

City of Huntington Beach California

Comprehensive Annual Financial Report



FOR THE YEAR ENDED SEPTEMBER 30, 2013

CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Prepared by the Finance Department

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

**City of Huntington Beach
Comprehensive Annual Financial Report
Year Ended September 30, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents.....	<i>i-ii</i>
Letter of Transmittal	<i>iii-xii</i>
City Officials	<i>xiii</i>
Organizational Chart	<i>xiv</i>
Certificate of Achievement in Excellence in Financial Reporting.....	<i>xv</i>

FINANCIAL SECTION

Independent Auditor's Report.....	1-3
Management's Discussion and Analysis (Required Supplementary Information)	5-19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net position.....	23
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds	25
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net position	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net position – Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Fund Net position – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds.....	31
Statement of Fiduciary Fund Net position	32
Statement of Changes in Fiduciary Fund Net position – Trust Funds	32
Notes to Financial Statements	35-109
Required Supplemental Information:	
Budgetary Information.....	112
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget And Actual – General Fund.....	113
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget And Actual – Grants Special Revenue Fund.....	114
Schedule of Funding Progress (Normal Retirement Plan, Supplemental Retirement Plan, And Other Postemployment Benefits).....	115-116
Schedule of Employer Contributions (Supplemental Retirement Plan).....	116

FINANCIAL SECTION (Continued)

Supplementary Information:

Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Other Governmental Funds	121-124
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Other Governmental Funds	125-128
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual – Other Governmental Funds	129-136
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget	
And Actual – LMIHAF Capital Projects Fund	137
Combining Statement of Fiduciary Fund Assets and Liabilities.....	142
Combining Statement of Changes in Fiduciary Assets and Liabilities.....	143-144

STATISTICAL SECTION

Net position by Component – Last Ten Fiscal Years	147-148
Changes in Net position – Last Ten Fiscal Years.....	147-150
Fund Balances – Governmental Funds – Last Ten Fiscal Years	151
Changes in Fund Balances – Last Ten Fiscal Years.....	153-154
Assessed and Actual Valuation of All Taxable Property (Excluding Redevelopment Agency) -	
Last Ten Fiscal Years	155
Property Tax Rates – All Direct and Overlapping Government Tax Rate 04-001	
Largest Area in City – Last Ten Fiscal Years	155
Property Tax Levies and Collections – Last Ten Fiscal Years	156
Top Ten Property Tax Payers – Current Year and Ten Years Ago	157
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	158
Legal Debt Margin – Last Ten Fiscal Years	158
Statement of Direct and Overlapping Bonded Debt	159
Principal Private Employers – Current Year and Nine Years Ago	160
Full-Time Actual and Budgeted City Employees by Program/Function – Last Ten Fiscal Years.....	160
Operating Indicators by Function/Activity – Last Eight Fiscal Years.....	161
Capital Assets Statistics by Function/Activity	161



CITY OF HUNTINGTON BEACH

March 28, 2014

To the Honorable Mayor and City Council:

In accordance with the requirements of the City Charter, and the City of Huntington Beach's ongoing commitment to transparent financial reporting, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2013.

As required by the City Charter, and to ensure the reliability of the information contained herein, the City of Huntington Beach contracted with the independent auditing firm of Vavrinek, Trine, Day & Co., LLP. The goal of the audit was to provide reasonable assurance that the City's financial statements are free from material misstatement. After examining, on a test basis, the accounting principles used, as well as significant estimates made by management, Vavrinek, Trine, Day & Co., LLP granted the City an unmodified (clean) opinion for the fiscal year ended September 30, 2013. The auditor's opinion can be found in the Financial Section of this report. Management assumes full responsibility for the completeness and accuracy of the information presented in this document. This transmittal letter is designed to complement and should be read in conjunction with the Management's Discussion and Analysis Section of the report.

Profile of the City of Huntington Beach

The City of Huntington Beach, with a population of 193,616, is located on the Orange County coast, 35 miles south of Los Angeles and 90 miles north of San Diego. The City is internationally known as "Surf City" due to its abundance of beaches, history of surf culture, and sunny and warm Mediterranean climate - all of which lends to its famous casual lifestyle. Featuring over ten miles of coastline, Huntington Beach plays host to over 16 million visitors annually. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the "Top Ten Safest Cities by City Crime Rankings" by the Federal Bureau of Investigation. The City boasts an annual median household income of \$77,642, and about half of its residents, or 49 percent, have college degrees, rendering it the "Second Best City to Live In" within Orange County according to the *Orange County Register*.

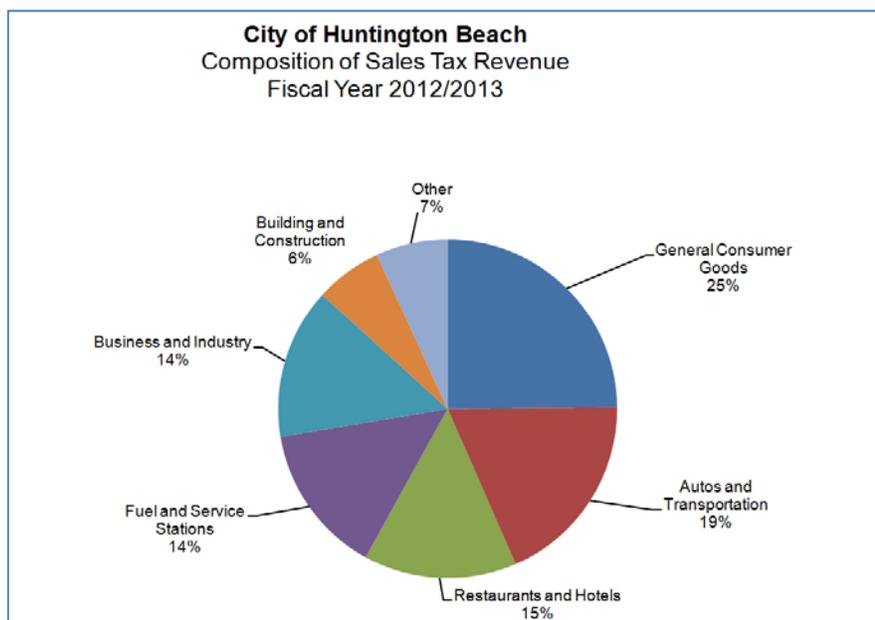
Founded in the late 1880's, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a Council/Manager form of government wherein seven City Council members are elected to four-year terms, and the Mayor is filled on a rotating basis from the incumbent Council members. The City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

On August 22, 2011, the unincorporated County oceanfront community of Sunset Beach was officially annexed by the City of Huntington Beach. Sunset Beach is a small beachfront community with approximately 1,000 residents and 1.5 square miles of land. Beachfront properties with high property values make this community a valuable addition to the City. Sunset Beach features one of the widest and most pristine beaches in Southern California and is home to the historic Sunset Beach Arts Festival.

Demographically, the City benefits from higher education levels, median incomes and home values as compared with the State. A thriving beach community, ranked “Best Beach in Orange County,” Huntington Beach is also home to numerous national events such as the U.S. Open of Surfing which attracts 400,000 visitors annually; the Surf City Marathon; AVP Pro Beach Volleyball; and the Annual Paintball Tournament. The City’s most iconic event, however, is its Fourth of July Fireworks Show and Parade ranked “Best Parade in Orange County” by the *Orange County Register’s Annual Reader Survey*, with 500,000 attendees annually. The City also hosts the Annual Concours d’Elegance Car Show attracting 5,000 visitors.

The City of Huntington Beach is one of the leading commercial and industrial centers in Southern California. As the fourth largest city in Orange County, and the 16th largest in California, more than 115,100 people are currently employed by over 5,400 businesses and governmental entities in the City. With an unemployment rate of 6.3 percent, well below the national and state levels, the City’s employment base is well positioned to maintain a stable local economy and tax base.

The Huntington Beach business community is extremely diversified with no single industry or business dominating the local economy. Local businesses include aerospace and high technology, petroleum, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, large-scale retailers and surf apparel, just to name a few. The diversification of the City’s sales tax base is enviable, with no particular area of industry over-concentration thereby mitigating the impact of industry-specific downturns.



Factors Affecting Financial Condition

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

Local Economy

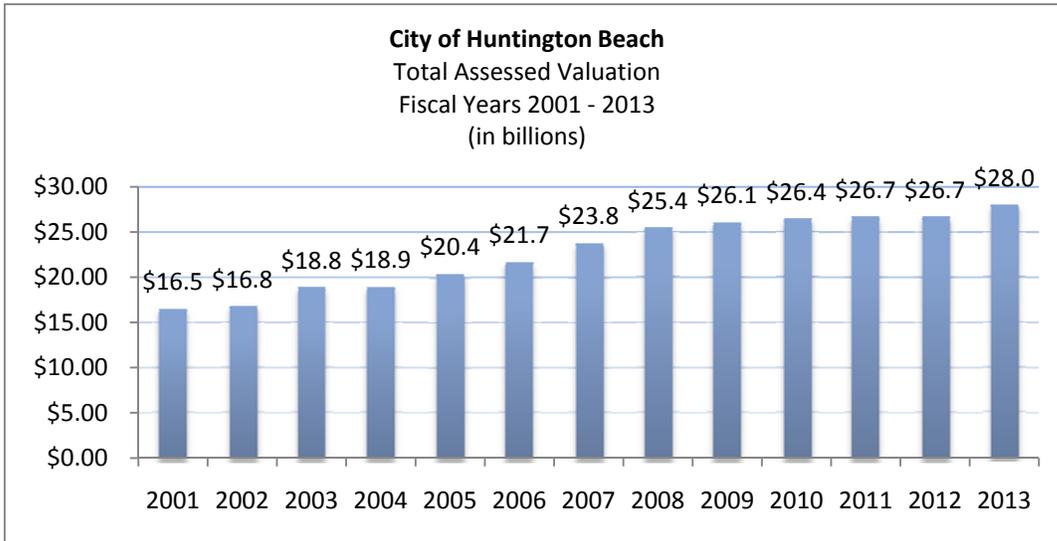
Through the hard work of our residents, businesses, employees and the leadership of our City Council, we are beginning to experience a solid economic recovery. FY 2013/14 will mark the first time in six years that the General Fund portion of the budget will be balanced without layoffs, eliminating positions, or cutting departments and services, signaling a significant turning point for the City.

After a six-year period characterized by worldwide economic adversity, there are encouraging signs that the City is on the path toward economic recovery to pre-recession levels of revenue, employment and consumer confidence. General Fund revenues are rising modestly, and in some cases, reaching or exceeding levels experienced before the economic meltdown. The FY 2013/14 General Fund Adopted Budget contains a modest 5.8 percent increase in General Fund revenue that reflects the strength of Huntington Beach's local economy without unnecessarily increasing risk.

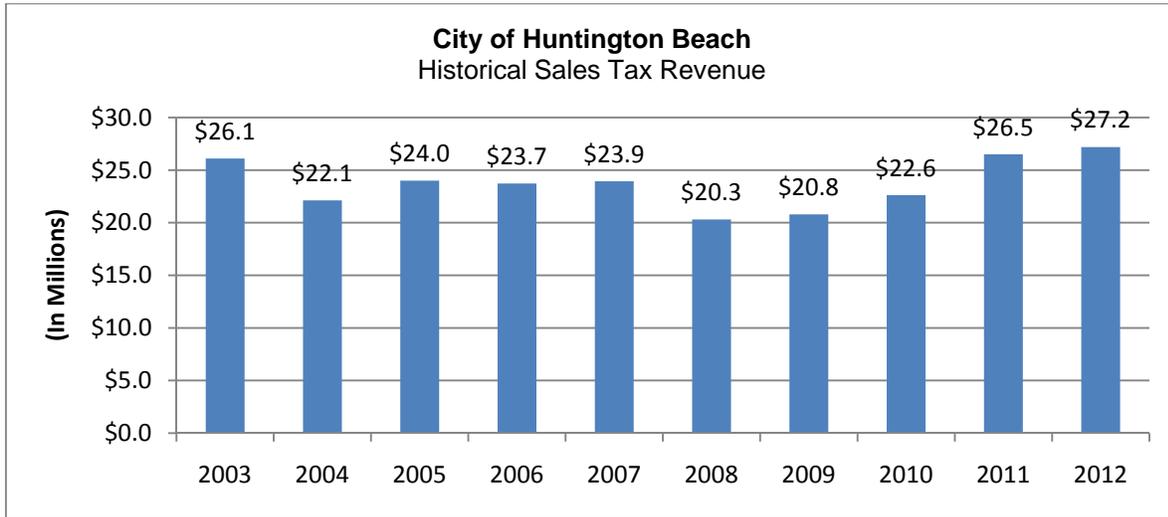
Additionally, Huntington Beach has the following economic factors in its favor including: higher personal median incomes than the State or the County; a stable and increasing property tax base; a uniquely diverse and increasing sales tax base; a heavy emphasis on economic development as economic stimulus; increasing sales, hotel, permitting and parking revenues; modest increases in the City's General Fund reserves; and, a culture of fiscal conservatism and making tough choices.

Economic indicators are favorable in Huntington Beach, as illustrated by increased planning and building revenue, property, sales and transient occupancy taxes, to name a few. New large-scale mixed use projects such as The Residences at Bella Terra and Pacific City will generate additional revenue going forward. Large retail projects such as the new Costco, have added \$1.0 million to the City's coffers in FY 2012/13 alone.

Property Tax for FY 2013/14 includes the assessed values of both Huntington Beach and Sunset Beach properties. Assessed valuations have increased steadily each year despite the impacts of the last recession. In fact, at no time in the City's history over the past 12 years have overall assessed valuations for the City declined, reflecting a stable and secure property tax base. For the fiscal year ended September 30, 2013, secured property tax revenue totaled \$38.9 million. For FY 2013/14, secured property taxes are estimated at \$41.9 million reflecting a modest 7.7 percent increase.



Sales tax revenue also performed well and reached an all-time high in FY 2012/13 at \$27.2 million, demonstrating that the City’s commitment to its commercial corridors has paid significant dividends. A new Costco store is generating \$1.0 million in General Fund revenue to the City reminding us all that economic development remains the strongest economic engine for many cities. While the State of California has abandoned its commitment to redevelopment as an economic development tool, the City of Huntington Beach continues to invest in its local businesses and in its future.



Transient Occupancy Tax, a 10 percent tax imposed on hotels within the City, ended FY 2012/13 at \$7.6 million, surpassing pre-recession levels as the hotel industry continues to thrive throughout the country and Huntington Beach remains a coveted destination. As a result of the improving economy, Huntington Beach was able to end the year with a \$1.8 million surplus as of September 30, 2013. That balance was utilized to provide the seed funding for a new state-of-the-art Senior Center, and to increase funding for long-term workers’ compensation liabilities.

Budget Development and Monitoring

The City operates on a fiscal year basis, beginning October 1st and ending September 30th. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation at least thirty days prior to the end of the fiscal year.

Pursuant to the City's Charter, the City Council must adopt the annual budget by September 30th and may amend it or revise it at any time at a properly noticed meeting. Budgetary control is at the department level within each fund and a Department Head, with the Director of Finance's approval, may transfer funds within like categories (operating and capital expenditures) of the same department. The transfer of funds for salaries and benefits requires additional approval by the City Manager or his designee.

Cash Management Policies and Practices

Surplus cash is invested by the elected City Treasurer as allowed by the City's investment policy. The investment policy is adopted annually by the City Council after approval by the Investment Advisory Board. It outlines guidelines to meet the daily cash flow needs of the City, maximize the efficiency of the City's cash management system, and identifies prudent investment vehicles for the City's cash balances.

The rate of return earned for the fiscal year ended September 30, 2013 was 0.75 percent. The City Treasurer, as required by California Government Code 53601, has prepared an annual statement of investment policy which allows for the City to meet current obligations while earning a market rate of return. Further information regarding the City's cash and investments can be found in Note 2 of the financial statements.

