurant improvements and a public parking facility. The project costs are to be paid initially by the developer with the Agency reimbursing the developer a maximum of \$7.9 million pursuant to a Third Implementation Agreement approved on October 21, 2002. The Fourth Implementation Agreement provided a maximum Agency cost for additional parking spaces \$1,500,000. The Fifth Implementation Agreement, dated July 19, 2004, clarified certain provisions in the DDA relating to the Agency Participation Payment, Acquisition costs and indemnification obligations.

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.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

12. COMMITMENTS AND CONTINGENCIES (Continued)

d. Redevelopment Agency Debt to City

The City has advanced money to the Redevelopment Agency for capital improvements and operations. There is no fixed repayment schedule for these advances and the Council/Agency has no requirement for the timing of any repayment. Accordingly, the City has not recorded the advances in the accompanying financial statements. These advances have been made since 1984 and include direct advances of cash, overhead charges, deferred development fees, deferred land sales, and interest. Below is a schedule of the activity for the year (in thousands):

	Amount @ 10/1/05	Reductions	Additions	Amount @ 9/30/06
General Fund				
Direct Advances	\$ 3,766			\$ 3,766
Overhead Charges	6,567			6,567
Land Sales	32,833			32,833
Interest	34,368	(5,553)	2,940	31,755
Total General Fund	77,534	(5,553)	2,940	74,921
Sewer Fund				
Direct Advances	131		-	131
Deferred Development Fees	38		-	38
Interest	189		13	202
Total Sewer Fund	358	-	13	371
Drainage Fund				
Direct Advances	250		-	250
Deferred Development Fees	54			54
Interest	374		26	400
Total Drainage Fund	678	-	26	704
Park Acquisition and Development Fund				
Direct Advances	1,741	-	-	1,741
Deferred Development Fees	247			247
Interest	2,717		177	2,894
Total Park Acquisition and Development Fund	4,705	-	177	4,882
Capital Improvement Fund				
Direct Advances	470			470
Interest	315		19	334
Total Capital Improvement Fund	785	-	19	804
Water Fund				
Direct Advances	1,138			1,138
Interest	2,157		124	2,281
Total Water Fund	3,295	-	124	3,419
Total All Funds	\$ 87,355	\$ (5,553)	\$ 3,299	\$ 85,101

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2006**

13. OTHER INFORMATION

a. Expenditures Exceeding Appropriations

Expenditures exceeded appropriations at the departmental level in the funds shown (in thousands):

Major Funds		
Nondepartmental	\$	449
Redevelopment Agency - Economic Development		254
Grants - Public Works		133
Other Non-Major Funds		
Transportation Public Works		14
Sewer Development - Public Works		2

b. Fund and Accumulated Deficits

The Drainage Fund had a total fund deficit of \$777,000 at year end. The deficit will be eliminated through monitoring of expenditures.

c. Participation Payments

The revenue from participation payments are received in-lieu of having to pay certain fees or for acquiring land.

14. SUBSEQUENT EVENTS

On October 16, 2006 the Redevelopment Agency approved an Owner Participation Agreement with Makallon Atlanta Huntington Beach, LLC (also know as Makar) to develop a 31-acre site in the Main-Pier sub-area of the Huntington Beach Redevelopment Project (Pacific City). Makar will advance \$5,500,000 to the Redevelopment Agency to fund the Agency's obligation for the Regional Urban Runoff Treatment System and the Pacific View Drive Extension. The advance will be repaid over 20 years from tax increment generated from the site.

15. PRIOR PERIOD ADJUSTMENT

The City determined that the claims payable balance was overstated by \$8,130,000 as of September 30, 2006.

Government-Wide Financial Statements

Beginning Net Assets - Governmental Activities	\$	559,350
Prior Period Adjustment		8,130
Beginning Net Assets - Governmental Activities (Restated)	\$	<u>567,480</u>

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Required Supplementary Information

City of Huntington Beach Required Supplementary Information Year end

Budgetary Information

The City Council must annually adopt a budget by September 30 of the prior fiscal year. The budgeted expenditures become the appropriations to the various departments. The budget includes estimates for revenue that, along with the appropriations, compute the budgetary fund balance. The appropriated budget covers substantially all governmental fund expenditures with the exception of capital improvement projects (capital projects funds) carried forward from prior years, which constitute a legally authorized non-appropriated budget. The City Council may amend the budget at any time. The City Administrator 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 may transfer funds from like object categories of the same department. The City Council must approve any changes to departmental budgets. Expenditures may not exceed appropriations at the departmental level. All unused appropriations lapse at year-end. During the year the City Council made several supplemental appropriations with included carryovers of prior year encumbrances all of which were within available fund balance and estimated revenue amounts.

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

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

These financial statements show budgetary data for the General, Special Revenue, Capital Projects and Debt Service Funds. The original budget, revised budget, actual expenditures, and variance amounts are shown.

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

Below is a schedule of a budget to actual comparison of the General and Grant Fund's Revenues, and Expenditures (in thousands):

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

General Fund

REVENUES	Original Budget	Final Budget	Actual	Variance
Property Taxes	\$53,700	\$53,700	\$55,168	\$ 1,468
Sales Taxes	22,538	22,538	24,003	1,465
Utility Taxes	20,867	20,867	21,170	303
Other Taxes	12,641	12,641	13,226	585
Licenses and Permits	6,614	6,884	7,209	325
Fines, Forfeitures and Penalties	4,829	4,829	4,288	(541)
From Use of Money and Property	9,414	9,414	12,084	2,670
From Other Agencies	9,534	9,272	5,367	(3,905)
Charges for Current Service	13,320	13,320	13,876	556
Other	1,171	2,171	3,224	1,053
Total Revenues	154,628	155,636	159,615	3,979
EXPENDITURES				
Current:				
City Council	300	300	271	29
City Administrator	8,841	9,042	5,504	3,538
City Treasurer	1,970	1,630	1,446	184
City Attorney	3,210	2,701	2,272	429
City Clerk	913	940	828	112
Finance	3,134	3,555	3,283	272
Planning	3,133	4,016	2,660	1,356
Building	3,856	3,949	3,577	372
Fire	24,008	23,993	23,866	127
Information Services	7,667	7,730	6,540	1,190
Police	49,431	50,038	49,752	286
Economic Development	1,252	1,325	1,121	204
Community Services	12,869	13,211	13,151	60
Library Services	3,659	3,651	3,129	522
Public Works	28,223	29,279	24,752	4,527
Non-Departmental	12,624	12,016	12,465	(449)
Debt Service:				
Principal	1,653	1,605	1,607	(2)
Interest	145	145	145	-
Total Expenditures	166,888	169,126	156,369	12,757
Excess (Deficiency) Of Revenues				
Over (Under) Expenditures	(12,260)	(13,490)	3,246	(8,778)
OTHER FINANCING SOURCES (USES)				
Transfers In	6,954	7,276	7,305	29
Transfers Out	(8,020)	(9,102)	(8,251)	851
Total Other Financing Sources (Uses)	(1,066)	(1,826)	(946)	880
Excess Of Revenues And Other Sources				
Over (Under) Expenditures And Other Uses	(13,326)	(15,316)	2,300	(7,898)
Fund Balance - Beginning Of Year	38,286	38,286	38,286	-
Fund Balance - End Of Year	\$ 24,960	\$ 22,970	\$ 40,586	\$ (7,898)

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

Grants

REVENUES	Original Budget	Final Budget	Actual	Variance
From Use of Money and Property	\$ 218	\$ 258	\$ 528	\$ 270
From Other Agencies	4,358	9,970	3,348	(6,622)
Other	17	17	-	(17)
Total Revenues	<u>4,593</u>	<u>10,245</u>	<u>3,876</u>	<u>(6,369)</u>
 EXPENDITURES				
Current:				
Planning	174	174	140	34
Building		1,019	152	867
Fire	562	1,009	468	541
Police	300	560	361	199
EconomicDevelopment	2,100	2,100	568	1,532
CommunityServices	199	339	218	121
LibraryServices	74	159	108	51
PublicWorks	55	8	141	(133)
CapitalOutlay	10,451	18,260	2,353	15,907
DebtService:				
Principal	95	95	95	-
Interest	183	206	206	-
Total Expenditures	<u>14,193</u>	<u>23,929</u>	<u>4,810</u>	<u>19,119</u>
Excess Of Revenues Over (Under)				
Expenditures	<u>(9,600)</u>	<u>(13,684)</u>	<u>(934)</u>	<u>(25,488)</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,517	4,526	9
Transfers Out	-	(650)	(813)	(163)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,867</u>	<u>3,713</u>	<u>(154)</u>
Excess Of Revenues And Other Sources				
Over (Under) Expenditures And Other Uses	<u>(9,600)</u>	<u>(9,817)</u>	<u>2,779</u>	<u>(25,642)</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>4,283</u>	<u>4,283</u>
Fund Balance - End Of Year	<u>\$ (9,600)</u>	<u>\$ (9,817)</u>	<u>\$ 7,062</u>	<u>\$ (25,642)</u>