Long-Term Financial Planning

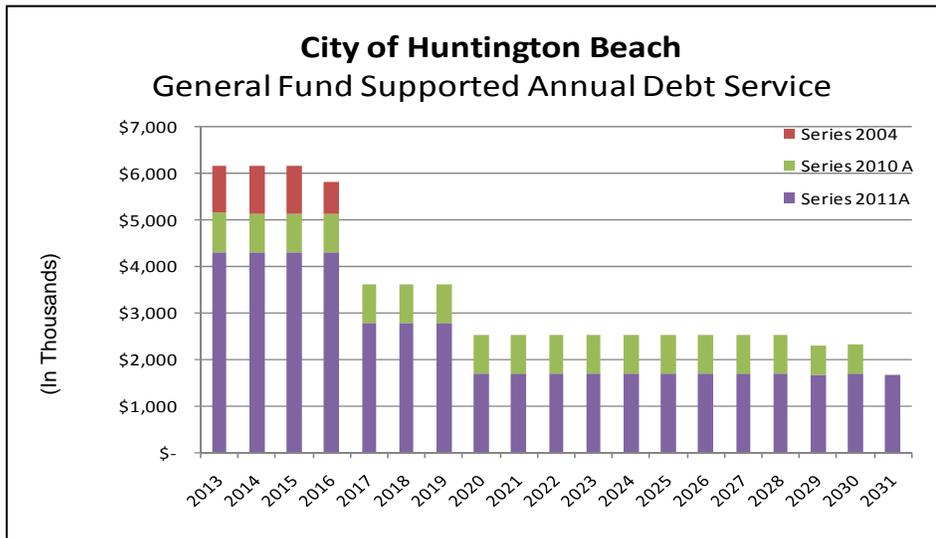
The Strategic Plan provides the framework for developing the goals and objectives of the City for the next three years. The City Council approved six Strategic Plan goals:

- Improve long-term financial sustainability;
- Maintain and enhance public safety;
- Improve the City's infrastructure;
- Enhance economic development;
- Develop, retain and attract quality staff; and,
- Improve quality of life.

This plan enables the City to forecast cause and effect relationships for important financial decisions such as employee labor contracts, capital projects and other initiatives. The City's Strategic Plan drives budgetary decisions and the day-to-day operations of the City by ensuring everyone is consistently working to achieve the goals outlined in the Plan. To meet the Strategic Plan goal of improving long-term financial sustainability, the City implemented a three-pronged approach to reduce its unfunded liabilities that will be discussed in greater detail later in this report.

Debt Management and Forecasting

The City has long practiced a commitment to prudent financial management. As a result, the City has a remarkably low debt burden of 3.3 percent of General Fund expenditures. In addition, approximately 67 percent of all General Fund debt matures in 10 years, placing the City in a solid position to reinvest freed up resources in the next decade. Huntington Beach also has no variable rate exposure, eliminating volatility in its debt service projections and ensuring reliable forecasting for future budgets.



Pension and Other Post Employment Benefits

To help meet the goal to “Improve Long-Term Financial Sustainability,” the City developed an innovative, multi-pronged approach to significantly reduce the City’s retirement and Other Post Employment Benefit (OPEB) unfunded liabilities over the next 10 years. These plans are included in the FY 2013/14 Adopted Budget and have launched a multi-year effort to pay down the City’s pension and retiree medical liabilities while simultaneously savings taxpayers over \$16.6 million over the next 15 to 25 years.

The value of the City’s unfunded liabilities currently totals \$252.6 million. The City’s CalPERS, Retiree Medical and Retiree Supplemental Plans are 79.1 percent, 47.7 percent and 42.9 percent funded, respectively. To address this challenge, staff developed a unique plan for the pre-payment of the City’s unfunded liabilities several years ahead of schedule. By 2024, the City will have paid off \$47.3 million, completely eliminating the unfunded liabilities for two out of three of the City’s retiree benefit plans.

The City’s unique three-pronged approach addresses the unfunded liabilities for the City’s: 1) California Public Employees’ Retirement (CalPERS) Pension Plan; 2) Retiree Medical Plan; and, 3) Supplemental Pension Plan. The “One Equals Five Plan,” the “25 to 10 Plan,” and the “16 to 10 Plan,” respectively, will reduce the unfunded liabilities for each of the City’s retiree benefit plans over the next several years. At the center of each plan is the expedited pre-payment of unfunded liabilities through significant reductions in each plan’s amortization period. This strategy results in the complete elimination of the unfunded liabilities for the City’s OPEB and Supplemental Pension Plans in 10 years; and, a significant decline in the CalPERS unfunded liability as well.

“One Equals Five Plan”

The City implemented a unique “One Equals Five Plan” for reducing the \$205.3 million unfunded liability for the City’s CalPERS pension plans. Based on an analysis conducted by the City’s independent actuary, each additional \$1 million contributed to the City’s pension plans will benefit the City five times over resulting in \$5 million in taxpayer savings over a 25-year period.

As part of the FY 2013/14 Adopted Budget, staff proposed a revision to the City’s Financial Policies allowing for additional General Fund revenue received above budgeted expectations to be deposited directly into a “One Equals Five” fund for direct payment to CalPERS each fiscal year end, to significantly reduce the City’s unfunded CalPERS liabilities. This unique proposal will yield millions of tax dollar savings annually and improve the funded status of the plans, thereby promoting their financial sustainability. These contributions will be in addition to the existing employer contributions deposited into the plans on a bi-weekly basis.

“25 to 10 Plan” (Retiree Medical)

The City has negotiated via its Memoranda of Understanding to provide post-employment medical benefits to retirees. As of the most recent actuarial valuation, the City’s Retiree Medical Plan had a \$10.6 million unfunded liability, reflecting a 47.7 percent funded status. For the last three years, the City exceeded each Annually Required Contribution (ARC) payment to expedite paying down this unfunded liability. Although the City’s policy has generally been to make 100 percent of each year’s ARC, the City has paid an additional \$981,000 above amounts required into the Plan over the last three years. In addition, to further expedite the prepayment of this unfunded liability, additional funds will be deposited into the plan annually to reduce the amortization period of the unfunded liability from the current 25-year schedule to a 10-year schedule. The City Council unanimously approved this plan and the FY 2013/14 Adopted Budget reflected an estimated \$1.0 million in additional contributions to the plan annually. The new “25 to 10 Plan” reduces the amortization of the unfunded liability from 25 years to 10 years, immediately shaving off 15 years of payments and saving the taxpayers an estimated \$9.2 million over the long term.

“16 to 10 Plan” (Supplemental Pension)

The City also administers a Supplemental Pension Plan for all employees hired prior to 1997. As of September 30, 2011, the most recent actuarial valuation, 643 retirees and beneficiaries received benefits and 319 active employees were eligible for the plan at retirement. The plan is 42.9 percent funded with an unfunded liability of \$36.7 million. As part of the FY 2013/14 Adopted Budget, the City will contribute an additional \$1.1 million to eliminate this liability in 10 years, versus the original amortization of 16 years. The “16 to 10 Plan” is projected to save taxpayers \$7.4 million in the long term.

Major Initiatives

“HB Rising”

While the State has virtually eliminated its commitment to economic development, the City remains unflinching and steadfast in its goal to stimulate business development in Huntington Beach. A new Office of Business Development has been being created in the City Manager’s Office to signal the City’s renewed commitment to economic development.

A new “HB Rising” initiative will continue to promote economic development initiatives throughout the City reassuring the community that Huntington Beach remains committed to revitalizing its neighborhoods and enhancing its economic development plans. To that end, significant progress is being made in securing entitlements, issuing permits or finalizing plans for the following projects in FY 2013/14:

Pacific City

The Pacific City development will create an upscale retail village consisting of 191,000 square feet of unique and boutique retail and restaurant space overlooking the Pacific Ocean with signed tenants including Equinox Fitness and others. The facility will include Pacific City Hotel, a high-end boutique hotel with a spa and conference center with 250 rooms developed by Pacific Hospitality Group/RD Olson, and 516 luxury residential units with concierge services. Construction has commenced on the parking structure with the retail stores opening in 2015.

Bella Terra Phase II

The second phase of the successful Bella Terra Regional Center project featured the May 2013 opening of Costco along with 467 luxury apartment units at the Residences at Bella Terra, and a 24-hour gym, pool and park area for all residents. Bella Terra Phase II will also feature 47,000 square feet of retail space adjacent to an open-space courtyard setting. The apartments are fully-leased, with 96 percent of the retail open, including Solita, Motherhood and Eureka.

Waterfront Hilton Tower Expansion

The acclaimed Waterfront Hilton Hotel Resort has finalized plans and is currently finalizing its financing for a second hotel tower consisting of 250 suites, a state-of-the-art 20,000 square feet luxury spa and additional conference center space.

In addition, there are numerous permitted commercial/industrial projects in plan check/construction phases including: a 105,000 square feet Living Spaces furniture store; Hoag Health Center 30,000 square feet expansion including urgent care and diagnostics; Shea Properties Industrial project consisting of two buildings and 142,000 square feet; 37,000 square feet expansion of Pierside Pavilion; and a new 128 room Marriott Springhill Suites Hotel.

Housing

The City permitted 2,655 new residential apartment units in projects with companies such as UDR and Saris Regis with 2,451 units under construction. In addition, 727 single family units have been permitted with 168 units under construction and 510 units pending. Included in the residential housing is 78 very-low and low income housing units.

Neighborhood Investments

The condition of a City's infrastructure is a hallmark of its financial strength. Many cities will focus resources on operating budgets while neglecting infrastructure and equipment assets resulting in greater expenses and disrepair. This is problematic as well-maintained capital assets are a vital and essential business attraction and retention tool. The FY 2013/14 Adopted Budget reinvests in one of its most vital resources for long-term success and sustainability – its infrastructure, and includes funding for a new state-of-the-art Senior Center.

For FY 2013/14, the CIP addresses critical infrastructure and capital needs divided into numerous categories including drainage and storm water, facilities, neighborhood, parks and beaches, sewer, streets and transportation and water improvements. New improvements in the FY 2013/14 Adopted Budget total \$28.5 million, an increase of \$7.1 million from the prior fiscal year. It is important to note half of this amount relates to the receipt of \$3.1 million in additional but non-recurring Federal and State grant funding for the Atlanta Widening project and traffic signal modifications in critical intersections throughout the City.

Senior Center

The FY 2013/14 Adopted Budget contains \$1.5 million in the Infrastructure Fund to support start-up costs for the new Senior Center. The new funding for the Senior Center represents the culmination of a ballot measure approved by the voters. It is a symbolic first step toward reinvesting in our highly-valued senior community for generations to come.

Awards and Acknowledgements

Last year, the City of Huntington Beach was once again the honored recipient of the "Certificate of Achievement for Excellence in Financial Reporting" award bestowed by the Government Finance Officers' Association (GFOA) of the United States and Canada. This was the 27th consecutive year the City has received this prestigious award. Receipt of the award requires government entities to publish transparent, easily readable and efficiently organized Comprehensive Annual Financial Reports, conforming to program, accounting, and legal standards.

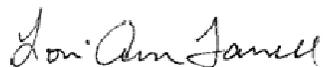
The Certificate of Achievement earned for the fiscal year ended September 30, 2012, is valid for one year only. The City believes that this Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to the GFOA for their consideration for another award.

We are also pleased to report that the City of Huntington Beach received the prestigious "Innovation Award" from the California Society of Municipal Finance Officers (CSMFO) on February 21, 2014 for its innovative approaches to reducing the unfunded liabilities for its pension and Other Post Employment Benefit (OPEB) plans. A total of eleven cities applied for this new award and only two, including Huntington Beach, were selected as recipients. This honor demonstrates the City's financial acumen and creative approaches towards addressing complicated challenges.

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

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

Respectfully,

A handwritten signature in cursive script that reads "Lori Ann Farrell".

Lori Ann Farrell
Director of Finance
City of Huntington Beach

City of Huntington Beach

City Council

Matthew Harper, Mayor
Joe Shaw, Mayor Pro Tem

Connie Boardman, Councilmember
Joe Carchio, Councilmember
Jill Hardy, Councilmember
Jim Katapodis, Councilmember
Dave Sullivan, Councilmember

Executive Team

Fred A. Wilson, City Manager
Ken Domer, Assistant City Manager
Teri Baker, Assistant to the City Manager
Julie Toledo, Community Relations Officer

City Treasurer

Alisa Cutchen

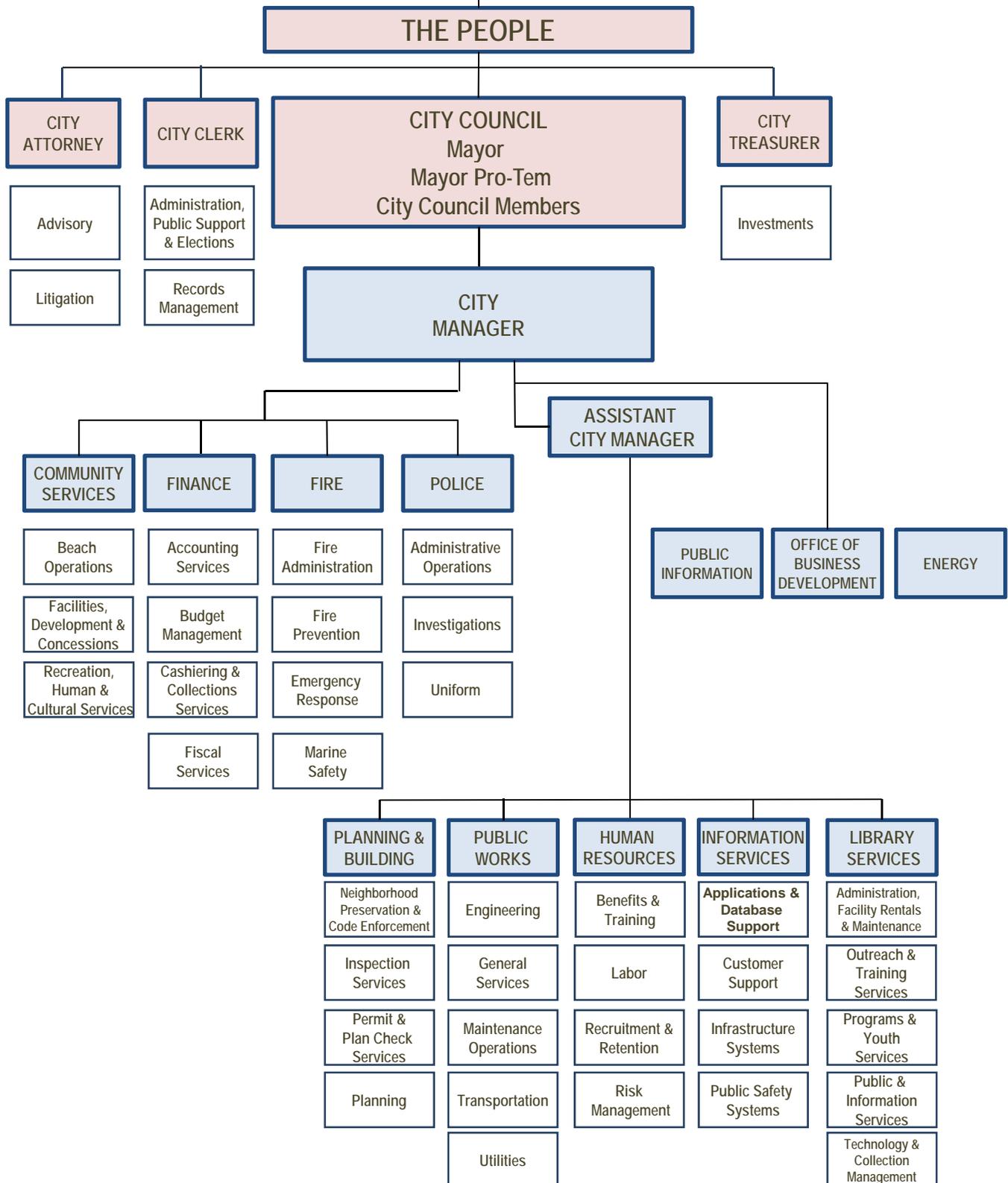
Elected Department Heads

Joan L. Flynn, City Clerk
Jennifer M. McGrath, City Attorney

Department Directors

Stephanie Beverage, Library Services
Michele Warren, Human Resources
Lori Ann Farrell, Finance
Chief Robert Handy, Police
Scott Hess, Planning and Building
Travis Hopkins, Public Works
Janeen Laudenback, Community Services
Jack Marshall, Information Services
Chief Patrick McIntosh, Fire

City of Huntington Beach Organizational Chart Adopted Budget – FY 2013/2014





Government Finance Officers Association

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

Presented to

**City of Huntington Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable City Council
City of Huntington Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California, (City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1.n. to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information identified on the accompanying table of contents on pages 5-19 and 112-116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Laguna Hills, California
March 28, 2014

THIS PAGE INTENTIONALLY LEFT BLANK



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages iii-xii of this report.

Financial Highlights

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

	Total Governmental and Business-Type Activities			
	September 30, 2013	September 30, 2012 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,077,553	\$ 1,057,094	\$ 20,459	1.9%
Liabilities	115,374	113,290	2,084	1.8%
Total Net Position	962,179	943,804	18,375	1.9%
Unrestricted Net Position	119,671	116,784	2,887	2.5%
Long-Term Obligations	88,197	93,676	(5,479)	-5.8%
Program Revenues	133,288	122,956	10,332	8.4%
Taxes	140,403	137,989	2,414	1.7%
Other General Revenues	14,196	16,060	(1,864)	-11.6%
Extraordinary Item	(4,669)	23,960	(28,629)	-119.5%
Expenses	264,843	249,743	15,100	6.0%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$962,179,000. Of this amount, \$119,671,000 may be used to meet the City's ongoing obligations to citizens and creditors. Net position increased \$18,375,000 or 1.9 percent. This increase is due in large part to additions made to capital assets for infrastructure improvements to the City's water and sewer systems and residential street improvements. Unrestricted net position increased by \$2,887,000 or 2.5 percent.
- Long-term obligations decreased by \$5,479,000 or 5.8 percent. This decrease is primarily due to debt service payments, including substantially paying off the PARS obligation associated with the Early Retirement Incentive Program implemented in FY 2009/10.
- Program revenues increased by \$10,332,000 or 8.4 percent. This increase is primarily due to increases in fees paid by developers and the receipt of new Federal and State grants. Other General Revenues decreased by \$1,864,000 or 11.6 percent primarily due to decreases in investment yield during FY 2012/13 due to the historically low interest rates.
- Expenses increased by \$15,100,000 or 6.0 percent primarily due to increases in equipment replacement costs, street repairs, workers' compensation costs, and increased infrastructure spending as required by the City Charter.
- Extraordinary Item in the current year totaled \$4,669,000 due to the final determination and demand letter from the Department of Finance for the Non-Housing Due Diligence Review as a result of the dissolution of the Redevelopment Agency.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

Governmental Funds

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

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

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

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue funds (Grants) are required to be presented and are included on pages 113 and 114 of this report and demonstrate compliance with the budget.

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

Proprietary Funds

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

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

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

Fiduciary Funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-109 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and General Fund and major special revenue funds budget-to-actual comparisons. Required supplementary information can be found on pages 112-116 of this report.

The combining statements and schedules referred to earlier in connection with other governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 121-128 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net position balances for both governmental and business-type activities, with total assets exceeding liabilities by \$962,179,000.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

Below is a summary schedule of the City's net position at September 30, 2013 (in thousands):

	September 30, 2013	September 30, 2012	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 170,030	\$ 154,811	\$ 15,219	9.8%
Capital Assets	661,507	661,360	147	0.0%
Total Assets	831,537	816,171	15,366	1.9%
Current and Other Liabilities	21,242	13,167	8,075	61.3%
Long-Term Obligations	87,085	92,621	(5,536)	-6.0%
Total Liabilities	108,327	105,788	2,539	2.4%
Net Position:				
Net Investment in Capital Assets	617,267	613,065	4,202	0.7%
Restricted	51,867	44,220	7,647	17.3%
Unrestricted	54,076	53,098	978	1.8%
Total Net Position	\$ 723,210	\$ 710,383	\$ 12,827	1.8%

	September 30, 2013	September 30, 2012	Amount Increase (Decrease)	Percent Increase (Decrease)
Business-Type Activities				
Current and Other Assets	\$ 100,130	\$ 98,992	\$ 1,138	1.1%
Capital Assets	145,886	141,931	3,955	2.8%
Total Assets	246,016	240,923	5,093	2.1%
Current and Other Liabilities	5,935	6,447	(512)	-7.9%
Long-Term Obligations	1,112	1,055	57	5.4%
Total Liabilities	7,047	7,502	(455)	-6.1%
Net Position:				
Net Investment in Capital Assets	145,886	141,931	3,955	2.8%
Restricted	27,488	27,804	(316)	-1.1%
Unrestricted	65,595	63,686	1,909	3.0%
Total Net Position	\$ 238,969	\$ 233,421	\$ 5,548	2.4%

Analysis of the City's Net position

Current and Other Assets: The increase in current and other assets of \$15,219,000 is primarily due to increases in cash and receivables as a result of improvements in revenue along with an increase to the Other Postemployment Benefits Asset due to additional employer contributions over the annual required contribution.

Current and Other Liabilities: The increase in current and other liabilities of \$8,075,000 is primarily due to normal fluctuations in accrued payroll costs and accounts payable.

Long-Term Obligations: The decrease in long-term obligations of \$5,536,000 is primarily due to substantially paying off the PARS obligation associated with the Early Retirement Incentive Program implemented in FY 2009/10 two years ahead of schedule.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

Net Investment in Capital Assets: The largest portion of the City's net position reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets net of related debt from governmental activities increased \$4,202,000 or 0.7 percent. The increase was primarily due to street improvements. Net position invested in capital assets net of related debt from business-type activities increased \$3,955,000 or 2.8 percent due to an increase installation of water mains necessary for new construction developments.

Restricted Net position: An additional portion of the City's net position is subject to external (legally imposed or statutory) restrictions (\$51,867,000 for governmental activities, and \$27,488,000 for business-type activities). These amounts represent 7.2 percent and 11.5 percent of net position for governmental activities and business-type activities, respectively. Restricted net position from governmental activities increased \$7,647,000 or 17.3 percent. The increase is primarily due to restricted funds used for public works and community services projects. Restricted net position from business-type activities decreased by \$316,000 or 1.1 percent primarily due to restricted funds used for improvements to the City's water and sewer systems.

Unrestricted Net position: The unrestricted assets (\$54,076,000 for governmental activities and \$65,595,000 for business-type activities) represent 7.5 percent and 27.4 percent of net position for governmental activities and business-type activities, respectively. Unrestricted net position for governmental activities increased \$978,000 or 1.8 percent. Unrestricted net position for business-type activities increased by \$1,909,000 or 3.0 percent, primarily due to increases in water and sewer operating revenue.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

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

	Governmental Activities			
	September 30, 2013	September 30, 2012 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 56,620	\$ 52,832	\$ 3,788	7.2%
Operating Grants and Contributions	7,303	5,088	2,215	43.5%
Capital Grants and Contributions	7,191	6,624	567	8.6%
Total Program Revenues	71,114	64,544	6,570	10.2%
General Revenues:				
Property Taxes	74,795	74,856	(61)	-0.1%
Sales Taxes	30,276	30,051	225	0.7%
Utility Taxes	20,764	20,152	612	3.0%
Other Taxes	14,568	12,930	1,638	12.7%
Use of Money and Property	2,816	3,434	(618)	-18.0%
From Other Agencies - Unrestricted	6,003	6,585	(582)	-8.8%
Other	5,240	4,941	299	6.1%
Total General Revenues	154,462	152,949	1,513	1.0%
Total Revenues	225,576	217,493	8,083	3.7%
Expenses:				
City Council	271	310	(39)	-12.6%
City Manager	1,583	1,767	(184)	-10.4%
City Treasurer	132	141	(9)	-6.4%
City Attorney	2,221	2,313	(92)	-4.0%
City Clerk	797	689	108	15.7%
Finance	4,825	4,573	252	5.5%
Human Resources	5,032	4,743	289	6.1%
Planning and Building	6,155	6,123	32	0.5%
Fire	36,323	35,336	987	2.8%
Information Services	6,096	5,857	239	4.1%
Police	60,466	60,690	(224)	-0.4%
Economic Development	8,395	3,703	4,692	126.7%
Community Services	15,521	15,586	(65)	-0.4%
Library Services	3,873	3,777	96	2.5%
Public Works	28,500	26,508	1,992	7.5%
Non-Departmental	25,563	19,190	6,373	33.2%
Interest on Long-Term Debt	2,289	2,376	(87)	-3.7%
Total Expenses	208,042	193,682	14,360	7.4%
Change in Net Position Before Transfers	17,534	23,811		
Transfers	(38)	(38)		
Change in Net Position After Transfers	17,496	23,773		
Extraordinary Gain/(Loss)	(4,669)	23,960		
Change in Net Position	12,827	47,733		
Net Position - Beginning of Year	709,664	661,931		
Prior Period Adjustment	719	-		
Net Position - Beginning of Year as restated	710,383	661,931		
Net Position - End of Year	\$ 723,210	\$ 709,664		



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

The cost of all governmental activities this year was \$208,042,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$136,928,000, because costs of \$56,620,000 were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions of \$7,303,000, and capital grants and contributions of \$7,191,000. Overall, the City's governmental program revenues were \$71,114,000. The City paid for the remaining "public benefit" portion of governmental activities with \$154,462,000 in taxes and general revenue (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Charges for Current Services increased by \$3,788,000 or 7.2 percent due to increases in public works, community services, and building and planning revenues.

Operating Grants and Contributions increased by \$2,215,000 or 43.5 percent primarily due to an increase in public works grants from the prior year. Capital Grants and Contributions have increased by \$567,000 or 8.6 percent primarily due to increases in public works grants such as the Safe Routes to School and Bridge Rehabilitation grants.

Program expenses increased by \$14,360,000 due to the following:

- Economic Development increased by \$4,692,000 primarily due to a one-time State-mandated payment made to the Orange County Auditor-Controller in accordance with AB 1484.
- Non-Departmental expenses increased by \$6,373,000 due to increased equipment replacement costs and street rehabilitation costs, including the rehabilitation of Springdale Street.

Total resources available during the year to finance governmental operations were \$935,921,000 consisting of net position at October 1, 2012, of \$710,383,000, program revenues of \$71,114,000, general revenues of \$154,462,000, less transfers of \$38,000. Total expenses for governmental activities during the year were \$208,042,000 including an extraordinary loss of \$4,669,000 thus, net position was increased by \$12,827,000, to \$723,210,000.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

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

	Business-Type Activities			
	September 30, 2013	September 30, 2012 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 61,330	\$ 58,412	\$ 2,918	5.0%
Capital Grants and Contributions	844	-	844	100.0%
Total Program Revenues	62,174	58,412	3,762	6.4%
Use of Money and Property	137	1,100	(963)	-87.5%
Total Revenues	62,311	59,512	2,799	4.7%
Expenses:				
Water Utility	38,446	37,437	1,009	2.7%
Refuse Collection	10,882	10,785	97	0.9%
Sewer Service	7,253	7,623	(370)	-4.9%
Hazmat Service	220	216	4	1.9%
Total Expenses	56,801	56,061	740	1.3%
Increase in Net Position Before Transfers	5,510	3,451		
Transfers	38	38		
Total Change In Net Position	5,548	3,489		
Net Position - Beginning of Year	225,619	222,130		
Prior Period Adjustment	7,802	-		
Net Assets - Beginning of Year as restated	233,421	222,130		
Net Position - End of Year	\$ 238,969	\$ 225,619		

The City's net position from business-type activities increased by \$5,510,000 before transfers. Contributing to this increase was net program revenue of \$5,373,000. Use of money and property decreased by \$963,000 due to a decrease in the rate of return for the City's cash and investments.

The cost of all Business-Type activities this year was \$56,801,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$61,330,000, there were capital grants and contributions of \$844,000, other revenue was \$137,000, and transfers were \$38,000. Beginning net position was \$233,421,000 and ending net position was \$238,969,000. Of the ending net position amount, \$145,885,000, or 61.0 percent, was invested in capital assets, \$27,488,000 or 11.5 percent was restricted for expenses for the Water Master Plan, and \$65,595,000, or 27.5 percent was unrestricted.

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

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, 2013	September 30, 2012	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 54,507	\$ 54,435	\$ 72	0.1%
Grants Special Revenue Fund	2,606	514	2,092	407.0%
LMIHAF Capital Projects Fund	5,637	9,886	(4,249)	-43.0%
Total Fund Equity	\$ 62,750	\$ 64,835	\$ (2,085)	-3.2%

The General Fund Balance increased by \$72,000 primarily due to strengthening property and sales tax revenues.

The Grants Special Revenue Fund Balance increased by \$2,092,000 primarily due to increased state grant revenues, including the 2002 Park Bond and Supplemental Law Enforcement Services Fund (SLESF) grants.

The LMIHAF Capital Projects Fund Balance decreased by \$4,249,000 due to a one-time State-mandated payment of funds to the County for distribution to other taxing entities in accordance with AB 1484.

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, 2013	September 30, 2012 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Position:				
Water Fund	\$ 171,747	\$ 171,308	\$ 439	0.3%
Sewer Fund	66,820	61,875	4,945	8.0%
Refuse Fund	201	83	118	142.2%
Hazmat Service Fund	201	155	46	29.7%
Total Net Position	\$ 238,969	\$ 233,421	\$ 5,548	2.4%
Unrestricted Net Position:				
Water Fund	\$ 36,438	\$ 38,289	\$ (1,851)	-4.8%
Sewer Fund	28,755	25,159	3,596	14.3%
Refuse Fund	201	83	118	142.2%
Hazmat Service Fund	201	155	46	29.7%
Total Unrestricted Net Position	\$ 65,595	\$ 63,686	\$ 1,909	3.0%

The Water Fund total net position increased by \$439,000 and unrestricted net position decreased by \$1,851,000. Total net position increased in large part due to an increase in water mains throughout the City. Unrestricted net position decreased in large part due to infrastructure construction costs.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

The Sewer Fund net position increased by \$4,945,000 and unrestricted net position increased by \$3,596,000. This increase is due to a reduction in required repairs and maintenance costs.

Long-Term Obligations

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

	Balance October 1, 2012	Additions	Retirements	Balance September 30, 2013
Governmental Activities:				
Revenue Bonds	\$ 46,720	\$ -	\$ (3,615)	\$ 43,105
Judgement Obligation Bonds	4,339	-	(865)	3,474
Claims Payable	18,872	11,387	(7,271)	22,988
Compensated Absences	10,985	-	(99)	10,886
Net Pension Obligation	3,613	4,435	(4,607)	3,441
Loans	1,285	-	(150)	1,135
Leases Payable	290	-	(290)	-
Pollution Remediation	2,000	-	-	2,000
PARS Payable	4,517	-	(4,461)	56
Total Long-Term Obligations - Governmental Activities	92,621	15,822	(21,358)	87,085
Business-Type Activities:				
Compensated Absences	1,055	238	(181)	1,112
Business-Type Activities	1,055	238	(181)	1,112
Total Long-Term Obligations	\$ 93,676	\$ 16,060	\$ (21,539)	\$ 88,197

Additional information on the City's long-term debt is shown in Note 10 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12 percent of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. This is shown on page 158 of the financial statements. The City's total long-term obligations decreased \$5,479,000 or 5.8 percent from the prior fiscal year. This decrease was due in large part to the following:

- Paying off a substantial portion of the PARS obligation for the Early Retirement Incentive Program two years ahead of schedule.
- Current year debt service payments on Bonds and various other loans.