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN- NORMAL
(In Thousands)**

Actuarial Valuation Date	Entry Age Normal Actuarial Liability (AAL)	Actuarial Value of Assets	Excess Assets (Unfunded Liability)	Funded Ratio	Covered Payroll	Excess Assets as a Percentage of Covered Payroll
2001						
Safety	\$ 283,438	\$ 295,280	\$ 11,842	104.2%	\$ 27,717	42.7%
Non Safety	177,467	237,108	59,641	133.6%	35,985	165.7%
Total	\$ 460,905	\$ 532,388	\$ 71,483	115.5%	\$ 63,702	112.2%
2002						
Safety	\$ 299,052	\$ 272,367	\$ (26,685)	91.1%	\$ 23,270	-114.7%
Non Safety	191,997	223,364	31,367	116.3%	37,811	83.0%
Total	\$ 491,049	\$ 495,731	\$ 4,682	101.0%	\$ 61,081	7.7%
2003						
Safety	\$ 320,670	\$ 270,538	\$ (50,132)	84.4%	\$ 28,919	-173.4%
Non Safety	222,221	225,689	3,468	101.6%	36,918	9.4%
Total	\$ 542,891	\$ 496,227	\$ (46,664)	91.4%	\$ 65,837	-70.9%
2004						
Safety	\$ 339,301	\$ 280,745	\$ (58,556)	82.7%	\$ 27,412	-213.6%
Non Safety	234,602	236,189	1,587	100.7%	36,143	4.4%
Total	\$ 573,903	\$ 516,934	\$ (56,969)	115.5%	\$ 63,555	-89.6%
2005						
Safety	\$ 356,782	\$ 296,477	\$ (60,305)	83.1%	\$ 29,081	-207.4%
Non Safety	253,268	249,443	(3,825)	98.5%	37,343	-10.2%
Total	\$ 610,050	\$ 545,920	\$ (64,130)	115.5%	\$ 66,424	-96.5%

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN- SUPPLEMENTAL
(In Thousands)**

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/95 Update	15,776	(290)	(16,066)	-1.8%	51,779	-31.0%
6/30/96 Actual	16,071	(120)	(16,191)	-0.7%	54,368	-29.8%
6/30/1997 Actual	25,342	2,334	(23,008)	9.2%	49,881	-46.1%
6/30/98 Update	26,493	3,251	(23,242)	12.3%	48,585	-47.8%
6/30/99 Actual	28,601	4,162	(24,439)	14.6%	50,723	-48.2%
6/30/2000 Update	28,844	5,077	(23,767)	17.6%	57,674	-41.2%
6/30/2001 Actual	36,453	6,678	(29,775)	18.3%	63,345	-47.0%
6/30/2002 Update	35,524	8,775	(26,749)	24.7%	65,137	-41.1%
6/30/2003 Actual	40,436	10,474	(29,962)	25.9%	65,227	-45.9%
6/30/2004 Update	40,978	11,936	(29,042)	29.1%	63,538	-45.7%
6/30/2005 Actual	40,873	14,227	(26,646)	34.8%	65,843	-40.5%
9/30/2006 Update	43,066	16,821	(26,245)	39.1%	72,186	-36.4%

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Supplementary Information

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Other Governmental Funds

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

- The **Gas Tax Fund** accounts for moneys allocated under the Streets and Highways Code of California. Expenditures may be made for any street-related purpose allowed under the code.
- The **Drainage Fund** accounts for fees received from developers to construct and maintain the City's drainage system.
- The **Narcotics Forfeiture Fund** accounts for moneys received from the State of California for special law enforcement expenditures.
- The **Transportation Fund** accounts for moneys received from the countywide ½ cent sales tax and other specific sources to be spent on transportation-related expenditures.
- The **Air Quality Fund** accounts for revenues from the local agencies used to improve local air quality.
- The **Traffic Impact Fee Fund** accounts for moneys received from the traffic impact fee levied on new developments in the City.
- The **Fourth of July Parade Fund** accounts for the activities of the City's annual parade.
- The **Special Library Fund** accounts for revenues and expenditures related to the expanded Central Library including some construction.
- The **Cultural Affairs Fund** accounts revenues and expenditures associated with the City's Art Center.
- The **Park Acquisition and Development Fund** accounts for fees received from developers to develop and maintain the City's park system.

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

- The **Property Tax Refund Fund** records the payment of claims for repayment of the Judgment Obligation Bonds.

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

- The **Holly Seacliff Fund** accounts for capital improvements made to the Holly Seacliff area.
- The **Parking in-lieu Fund** records construction activity from developers who pay fees in-lieu of directly providing parking facilities to the City.
- The **Sewer Development Fund** accounts for fees received from developers to construct and maintain sewer facilities.
- The **Bella Terra Parking Structure Fund** accounts for the fees paid by the developer for expenses related to the Bella Terra Parking Structure.

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006
(In Thousands)**

	SPECIAL REVENUE FUNDS			
	Gas Tax	Drainage	Narcotics Forfeiture	Transportation
ASSETS				
Cash and Investments	\$ 8,382	\$ -	\$ 566	\$ 2,966
Cash and Investments with Fiscal Agent	-	-	-	-
Other Receivables	707	-	4	427
Due from Other Funds	771	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 9,860</u>	<u>\$ -</u>	<u>\$ 570</u>	<u>\$ 3,393</u>
LIABILITIES				
Accounts Payable	\$ 606	\$ 6	\$ -	\$ -
Accrued Payroll	8	-	-	9
Due to Other Funds	-	771	-	-
Advances from Other Funds	-	-	-	-
Deposits Payable	-	-	-	-
Total Liabilities	<u>\$ 614</u>	<u>\$ 777</u>	<u>\$ -</u>	<u>\$ 9</u>
FUND BALANCES				
Reserved for:				
Encumbrances	1,881	-	90	815
Total Reserved Fund Balances	<u>1,881</u>	<u>-</u>	<u>90</u>	<u>815</u>
Unreserved Fund Balances				
Unreserved, Designated for Future Expenditures	7,365	-	254	251
Undesignated	-	(777)	226	2,318
Total Unreserved Fund Balance	<u>7,365</u>	<u>(777)</u>	<u>480</u>	<u>2,569</u>
Total Fund Balances	<u>9,246</u>	<u>(777)</u>	<u>570</u>	<u>3,384</u>
Total Liabilities and Fund Balances	<u>\$ 9,860</u>	<u>\$ -</u>	<u>\$ 570</u>	<u>\$ 3,393</u>

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006
(In Thousands)**

SPECIAL REVENUE FUNDS						
Air Quality	Traffic Impact	Fourth of July	Special Library	Cultural Affairs	Park Acquisition and Development	Total Special Revenue Funds
\$ 899	\$ 7,543	\$ 105	\$ 703	\$ 185	\$ 4,249	\$ 25,598
-	-	-	-	-	-	-
7	61	1	5	1	57	1,270
-	-	-	-	-	-	771
-	-	-	-	-	1,266	1,266
\$ 906	\$ 7,604	\$ 106	\$ 708	\$ 186	\$ 5,572	\$ 28,905
\$ -	\$ 122	\$ 3	\$ 18	\$ 15	\$ 8	\$ 778
-	2	-	11	4	2	36
-	-	-	-	-	-	771
-	-	-	-	-	1,836	1,836
-	-	-	-	-	1,266	1,266
\$ -	\$ 124	\$ 3	\$ 29	\$ 19	\$ 3,112	\$ 4,687
40	450	7	16	-	288	3,587
40	450	7	16	-	288	3,587
262	6,760	96	354	-	1,363	16,705
604	270	-	309	167	809	3,926
866	7,030	96	663	167	2,172	20,631
906	7,480	103	679	167	2,460	24,218
\$ 906	\$ 7,604	\$ 106	\$ 708	\$ 186	\$ 5,572	\$ 28,905

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006
(In Thousands)
(continued)**

	Debt Service Fund	Capital Projects Funds		
	Property Tax Refund	Holly Seacliff	Parking in-lieu	Sewer Development
ASSETS				
Cash and Investments	\$ 1,539	\$ 188	\$ 888	\$ 639
Cash and Investments with Fiscal Agent	2,493	-		
Other Receivables	40	2	8	5
Due from Other Funds	-			
Other Assets	-	-	-	-
Total Assets	<u>\$ 4,072</u>	<u>\$ 190</u>	<u>\$ 896</u>	<u>\$ 644</u>
LIABILITIES				
Accounts Payable	\$ 2	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	1
Due to Other Funds	-	-	-	-
Advances from Other Funds	-	-	-	-
Deposits Payable	48	-	-	-
Total Liabilities	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
FUND BALANCES				
Reserved for:				
Encumbrances	-	165	-	-
Total Reserved Fund Balances	-	165	-	-
Unreserved Fund Balances				
Unreserved, Designated for Future Expenditures	-	14	-	138
Undesignated	4,022	11	896	505
Total Unreserved Fund Balance	4,022	25	896	643
Total Fund Balances	<u>4,022</u>	<u>190</u>	<u>896</u>	<u>643</u>
Total Liabilities and Fund Balances	<u>\$ 4,072</u>	<u>\$ 190</u>	<u>\$ 896</u>	<u>\$ 644</u>

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006
(In Thousands)
(continued)**

Capital Projects Funds			
Bella Terra Parking Structure	Infrastructure	Total Capital Projects Funds	Total Non-Major Governmental Funds
\$ 7	\$ 1,061	\$ 2,783	\$ 29,920
		-	2,493
	9	24	1,334
		-	771
-	-	-	1,266
<u>\$ 7</u>	<u>\$ 1,070</u>	<u>\$ 2,807</u>	<u>\$ 35,784</u>
\$ -	\$ -	\$ -	\$ 780
-	-	1	37
-	-	-	771
-	-	-	1,836
-	-	-	1,314
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 4,738</u>
-	-	165	3,752
-	-	165	3,752
-	1,056	1,208	17,913
7	14	1,433	9,381
<u>7</u>	<u>1,070</u>	<u>2,641</u>	<u>27,294</u>
<u>7</u>	<u>1,070</u>	<u>2,806</u>	<u>31,046</u>
<u>\$ 7</u>	<u>\$ 1,070</u>	<u>\$ 2,807</u>	<u>\$ 35,784</u>