The City continues to maintain strong credit ratings on all of its debt issues. The following are the ratings as determined by Moody's Investors Service and Standard and Poor's as of September 30, 2013.

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S & P</u>
1999 Tax Allocation Refunding Bonds	Baa2	A
2002 Tax Allocation Refunding Bonds	Baa2	A
2004 Judgment Obligation Bonds	Aa3	AA
2010 Lease Revenue Bonds, Series A	Aa3	AA
2011 Lease Revenue Bonds, Series A	Aa3	AA



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

Capital Assets

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

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

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

	September 30, 2013	September 30, 2012 (Restated)	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 352,833	\$ 352,833	\$ -	0.0%
Buildings	128,674	130,555	(1,881)	-1.4%
Machinery and Equipment	9,733	9,649	84	0.9%
Construction in Progress	3,650	3,776	(126)	-3.3%
Joint Venture	2,419	2,310	109	4.7%
Infrastructure	164,198	162,237	1,961	1.2%
Total Governmental Activities	661,507	661,360	147	0.0%
Business-Type Activities:				
Land	3,907	3,907	-	0.0%
Buildings	48,582	38,678	9,904	25.6%
Machinery and Equipment	2,050	2,414	(364)	-15.1%
Construction in Progress	15,751	21,111	(5,360)	-25.4%
Infrastructure	75,596	75,821	(225)	-0.3%
Total Business-Type Activities	145,886	141,931	3,955	2.8%
Total Capital Assets	\$ 807,393	\$ 803,291	\$ 4,102	0.5%

Capital assets from governmental activities increased \$147,000. This increase is largely due to re-roofing and ADA compliance projects for the City's public buildings. Capital assets from business-type activities increased \$3,955,000 or 2.8 percent due to a rise in infrastructure investment and contributions. Further information on the City's capital assets can be found in Note 11 of the financial statements.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

General Fund Budgetary Highlights

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$14,814,000 or 8.1 percent from the original (adopted) budget for the fiscal year ended September 30, 2013. The change from original to final budget occurred primarily as a result of adjustments made to budgeted property tax, sales tax, charges for current services, licenses and permits, and one time revenues associated with the dissolution of the former Redevelopment Agency and certain large development and construction projects.

Comparing the FY 2012/13 original (or adopted) budget, General Fund expenditures amount of \$180,266,000 to the final budgeted amount of \$190,087,000 shows a net increase of \$9,821,000, or 5.4 percent. This overall increase was the result of budget carryovers from the previous year, an accelerated payment of the PARS obligation, and additional capital projects spending to meet the City's 15 percent Charter requirement for infrastructure spending.

Variance with Final Budget

General Fund actual revenues were greater than the final budget by \$1,175,000 for the fiscal year ended September 30, 2013 due in large part to the following:

- Property Taxes: The net \$1,611,000 positive variance in actual vs. final budgeted revenue in this category was primarily due to the strengthening property tax values.

General Fund expenditures were \$5,072,000 less than the final budget. The favorable budget variance is due in large part to the following:

- The Police Department realized \$1,439,000 in savings primarily due to lower personnel costs than anticipated associated with vacancy savings.
- The Planning and Building Department realized \$793,000 in savings from the deferral of various building and planning contracts.
- The Community Services and Library Services Department generated \$1,899,000 in savings due to expenses originally budgeted in FY 2012/13 that were not incurred until the subsequent fiscal year.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

Analysis of City's Other Major Governmental Funds

Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund increased by \$2,092,000 due to the inherent timing differences between when grant expenditures are incurred versus when the revenues are received. Significant grant expenditures in the current year were for Police, Fire, and street improvement grants.

LMIHAF Capital Projects Fund

The fund balance in the LMIHAF Capital Projects Fund decreased by \$4,249,000 due to a one-time State-mandated payment made to the Orange County Auditor-Controller in accordance with AB 1484.

Economic Factors and Next Year's Budget

As the economy regains its foothold, the Budget for FY 2013/14 reflects a stabilization of General Fund revenue and a conservative overall increase of 4.3 percent from the prior year's budget. This conservative budget strategy protects the City from unanticipated revenue declines or cost increases while still reflecting the revenue gains related to the improving local economy.

On the expenditure side, the FY 2013/14 Budget reflects a modest 6.5 percent increase primarily attributed to greater spending in the Capital Improvement Program (CIP) and the receipt of new Federal and State grants. Personnel Services reflects a slight increase in staffing with the addition of 9.75 FTEs, including the restoration of funding for five Police Officer positions previously defunded during the economic crisis.

Key General Fund revenue highlights are discussed below:

- Secured property tax revenue included assessed values of Huntington Beach and Sunset Beach properties, with an 11.4 percent increase projected for the City.
- Sales tax revenue has exceeded the previous high mark in FY 2007/08 due to new store openings and the acquisition of new businesses, with a 12.3 percent increase projected for FY 2013/14.
- Transient Occupancy Tax revenue remains strong as the Huntington Beach Marketing and Visitor's Bureau continues to promote the City as a tourist destination, and the Sunset Beach hotels are factored in for a full year of hotel tax receipts.
- Utility Taxes will remain relatively flat as energy conservation efforts continue to suppress demand and prices.
- Licenses and Permits revenue reflects a modest 3.6 percent increase from the prior year due to the continuation of multiple large-scale multi-use development projects currently underway.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2013

Lastly, as part of the FY 2013/14 budget, the City has adopted its new "One Equals Five" Plan, which allows for a certain amount of additional General Fund revenue received above budgeted expenses to be used to pay down the City's unfunded CalPERS liability. According to actuarial calculations, each additional \$1 million contributed to the City's plan will benefit the City five times over, resulting in \$5 million in taxpayer savings over a 25 year period.

Similarly, the "25 to 10" Plan has been adopted by the City to expedite the payment of the City's Retiree Medical unfunded liability. The budget reflects an additional \$1.1 million contribution to the plan, reducing the amortization of the unfunded liability from 25 years to 10 years, immediately shaving off 15 years of payments.

The City has also adopted a plan to expedite the payment of the unfunded liability for the City's supplemental defined benefit retirement plan. An additional \$568,000 has been committed above the FY 2012/13 Budget and beyond to decrease this liability with the plan of paying down the unfunded liability in 10 years, versus the original amortization of 16 years.

Contacting the City's Financial Management Team

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

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013
(In Thousands)

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 49,864	\$ 64,949	\$ 114,813
Receivables, Net	37,577	6,488	44,065
Advances to Successor Agency	5,290	-	5,290
Inventories	-	1,205	1,205
Prepays	4,640	-	4,640
Other Assets	1,266	-	1,266
Other Postemployment Benefits Asset	10,558	-	10,558
Subtotal	109,195	72,642	181,837
Restricted Assets:			
Cash and Investments	39,309	27,488	66,797
Cash and Investments with Fiscal Agent	4,331	-	4,331
Receivables, Net	17,195	-	17,195
Total Restricted Assets	60,835	27,488	88,323
Capital Assets:			
Non-Depreciable	358,902	19,659	378,561
Depreciable, Net	302,605	126,227	428,832
Total Capital Assets	661,507	145,886	807,393
Total Assets	831,537	246,016	1,077,553
 LIABILITIES			
Accounts Payable	4,467	4,277	8,744
Accrued Payroll	6,503	43	6,546
Deposits	1,304	1,615	2,919
Subtotal	12,274	5,935	18,209
Liabilities Payable from Restricted Assets:			
Accounts Payable	6,708	-	6,708
Accrued Interest Payable	239	-	239
Deposits	2,021	-	2,021
Total Liabilities Payable from Restricted Assets	8,968	-	8,968
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	16,449	304	16,753
Long-Term Obligations Due in More than One Year	70,636	808	71,444
Total Long-Term Obligations	87,085	1,112	88,197
Total Liabilities	108,327	7,047	115,374
 NET POSITION			
Net Investment in Capital Assets	617,267	145,886	763,153
Restricted for:			
Debt Service	4,350	-	4,350
Capital Projects	17,001	27,488	44,489
Public Works and Community Services Projects	30,516	-	30,516
Total Restricted Net Position	51,867	27,488	79,355
Unrestricted	54,076	65,595	119,671
Total Net Position	\$ 723,210	\$ 238,969	\$ 962,179

**CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
City Council	\$ 271	\$ 66	\$ -	\$ -	\$ (205)	\$ -	\$ (205)
City Manager	1,583	134	-	-	(1,449)	-	(1,449)
City Treasurer	132	602	-	-	470	-	470
City Attorney	2,221	135	-	-	(2,086)	-	(2,086)
City Clerk	797	248	-	-	(549)	-	(549)
Finance	4,825	1,275	-	-	(3,550)	-	(3,550)
Human Resources	5,032	1,236	-	-	(3,796)	-	(3,796)
Planning & Building	6,155	9,411	-	-	3,256	-	3,256
Fire	36,323	9,482	833	-	(26,008)	-	(26,008)
Information Services	6,096	786	-	-	(5,310)	-	(5,310)
Police	60,466	4,653	1,663	-	(54,150)	-	(54,150)
Economic Development	8,395	2,505	1,316	951	(3,623)	-	(3,623)
Community Services	15,521	17,832	1,133	-	3,444	-	3,444
Library Services	3,873	634	164	-	(3,075)	-	(3,075)
Public Works	28,500	7,315	2,194	6,240	(12,751)	-	(12,751)
Non-Departmental	25,563	306	-	-	(25,257)	-	(25,257)
Interest on Long-Term Debt	2,289	-	-	-	(2,289)	-	(2,289)
Total Governmental Activities	208,042	56,620	7,303	7,191	(136,928)	-	(136,928)
Business-type Activities:							
Water Utility	38,446	37,835	-	844	-	233	233
Sewer Service	7,253	12,267	-	-	-	5,014	5,014
Refuse Collection	10,882	10,950	-	-	-	68	68
Hazmat Service	220	278	-	-	-	58	58
Total Business-Type Activities	56,801	61,330	-	844	-	5,373	5,373
Total Governmental and Business Type Activities	\$ 264,843	\$ 117,950	\$ 7,303	\$ 8,035	(136,928)	5,373	(131,555)
General Revenues:							
Taxes:							
Property Taxes					74,795	-	74,795
Sales Taxes					30,276	-	30,276
Utility Taxes					20,764	-	20,764
Other Taxes					14,568	-	14,568
Total Taxes					140,403	-	140,403
Other:							
Use of Money and Property					2,816	137	2,953
From Other Agencies - Unrestricted					6,003	-	6,003
Other					5,240	-	5,240
Total General Revenues					154,462	137	154,599
Transfers					(38)	38	-
Total General Revenues and Transfers					154,424	175	154,599
Extraordinary Item					(4,669)	-	(4,669)
Change in Net Position					12,827	5,548	18,375
Net Position - Beginning of Year					709,664	225,619	935,283
Prior Period Adjustment					719	7,802	8,521
Net Position - Beginning of Year as restated					710,383	233,421	943,804
Net Position - End of Year					\$ 723,210	\$ 238,969	\$ 962,179

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013
(In Thousands)**

ASSETS	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
Cash and Investments	\$ 49,864	\$ 1,559	\$ 3,989	\$ 28,682	\$ 84,094
Cash and Investments with Fiscal Agent	-	-	-	4,331	4,331
Taxes Receivable	31,449	-	-	779	32,228
Other Receivables, Net	6,128	5,642	9,983	791	22,544
Due from Other Funds	-	-	-	209	209
Advances to Successor Agency	-	-	5,290	-	5,290
Other Assets	-	-	-	1,266	1,266
Prepays	4,040	-	-	-	4,040
TOTAL ASSETS	\$ 91,481	\$ 7,201	\$ 19,262	\$ 36,058	\$ 154,002
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 4,467	\$ 343	\$ 3,649	\$ 2,716	\$ 11,175
Accrued Payroll	6,494	5	-	4	6,503
Due to Other Funds	-	-	-	209	209
Deposits Payable	1,304	1	-	2,020	3,325
Deferred Revenue	21,446	4,246	9,976	723	36,391
Claims Payable	3,263	-	-	-	3,263
Total Liabilities	36,974	4,595	13,625	5,672	60,866
Fund Balances:					
Nonspendable					
Prepaid Insurance	4,040	-	-	-	4,040
Restricted					
Underground Utilities	364	-	-	-	364
Restitution	269	-	-	-	269
Pollution Remediation	-	-	-	336	336
Debt Service	-	-	-	4,350	4,350
Highways, Streets and Transportation	-	-	-	7,749	7,749
Low Income Housing	-	-	5,637	227	5,864
Air Quality	-	-	-	727	727
Parks	-	-	-	3,791	3,791
Other Capital Projects	-	-	-	976	976
Other Purposes	1,245	2,606	-	1,026	4,877
Committed					
Economic Uncertainties	24,011	-	-	-	24,011
Other Capital Projects	-	-	-	11,098	11,098
Assigned					
Litigation Reserves	900	-	-	-	900
Capital Projects Reserve	7,136	-	-	147	7,283
Equipment Replacement	8,295	-	-	-	8,295
Redevelopment Dissolution	1,323	-	-	-	1,323
Retiree Medical Unfunded Liability	698	-	-	-	698
General Plan Maintenance	720	-	-	-	720
Senior Center Debt Service Reserve	2,000	-	-	-	2,000
CalPERS One Equals Five Plan	500	-	-	-	500
Other Purposes	3,006	-	-	169	3,175
Unassigned	-	-	-	(210)	(210)
TOTAL FUND BALANCES	54,507	2,606	5,637	30,386	93,136
TOTAL LIABILITIES AND FUND BALANCES	\$ 91,481	\$ 7,201	\$ 19,262	\$ 36,058	\$ 154,002

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013
(In Thousands)**

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

Total Fund Balances Governmental Funds	\$	93,136
---	-----------	---------------

Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds

Capital Assets	943,081	
Accumulated Depreciation	(281,574)	
Total Capital Assets		661,507

Internal Services funds are used by management to charge the cost of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.		851
---	--	-----

Long-term receivables are not available to pay for current-period expenditures and accordingly are deferred in the governmental funds.		36,391
--	--	--------

Other Postemployment Benefit Asset is not a financial resource and, therefore, are not reported in the governmental funds.		10,558
--	--	--------

Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.

Accrued Interest Payable		(239)
--------------------------	--	-------

Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Long-Term Obligations Due in One Year		(8,358)
Long-Term Obligations Due in More than One Year		(70,636)

Net Position of Governmental Activities	\$	<u>723,210</u>
--	-----------	-----------------------

**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

REVENUES	General Fund	Grants Special Revenue	LMIHAF Capital Projects	Other Governmental Funds	Total
Property Taxes	\$ 73,423	\$ -	\$ -	\$ 1,019	\$ 74,442
Sales Taxes	27,199	-	-	2,564	29,763
Utility Taxes	20,764	-	-	-	20,764
Other Taxes	14,568	-	-	-	14,568
Licenses and Permits	8,983	-	-	897	9,880
Fines and Forfeitures	4,058	-	-	-	4,058
From Use of Money and Property	14,981	364	572	129	16,046
Intergovernmental	5,453	6,928	464	5,392	18,237
Charges for Current Services	26,374	-	-	4,775	31,149
Other	2,074	-	1	926	3,001
Total Revenues	197,877	7,292	1,037	15,702	221,908
EXPENDITURES					
Current:					
City Council	260	-	-	-	260
City Manager	1,341	233	-	-	1,574
City Treasurer	132	-	-	-	132
City Attorney	2,221	-	-	-	2,221
City Clerk	797	-	-	-	797
Finance	4,825	-	-	-	4,825
Human Resources	5,442	219	-	-	5,661
Planning & Building	6,155	-	-	-	6,155
Fire	35,497	411	-	12	35,920
Information Services	6,096	-	-	-	6,096
Police	59,274	1,177	-	9	60,460
Economic Development	1,556	575	4,881	-	7,012
Community Services	13,050	269	-	633	13,952
Library Services	3,547	41	-	-	3,588
Public Works	20,209	238	-	1,722	22,169
Non-Departmental	19,671	-	-	13	19,684
Capital Outlay	-	2,299	-	8,446	10,745
Debt Service:					
Principal	4,751	150	-	4,480	9,381
Interest	191	43	-	2,087	2,321
Total Expenditures	185,015	5,655	4,881	17,402	212,953
Excess (Deficiency) Of Revenues Over (Under) Expenditures	12,862	1,637	(3,844)	(1,700)	8,955
OTHER FINANCING SOURCES (USES)					
Transfers In	913	455	-	8,133	9,501
Transfers Out	(9,034)	-	(405)	(900)	(10,339)
Total Other Financing Sources (Uses)	(8,121)	455	(405)	7,233	(838)
EXTRAORDINARY ITEM:					
Dissolution of Redevelopment Agency	(4,669)	-	-	-	(4,669)
Net Change In Fund Balances	72	2,092	(4,249)	5,533	3,448
Fund Balances- Beginning Of Year	54,435	514	9,886	24,853	89,688
Fund Balances- End Of Year	\$ 54,507	\$ 2,606	\$ 5,637	\$ 30,386	\$ 93,136

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

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

Net Changes in Fund Balances - Total Governmental funds \$ 3,448

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

Depreciable Assets Purchased	13,111
Non-Depreciable Assets Purchased	2,151
Non-Depreciable Assets Disposition	(2,168)
Capital Asset Dispositions	(30)
Capital Asset Depreciation	(12,917)

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

Current Year Property and Sales Tax Accrual	20,187
Prior Year Property and Sales Tax Accrual	(19,321)
Current Year Grant and Other Revenue Accrual	2,481
Prior Year Grant and Other Revenue Accrual	(2,413)

Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. 51

Other Postemployment Benefits Payments - Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (expenses). 1,199

Internal service funds are used by management to charge the costs of certain activities, such as self insurance workers' compensation charges. The net revenue of this internal service fund is reported as governmental activities. 851

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

Current Year Interest Accrual	(239)
Prior Year Interest Accrual	271

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 9,381

Some expenses such as compensated absences, claims, and pension expenses are reported in the Statement of Activities do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds. (3,216)

Change in Net Position of Governmental Activities	\$ 12,827
---	-----------

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013
(In Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
ASSETS						
Current Assets:						
Cash and Investments	\$ 36,357	\$ 28,509	\$ 54	\$ 29	\$ 64,949	\$ 5,079
Restricted Cash and Investments	27,488	-	-	-	27,488	-
Other Receivables, Net	2,684	599	584	182	4,049	-
Prepays	-	-	-	-	-	600
Inventories	1,205	-	-	-	1,205	-
Unbilled Receivables	1,547	439	453	-	2,439	-
Total Current Assets	69,281	29,547	1,091	211	100,130	5,679
Capital Assets:						
Land	3,907	-	-	-	3,907	-
Buildings and Improvements	52,047	13,505	-	-	65,552	-
Machinery and Equipment	8,638	1,345	-	-	9,983	-
Infrastructure	103,176	40,213	-	-	143,389	-
Construction in Progress	5,635	10,117	-	-	15,752	-
Less Accumulated Depreciation	(65,583)	(27,114)	-	-	(92,697)	-
Total Capital Assets	107,820	38,066	-	-	145,886	-
Total Assets	177,101	67,613	1,091	211	246,016	5,679
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,908	507	860	2	4,277	-
Accrued Payroll	29	12	1	1	43	-
Deposits Payable	1,615	-	-	-	1,615	-
Current Portion of Claims Payable	-	-	-	-	-	4,828
Current Portion of Compensated Absences	219	75	8	2	304	-
Total Current Liabilities	4,771	594	869	5	6,239	4,828
Non-Current Liabilities:						
Compensated Absences	583	199	21	5	808	-
Claims Payable	-	-	-	-	-	11,355
Total Non-Current Liabilities	583	199	21	5	808	11,355
Total Liabilities	5,354	793	890	10	7,047	16,183
NET POSITION						
Net Investment in Capital Assets	107,820	38,066	-	-	145,886	-
Restricted for:						
Capital Projects	27,488	-	-	-	27,488	-
Unrestricted	36,439	28,754	201	201	65,595	(10,504)
Total Net Position	\$ 171,747	\$ 66,820	\$ 201	\$ 201	\$ 238,969	\$ (10,504)

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
OPERATING REVENUES						
Sales	\$ 36,110	\$ -	\$ -	\$ -	\$ 36,110	\$ -
Fees and Charges for Service	-	10,617	10,768	263	21,648	5,600
Other	1,725	1,650	182	15	3,572	-
Total Operating Revenues	37,835	12,267	10,950	278	61,330	5,600
OPERATING EXPENSES						
Water Purchases	14,184	-	-	-	14,184	-
Supplies and Operations	7,797	6,020	10,882	220	24,919	1,176
Engineering	428	-	-	-	428	-
Production and Distribution	6,773	-	-	-	6,773	-
Maintenance	249	-	-	-	249	-
Water Meters	4,316	-	-	-	4,316	-
Water Quality	704	-	-	-	704	-
Water Use Efficiency	559	-	-	-	559	-
Claims and Judgments	-	-	-	-	-	4,373
Depreciation	3,436	1,233	-	-	4,669	-
Total Operating Expenses	38,446	7,253	10,882	220	56,801	5,549
Operating Income (Loss)	(611)	5,014	68	58	4,529	51
NON-OPERATING REVENUES (EXPENSES)						
Interest Income (Expense)	206	(69)	(1)	1	137	-
Income (Loss) Before Transfers, Capital Contributions, and Special Item	(405)	4,945	67	59	4,666	51
TRANSFERS, CAPITAL CONTRIBUTIONS, AND SPECIAL ITEMS						
Capital Contributions	844	-	-	-	844	-
Transfers In	-	-	51	-	51	800
Transfers Out	-	-	-	(13)	(13)	-
Special Item	-	-	-	-	-	(11,355)
Total Transfers, Capital Contributions, and Special Item	844	-	51	(13)	882	(10,555)
Change in Net Position	439	4,945	118	46	5,548	(10,504)
Net Position - Beginning Of Year	163,583	61,798	83	155	225,619	-
Prior Period Adjustment	7,725	77	-	-	7,802	-
Net Position - Beginning of Year as restated	171,308	61,875	83	155	233,421	-
Net Position- End Of Year	\$ 171,747	\$ 66,820	\$ 201	\$ 201	\$ 238,969	\$ (10,504)

See Notes to Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total	Internal Service Fund - Self Insurance Workers' Comp
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 37,329	\$ 12,163	\$ 10,875	\$ 215	\$ 60,582	\$ 5,600
Cash Paid to Employees for Services	(7,767)	(2,891)	(235)	(163)	(11,056)	(483)
Cash Paid to Suppliers of Goods and Services	(28,001)	(2,899)	(10,620)	(52)	(41,572)	(5,666)
Net Cash and Investment Provided (Used) by Operating Activities	1,561	6,373	20	-	7,954	(549)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	51	-	51	800
Transfers Out	-	-	-	(13)	(13)	-
Cash Received (Paid) from/(to) Other Funds	16	-	(16)	-	-	4,828
Net Cash and Investments Used by Noncapital Financing Activities	16	-	35	(13)	38	5,628
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(5,197)	(2,583)	-	-	(7,780)	-
Net Cash and Investments Used by Capital and Related Financing Activities	(5,197)	(2,583)	-	-	(7,780)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received (Paid)	206	(69)	(1)	1	137	-
Net Cash and Investments Provided (Used) by Investing Activities	206	(69)	(1)	1	137	-
Net Increase (Decrease) in Cash and Investments	(3,414)	3,721	54	(12)	349	5,079
Cash and Investments - Beginning of Year	67,259	24,788	-	41	92,088	-
Cash and Investments - End of Year	\$ 63,845	\$ 28,509	\$ 54	\$ 29	\$ 92,437	\$ 5,079
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (611)	\$ 5,014	\$ 68	\$ 58	\$ 4,529	\$ 51
Adjustments to Reconcile Operating Income to Net Cash and Investments Provided (Used) by Operating Activities						
Depreciation	3,436	1,233	-	-	4,669	-
(Increase) in Other Receivables, Net	(648)	(139)	(80)	(63)	(930)	-
Decrease in Unbilled Receivables	127	36	7	-	170	-
(Increase) in Prepaids	-	-	-	-	-	(600)
(Increase) in Inventory	(29)	-	-	-	(29)	-
Increase (Decrease) in Accounts Payable	(785)	197	18	2	(568)	-
Increase in Accrued Payroll	29	12	1	1	43	-
Increase (Decrease) in Deposits Payable	15	(1)	(1)	-	13	-
Increase in Compensated Absences	27	21	7	2	57	-
Net Cash and Investments Provided (Used) by Operating Activities	\$ 1,561	\$ 6,373	\$ 20	\$ -	\$ 7,954	\$ (549)

See Notes to Financial Statements

CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013
(In Thousands)

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ASSETS			
Cash and Investments	\$ 4,577	\$ 1,115	\$ 18,153
Cash and Investments with Fiscal Agent	3,476	-	2,423
Mutual Funds	-	37,764	-
Money Market Funds	-	200	-
Accounts Receivable, Net	1,011	2	105
Land Held for Resale	-	-	5,978
Land	-	-	15,033
Total Assets	\$ 9,064	\$ 39,081	\$ 41,692
LIABILITIES			
Accounts Payable	\$ 746	\$ -	\$ 11,224
Accrued Payroll	-	1	1
Due to Bondholders	4,536	-	-
Advances from City of Huntington Beach	-	-	5,290
Held for Others	3,782	-	-
Benefits Due to Plan Members and Beneficiaries	-	3,441	-
Long-Term Obligations			
Long-Term Obligations Due Within One Year	-	-	3,015
Long-Term Obligations Due in More than One Year	-	-	42,134
Total Liabilities	\$ 9,064	\$ 3,442	\$ 61,664
NET POSITION			
Held in Trust For Pension Benefits and Other Purposes		\$ 35,639	\$ (19,972)

CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

	Pension Trust Fund - Retirement Supplemental Fund	Huntington Beach Redevelopment Successor Agency Private Purpose Trust
ADDITIONS		
Employer Contributions	\$ 4,607	\$ -
Property Taxes	-	12,888
Rental Income	-	841
Other Income	172	223
Investment Income, Net	5,950	-
Total Additions	10,729	13,952
DEDUCTIONS		
Benefits	3,334	-
Administrative Costs	100	-
Economic Development	-	530
County Payment	-	11,071
Interest and Fiscal Agency Expenses	-	3,789
Total Deductions	3,434	15,390
Extraordinary Item		
Dissolution of Redevelopment Agency	-	4,669
Change in Net Position	7,295	3,231
Net Position - Beginning of Year	28,344	(23,203)
Net Position - End of Year	\$ 35,639	\$ (19,972)

See Notes to Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

Footnote Number	Description	Page
1.	Summary of Significant Accounting Policies.....	35-52
2.	Cash and Investments	53-58
3.	Other Receivables	59-60
4.	Deferred Revenue.....	61
5.	Retirement Plan – Normal	62-65
6.	Retirement Plan – Supplemental	66-68
7.	Postemployment Medical Insurance	68-71
8.	Risk Management	72-73
9.	Interfund Transactions.....	74-75
10.	Long-Term Obligations.....	76-89
11.	Capital Assets	90-91
12.	Successor Agency Trust for Assets of the Former Redevelopment Agency of the City of Huntington Beach.....	92-103
13.	Commitments and Contingencies	104-107
14.	Other Information	107
15.	Extraordinary Item.....	107
16.	Prior Period Adjustment.....	108
17.	Special Item, Self Insurance Workers' Comp Fund....	109



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The City of Huntington Beach is the primary government. It was incorporated in 1909 as a charter, full-service city. The form of government is Council-Manager. Component units are legally separate organizations for which the City Council is financially accountable, or organizations that if excluded from the accompanying financial statements, would make them misleading. The component units described below are blended (presented as if they are part of the primary government) 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.

Huntington Beach Housing Authority

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

Huntington Beach Public Financing Authority (Public Financing Authority) –

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

b. Government-wide Financial Statements

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Government-wide financial statements do not provide information by fund. They simply distinguish between governmental and business-type activities. The City's Statement of Net Position includes both current and non-current assets and liabilities.

Financial Statement Classification

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

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

Restricted Net Position – This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide Statement of Net Position reports \$51,867,000 of governmental activities restricted net position, of which \$28,058,000 is restricted by enabling legislation. This category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs.

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Only current assets 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 the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Financial Statements

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

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Encumbrances outstanding as of September 30, 2013, by major fund (in thousands):

General Fund	\$	4,265
Grants Special Revenue		1,599
LMIHAF Capital Projects		7
Other Governmental Funds		6,646
Total Encumbrance All Funds	\$	12,517

Economic Uncertainties Reserve

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements

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

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

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

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

Fiduciary Funds Financial Statements

Fiduciary Funds Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position for Trust Funds. The City's fiduciary funds include Agency and Trust Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting. Trust Funds present results of operations and include net position. The Retirement Supplemental Trust Fund accounts for the activities of the supplemental retirement plan for all employees hired prior to 1997, which accumulates resources for pension benefits to qualified employees. Contributions made are funded by a percentage of the Retirement Trust payroll and are recognized when the payroll is incurred. The Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund accounts for the Successor Agency for the former Redevelopment Agency pursuant to Assembly Bill X1 26. Fiduciary funds are not presented in the government-wide financial statements because these funds do not represent net position available to the City.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major funds:

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Investments

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

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

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State Treasurer of the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk. In addition, these structured notes and asset-backed securities are subject to interest rate risk as a result of changes in interest rates. The City's investment policy is further discussed in Note 2 on page 53.

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with taxable and tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project, and for tax-exempt debt, offset with interest earned on the invested proceeds over the same period. There was no capitalized interest for the year ended September 30, 2013.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Inventories

Proprietary fund inventories are valued at weighted-average cost.

g. Interfund Transactions

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

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

h. Long-Term Obligations

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

i. Employee Compensated Absences

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Property Tax Revenue

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

In the government-wide financial statements, property tax is recorded when earned, regardless of when levied, due, or received. In the fund financial statements, property tax revenue is recognized in the fiscal year levied provided that revenue is collected in time to pay current year liabilities. 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 Balances of Governmental Funds to the Statement of Activities and the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.

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

- Lien Date, January 1 - Prior Fiscal Year
- Levy Date, 4th Week in September - Levy Fiscal Year
- Due Date, First Installment - November 1
- Due Date, Second Installment - February 1
- Delinquent Date, First Installment - December 10
- Delinquent Date, Second Installment - April 10



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Redevelopment Property Tax Trust Funds

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

The calendar for distribution of RPTTF funds is as follows:

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

l. Cash Flow Statements

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

m. Estimates

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Implementation of New Accounting Pronouncements

Beginning October 1, 2012, the City adopted the following new pronouncements issued by the GASB:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (“SCAs”), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. The objective of this statement is to improve the financial reporting for a governmental financial reporting entity.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (“FASB”) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (“AICPA”) Committee on Accounting Procedure

This Statement will improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2014.