**CITY OF HUNTINGTON BEACH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006
 (In Thousands)**

	Special Revenue Funds			
	Gas Tax	Drainage	Narcotics Forfeiture	Transportation
REVENUES				
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,445
Licenses and Permits	-	-	-	-
From Use of Money and Property	252	-	23	164
From Other Agencies	5,713	-	16	-
Charges for Current Service	-	93	-	-
Other	3	-	-	70
Total Revenues	<u>5,968</u>	<u>93</u>	<u>39</u>	<u>2,679</u>
EXPENDITURES				
Current:				
City Administrator	-	-	-	-
Police	-	-	38	-
Economic Development	-	-	-	-
Community Services	-	-	-	-
Library Services	-	-	-	-
Public Works	2,168	-	-	913
Capital Outlay	1,727	-	46	3,622
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>3,895</u>	<u>-</u>	<u>84</u>	<u>4,535</u>
Excess Of Revenues Over (Under) Expenditures	<u>2,073</u>	<u>93</u>	<u>(45)</u>	<u>(1,856)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(937)	-	-	-
Total Other Financing Sources Sources (Uses)	<u>(937)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,136</u>	<u>93</u>	<u>(45)</u>	<u>(1,856)</u>
Fund Balance - Beginning Of Year	<u>8,110</u>	<u>(870)</u>	<u>615</u>	<u>5,240</u>
Fund Balance - End Of Year	<u>\$ 9,246</u>	<u>\$ (777)</u>	<u>\$ 570</u>	<u>\$ 3,384</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)
(continued)**

Special Revenue Funds							Debt Service Fund
Air Quality	Traffic Impact	Fourth of July	Special Library	Cultural Affairs	Park Acquisition and Development	Total Special Revenue Funds	Property Tax Refund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,445	\$ -
-	6	-	3	-	-	9	-
33	341	37	473	10	159	1,492	183
239	540	55	-	-	817	7,380	-
-	428	123	661	167	1,197	2,669	-
-	-	104	11	80	402	670	-
272	1,315	319	1,148	257	2,575	14,665	183
-	-	-	-	-	-	-	4
-	-	-	-	-	-	38	-
-	-	-	-	-	-	-	-
-	-	336	-	297	380	1,013	-
-	-	-	1,122	-	-	1,122	-
45	429	-	-	-	-	3,555	-
25	2,391	-	-	-	4,163	11,974	-
-	-	-	-	-	-	-	720
-	-	-	-	-	-	-	424
70	2,820	336	1,122	297	4,543	17,702	1,148
202	(1,505)	(17)	26	(40)	(1,968)	(3,037)	(965)
-	-	-	-	83	-	83	1,065
-	-	-	(456)	-	-	(1,393)	-
-	-	-	(456)	83	-	(1,310)	1,065
202	(1,505)	(17)	(430)	43	(1,968)	(4,347)	100
704	8,985	120	1,109	124	4,428	28,565	3,922
\$ 906	\$ 7,480	\$ 103	\$ 679	\$ 167	\$ 2,460	\$ 24,218	\$ 4,022

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)
(continued)**

	Capital Projects Funds			
	Holly Seacliff	Parking In-Lieu	Sewer Development	Bella Terra Parking Structure
REVENUES				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	212	2	-
From Use of Money and Property	9	54	20	-
From Other Agencies	-	-	12	504
Charges for Current Service	-	-	287	-
Other	-	249	-	-
Total Revenues	9	515	321	504
EXPENDITURES				
Current:				
City Administrator	-	-	-	-
Police	-	-	-	-
Economic Development	-	-	-	497
Community Services	-	-	-	-
Library Services	-	-	-	-
Public Works	-	-	-	-
Capital Outlay	-	-	43	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	43	497
Excess Of Revenues Over (Under) Expenditures	9	515	278	7
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources Sources (Uses)	-	-	-	-
Net Change in Fund Balances	9	515	278	7
Fund Balance - Beginning Of Year	181	381	365	-
Fund Balance - End Of Year	\$ 190	\$ 896	\$ 643	\$ 7

**CITY OF HUNTINGTON BEACH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006
 (In Thousands)
 (continued)**

Capital Projects		
Infrastructure	Total Capital Projects Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 2,445
-	214	223
13	96	1,771
-	516	7,896
-	287	2,956
-	249	919
<u>13</u>	<u>1,362</u>	<u>16,210</u>
-	-	4
-	-	38
-	497	497
-	-	1,013
-	-	1,122
-	-	3,555
-	43	12,017
-	-	720
-	-	424
<u>-</u>	<u>540</u>	<u>19,390</u>
<u>13</u>	<u>822</u>	<u>(3,180)</u>
992	992	2,140
-	-	(1,393)
<u>992</u>	<u>992</u>	<u>747</u>
<u>1,005</u>	<u>1,814</u>	<u>(2,433)</u>
<u>65</u>	<u>992</u>	<u>33,479</u>
<u>\$ 1,070</u>	<u>\$ 2,806</u>	<u>\$ 31,046</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

Gas Tax

REVENUES:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
From Use of Money and Property	\$ 119	\$ 119	\$ 252	\$ 133
From Other Agencies	7,100	7,100	5,713	(1,387)
Other	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
TOTAL REVENUES	<u>7,219</u>	<u>7,219</u>	<u>5,968</u>	<u>(1,251)</u>
EXPENDITURES:				
Current:				
Public Works	2,897	2,897	2,168	729
Capital Outlay	<u>9,552</u>	<u>9,552</u>	<u>1,727</u>	<u>7,825</u>
TOTAL EXPENDITURES	<u>12,449</u>	<u>12,449</u>	<u>3,895</u>	<u>8,554</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,230)</u>	<u>(5,230)</u>	<u>2,073</u>	<u>(9,805)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(1,194)</u>	<u>(1,222)</u>	<u>(937)</u>	<u>285</u>
NET CHANGE IN FUND BALANCE	<u>(6,424)</u>	<u>(6,452)</u>	<u>1,136</u>	<u>(9,520)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>8,110</u>	<u>8,110</u>	<u>8,110</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,686</u>	<u>\$ 1,658</u>	<u>\$ 9,246</u>	<u>\$ (9,520)</u>

Drainage

REVENUES:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Charges for Current Service	\$ 50	\$ 50	\$ 93	\$ 43
FUND BALANCE - BEGINNING OF YEAR	<u>(748)</u>	<u>(748)</u>	<u>(870)</u>	<u>(122)</u>
FUND BALANCE - END OF YEAR	<u>\$ (698)</u>	<u>\$ (698)</u>	<u>\$ (777)</u>	<u>\$ (79)</u>

Narcotics Forfeiture

REVENUES:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
From Use of Money and Property	\$ 14	\$ 14	\$ 23	\$ 10
From Other Agencies	<u>163</u>	<u>163</u>	<u>16</u>	<u>(147)</u>
TOTAL REVENUES	<u>177</u>	<u>177</u>	<u>39</u>	<u>(138)</u>
EXPENDITURES:				
Current:				
Police	95	205	38	167
Capital Outlay	<u>101</u>	<u>358</u>	<u>46</u>	<u>312</u>
TOTAL EXPENDITURES	<u>196</u>	<u>563</u>	<u>84</u>	<u>479</u>
NET CHANGE IN FUND BALANCE	<u>(19)</u>	<u>(386)</u>	<u>(45)</u>	<u>(617)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>570</u>	<u>570</u>	<u>615</u>	<u>45</u>
FUND BALANCE - END OF YEAR	<u>\$ 551</u>	<u>\$ 184</u>	<u>\$ 570</u>	<u>\$ (572)</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(In Thousands)

(continued)

Transportation

REVENUES:	Original Budget	Final Budget	Actual	Variance
Property Taxes				
Sales Taxes	\$ 2,200	\$ 2,200	\$ 2,445	\$ 245
From Use of Money and Property	95	95	164	69
TOTAL REVENUES	2,295	2,295	2,679	384
EXPENDITURES:				
Current:				
Public Works	899	899	913	(14)
Capital Outlay	5,096	5,096	3,622	1,474
TOTAL EXPENDITURES	5,995	5,995	4,535	1,460
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,700)	(3,700)	(1,856)	1,844
OTHER FINANCING SOURCES (USES):				
Transfers Out	(150)	(150)	-	(150)
NET CHANGE IN FUND BALANCE	(3,850)	(3,850)	(1,856)	1,694
FUND BALANCE - BEGINNING OF YEAR	184	1,081	5,240	4,159
FUND BALANCE - END OF YEAR	\$ (3,666)	\$ (2,769)	\$ 3,384	\$ 5,853

Air Quality

REVENUES:	Original Budget	Final Budget	Actual	Variance
From Use of Money and Property	\$ 10	\$ 10	\$ 33	\$ 23
From Other Agencies	220	220	239	19
TOTAL REVENUES	230	230	272	42
EXPENDITURES:				
Current:				
Public Works	38	49	45	4
Capital Outlay	50	75	25	50
TOTAL EXPENDITURES	88	124	70	54
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	142	106	202	96
OTHER FINANCING SOURCES (USES):				
Transfers Out	(150)	(115)	-	115
NET CHANGE IN FUND BALANCE	(8)	(9)	202	211
FUND BALANCE - BEGINNING OF YEAR	351	351	704	353
FUND BALANCE - END OF YEAR	\$ 343	\$ 342	\$ 906	\$ 564

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(In Thousands)

(continued)

Traffic Impact

REVENUES:	Original Budget	Final Budget	Actual	Variance
Licenses and Permits	\$ -	\$ -	\$ 6	\$ 6
From Use of Money and Property	153	153	341	188
From Other Agencies	-	-	540	540
Charges for Current Service	900	900	428	(472)
TOTAL REVENUES	1,053	1,053	1,315	263
EXPENDITURES:				
Current:				
Public Works	989	989	429	560
Capital Outlay	5,222	5,222	2,391	2,831
TOTAL EXPENDITURES	6,211	6,211	2,820	3,391
NET CHANGE IN FUND BALANCE	(5,158)	(5,158)	(1,505)	3,653
FUND BALANCE - BEGINNING OF YEAR	3,201	3,034	8,985	5,951
FUND BALANCE - END OF YEAR	\$ (1,957)	\$ (2,124)	\$ 7,480	\$ 9,604