In March 2012, GASB issued Statement No. 66, *an Amendment of GASB Statement No. 10 and No.62*. This Statement resolves the conflicting guidance that resulted from the issuance of two pronouncements. The statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. It also amends Statement No. 62, *Fund Balance Reporting and Governmental Fund Type Definition*, by providing specific guidance on accounting for operating lease payments, purchased loan or group of loans, and service fees related to mortgaged loans. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2014.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for*



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defined Contribution Plans, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are not administered through trust covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pension. The Statement is effective for the City's fiscal year ending September 30, 2014.

In June 2012, GASB issued Statement No. 68. This Statement provides guidance for employers offering defined benefit pensions through plans administered as trusts or equivalent arrangements. It replaces certain requirements related to plan trusts in Statement No. 27 *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2015.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange guarantees. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2014.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2015.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

2. CASH AND INVESTMENTS

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

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

Authorized Investment Type*	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Banker's Acceptances	180 days	25%/40%** (c)	10%
Time Certificate of Deposits	3 years (a)	50% (d)	10%
Negotiable Certificates of Deposit	3/5 years (a)***	30%	10%
Repurchase Agreements	3 months (b)	20%	10%
Reverse-Repurchase Agreements *****	92 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	No Limit	\$60 million
Commercial Paper	270 days	25% (e)	10%
Municipal Bonds from Any State	5 years	50% (d)	10%
Money Market Funds	60 Day Wgt Avg	15% (e)	10%
Medium Term Notes	5 years	20%/30%**** (f)	10%

Notes:

* The following investment types are authorized for the City by the California Government Code; however, they are not considered permissible investments by the City's Investment Policy: mortgage pass-through securities, CD placement service, and collateralized bank deposits.
 ** - 40% only with City Council approval
 *** - 5 years only with City Council approval
 **** - 30% with City Council approval
 ***** - Only with City Council approval
 N/A - Not Applicable

California Government Code:

(a) 5 years
 (b) 1 year
 (c) 40%
 (d) N/A
 (e) 20%
 (f) 30%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

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

N/A - Not Applicable



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

2. CASH AND INVESTMENTS (Continued)

Investment of the Pension Trust Fund – Retirement Supplemental Fund

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity/ Credit Quality</u>	<u>Strategic Allocation</u>
Fixed Income		30%
Money Market & Cash Equivalents	13 months/A-1 P-1/AAA	1%
Investment Grade	BBB or higher	16%
High Yield	N/A	3%
Inflation Protected Securities	N/A	2%
Foreign Sovereign	N/A	8%
Equity	N/A	59%
Real Estate	N/A	7%
Commodities	N/A	4%

N/A - Not Applicable



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

2. CASH AND INVESTMENTS (Continued)

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

Primary Government:

Cash and Investments	\$ 114,813
Restricted Assets (Cash and Investments)	66,797
Cash and Investments with Fiscal Agent - Restricted	4,331
Total Primary Government	185,941

Fiduciary Funds:

Cash and Investments	23,845
Cash and Investments with Fiscal Agent - Restricted	43,863
Total Fiduciary Funds	67,708
Total Deposits and Investments	\$ 253,649

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

As of September 30, 2013, the City held \$136,245,075 in callable securities, which amounted to approximately 58.2% of investments.

Investment maturities are as follows (in thousands):

INVESTMENTS:	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
U.S. Agency Securities	\$ 136,340	\$ -	\$ 55,254	\$ 80,102	\$ 984	\$ 136,340
Mutual Funds	37,765	37,765	-	-	-	37,765
Money Market Funds	2,620	2,620	-	-	-	2,620
Medium Term Notes	26,148	2,009	21,249	2,890	-	26,148
Local Agency Investment Fund	31,337	31,337	-	-	-	31,337
Total Investments	\$ 234,210	\$ 73,731	\$ 76,503	\$ 82,992	\$ 984	234,210
		Total Deposits				19,439
		Total Deposits and Investments				\$ 253,649



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013

2. CASH AND INVESTMENTS (Continued)

Credit Risk - State law allows investment in United States Government-Sponsored Enterprise (GSE) obligations noted above as US Agencies. As of year-end, the Standard and Poor's and Moody's ratings of the GSE's were AA and AAA, respectively. State law limits investments in commercial paper to those rated A-1 or P-1, and investments in Corporate Bonds to having an "A" rating, and issued by a nationally recognized statistical rating organization. As of year-end, the City had no commercial paper holdings.

The City's investment policy for operating funds limits investments in Money Market Funds to 15% of the portfolio. Both Standard and Poor's and Moody's have rated the Money Market Funds in the City's bond investment portfolio as AAA. The City's investments in Corporate Bonds are rated A or better, by a nationally recognized statistical rating organization, per State code.

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

Issuer	Investment Type	Fair Value Amount
Federal Farm Credit Bank	U.S. Government Sponsored Enterprise Securities	\$20,000
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$34,802
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$72,313



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City’s investments were subject to custodial credit risk. Per the Investment Policy Statement, the City of Huntington Beach is the registered owner of all investments in the portfolio.

Local Agency Investment Fund – The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF had invested 2.12% of the pooled investments funds in Structured Notes and Asset-Backed Securities. This external investment pool is not rated and is not registered with the Securities and Exchange Commission.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

3. OTHER RECEIVABLES

a. Other Receivables

A summary of Other Receivables as of September 30, 2013 is as follows (in thousands):

<u>Description</u>	<u>Amount</u>
Developer Loans Receivable	\$ 36,458
Emerald Cove Loan Receivable	8,009
Housing Rehabilitation Loans Receivable	3,747
First Time Homebuyers Receivable	1,967
Emergency Medical Fee Receivable	2,077
Franchise Fee Receivable	493
CDBG Program Receivable	725
Highway Safety & Traffic Reduction Receivable	365
Other Grants Receivable	1,075
Other Receivables	4,086
Total Other Receivables	<u>59,002</u>
Allowance for Uncollectible Developer Loans	(36,458)
Net Other Receivables on Governmental Fund Financial Statements	<u>\$ 22,544</u>
 Other Receivables Reconciliation	
Net Receivables - Governmental Activities	\$ 37,577
Net Receivables - Governmental Activities - Restricted	17,195
Net Receivable on Government-wide Financial Statements	<u>54,772</u>
Taxes Receivable on Governmental Fund Financial Statements	(32,228)
Net Other Receivables on Governmental Fund Financial Statements	<u>\$ 22,544</u>

b. Developer Loans

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$36,458,000 at year-end. These loans are allowed until a future event occurs. Loans to the Low and Moderate Income Housing Asset Fund total \$25,008,000 and loans made under the Home Program total \$11,450,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$36,458,000 due to the terms of the agreement to forgive the balance of loans after a specified time period if all the conditions of loan forgiveness are met.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

3. OTHER RECEIVABLES (Continued)

c. Emerald Cove Loan

On June 15, 2010, the former Redevelopment Agency loaned Emerald Cove, LP \$8,000,000 to acquire and rehabilitate Emerald Cove Senior Apartments. The loan has an interest rate of 3% and is to be repaid annually from residual receipts over 60 years. The loan was transferred to the Low and Moderate Income Housing Asset Fund in fiscal year 2011-12. The loan balance as of September 30, 2013 is \$8,009,000.

d. Housing Rehabilitation Loans

Loans made to qualified homeowners and landlords in the City of Huntington Beach to rehabilitate certain single-family homes or multifamily rental housing under deferred loan agreements total \$3,747,000 at year-end. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

e. Deferred Loans – First Time Homebuyers

Loans made for down payment assistance of qualified first time homebuyers under deferred loan agreements total \$1,967,000 at year-end. These loans are deferred until a future event occurs.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013

4. DEFERRED REVENUE

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

	General Fund	Grants Special Revenue	LMIHAF	Total Major Governmental Funds
Property Taxes	\$ 14,789	\$ -	\$ -	\$ 14,789
Sales Tax	5,398	-	-	5,398
Grants	-	499	-	499
Deferred Loans:				
Emerald Cove	-	-	8,009	8,009
Housing Rehabilitation	-	3,747	-	3,747
First Time Homebuyers	-	-	1,967	1,967
Other Deferred Revenue	1,259	-	-	1,259
Total	\$ 21,446	\$ 4,246	\$ 9,976	\$ 35,668

	Other Governmental Funds	Total Deferred Revenue
Property Taxes	\$ -	\$ 14,789
Sales Tax	-	5,398
Grants	102	601
Deferred Loans:		
Emerald Cove	-	8,009
Housing Rehabilitation	-	3,747
First Time Homebuyers	-	1,967
Other Deferred Revenue	621	1,880
Total	\$ 723	\$ 36,391

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

5. RETIREMENT PLAN – NORMAL

a. Plan Description

The City contributes to the Miscellaneous Plan and the Safety Plan of the City of Huntington Beach, which are agent multiple-employer defined benefit plans administered by the California Public Employees’ Retirement System (CalPERS). These retirement plans provide 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 or on their website: www.calpers.ca.gov.

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 partially reimbursed to the employee by the City (the member rate). The member rate is set by contract and state law.

The employer rate is an actuarially established rate, set by CalPERS, and changes from year to year. The employer rates for the fiscal year ended September 30, 2013 are:

	10/1/2012 - 6/30/2013	7/1/2013 - 9/30/2013*
Local Miscellaneous	16.306%	21.395%
Local Safety	35.012%	38.841%

* The City opted to use the no phase-in CalPERS employer contribution rates.

The member rates are as follows:

	Rate
Local Miscellaneous	8.000%
Local Safety	9.000%



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

5. RETIREMENT PLAN – NORMAL (Continued)

c. Annual Pension Cost

The City's annual pension cost of \$25,535,000 was equal to the City's required and actual contributions. The required contributions for the October 2012 - June 2013 and July - September 2013 periods are determined by the June 30, 2010 and 2011 actuarial valuations, respectively, using the entry age normal actuarial cost method. The actuarial assumptions used to determine the required contribution for both the Miscellaneous and Safety Plans for fiscal year ended September 30, 2013 were as follows:

- Average remaining amortization periods - 22 years for the Miscellaneous Plan and 32 years for the Safety Plan
- Asset valuation method - 15 years smoothed market
- Investment Rate of Return – 7.75% for October 2012 to June 2013 and 7.5% for July to September 2013
- Projected salary increases - 3.30% to 14.20% (Miscellaneous and Safety) depending on age, service, and type of employment
- Inflation – 2.75%
- Payroll growth - 3.00%
- Individual salary growth - A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

CalPERS conducted an actuarial valuation using the entry-age actuarial cost method using a level percent of payroll to determine the City's funded status as of June 30, 2012. Significant assumptions for the June 30, 2012 valuation are as follows:

- Average remaining amortization periods - 19 years for the Miscellaneous Plan and 29 years for the Safety Plan
- Asset valuation method - 15 years smoothed market
- Investment Rate of Return - 7.50%
- Projected salary increases - 3.30% to 14.20% (Miscellaneous and Safety) depending on age, service, and type of employment
- Inflation - 2.75%
- Payroll growth - 3.00%
- Individual salary growth - A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

5. RETIREMENT PLAN – NORMAL (Continued)

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. All new gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years special gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). 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.

The corridor limits for the actuarial value of assets were increased from 80%-120% of market value to 60%-140% of market value in the actuarial valuations as of June 30, 2010 and 2011. The temporary change to the asset smoothing method and the amortization of gains and losses were adopted by the CalPERS Board to phase in the impact of significant investment losses experienced by CalPERS in fiscal year 2008-2009.

d. Trend Information

Local Miscellaneous			
Fiscal Year	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
9/30/2011	\$ 8,163	100%	\$ -
9/30/2012	\$ 8,542	100%	\$ -
9/30/2013	\$ 9,381	100%	\$ -
Local Safety			
Fiscal Year	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
9/30/2011	\$ 15,200	100%	\$ -
9/30/2012	\$ 15,806	100%	\$ -
9/30/2013	\$ 16,154	100%	\$ -



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

5. RETIREMENT PLAN – NORMAL (Continued)

e. Funded Status and Funding Progress

Below is the funding progress based on the June 30, 2012 actuarial valuations for the miscellaneous and the safety plans (in thousands):

Plan	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Liability (UL)	Funded Ratio	Covered Payroll	UL as a Percentage of Covered Payroll
Safety	\$ 552,536	\$ 420,519	\$ (132,017)	76.1%	\$ 39,241	-336.4%
Miscellaneous	431,175	357,911	(73,264)	83.0%	43,228	-169.5%
Total	\$ 983,711	\$ 778,430	\$ (205,281)	79.1%	\$ 82,469	-248.9%

The schedule of funding progress presented as Required Supplementary Information (RSI) following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

6. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description

The City administers a supplemental single-employer defined benefit retirement plan for all employees hired prior to 1997 (exact dates are different for various associations). The supplemental plan will pay the retiree an additional amount to his or her CalPERS retirement benefit for life. The amount will cease upon the employee's death. Benefit provisions are established and may be amended through negotiations between the City and employee bargaining associations during each bargaining period, which are then approved through resolutions of the City Council. 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 1,001 active employees reported on the September 30, 2011 data, only 319 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. Prior to fiscal year 2008-09, the City had prefunded these benefits and recorded the amounts in a fiduciary fund. In fiscal year 2008-09, the City established the Supplemental Employee Retirement Plan and Trust, and transferred \$24,918,000 to an irrevocable trust from the prefunded amounts. The plan and trust are reported as a pension trust fund in the City's financial statements.

Below is the plan participant data as of September 30, 2011*:

Retirees and beneficiaries receiving benefits	643
Active Plan Members	319
Total Plan Participants	<u>962</u>

* Actuarial valuation as of September 30, 2011 provides the most recent information available.

Effective in 1998 (exact dates are different for various associations), new City employees are ineligible to participate in the Supplemental Employee Retirement Plan.

b. Employer Obligations and Funding Status and Progress

The City annually transfers amounts from the various City funds to the pension trust fund. The City is required to contribute the actuarially determined rate of 5.4% of total payroll for all permanent employees for the year ended September 30, 2013. Administrative costs of this plan are financed through investment earnings.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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 fiscal year 2012/13 were (in thousands):

Annual required contribution	\$ 4,607
Interest on net pension obligation	213
Adjustment to annual required contribution	<u>(385)</u>
Annual pension cost	4,435
Contributions made	<u>(4,607)</u>
Decrease in net pension obligation	(172)
Net Pension Obligation – Beginning of Year	<u>3,613</u>
Net Pension Obligation – End of Year	<u><u>\$ 3,441</u></u>

The annual required contribution was determined as part of an independent actuarial valuation as of September 30, 2011 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 – aggregate increases of 3.25% per annum
- Projected salary increases due to merit - 0%
- Inflation rate - 3.0%
- Postemployment 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
9/30/2011	\$3,812	104%	\$4,031
9/30/2012	\$4,482	109%	\$3,613
9/30/2013	\$4,435	104%	\$3,441



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

6. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

e. Funded Status and Funding Progress

Below is the funding progress as of September 30, 2011, the most recent actuarial valuation date (dollar amounts in thousands):

Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
\$ 64,382	\$ 27,639	\$ (36,743)	42.9%	\$ 34,098	-107.8%

The assumptions and actuarial methods for the September 30, 2011 actuarial valuation are disclosed in note 6c. The schedule of funding progress presented as Required Supplementary Information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

f. Accounting for Plan

Since the City is required to adopt GASB Statement Nos. 27 and 50 for the supplemental pension plan, the difference between the ARC and the amount of pension cost funded for the years must be recorded as a liability in the government-wide financial statements. The amount of this liability is \$3,441,000 (see Note 10). Contributions are recognized when due and payable. Benefits are recognized when due and payable under plan provisions.