Fourth of July

REVENUES:	Original Budget	Final Budget	Actual	Variance
From Use of Money and Property	\$ 3	\$ 3	\$ 37	\$ 34
From Other Agencies	-	-	55	55
Charges for Current Service	-	-	123	123
Other	400	400	104	(296)
TOTAL REVENUES	403	403	319	(84)
EXPENDITURES:				
Current:				
Community Services	407	407	336	71
NET CHANGE IN FUND BALANCE	(4)	(4)	(17)	(13)
FUND BALANCE - BEGINNING OF YEAR	213	(10)	120	130
FUND BALANCE - END OF YEAR	\$ 209	\$ (14)	\$ 103	\$ 117

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(In Thousands)

(continued)

Library

REVENUES:	Original Budget	Final Budget	Actual	Variance
Licenses and Permits	\$ -	\$ -	\$ 3	\$ 3
From Use of Money and Property	428	428	473	45
Charges for Current Service	864	864	661	(203)
Other	160	160	11	(149)
TOTAL REVENUES	<u>1,452</u>	<u>1,452</u>	<u>1,148</u>	<u>(304)</u>
EXPENDITURES:				
Current:				
Library Services	1,297	1,297	1,122	175
Capital Outlay	200	200	-	200
TOTAL EXPENDITURES	<u>1,497</u>	<u>1,497</u>	<u>1,122</u>	<u>375</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45)	(45)	26	71
OTHER FINANCING SOURCES (USES):				
Transfers Out	(473)	(473)	(456)	17
NET CHANGE IN FUND BALANCE	<u>(518)</u>	<u>(518)</u>	<u>(430)</u>	<u>88</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,265</u>	<u>1,306</u>	<u>1,109</u>	<u>(197)</u>
FUND BALANCE - END OF YEAR	<u>\$ 747</u>	<u>\$ 788</u>	<u>\$ 679</u>	<u>\$ (109)</u>

Cultural Affairs

REVENUES:	Original Budget	Final Budget	Actual	Variance
From Use of Money and Property	\$ 9	\$ 9	\$ 10	\$ 1
Charges for Current Service	162	162	167	5
Other	88	88	80	(8)
TOTAL REVENUES	<u>259</u>	<u>259</u>	<u>257</u>	<u>(2)</u>
EXPENDITURES:				
Current:				
Community Services	334	333	297	36
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(75)	(74)	(40)	34
OTHER FINANCING SOURCES (USES):				
Transfers In	85	85	83	(2)
NET CHANGE IN FUND BALANCE	<u>10</u>	<u>11</u>	<u>43</u>	<u>32</u>
FUND BALANCE - BEGINNING OF YEAR	<u>124</u>	<u>124</u>	<u>124</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 134</u>	<u>\$ 135</u>	<u>\$ 167</u>	<u>\$ 32</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(In Thousands)
(continued)

Park Acquisition and Development

REVENUES:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
From Use of Money and Property	\$ 57	\$ 57	\$ 159	\$ 102
From Other Agencies	-	-	817	817
Charges for Current Service	926	926	1,196	270
Other	-	-	403	403
TOTAL REVENUES	<u>983</u>	<u>983</u>	<u>2,575</u>	<u>1,592</u>
EXPENDITURES:				
Current:				
Community Services	952	969	380	589
Capital Outlay	4,631	4,614	4,163	451
TOTAL EXPENDITURES	<u>5,583</u>	<u>5,583</u>	<u>4,543</u>	<u>1,040</u>
NET CHANGE IN FUND BALANCE	<u>(4,600)</u>	<u>(4,600)</u>	<u>(1,968)</u>	<u>2,632</u>
FUND BALANCE - BEGINNING OF YEAR	<u>4,428</u>	<u>4,428</u>	<u>4,428</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (172)</u>	<u>\$ (172)</u>	<u>\$ 2,460</u>	<u>\$ 2,632</u>

Property Tax Refund

REVENUES:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
From Use of Money and Property	\$ 23	\$ 23	\$ 183	\$ 160
EXPENDITURES:				
Current:				
City Administrator	56	59	4	55
Debt Service:				
Principal	720	720	720	-
Interest	539	539	424	115
TOTAL EXPENDITURES	<u>1,315</u>	<u>1,318</u>	<u>1,148</u>	<u>170</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,292)</u>	<u>(1,295)</u>	<u>(965)</u>	<u>330</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,146	1,146	1,065	(81)
NET CHANGE IN FUND BALANCE	<u>(146)</u>	<u>(149)</u>	<u>100</u>	<u>249</u>
FUND BALANCE - BEGINNING OF YEAR	<u>3,922</u>	<u>3,922</u>	<u>3,922</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,776</u>	<u>\$ 3,773</u>	<u>\$ 4,022</u>	<u>\$ 249</u>

Holly Seacliff

REVENUES:	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
From Use of Money and Property	\$ 12	\$ 12	\$ 9	\$ (3)
EXPENDITURES:				
Current:				
Capital Outlay	165	165	-	165
NET CHANGE IN FUND BALANCE	<u>(153)</u>	<u>(153)</u>	<u>9</u>	<u>162</u>
FUND BALANCE - BEGINNING OF YEAR	<u>181</u>	<u>181</u>	<u>181</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 28</u>	<u>\$ 28</u>	<u>\$ 190</u>	<u>\$ 162</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(In Thousands)

(continued)

Parking in-Lieu

REVENUES:	Original Budget	Final Budget	Actual	Variance
Licenses and Permits	\$ -	\$ 171	\$ 212	\$ 41
From Use of Money and Property	6	6	54	48
Other	-	-	249	249
TOTAL REVENUES	6	177	515	338
FUND BALANCE - BEGINNING OF YEAR	94	94	381	287
FUND BALANCE - END OF YEAR	\$ 100	\$ 271	\$ 896	\$ 624

Sewer Development

REVENUES:	Original Budget	Budget	Actual	Variance
Licenses and Permits	\$ -	\$ -	\$ 2	\$ 2
From Use of Money and Property	-	-	20	20
From Other Agencies	-	-	12	12
Charges for Current Service	100	100	287	187
TOTAL REVENUES	100	100	321	221
EXPENDITURES:				
Current:				
Capital Outlay	16	41	43	(2)
NET CHANGE IN FUND BALANCE	84	59	278	219
FUND BALANCE - BEGINNING OF YEAR	365	365	365	-
FUND BALANCE - END OF YEAR	\$ 449	\$ 424	\$ 643	\$ 219

Bella Terra Parking Structure

REVENUES:	Original Budget	Final Budget	Actual	Variance
From Other Agencies	-	504	504	-
EXPENDITURES:				
Current:				
Economic Development	-	504	497	7
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER	-	504	497	(7)
NET CHANGE IN FUND BALANCE	-	-	7	7
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 7	\$ 7

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)
(continued)**

Infrastructure

REVENUES:	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
From Use of Money and Property	\$ -	\$ -	\$ 13	\$ 13
OTHER FINANCING SOURCES (USES):				
Transfers In	-	992	992	-
NET CHANGE IN FUND BALANCE	-	992	1,005	13
FUND BALANCE - BEGINNING OF YEAR	65	65	65	-
FUND BALANCE - END OF YEAR	\$ 65	\$ 1,057	\$ 1,070	\$ 13

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

Public Financing Authority

REVENUES	Original Budget	Final Budget	Actual	Variance
From Use of Money and Property	\$ 330	\$ 330	\$ 305	(25)
EXPENDITURES				
Debt Service:				
Principal	3,550	3,550	3,550	-
Interest	3,394	3,394	3,361	33
Total Expenditures	6,944	6,944	6,911	33
Excess Of Revenues Over (Under) Expenditures	(6,614)	(6,614)	(6,606)	8
OTHER FINANCING SOURCES (USES)				
Transfers In	6,589	6,589	6,568	(21)
Net Changes in Fund Balance	(25)	(25)	(38)	(13)
Fund Balance - Beginning Of Year	7,516	7,516	7,158	(358)
Fund Balance - End Of Year	\$ 7,491	\$ 7,491	\$ 7,120	\$ (371)

Redevelopment Agency

REVENUES	Original Budget	Final Budget	Actual	Variance
Property Taxes	\$ 12,346	\$ 12,346	\$ 13,897	\$ 1,551
From Use of Money and Property	1,009	1,009	1,773	764
Other	170	170	6,262	6,092
Total Revenues	13,525	13,525	21,932	8,407
EXPENDITURES				
Current:				
City Attorney	268	268	41	227
Economic Development	1,563	1,732	1,986	(254)
Non-Departmental	1,446	1,446	975	471
Capital Outlay	4,650	19,864	15,804	4,060
Debt Service:				
Principal	3,825	3,825	3,825	-
Interest	4,500	4,500	2,376	2,124
Total Expenditures	16,252	31,635	25,007	6,628
Excess Of Revenues Over (Under) Expenditures	(2,727)	(18,110)	(3,075)	1,779
OTHER FINANCING SOURCES (USES):				
Proceeds of Long-Term Debt	-	15,579	15,579	-
Transfers Out	(5,141)	(9,890)	(9,618)	272
Total Other Financing Sources (Uses)	(5,141)	5,689	5,961	272
Excess Of Revenues And Other Sources Over				
Net Change in Fund Balance	(7,868)	(12,421)	2,886	2,051
Fund Balance - Beginning Of Year	29,107	29,107	29,107	-
Fund Balance - End Of Year	\$ 21,239	\$ 16,686	\$ 31,993	\$ 2,051

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Non-Major Enterprise Funds

Enterprise Funds account for operations similar to private businesses. The City's intent is to recover the costs to the general public through user charges or where the City wished to periodically determine net income.

- The **Emerald Cove Housing Fund** accounts for the operations of a senior-citizens apartment complex.
- The **Emergency Fire Medical Fund** accounts for the user-fee portion of the City's paramedic service.
- The **Hazmat Service Fund** accounts for user fees charged for City's hazardous material program.
- The **Ocean View Estates Fund** accounts for the operation of the Ocean View Estates Mobile Home Park owned by the City

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2006
(In Thousands)

	Emerald Cove Housing	Emergency Fire Medical	Hazmat Service	Ocean View Estates	Total
ASSETS					
CURRENT ASSETS:					
Cash and Investments	\$ 2,833	\$ 2,005	\$ 260	\$ 1,551	\$ 6,649
Other Receivables	23	1,079	14	13	1,129
TOTAL CURRENT ASSETS	2,856	3,084	274	1,564	7,778
CAPITAL ASSETS:					
Land	1,289	-	-	2,644	3,933
Buildings	4,102	-	-	560	4,662
Machinery and Equipment	-	1,154	-	-	1,154
Less Accumulated Depreciation	(1,723)	(535)	-	(78)	(2,336)
TOTAL CAPITAL ASSETS	3,668	619	-	3,126	7,413
TOTAL ASSETS	6,524	3,703	274	4,690	15,191
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts Payable	50	126	-	4	180
Accrued Payroll	-	46	3	1	50
Deposits Payable	43	-	-	10	53
TOTAL CURRENT LIABILITIES	93	172	3	15	283
NON-CURRENT LIABILITIES:					
Compensated Absences	-	84	14	12	110
TOTAL LIABILITIES	93	256	17	27	393
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	3,668	619	-	3,126	7,413
Unrestricted	2,763	2,828	257	1,537	7,385
TOTAL NET ASSETS	\$ 6,431	\$ 3,447	\$ 257	\$ 4,663	\$ 14,798

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

	Emerald Cove Housing	Emergency Fire Medical	Hazmat Service	Ocean View Estates	Total
OPERATING REVENUES:					
Rentals	\$ 960	\$ -	\$ -	\$ 273	\$ 1,233
Fees for Service	-	6,145	182	-	6,327
TOTAL OPERATING REVENUES	960	6,145	182	273	7,560
OPERATING EXPENSES:					
Supplies and Operations	469	5,508	163	109	6,249
Depreciation	82	129	-	11	222
TOTAL OPERATING EXPENSES	551	5,637	163	120	6,471
OPERATING INCOME (LOSS)	409	508	19	153	1,089
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	120	68	15	61	264
CHANGE IN NET ASSETS BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	529	576	34	214	1,353
TRANSFERS AND CAPITAL CONTRIBUTIONS:					
Transfers Out	(356)	(181)	(13)	-	(550)
TOTAL CHANGE IN NET ASSETS	173	395	21	214	803
NET ASSETS - BEGINNING OF YEAR	6,258	3,052	236	4,449	13,995
NET ASSETS - END OF YEAR	\$ 6,431	\$ 3,447	\$ 257	\$ 4,663	\$ 14,798

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006
(In Thousands)**

	Emerald Cove Housing	Emergency Fire Medical	Hazmat Service	Ocean View Estates	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers and Users	\$ 958	\$ 6,230	\$ 186	\$ 270	\$ 7,644
Cash Paid to Employees for Services	-	(1,580)	(108)	(37)	(1,725)
Cash Paid to Suppliers of Goods and Services	(484)	(4,001)	(51)	(72)	(4,608)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	474	649	27	161	1,311
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers Out	(356)	(181)	(13)	-	(550)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Received from Investments	128	68	15	77	288
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	246	536	29	238	1,049
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,587	1,469	231	1,313	5,600
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,833	\$ 2,005	\$ 260	\$ 1,551	\$ 6,649
RECONCILIATION OF OPERATING INCOME					
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income	\$ 409	\$ 508	\$ 19	\$ 153	\$ 1,089
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation	82	129	-	11	222
Decrease (Increase) in Accounts Receivable	(2)	85	4	(3)	84
Increase (Decrease) in Accounts Payable	-	(66)	-	-	(66)
Increase (Decrease) in Accrued Payroll	-	(6)	-	-	(6)
Increase (Decrease) in Deposits	(15)	(1)	-	-	(16)
Increase (Decrease) in Compensated Absences	-	-	4	-	4
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 474	\$ 649	\$ 27	\$ 161	\$ 1,311

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 Auto 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 **Retiree Medical Insurance Fund** accounts for the City's medical retirement program.

**CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006**

	Agency Funds					Total Agency Funds
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Retiree Medical Insurance	
Assets:						
Cash and Investments -						
Local Agency Investment Fund	\$ 739	\$ 1,126	\$ 191	\$ 1,446	\$ 5,118	\$ 8,620
Cash with Fiscal Agent	-	5,860	-	-	-	5,860
Accounts Receivable, Net	-	372	19	-	41	432
Total Assets	\$ 739	\$ 7,358	\$ 210	\$ 1,446	\$ 5,159	\$ 14,912
Liabilities:						
Accounts Payable	-	-	152	197	1	350
Due to Bondholders	-	7,358	-	-	-	7,358
Held for others	739	-	58	1,249	5,158	7,204
Total Liabilities	\$ 739	\$ 7,358	\$ 210	\$ 1,446	\$ 5,159	\$ 14,912

CITY OF HUNTINGTON BEACH
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2006

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006
General Deposit				
Assets:				
Cash and Investments	\$ 2,010	\$ -	\$ (1,271)	\$ 739
Liabilities:				
Held for others	\$ 2,010	\$ -	\$ (1,271)	\$ 739
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 950	\$ 176	\$ -	\$ 1,126
Cash with Fiscal Agent	8,318	-	(2,458)	5,860
Accounts Receivable, Net	402	-	(30)	372
Total Assets	\$ 9,670	\$ 176	\$ (2,488)	\$ 7,358
Liabilities:				
Due to Bondholders	\$ 9,670	\$ -	\$ (2,312)	\$ 7,358
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 103	\$ 88	\$ -	\$ 191
Accounts Receivable, Net	17	2	-	19
Total Assets	\$ 120	\$ 90	\$ -	\$ 210
Liabilities:				
Accounts Payable	\$ -	\$ 152	\$ -	\$ 152
Held for others	120	-	(62)	58
Total Liabilities	\$ 120	\$ 152	\$ (62)	\$ 210
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 1,674	\$ -	\$ (228)	\$ 1,446
Accounts Receivable, Net	12	-	(12)	-
Total Assets	\$ 1,686	\$ -	\$ (240)	\$ 1,446
Liabilities:				
Accounts Payable	\$ -	\$ 197	\$ -	\$ 197
Held for others	1,686	-	(437)	1,249
Total Liabilities	\$ 1,686	\$ 197	\$ (437)	\$ 1,446
Retiree Medical Insurance				
Assets:				
Cash and Investments	\$ 4,796	\$ 322	\$ -	\$ 5,118
Accounts Receivable, Net	38	3	-	41
Total Assets	\$ 4,834	\$ 325	\$ -	\$ 5,159
Liabilities:				
Accounts Payable	\$ 6	\$ -	\$ (5)	\$ 1
Held for others	4,828	330	-	5,158
Total Liabilities	\$ 4,834	\$ 330	\$ (5)	\$ 5,159

CITY OF HUNTINGTON BEACH
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2006
(CONTINUED)

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 9,533	\$ 586	\$ (1,499)	\$ 8,620
Cash with Fiscal Agent	8,318	-	(2,458)	5,860
Accounts Receivable, Net	469	5	(42)	432
Total Assets	<u>\$ 18,320</u>	<u>\$ 591</u>	<u>\$ (3,999)</u>	<u>\$ 14,912</u>
Liabilities:				
Accounts Payable	\$ 6	\$ 349	\$ (5)	\$ 350
Due to Bondholders	9,670	-	(2,312)	7,358
Held for others	8,644	330	(1,770)	7,204
Total Liabilities	<u>\$ 18,320</u>	<u>\$ 679</u>	<u>\$ (4,087)</u>	<u>\$ 14,912</u>

Statistical Section

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

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

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in the 2002 fiscal year; schedules presenting government-wide information include information beginning in that year.

City of Huntington Beach
Net Assets by Component - Last Five Fiscal Years
(In Thousands)

	Fiscal Year Ending September 30,				
	2006	2005	2004	2003	2002
Governmental Activities					
Investment in Capital Assets, Net of Related Debt	\$ 472,372	\$ 479,897	\$ 448,217	\$ 446,061	\$ 425,967
Restricted	68,381	39,227	61,051	51,261	42,417
Unrestricted	34,269	40,226	(9,278)	(12,924)	(10,745)
Total Governmental Activities Net Assets	\$ 575,022	\$ 559,350	\$ 499,990	\$ 484,398	\$ 457,639
Business - Type Activities					
Investment in Capital Assets, Net of Related Debt	\$ 111,651	\$ 102,068	\$ 92,890	\$ 88,884	\$ 79,781
Restricted	31,109	34,085	32,968	30,946	31,043
Unrestricted	53,020	41,563	33,664	25,671	23,236
Total Business - Type Activities Net Assets	\$ 195,780	\$ 177,716	\$ 159,522	\$ 145,501	\$ 134,060
Primary Government					
Investment in Capital Assets, Net of Related Debt	\$ 584,023	\$ 581,965	\$ 541,107	\$ 534,945	\$ 505,748
Restricted	99,490	73,312	94,019	82,207	73,460
Unrestricted	87,289	81,789	24,386	12,747	12,491
Total Primary Government Net Assets	\$ 770,802	\$ 737,066	\$ 659,512	\$ 629,899	\$ 591,699

City of Huntington Beach
Changes in Net Assets - Last Five Fiscal Years
(In Thousands)