7. POSTEMPLOYMENT MEDICAL INSURANCE

a. Plan Description

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

7. POSTEMPLOYMENT MEDICAL INSURANCE (Continued)

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

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

The subsidy a retiree is entitled to receive is based on the retiree's years of service credit and is limited to \$344 per month after 25 years of service. If a retiree dies, the benefits that would be payable for his or her insurance are provided to the spouse or family for 18 months. The retiree may use the subsidy for any of the medical insurance plans that the City's active employees may enroll in.

b. Accounting and Funding

The City utilizes the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan, for the postemployment medical insurance benefit. Benefits paid from the CERBT were \$827,000 for fiscal year 2012-13. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov. The City's policy is to make 100% of each year's ARC. Actuarial assumptions for the June 30, 2011 valuation were:

- Entry age normal – 30 year amortization of unfunded liabilities
- Discount rate – 6.25%
- All other retirement assumptions equivalent to CalPERS' assumptions used for the City's normal retirement plans (refer to Note 5c)
- The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets forth the inflation trend assumption used for the valuation:

<u>Year</u>	<u>Annual Rate</u>	<u>Year</u>	<u>Annual Rate</u>
2013/14	8.5%	2017/18	6.5%
2014/15	8.0%	2018/19	6.0%
2015/16	7.5%	2019/20	5.5%
2016/17	7.0%	2020/21+	5.0%



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013

7. POSTEMPLOYMENT MEDICAL INSURANCE (Continued)

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

Employer Contribution

Direct Contributions - City health plan contributions	\$ 2,259
Implicit subsidy	424
	2,683
Total Employer Contributions	\$ 2,683

Development of Annual OPEB Cost (AOC)

Amortization of Actuarially Accrued Liability	\$ 663
Normal Cost	898
	1,561
Total Annual Required Contribution (ARC)	1,561
Interest on Net OPEB Assets (NOA)	(597)
Adjustment to the Annual Required Contribution (ARC)	520
	1,484
Total Annual OPEB Cost (AOC)	\$ 1,484

Development of Net OPEB Asset (NOA)

Net OPEB Asset (NOA), beginning of year	\$ (9,359)
Annual OPEB Cost (AOC)	1,484
Employer Contribution	(2,683)
	(10,558)
Net OPEB Asset (NOA), end of year	\$ (10,558)

The City's actual contributions of \$2,683,000 are greater than the annual required contribution. The Annual OPEB Cost is reported as expenses in the non-departmental governmental activities program.

c. Other Disclosures

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Asset (NOA)
9/30/2011	\$1,428	\$1,559	109.20%	(\$8,792)
9/30/2012	\$1,438	\$2,005	139.40%	(\$9,359)
9/30/2013	\$1,484	\$2,683	180.80%	(\$10,558)



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

7. POSTEMPLOYMENT MEDICAL INSURANCE (Continued)

d. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 47.7% funded. The actuarial accrued liability for benefits was \$20.2 million, and the actuarial value of assets was \$9.6 million, resulting in an unfunded accrued liability (UAAL) of \$10.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$82.4 million, and the ratio of the UAAL to the covered payroll was 12.8%.

The annual required contribution was determined as part of an independent actuarial valuation as of June 30, 2011 using the assumptions as noted in Note 7b.

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

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 purchases insurance for the layer between \$1,000,000 and \$2,000,000. It also provides general liability insurance of \$25,000,000 above the City's retention of \$1,000,000. BICEP was created by a joint powers agreement between the City of Huntington Beach and 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 a claims payment pool for certain liability claims in excess of \$1,000,000 million to a limit of \$27,000,000. BICEP's governing board has one representative from each city (either a member of the City Council or 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. Payments for claims beyond what is covered by BICEP, from \$27,000,000 to \$37,000,000, are paid by excess insurance coverage. There were no liability claims in the last three years that exceeded the coverage limit.

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

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 statutory limits are covered by CSAC-Excess Insurance Authority.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

8. RISK MANAGEMENT (Continued)

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

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2011	\$ 7,015	\$ 10,120	\$ 17,135
Additions	9,262	2,836	12,098
Reductions	(5,393)	(4,968)	(10,361)
Net Increase (Decrease)	3,869	(2,132)	1,737
Balance September 30, 2012	10,884	7,988	18,872
Additions	10,367	1,020	11,387
Reductions	(5,068)	(2,203)	(7,271)
Net Increase (Decrease)	5,299	(1,183)	4,116
Balance September 30, 2013	\$ 16,183	\$ 6,805	\$ 22,988



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

9. INTERFUND TRANSACTIONS

a. Due To/From Other Funds

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

	Due to (Payable):
	Highway Safety & Traffic Reduction
	<hr/>
Due from (Receivable):	
Other Governmental Fund	
Traffic Congestion Relief	\$ 209
	<hr/> <hr/>

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

b. Advances to/from Other Funds

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

	Advances to (Payable):
	Redevelopment Agency Private Purpose Trust
	<hr/>
Advances from (Receivable):	
Major Governmental Funds	
LMIHAF Capital Projects	\$ 5,290
	<hr/> <hr/>

There is a \$5,290,000 advance from the LMIHAF Capital Projects Fund to the Redevelopment Agency Private Purpose Trust Fund as of September 30, 2013 that consists of the following advances prior to the dissolution of the Redevelopment Agency on February 1, 2012:

There was a \$1,362,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.

There was a \$3,928,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Debt Service Fund for Supplemental Education Revenue Augmentation Fund (SERAF) contributions.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

9. INTERFUND TRANSACTIONS (Continued)

c. Transfers In/Out

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

Transfers In	Transfers Out					Total Transfers In
	General Fund	LMIHAF Capital Projects	Other Governmental Funds	Total Governmental Funds	Hazmat Service Enterprise Fund	
General Fund	\$ -	\$ -	\$ 900	\$ 900	\$ 13	\$ 913
Grants Special Revenue	455	-	-	455	-	455
LMIHAF	-	-	-	-	-	-
Other Governmental Funds	7,728	405	-	8,133	-	8,133
Total Governmental Funds	8,183	405	900	9,488	13	9,501
Refuse Enterprise Fund	51	-	-	51	-	51
Workers' Comp Internal Service Fund	800	-	-	800	-	800
Total Transfers Out	\$ 9,034	\$ 405	\$ 900	\$ 10,339	\$ 13	\$ 10,352

The following is a summary of the significant transfers:

- \$7,728,000 was transferred from the General Fund to Other Governmental Funds for debt service payments of \$6,088,000 and an infrastructure fund transfer of \$1,640,000 primarily for a new Senior Center.
- \$405,000 was transferred from the Low and Moderate Income Housing Asset Fund to Other Governmental Funds for debt service payments.
- \$900,000 was transferred from Other Governmental Funds to the General Fund for General Fund expenditures of Gas Tax Fund related projects.
- \$455,000 was transferred from the General Fund to the Grants Special Revenue Fund to comply with local match requirements and to close out grant funds that are no longer active.
- \$800,000 was transferred from the General Fund to the Self Insurance Workers' Compensation Internal Service Fund to provide additional funds to offset the workers' compensation claim liabilities.
- \$51,000 was transferred from the General Fund to the Refuse Enterprise Fund to fund the senior citizen rate reduction on refuse charges.
- \$13,000 was transferred from the Hazmat Service Enterprise Fund to the General Fund for administrative overhead charges.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013

10. LONG-TERM OBLIGATIONS

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

Governmental Activities:	September 30, 2012	Additions	Retirements	September 30, 2013	Accrued Interest	Due Within One Year
Judgment Obligation Bonds	\$ 4,339	\$ -	\$ (865)	\$ 3,474	\$ 81	\$ 900
Public Financing Authority:						
2010(a) Lease Revenue Bonds	12,565	-	(655)	11,910	47	680
2011(a) Lease Revenue Bonds	34,155	-	(2,960)	31,195	106	3,030
Total Public Financing Authority	46,720	-	(3,615)	43,105	153	3,710
Other Long-Term Obligations:						
Leases Payable	290	-	(290)	-	-	-
Compensated Absences	10,985	-	(99)	10,886	-	3,532
Net Pension Obligation	3,613	4,435	(4,607)	3,441	-	-
Claims Payable	18,872	11,387	(7,271)	22,988	-	8,091
Pollution Remediation	2,000	-	-	2,000	-	-
PARS Payable	4,517	-	(4,461)	56	-	56
Section 108 Loan City	1,285	-	(150)	1,135	5	160
Total Other Long-Term Obligations	41,562	15,822	(16,878)	40,506	5	11,839
Total Long-Term Obligations - Governmental Activities	92,621	15,822	(21,358)	87,085	239	16,449

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

Decrease in Net Pension Obligation	\$ (172)
Decrease in Compensated Absences	(99)
Increase in Claims Payable	4,116
Increases in Above Schedule	3,845
Increase in Current Portion of Claims Payable reported in the Governmental Fund Financial Statement	(629)
Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements	\$ 3,216
Principal Paid in Governmental Fund Financial Statements	\$ 9,381
Decreases in Above Schedule	\$ 9,381



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

a. Judgment Obligation Bonds

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 900	\$ 121	\$ 1,021
2015	940	84	1,024
2016	975	46	1,021
2017	659	13	672
Total	\$ 3,474	\$ 264	\$ 3,738



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

b. Public Financing Authority

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 680	\$ 559	\$ 1,239
2015	705	532	1,237
2016	730	503	1,233
2017	765	474	1,239
2018	795	444	1,239
2019-2023	3,725	1,647	5,372
2024-2028	3,340	810	4,150
2029-2030	1,170	89	1,259
Total	\$ 11,910	\$ 5,058	\$ 16,968



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 3,030	\$ 1,272	\$ 4,302
2015	3,180	1,121	4,301
2016	3,335	962	4,297
2017	1,915	862	2,777
2018	1,965	804	2,769
2019-2023	6,535	2,978	9,513
2024-2028	6,600	1,822	8,422
2029-2031	4,635	411	5,046
Total	\$ 31,195	\$ 10,232	\$ 41,427



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

c. Other Long-Term Obligations

(1) Leases Payable

The City entered into capital leases for various items:

Years of Issuance	2001 through 2007
Type of Debt	Capital Leases
Original Principal Amount	Various (\$10,000 to \$1,800,000)
Security	Asset
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

All capital leases were fully paid and ended as of September 30, 2013.

(2) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$10,886,000 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 liability for the unfunded net pension obligation totaling \$3,441,000 for the City's Pension Trust Fund - Retirement Supplemental Plan described in Note 6. The amount will be funded by contributions to the City's Retirement Supplemental Fund from all funds, at a contribution rate determined by an independent actuarial study (see note 6).



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

10. LONG-TERM OBLIGATIONS (Continued)

(4) Claims Payable

There is no repayment schedule for the claims payable of \$22,988,000 described in Note 8. The City pays the claims upon final settlement.

(5) Pollution Remediation

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

(6) Public Agency Retirement Systems (PARS) Notes Payable

In May 2010, the City Council approved a retirement incentive program to eligible employees, under the condition the program meets the fiscal, managerial, and operational goals of the City to help mitigate declining General Fund revenues and institute long-term structural changes to avert future budget shortfalls and ensure that the City remains financially sound. The following were the eligibility requirements for the program:

- City miscellaneous (non-safety) and marine safety employees only
- Employed by the City as of May 3, 2010
- 50 years of age or older as of September 30, 2010
- Have at least five years of City service as of September 30, 2010
- Resign from City employment no later than September 30, 2010
- Retire under PERS no later than October 1, 2010

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

2010. Alternative payments are present value equivalents to the basic program and include the following:

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

The City is funding the cost of this program through an annuity that requires a one-time payment of \$82,000 in September 2010 and \$1,587,000 fixed annual payments over five years due in October of each year starting in 2010. During the fiscal year ended September 20, 2013, the City made a lump-sum accelerated payment to reduce the City's liability for this benefit. In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, a liability of the accrual cost for this benefit has been recognized in the amount of \$ 7,231,000 in September 2010 and the balance as of September 30, 2013 is \$56,000 as noted in the table below (in thousands).

Year Ending September 30	Principal	Interest	Total
2014	56	-	56
Total	\$ 56	\$ -	\$ 56



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

(7) Section 108 Loan City

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Annual Payments
2014	\$ 160	\$ 31	\$ 191
2015	170	28	198
2016	180	24	204
2017	195	19	214
2018	210	14	224
2019	220	7	227
Total	\$ 1,135	\$ 123	\$ 1,258



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

e. Long-Term Obligations – Business-Type Activities

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

Long-Term Obligations - Business-Type Activities:	September 30, 2012			September 30, 2013			Due Within One Year
	Additions	Retirements	Additions	Retirements	Additions	Retirements	Additions
Compensated Absences	\$ 1,055	\$ 238	\$ (181)	\$ 1,112	\$ 304		
Total Long-Term Obligations - Business-Type Activities	\$ 1,055	\$ 238	\$ (181)	\$ 1,112	\$ 304		

(1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,112,000 relating to business-type activities.

f. Long-Term Conduit Debt Obligations

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

Community Facilities Districts: (in thousands)	September 30, 2012			September 30, 2013		
	Additions	Retirements	Additions	Retirements	Additions	Retirements
Community Facilities District No. 1990-1						
Special Tax Refunding Bonds	\$ 1,140	\$ -	\$ (120)	\$ 1,020		
Community Facilities District No. 2000-1						
Special Assessment Tax Bonds	13,330	-	(13,330)	-		
Community Facilities District No. 2002-1						
2013 Special Tax Refunding Bonds	-	12,965	-	12,965		
Community Facilities District No. 2002-1						
Special Assessment Tax Bonds	4,670	-	(65)	4,605		
Community Facilities District No. 2003-1						
Special Assessment Tax Bonds	21,595	-	(21,595)	-		
Community Facilities District No. 2003-1						
2013 Special Tax Refunding Bonds	-	20,915	-	20,915		
Total Community Facilities Districts	40,735	33,880	(35,110)	39,505		
Residential Redevelopment Bonds	9,500	-	-	9,500		
Total Obligations Not Recorded in Financial Statements	\$ 50,235	\$ 33,880	\$ (35,110)	\$ 49,005		



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 120	\$ 52	\$ 172
2015	130	45	175
2016	140	38	178
2017	145	30	175
2018	155	22	177
2019-2020	330	19	349
Total	\$ 1,020	\$ 206	\$ 1,226

(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 1 st
Purpose of Debt	Public Improvements for Grand Coast Resort

Bonds were refunded by the Community Facilities District 2000-1 2013 Special Tax Refunding Bonds on July 31, 2013.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 475	\$ 614	\$ 1,089
2015	535	556	1,091
2016	545	545	1,090
2017	560	529	1,089
2018	575	512	1,087
2019-2023	3,250	2,193	5,443
2024-2028	4,065	1,377	5,442
2029-2031	2,960	306	3,266
Total	\$ 12,965	\$ 6,632	\$ 19,597



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

(4) 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
2014	\$ 80	\$ 284	\$ 364
2015	90	280	370
2016	100	275	375
2017	115	269	384
2018	130	263	393
2019-2023	905	1,179	2,084
2024-2028	1,460	834	2,294
2029-2032	1,725	282	2,007
Total	\$ 4,605	\$ 3,666	\$ 8,271



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

(5) 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

Bonds were refunded by the Community Facilities District 2003-1 2013 Special Tax Refunding Bonds on August 20, 2013.