	Fiscal Year Ending September 30,				
	2006	2005	2004	2003	2002
Expenses:					
Governmental Activities:					
City Council	\$ 271	\$ 254	\$ 280	\$ 267	\$ 262
City Administrator	5,540	1,990	1,188	1,587	2,214
City Treasurer	1,479	1,568	1,541	1,341	1,160
City Attorney	2,317	2,852	2,775	2,899	3,634
City Clerk	756	685	717	559	698
Administrative Services	-	5,554	6,348	8,357	7,230
Finance	3,306	2,501	na	na	na
Planning	2,813	2,559	2,396	3,633	2,658
Building	3,930	3,321	2,858	3,045	3,101
Fire	24,787	23,365	20,000	19,490	19,361
Information Systems	7,361	6,806	6,423	4,401	4,464
Police	50,877	47,029	40,686	41,104	42,187
Economic Development	4,977	4,199	19,372	3,830	3,080
Community Services	15,777	13,693	15,735	9,989	12,440
Library Services	4,829	4,394	4,138	6,721	4,801
Public Works	49,654	33,018	30,277	25,386	28,237
Non-Departmental	11,263	12,024	4,054	25,604	19,725
Interest on Long-Term Debt	5,575	6,810	6,001	6,199	9,438
Total Governmental Activities	195,512	172,622	164,789	164,412	164,690
Business-type Activities:					
Water Utility	28,117	22,349	24,643	24,943	27,250
Sewer Service	3,855	5,924	4,042	3,775	2,419
Refuse Collection	10,289	9,826	9,806	9,681	9,178
Emerald Cove Housing	551	399	409	401	405
Emergency Fire Medical	5,637	5,497	5,605	3,765	3,172
Cultural Affairs	-	-	-	-	317
Hazmat Service	163	141	204	150	143
Ocean View Estates	120	118	62	58	11
Total Business Type Activities	48,732	44,254	44,771	42,773	42,895
Total Business and Government Type Activities	\$ 244,244	\$ 216,876	\$ 209,560	\$ 207,185	\$ 207,585

City of Huntington Beach
Changes in Net Assets - Last Five Fiscal Years
(In Thousands)
(continued)

	Fiscal Year Ending September 30,				
	2006	2005	2004	2003	2002
Revenues:					
Governmental Activities:					
Charges for Services	\$ 37,139	\$ 28,808	\$ 30,419	\$ 22,958	\$ 23,556
Operating Grants	917	1,657	6,343	1,736	5,063
Capital Grants	6,893	43,341	7,384	6,955	13,039
Transfers	464	4,884	-	-	-
Total Governmental Activities Program Revenue	45,413	78,690	44,146	31,649	41,658
Business- Type Activities Program Revenue					
Water Utility	37,946	40,371	40,172	37,943	59,104
Sewer Service	7,873	8,512	6,373	5,876	4,540
Refuse Collection	10,292	9,985	10,412	9,123	9,182
Emerald Cove Housing	960	866	781	746	707
Emergency Fire Medical	6,145	5,725	5,650	4,103	4,103
Cultural Affairs	-	-	-	-	189
Hazmat Service	182	110	187	233	145
Ocean View Estates	273	263	258	245	192
Total Business Type Activities	63,671	65,832	63,833	58,269	78,162
Total Primary Government Program Revenue	109,084	144,522	107,979	89,918	119,820
Net (Expense) Revenue:					
Governmental Activities:	(150,099)	(93,932)	(120,643)	(132,763)	(123,032)
Business- Type Activities	14,939	21,578	19,062	15,496	35,267
Total Net (Expense) Revenue	(135,160)	(72,354)	(101,581)	(117,267)	(87,765)
General Revenue and Other Changes in Net Assets					
Governmental Activities:					
Property Taxes	66,598	61,466	47,405	40,633	38,106
Sales Taxes	26,448	24,340	28,273	28,011	23,449
Utility Taxes	21,170	20,004	19,424	18,310	18,114
Other Taxes	13,226	14,952	11,365	13,337	13,521
Use of Money and Property	4,310	3,137	3,528	9,923	13,895
From Other Agencies	10,390	8,186	14,406	16,414	20,359
Participation Payments	6,221	12,697	na	na	na
Other	9,278	8,510	7,328	5,491	2,603
Total Governmental General Revenue	157,641	153,292	131,729	132,119	130,047
Business-Type Activities:					
Transfers	(464)	(4,884)	-	-	-
Use of Money and Property	3,589	1,500	1,085	1,482	2,240
Total Business-Type Activities General Revenue	3,125	(3,384)	1,085	1,482	2,240
Total General Revenue and Transfers	160,766	149,908	132,814	133,601	132,287
Changes in Net Assets - Governmental Activities	7,542	59,360	11,086	(644)	7,015
Changes in Net Assets - Business Activities	18,064	18,194	20,147	16,978	37,507
Net Assets - Beginning of Year (restated)	745,196	659,512	628,279	613,565	563,111
Net Assets - End of Year	\$ 770,802	\$ 737,066	\$ 659,512	\$ 629,899	\$ 607,633

Source: Comprehensive Annual Financial Reports. The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

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

	Fiscal Year Ending September 30,				
	2006	2005	2004	2003	2002
General Fund:					
Reserved	\$ 7,382	\$ 5,915	\$ 2,113	\$ 2,757	\$ 25,773
Unreserved	33,204	32,371	24,219	12,217	15,972
Total General Fund	<u>\$ 40,586</u>	<u>\$ 38,286</u>	<u>\$ 26,332</u>	<u>\$ 14,974</u>	<u>\$ 41,745</u>
Other Governmental Funds:					
Reserved	\$ 25,472	\$ 35,458	\$ 30,143	\$ 35,470	\$ 45,259
Unreserved, Reported in:					
Special Revenue Funds	20,631	17,833	11,810	10,399	7,967
Debt Service Funds	4,022	3,916	4,434	10,992	(33,364)
Capital Projects Funds	27,096	16,820	10,242	8,553	8,637
Total Other Governmental Funds	<u>\$ 77,221</u>	<u>\$ 74,027</u>	<u>\$ 56,629</u>	<u>\$ 65,414</u>	<u>\$ 28,499</u>

	Fiscal Year Ending September 30,				
	2001	2000	1999	1998	1997
General Fund:					
Reserved	\$ 23,677	\$ 26,115	\$ 23,628	\$ 23,807	\$ 23,358
Unreserved	11,741	17,618	19,291	8,998	11,142
Total General Fund	<u>\$ 35,418</u>	<u>\$ 43,733</u>	<u>\$ 42,919</u>	<u>\$ 32,805</u>	<u>\$ 34,500</u>
Other Governmental Funds:					
Reserved	\$ 81,465	\$ 72,056	\$ 61,401	\$ 58,634	\$ 54,676
Unreserved, Reported in:					
Special Revenue Funds	21,698	19,073	12,748	8,845	8,004
Debt Service Funds	12,969	-	-	9,567	9,442
Capital Projects Funds	7,898	11,793	4,968	9,933	10,465
Total Other Governmental Funds	<u>\$ 124,030</u>	<u>\$ 102,922</u>	<u>\$ 79,117</u>	<u>\$ 86,979</u>	<u>\$ 82,587</u>

Notes:

(a) Beginning with fiscal year 2001/2002, the City implemented the new reporting model which changed the way in which interfund advances were reported and resulted in a larger negative fund balance in the Redevelopment Agency Debt Service fund

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

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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 Ending September 30,				
	2006	2005 (d)	2004	2003	2002
REVENUES:					
Property Taxes	\$ 69,065	\$ 59,716	\$ 43,501	\$ 38,983	\$ 33,204
Sales Taxes	26,448	24,340	28,273	28,011	23,449
Utility Taxes	21,170	20,004	19,424	18,310	18,014
Other Taxes	13,226	13,068	11,365	13,337	13,621
Licenses and Permits	7,432	7,457	7,736	8,045	7,162
Fines and Forfeitures	4,288	4,365	4,342	3,815	3,797
From Use of Money and Property	16,461	12,733	11,856	9,923	13,895
From Other Agencies	16,611	20,179	26,321	25,103	28,426
Charges for Current Service/Other Revenue	27,237	33,950	17,553	14,140	15,201
TOTAL REVENUES	201,938	195,812	170,371	159,667	156,769
EXPENDITURES					
Current:					
City Council	271	254	280	269	237
City Administrator	5,508	1,917	1,165	1,559	2,109
City Treasurer	1,446	1,547	1,519	1,377	1,108
City Attorney	2,313	2,848	2,771	2,836	3,570
City Clerk	828	679	712	555	676
Administrative Services	-	5,731	6,295	8,323	7,095
Finance	3,283	2,501	-	-	-
Community Development	-	-	-	-	-
Planning	2,800	2,548	2,382	2,544	2,585
Building	3,729	3,291	2,938	3,043	2,991
Fire	24,334	22,365	19,018	19,021	18,024
Information Systems	6,540	5,726	5,315	3,619	3,500
Police	50,151	45,778	39,414	41,184	37,990
Economic Development	4,172	2,866	5,132	3,616	3,073
Community Services	14,382	12,321	11,718	10,182	11,065
Library Services	4,359	3,969	3,745	4,215	4,350
Public Works	28,448	21,535	16,756	19,832	21,565
Non-Departmental	13,831	13,039	23,809	31,236	13,407
Capital Outlay	30,174	9,065	29,484	24,217	54,356
Debt Service:					
Principal	9,406	8,474	8,718	7,427	5,541
Interest	6,512	5,999	5,987	6,273	7,152
TOTAL EXPENDITURES	212,487	172,453	187,158	191,328	200,394
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,549)	23,359	(16,787)	(31,661)	(43,625)
OTHER FINANCING SOURCES (USES):					
Transfers In	20,539	20,890	30,274	54,463	58,948
Proceeds of Bankruptcy Settlements	-	-	-	-	-
Reclassification of Interfund Advances	-	-	-	16,018	-
Capital Assets Reclassification for Changes in Fi	-	-	-	(1,743)	-
Payments to Escrow	-	-	-	-	(52,673)
Proceeds of Long-Term Debt	15,579	1,102	13,236	24,582	61,514
Transfers Out	(20,075)	(16,006)	(24,148)	(57,096)	(59,818)
TOTAL OTHER FINANCING SOURCES (USES)	16,043	5,986	19,362	36,224	7,971
INCREASE (DECREASE) IN FUND BALANCES	\$ 5,494	\$ 29,345	\$ 2,575	\$ 4,563	\$ (35,654)
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	9.6%	9.7%	10.3%	8.9%	9.5%

(c) Community Development was reorganized into two separate departments (Planning and Building). Information Systems was recorded originally in the Non-departmental area and transferred to a new department.

(d) Finance was originally included with Administrative Services

Fiscal Year Ending September 30,					
	2001	2000	1999 (c)	1998	1997
\$	36,860	\$ 37,645	\$ 34,345	\$ 32,477	\$ 29,341
	28,082	26,268	22,699	21,156	19,512
	17,045	15,058	14,936	13,888	14,059
	15,096	10,868	11,122	9,851	8,632
	6,902	8,538	10,527	8,848	8,121
	4,092	4,018	2,744	2,649	2,707
	15,812	14,603	10,913	12,614	12,971
	31,634	32,021	24,753	21,539	19,810
	12,150	15,847	14,071	13,945	11,191
	167,673	164,866	146,110	136,967	126,344
	231	277	275	207	233
	1,776	1,799	1,569	1,092	1,856
	916	884	820	805	781
	2,943	2,227	1,969	2,340	1,738
	559	451	474	434	470
	3,874	3,559	2,876	3,056	4,028
	-	-	-	-	-
	-	-	4,067	3,919	3,694
	2,329	2,180	-	-	-
	2,589	2,384	-	-	-
	18,142	17,471	15,639	16,368	15,806
	2,814	-	-	-	-
	39,081	36,140	34,343	34,127	33,413
	2,816	6,749	3,598	3,452	2,142
	11,395	9,815	8,439	7,723	7,301
	4,265	3,984	3,510	3,212	3,034
	24,870	25,263	18,287	18,686	17,159
	15,298	18,572	12,929	14,919	9,867
	33,687	18,740	20,739	15,894	13,833
	11,884	6,333	12,111	2,313	2,340
	16,204	14,965	16,654	9,648	10,189
	195,673	171,793	158,299	138,195	127,884
	(28,000)	(6,927)	(12,189)	(1,228)	(1,540)
	21,267	30,529	7,794	12,494	14,820
	-	3,833	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	(10,001)	-	-
	37,947	30,110	25,684	1,179	9,977
	(21,908)	(32,958)	(9,053)	(12,852)	(20,924)
	37,306	31,514	14,424	821	3,873
\$	9,306	24,587	2,235	(407)	2,333
	21.0%	16.2%	26.4%	10.8%	12.3%

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

Fiscal Year	Common Property	Public Utilities	Total Secured	Unsecured	Total Assessed Valuation	Total Direct Tax Rate
1996-1997	\$ 11,707,410	\$ 1,899	\$ 11,709,309	\$ 600,667	\$ 12,309,976	\$ 1.05832
1997-1998	12,311,145	1,800	12,312,945	546,050	12,858,995	1.05830
1998-1999	13,376,116	2,705	13,378,821	598,733	13,977,554	1.05840
1999-2000	13,386,740	1,670	13,388,410	581,160	13,969,570	1.05810
2000-2001	15,796,157	2,745	15,798,902	674,719	16,473,621	1.05810
2001-2002	16,081,760	2,449	16,084,209	699,307	16,783,516	1.00770
2002-2003	17,949,445	2,428	17,951,873	820,219	18,772,092	1.01902
2003-2004	17,987,861	2,876	17,990,737	911,027	18,901,764	1.02571
2004-2005	19,532,238	3,524	19,535,762	877,078	20,412,840	1.06575
2005-2006	20,925,190	1,522	20,926,712	790,513	21,717,225	1.06575

Source: County of Orange Auditor Controller

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

Fiscal Year	Basic Levy	City	Orange County	School Districts	Metro Water District	Others	Total
1996-1997	\$ 1.00000	\$ 0.04930	\$ 0.00012	\$ -	\$ 0.00890	\$ -	\$ 1.05832
1997-1998	1.00000	0.04930	0.00010	-	0.00890	-	1.05830
1998-1999	1.00000	0.04930	0.00020	-	0.00890	-	1.05840
1999-2000	1.00000	0.04930	-	-	0.00880	-	1.05810
2000-2001	1.00000	0.04930	-	-	0.00880	-	1.05810
2001-2002	1.00000	-	-	-	0.00770	-	1.00770
2002-2003	1.00000	-	-	0.01232	0.00670	-	1.01902
2003-2004	1.00000	0.00696	-	0.01214	0.00610	0.00051	1.02571
2004-2005	1.00000	0.00696	-	0.02850	0.00520	0.02509	1.06575
2005-2006	1.00000	0.00696	-	0.03814	0.00520	0.01545	1.06575

Note: Rates are per \$100 of assessed valuation

Source: County of Orange Auditor Controller

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

Fiscal Year	Secured Taxes				Unsecured Taxes			
	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent
1996-1997	\$ 16,722	\$ 16,401	\$ 320	1.91%	\$ 1,102	\$ 1,085	\$ 17	1.60%
1997-1998	17,630	17,176	272	1.54%	1,247	1,077	40	3.21%
1998-1999	18,341	17,868	262	1.47%	1,243	1,146	35	3.05%
1999-2000	21,001	20,676	284	1.35%	1,321	1,231	29	2.20%
2000-2001	22,724	22,035	629	2.77%	1,348	1,267	33	2.45%
2001-2002	24,581	24,238	343	1.40%	1,419	1,366	53	3.74%
2002-2003	26,376	25,937	362	1.37%	1,467	1,343	82	5.59%
2003-2004	29,423	28,669	293	1.00%	1,507	1,382	35	2.32%
2004-2005	31,855	31,373	411	1.29%	1,606	1,473	42	2.62%
2005-2006	34,094	33,396	191	0.56%	1,523	1,370	40	2.63%

Fiscal Year	Reservoir Hill				Community Facilities Districts			
	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent
1996-1997	\$ 182	\$ 179	\$ 3	1.68%	\$ 264	\$ 251	\$ 13	5.18%
1997-1998	173	184	9	4.89%	264	255	9	3.53%
1998-1999	194	184	9	4.89%	264	255	8	3.14%
1999-2000	184	181	3	1.63%	264	259	5	1.89%
2000-2001	184	180	4	2.17%	264	258	5	1.89%
2001-2002	188	184	4	2.13%	264	258	6	2.27%
2002-2003	191	188	3	1.57%	538	538	1	0.19%
2003-2004	191	192	-	0.00%	1,796	1,789	2	0.11%
2004-2005	238	234	7	2.94%	1,731	1,722	5	0.29%
2005-2006	-	-	-	0.00%	4,084	4,080	1	0.02%

Source: County of Orange Auditor Controller's Office
collections amount since there are always amounts collected from prior years

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

	Fiscal Year Ending September 30,					Fiscal Year Ending September 30,					
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	
Long-Term Indebtedness											
Governmental Activities:											
Judgement Obligation Bonds	\$ 11,525	\$ 12,500	\$ 12,500	-	-	-	20,460	20,885	21,275	30,860	31,360
Public Financing Authority:											
Revenue and Lease Revenue Bonds	55,120	58,030	60,840	63,535	66,125	37,940	7,020	7,440	7,840	8,070	
Certificates of Participation	14,885	15,525	16,140	16,730	17,295	17,840	18,310	-	-	-	
Civic Improvement Corporation:											
Refunding Certificates of Participation	-	-	-	0	0	29,750	30,880	31,955	32,980	33,960	
Assessment Bonds	-	-	-	360	415	605	815	1,030	1,090	1,145	
Redevelopment Agency:											
Tax Allocation Bonds	26,065	27,205	28,305	29,375	30,370	9,770	10,060	10,340	-	-	
Disposition and Development Agreement	8,197	10,083	10,730	10,549	11,280	4,756	9,770	10,142	-	-	
Notes Payable	-	116	337	545	1,035	1,272	1,566	759	810	862	
Section 108 Loan	7,235	7,235	7,850	7,630	7,890	8,130	8,355	-	-	-	
Capital Leases Payable	2,975	3,461	4,885	6,420	4,107	2,007	155	-	-	-	
Claims Payable	3,956	14,545	11,937	37,191	12,612	10,177	9,743	9,982	11,774	11,761	
Compensated Absences Payable	9,630	9,046	8,037	8,223	8,950	8,075	6,135	5,463	5,323	4,977	
Pension Benefit Obligation	6,548	7,640	8,409	8,342	8,593	8,337	8,150	7,255	6,271	5,592	
Business Activities:											
Emerald Cove Certificates of Participation	-	-	-	-	-	-	-	5,105	5,205	5,300	
Capital Leases	40	112	183	250	595	432	1,550	1,633	2,215	993	
Compensated Absences	868	786	710	623	491	472	457	383	375	333	
	\$ 147,044	\$ 166,284	\$ 170,863	\$ 189,773	\$169,758	\$160,023	\$133,851	\$112,762	\$104,743	\$104,353	
	2006	2005	2004	2003	2002	2001	2000	1999 (c.)	1998	1997	
Population	201,000	200,763	199,025	196,954	194,600	191,500	199,327	196,660	192,430	188,518	
Debt Per-Capita	\$ 732	\$ 828	\$ 859	\$ 964	\$ 872	\$ 836	\$ 672	\$ 573	\$ 544	\$ 554	
Total Personal Income (In Thousands)	\$ 7,436,799	\$ 7,311,186	\$ 7,247,893	\$ 7,444,861							
Per - Capita Personal Income	36,999	36,417	36,417	37,800							
Unemployment Rate	2.40%	2.80%	2.80%	3.10%	3.60%	3.80%	0.032	3.60%			
Total Employment	118,800	118,700	116,200	113,600	111,800	111,200	119,400				

NOTE:

Information on personal income is not readily available for year 2002 and earlier. Until Data is readily available, only the available years will be presented.

**CITY OF HUNTINGTON BEACH
TOP TEN PROPERTY TAXPAYERS
FOR FISCAL YEAR 2005-2006**

2005-2006

	Revenue (In Thousands)	Percent of Total
Mayer Financial Limited Partnership	\$ 1,803	4.21%
Bella Terra Associates LLC	575	1.07%
Mullrock 1 Beach Pointe LLC	500	1.04%
Waterfront Construction 1	379	0.88%
William Lyon Homes	303	0.69%
Essex Huntington Breakers	295	0.56%
Pierside Pavillion LLC	270	0.51%
First Huntington Capital	269	0.77%
Atlanta Huntington Beach LLC	240	0.63%
Mc Donnel Douglas Corp/Boeing Corp	234	1.90%
Total Top Ten	4,868	12.26%
All Other Properties	40,845	87.74%
City Total	\$ 45,713	100.00%

2004-2005

	Revenue (In Thousands)	Percent of Total
Mayer Financial Limited Partnership	\$ 1,765	4.21%
Mc Donnel Douglas Corp/Boeing Corp	798	1.90%
PLC Waterfront LLC	450	1.07%
Huntington Center Associates	437	1.04%
Waterfront Construction 1	369	0.88%
Mullrock 1 Beach Pointe LLC	324	0.77%
Essex Huntington Breakers	288	0.69%
Pierside Pavillion LLC	264	0.63%
Atlanta Huntington Beach LLC	234	0.56%
First Huntington Center	215	0.51%
	5,144	12.27%
	36,786	87.73%
	\$ 41,930	100.00%

Source: HdL Coren & Cone

Note: Information on the top ten property taxpayers is not readily available for fiscal year ending September 2004 and earlier. Until data is readily available, only the available years will be presented.

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

	Assessed Valuation	Debt Limit - 12% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
1996-97	\$ 12,309,976	\$ 1,477,197	\$ -	\$ 1,477,197
1997-98	12,858,995	1,543,079	-	1,543,079
1998-99	13,977,554	1,677,306	-	1,677,306
1999-2000	13,969,570	1,676,348	-	1,676,348
2000-2001	16,473,621	1,976,835	-	1,976,835
2001-2002	16,783,516	2,014,022	-	2,014,022
2002-2003	18,772,092	2,252,651	-	2,252,651
2003-2004	18,901,764	2,268,212	-	2,268,212
2004-2005	20,412,840	2,449,541	-	2,449,541
2005-2006	21,717,225	2,606,067	-	2,606,067

**PRINCIPAL PRIVATE EMPLOYERS
CURRENT YEAR AND ONE YEAR AGO (a)**

	2006	% of total
Boeing	8,498	7.15%
Quiksilver	1,327	1.12%
Cambo Manufacturing	886	0.75%
Verizon	764	0.64%
C & D Aerospace	600	0.51%
Huntington Beach Hospital	527	0.44%
Rainbow Disposal	408	0.34%
Home Depot (including Expo)	383	0.32%
Huntington Valley Healthcare	381	0.32%
Triad Financial	353	0.30%
Total of top 10	14,127	11.89%
all others	104,673	88.11%
Total employment (public and private)	118,800	100.00%
	2005 ^(b)	% of total
Boeing	4,282	3.59%
Quiksilver	1,550	1.30%
Cambo Manufacturing	886	0.74%
Dynamic Cooking Systems	706	0.59%
Triad Financial	637	0.53%
E-Trade Mortgage	554	0.46%
C & D Aerospace	554	0.46%
Huntington Beach Hospital	513	0.43%
Rainbow Disposal	408	0.34%
Verizon	556	0.47%
Total of top 10	10,646	8.92%
all others	108,654	91.08%
Total employment (public and private)	119,300	100.00%

Source - Economic Development Department, City of Huntington Beach

(a) The information for 1996 is not readily available. Until data is readily available, only the available years will be presented.

(b) Total employment number for 2005 is not readily available, as a result, 2004 total was used.

**CITY OF HUNTINGTON BEACH
FULL-TIME BUDGETED CITY EMPLOYEES BY FUNCTION/PROGRAM**

General Government:	2006	2005	2004	2003	2002	2001
City Council	1.00	1.00	1.00	1.00	1.00	1.00
City Administrator	29.00	29.00	7.00	13.00	17.00	17.00
City Treasurer	10.00	16.00	16.00	16.00	16.00	16.00
City Attorney	18.00	17.00	15.00	14.00	16.00	16.00
City Clerk	8.00	7.50	7.50	8.00	8.00	8.00
Finance	31.00	23.00	-	-	-	-
Administrative Services	-	-	47.00	49.00	53.50	50.50
Planning	28.00	27.50	25.00	26.00	28.00	28.00
Building	31.50	30.50	27.50	27.50	27.50	25.50
Information Systems	38.00	36.00	37.00	18.50	18.25	15.25
Economic Development	13.00	14.00	11.00	12.00	15.00	15.00
Library Services	37.25	37.25	38.25	40.25	45.75	45.75
Fire	160.00	157.00	156.50	162.00	166.00	165.00
Police	374.00	371.50	366.00	379.00	388.00	388.00
Community Services	69.75	64.50	62.25	67.50	71.50	71.50
Public Works	255.30	240.00	231.00	264.00	270.00	263.00
	<u>1,103.80</u>	<u>1,071.75</u>	<u>1,048.00</u>	<u>1,097.75</u>	<u>1,141.50</u>	<u>1,125.50</u>

Source: Finance Department, City of Huntington Beach

CITY OF HUNTINGTON BEACH

OPERATING INDICATORS BY FUNCTION/ACTIVITY

Function/Program	2006	2005	2004
Finance:			
Water Bills Processed	626,903	586,000	632,868
Business Licenses Issued	19,746	20,184	19,515
Accounts Receivable Billings Processed	22,453	22,768	27,044
City Clerk:			
Passports Issued	3,069	3,676	3,795
Planning:			
Entitlements Processed	566	523	572
Plan Reviews	2,105	2,296	1,414
Field Inspection Complaints	5,926	5,550	3,857
Code Violation Cases	3,580	3,906	2,018
Building:			
# of Permits Issued	11,210	12,082	11,840
# of Inspections Completed	43,905	49,737	45,629
Value of Construction Permits (Thousands of Dollars)	196,453	169,570	212,711
Processed # of Certificate of Occupancies	307	683	647
Automated Information Requests	77,006	78,868	81,141
Fire:			
Inspections	4,300	4,100	4,000
Responses	12,100	12,100	12,800
Police:			
Physical Arrests	6,368	5,282	5,942
Parking Violations	68,712	112,698	79,235
Traffic Violations	22,755	25,902	24,467
Community Services:			
Acreage of Parks	999	998	
Estimated Beach Visitors	10,085,358	8,727,369	7,958,466
Enrollment in Recreation Classes	25,447	22,346	22,670
Public Works:			
Water Sold (Acre Feet)	29,246	29,730	32,147
Gallons of Sewage Pumped Per Day	23 million	23 million	23 million
Library:			
Volumes in Collection	437,472	441,523	439,789
Volumes Borrowed	823,116	931,347	1,200,000

Source: Various departments of the City of Huntington Beach

CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY

Library Services	One Main Library and Four Branches
Fire:	
Fire Stations	8
Police:	
Stations	One Main Station and Two Substations
Community Services:	
Acreage of Parks	955
Community Centers	4
Miles of Beach Maintained	3.5
Public Works:	
Centerline Square Miles of Streets Maintained	463
Miles of Storm Drains Maintained	127
Miles of Sewer Maintained	355

Source: Various departments of the City of Huntington Beach

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2006**

2005-06 Assessed Valuation \$21,985,619,802 (after deducting \$1,171,434,547) of incremental redevelopment valuation)

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

Tax Debt:	Percent Applicable	Debt Applicable to City
Orange County Teeter Plan Obligations	7.1370%	\$ 8,830,253
Metropolitan Water District	1.5010%	5,847,371
Coast Community College District	30.7070%	108,458,311
Huntington Beach Union High School District	76.7870%	156,675,269
Huntington Beach City School District	97.5950%	29,326,284
Los Alamitos Unified School District Comm Facilities Dist. 1990-1	1.2780%	143,775
City of Huntington Beach Community Facilities Districts	100.0000%	46,510,000
Tax and Assessment Debt		346,961,010

Other Debt

Other Entities:

Orange County General Fund Obligations	41,644,181
Orange County Pension Obligations	6,415,669
Orange County Board of Education Certificates of Participation	1,414,553
Orange County Transit Authority	88,142
MWDOC Facilities Corporation	1,763,840
Orange County Sanitation District Certificates of Participation	11,717,533
Coast Community College District Certificates of Participation	2,055,834
Huntington Beach Union High School District Certificates of Participation	13,053,790
Los Alamitos Unified School District Certificates of Participation	212,087
Fountain Valley School Districts Certificates of Participation	4,286,134
Huntington Beach City School District Certificates of Participation	10,276,754
Ocean View School District Certificates of Participation	8,587,779
Westminster School District Certificates of Participation	6,299,439
City of Huntington Judgement Obligation Bonds	70,797,910
City of Huntington Reporting Entity Beach General Fund Obligations:	11,525,000

Total Gross and Overlapping Bonded Debt Not Repaid by Property Taxes	190,138,645
Less Self Supporting Debt of MWDOC and OCTA	(1,834,354)
Total Net Direct and Overlapping General Fund Obligation Debt	188,304,291
Gross Combined Total Debt	\$ 535,265,301

Ratios to 2005-2006 Assessed Valuation

Total Overlapping Debt and Assessment Debt 1.43%

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$82,322,910) 0.37%
Gross Combined Total Debt 2.37%
Net Combined Total Debt 2.36%

State School Building Aide Repayable \$ 276,895

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

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