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2013	\$ 670	\$ 1,002	\$ 1,672
2014	715	959	1,674
2015	740	938	1,678
2016	765	916	1,681
2017	790	885	1,675
2018-2022	4,455	3,923	8,378
2023-2027	5,590	2,796	8,386
2028-2032	7,190	1,194	8,384
Total	\$ 20,915	\$ 12,613	\$ 33,528



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

10. LONG-TERM OBLIGATIONS (Continued)

(7) Residential Development Bonds

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

These bond issues are (in thousands):

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

11. CAPITAL ASSETS

a. Changes in Capital Assets

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

Governmental Activities	September 30, 2012 (Restated)	Additions	Dispositions	September 30, 2013
Capital Assets, Not Depreciated:				
Land	\$ 352,833	\$ -	\$ -	\$ 352,833
Construction in Progress	3,776	2,042	(2,168)	3,650
Joint Ventures	2,310	109	-	2,419
Total Capital Assets -Not Depreciated	358,919	2,151	(2,168)	358,902
Capital Assets Being Depreciated				
Buildings	183,252	1,912	-	185,164
Machinery and Equipment	46,921	2,448	(1,199)	48,170
Infrastructure	344,110	8,751	(2,016)	350,845
Total Capital Assets Being Depreciated	574,283	13,111	(3,215)	584,179
Less Accumulated Depreciation:				
Buildings	(52,697)	(3,793)	-	(56,490)
Machinery and Equipment	(37,272)	(2,334)	1,169	(38,437)
Infrastructure	(181,873)	(6,790)	2,016	(186,647)
Total Accumulated Depreciation	(271,842)	(12,917)	3,185	(281,574)
Total Depreciated - Net	302,441	194	(30)	302,605
Total Capital Assets	933,202	15,262	(5,383)	943,081
Total Accumulated Depreciation	(271,842)	(12,917)	3,185	(281,574)
Capital Assets of Governmental Activities - Net	\$ 661,360	\$ 2,345	\$ (2,198)	\$ 661,507

Business-Type Activities:	September 30, 2012 (Restated)	Additions	Dispositions	September 30, 2013
Capital Assets, Not Depreciated:				
Land	\$ 3,907	\$ -	\$ -	\$ 3,907
Construction in Progress	21,111	6,111	(11,470)	15,752
Total Capital Assets -Not Depreciated	25,018	6,111	(11,470)	19,659
Capital Assets Being Depreciated				
Buildings	54,081	11,471	-	65,552
Machinery and Equipment	9,872	193	(82)	9,983
Infrastructure	141,091	2,320	(22)	143,389
Total Capital Assets Being Depreciated	205,044	13,984	(104)	218,924
Less Accumulated Depreciation:				
Buildings	(15,403)	(1,567)	-	(16,970)
Machinery and Equipment	(7,458)	(556)	81	(7,933)
Infrastructure	(65,270)	(2,546)	22	(67,794)
Total Accumulated Depreciation	(88,131)	(4,669)	103	(92,697)
Total Depreciated - Net	116,913	9,315	(1)	126,227
Total Capital Assets	230,062	20,095	(11,574)	238,583
Total Accumulated Depreciation	(88,131)	(4,669)	103	(92,697)
Capital Assets of Business Activities - Net	\$ 141,931	\$ 15,426	\$ (11,471)	\$ 145,886



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

11. CAPITAL ASSETS (continued)

b. Depreciation Expense

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

Department:

City Manager	\$	9
Fire		604
Police		245
Economic Development		20
Community Services		1,456
Library Services		285
Public Works		9,067
Non-Departmental		1,231
Total	\$	<u>12,917</u>

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

Fund:

Water	\$	3,436
Sewer Service		1,233
Total	\$	<u>4,669</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
Machinery and Equipment	\$ 1,869
Buildings	3,449
Less: Accumulated Depreciation	(1,967)
Total	<u>\$ 3,351</u>

d. Joint Ventures

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

a. General Discussion

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

b. Land Held for Resale

As of September 30, 2013, the Successor Agency has properties for redevelopment purposes for resale to developers at a carrying value of \$5,978,000.

c. Capital Assets

Capital Assets of the Successor Agency for the year ended September 30, 2013, consisted of the following:

	September 30, 2012	Additions	Dispositions	September 30, 2013
Capital Asset - Land	\$ 15,033	\$ -	\$ -	\$ 15,033

d. Long-Term Debt

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

	September 30, 2012	Additions	Retirements	September 30, 2013	Accrued Interest	Due Within One Year
Bonds Payable						
1999 Tax Allocation Refunding Bonds	\$ 5,730	\$ -	\$ (465)	\$ 5,265	\$ 43	\$ 490
2002 Tax Allocation Refunding Bonds	12,530	-	(1,040)	11,490	93	1,080
Total Bonds Payable	18,260	-	(1,505)	16,755	136	1,570
Other Long-Term Obligations						
Mayer DDA	\$ 5,433	\$ -	\$ (390)	\$ 5,043	\$ -	\$ 370
Bella Terra OPA (Parking)	13,546	150	(548)	13,148	-	500
CIM DDA (Parking & Infrastructure)	7,120	-	(179)	6,941	-	179
CIM DDA (Additional Parking)	429	-	(7)	422	-	7
Section 108 Loan RDA	3,025	-	(350)	2,675	12	375
Pollution Remediation	200	-	(85)	115	-	-
Compensated Absences	78	-	(28)	50	-	14
Total Other Long-Term Obligations	29,831	150	(1,587)	28,394	12	1,445
Total Long-Term Obligations	\$ 48,091	\$ 150	\$ (3,092)	\$ 45,149	\$ 148	\$ 3,015



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

(1) 1999 Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 490	\$ 257	\$ 747
2015	515	234	749
2016	540	211	751
2017	565	185	750
2018	595	157	752
2019-2023	2,200	402	2,602
2024	360	18	378
Total	\$ 5,265	\$ 1,464	\$ 6,729



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

(2) 2002 Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 1,080	\$ 558	\$ 1,638
2015	1,115	512	1,627
2016	1,180	464	1,644
2017	1,235	405	1,640
2018	1,295	344	1,639
2019-2023	4,805	875	5,680
2024	780	39	819
Total	\$ 11,490	\$ 3,197	\$ 14,687

Pledged Revenues

The Successor Agency will repay a total of \$21,416,000, principal and interest, for the outstanding 1999 and 2002 Tax Allocation Refunding Bonds as of September 30, 2013 from semi-annual Redevelopment Property Tax Trust Fund (RPTTF) revenue allocations.

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

(3) Mayer Disposition and Development Agreement

In fiscal year 1996-97, the Agency entered into a disposition and development agreement (DDA) with Robert Mayer Corporation (Corporation) concerning additional development adjacent to the Waterfront Hotel. Under the agreement, the Corporation would advance payments for the project costs with the Agency reimbursing up to \$16,750,000 of the costs. As of year-end, the Successor Agency obligation under the agreement amounted to \$5,043,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.32%. DOF has approved this liability as an enforceable obligation. The DDA has been approved as an enforceable obligation by the DOF.

(4) Bella Terra Parking Structure

In fiscal year 2005-06, the Agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement, the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year-end, the Successor Agency obligation under the agreement amounted to \$13,148,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.94%. The agreement has been approved as an enforceable obligation by the DOF.

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

As of year-end, the Successor Agency obligation under the agreement amounted to \$6,941,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4th for the January 2nd distribution and March 1st for the June 1st distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.

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

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

As of year-end, the Successor Agency obligation under the agreement amounted to \$422,000. Repayment shall be made solely from Redevelopment Property Tax Trust Fund (RPTTF) revenues received by the Huntington Beach Redevelopment Successor Agency Private Purpose Trust Fund in the amounts included in the Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) no fewer than 90 days prior to the semiannual RPTTF property fund (Redevelopment Property Tax Trust Fund) distribution (or October 4 for the January 2 distribution and March 3 for the June 1 distribution) (Section 34177(m)). The DDA has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

(7) Section 108 Loan Redevelopment Agency

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2014	\$ 375	\$ 73	\$ 448
2015	400	66	466
2016	430	57	487
2017	460	46	506
2018	490	32	522
2019	520	17	537
Total	\$ 2,675	\$ 291	\$ 2,966

(8) Pollution Remediation – Redevelopment Agency

The Redevelopment Agency purchased property on Edinger Avenue to consolidate land for redevelopment on January 28, 2009. The Agency plans on remediating hazardous materials on this site. The estimated cost of cleanup is \$115,000. The cleanup cost will not exceed the estimated amount as an environmental insurance policy taken by the Agency will indemnify itself against further liability. This liability has been approved as an enforceable obligation by the DOF.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

e. Advances from the City Housing Fund

The Successor Agency has recorded advances from the City Housing Fund totaling \$5,290,000 for the following:

There was a \$1,362,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions.

There was a \$3,928,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Debt Service Fund for Supplemental Education Revenue Augmentation Fund (SERAF) contributions.

f. Legislation Dissolving California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed ABX1 26 and ABX1 27 as part of the State's budget package. ABX1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. ABX1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn ABX1 26 and ABX1 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the Court ruled that ABX1 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to ABX1 27, which was invalidated in its entirety by the Court. Accordingly, the Agency is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in ABX1 26.

During the City Council's January 9, 2012 meeting, the City approved two resolutions designating the City as a Successor Agency to the Redevelopment Agency, and the Huntington Beach Housing Authority as the Successor Agency for housing-related items. As of February 1, 2012, the Redevelopment Agency was dissolved pursuant to Health and Safety Code Section 34172(a) and ABX1 26. As of this date, the City began implementing its duties as Successor Agency under the direction of an Oversight Board, the California State Controller's Office, and the California Department of Finance.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

The following is a summary of the significant provisions of ABX1 26:

Assembly Bill X1 26

Suspends Redevelopment Activity - As of June 29, 2011, the Agency cannot incur new obligations and debt. More specifically, the Agency cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. Agencies are required to continue to make scheduled payments on bonds and other legally binding agreements, and to manage existing contracts, projects, and other agreements.

Dissolves Redevelopment Agencies - ABX1 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

Creates Successor Agencies - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency. The City has been designated the Successor Agency. The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations. Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the housing functions to its sponsoring community, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the Oversight Board.

Transfer of Housing Functions - The sponsoring community may choose to assume the housing functions and the housing assets of the dissolved agency. Should the sponsoring community choose not to assume these responsibilities, all assets and functions would be transferred to the local housing authority. The City has elected to continue to administer the housing functions and assets of the former agency.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

Creation of Oversight Boards - The Oversight Board, which is comprised of seven member representatives from local government bodies, is tasked with reviewing and approving the actions of the Successor Agency. Two of the seven members would be City representatives appointed by the Mayor--one of which must be an employee from the recognized employee organization representing the largest number of employees working for the redevelopment agency as of the date of dissolution. The remaining members are appointed by the County (2), the County Superintendent of Education (1), the Chancellor of California Community Colleges (1), and the largest special district taxing entity in the territorial jurisdiction of the former redevelopment agency which is eligible to receive property tax revenues pursuant to Section 34188. The Successor Agency's Oversight Board has been established.

Additional Legislation Related to Assembly Bill X1 26

As part of the fiscal year 2012/13 state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the act. As a budget "trailer bill", AB 1484 took immediate effect upon signature by the Governor. A summary of AB 1484 is provided briefly below:

Affordable Housing – AB 1484 modified and provided clarification to the treatment of housing assets under the Dissolution Act. It clarified the definition of the Housing Assets, set forth explicit procedures with respect to transfer of housing assets to occur by August 1, 2012, provided greater flexibility and procedural steps regarding the use of housing bond proceeds and established a new Low and Moderate Income Housing Asset Fund (LMIHAF) to be administered by the Housing Successor and clarified that no future deposits are required to be made to the Low-Income Housing Capital Projects Fund (the "Low-Income Housing Fund"). Once approved, the LMIHAF will consist of all housing assets. All funds generated by the Housing Successor are to be placed in the LMIHAF. All payments made to repay amounts previously borrowed from, or owed to, the Low-Income Housing Fund, as of February 1, 2012 shall be placed in the LMIHAF. In addition, twenty percent (20%) of all loan repayments made by the Successor Agency to the City will be deducted from the repayment and transferred to the LMIHAF. All monies in the LMIHAF must be used in accordance with the applicable housing-related provision of the Community Redevelopment law.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

AB 1484 clarified the legal status of the Successor Agency. AB 1484 declares that “a successor agency is a separate legal entity from the public agency that provides for its governance.” AB 1484 established the role and status of the Oversight Board and their ability to enter into agreements.

AB 1484 had numerous substantive changes to the definition of the term “enforceable obligation”. In addition, AB 1484 established that amounts borrowed from and payments owing to the Low-Income Housing Fund are enforceable obligation and are payable to the Housing Successor Agency. It grants the DOF additional authority and time to review and approve the Recognized Obligation Payment Schedule (ROPS and established new timeframes.

AB 1484 also created a “Meet and Confer” process for disputes with interpretations of the ROPS and the required submittals.

AB 1484 created a Fiscal Year 2011 true-up payment to pass through agencies from the first ROPS period of January through June 2012.

AB 1484 created two reviews: (1) housing and (2) all other funds. The reviews requires a licensed accountant to provide an accounting of cash and cash equivalents, all transfers, general ledger and separate accounting review, legally restricted accounts and bond proceeds. Both reviews are to determine if there are any current balances that needed to be transferred to the taxing agencies. AB 1484 also provided a “claw-back” provision for payment of the amount owed to taxing agencies. If in the case of nonpayment by the Successor Agency, DOF can request that the Board of Equalization hold back sales tax from the Successor Agency. This issue is currently under litigation.

AB 1484 creates a Finding of Completion and the ability to create a Long Range Property Management Plan to dispose of Agency real property assets.

In addition, AB 1484 allows for the Successor Agency to pay back recognized loans between the Successor Agency and City once they receive a Finding of Completion.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

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

Due Diligence Reviews Required by AB 1484

As mentioned in the note above, AB 1484 placed additional requirements on successor agencies. Health and Safety Code Section 34179.5, as amended by AB 1484, requires each successor agency to retain the services of a licensed accountant to conduct due diligence reviews to determine the balances available for distribution to taxing entities for (1) the Low and Moderate Income Housing Fund, and (2) all other former Redevelopment Agency funds.

The first review for the Low and Moderate Income Housing Fund was submitted to the Department of Finance (DOF) on November 16, 2012, which showed zero balances to be remitted to taxing agencies. After the receipt of an initial determination letter and meet and confer, the DOF sent a letter on January 17, 2013 indicating that \$4,861,000 was due to be distributed to taxing agencies from the Low and Moderate Income Housing Fund. The Agency responded to the letter on January 22, 2013, vigorously disputing the DOF's determination. The Agency retained a total of \$3,650,000 for use in meeting certain long-term obligations relating to housing activities. The remaining balance due of \$1,211,000 was remitted to the Orange County Auditor-Controller under protest on January 25, 2013. On March 15, 2013, a petition for writ of mandate was filed with the Superior Court challenging the results of the determination letter issued by the DOF. On January 29, 2014, the Superior Court provided a tentative ruling against the Successor Agency on its writ of mandate. The final ruling has not been signed, the Successor Agency will be reviewing options, once the ruling has been issued.

The review for all other former Redevelopment Agency funds was submitted to DOF on January 15, 2013, which showed zero balances available to be remitted to taxing agencies. On August 15, 2013, the Successor Agency received DOF's determination letter regarding the other Agency funds. The City conducted a Meet and Confer on September 4, 2013 and DOF provided the final determination letter on September 20, 2013. DOF did not agree with the zero balances available for remittance. The Agency and City distributed \$11,071,092 to the County Auditor/controller for distribution to other taxing entities on November 19, 2013. See Note 15 for additional details.

The State Controller's Office has audited the Successor Agency and all field work has been completed. The City is waiting for the Controller's Audit review letter.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

13. COMMITMENTS AND CONTINGENCIES

a. Legal Actions

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

b. Sales Tax Sharing Agreements

City Council agreed to provide sales tax rebates to various companies. The sales tax rebates serve to attract and retain various companies in the City of Huntington Beach. The City of Huntington Beach has two sales tax sharing agreements that extend until 2020. Sales tax rebates totaled \$505,469 in fiscal year ended September 30, 2013. One of the two agreements is currently being reviewed.

c. Cooperation and Owner Participation Agreements

On September 2, 2003, the Redevelopment Agency Approved a Cooperation Agreement Regarding Capital Improvements in the Southeast Coastal Redevelopment Project with the City. This agreement commits the Redevelopment Agency to reimburse the City for a number of capital improvement projects to be undertaken as part of the Five Year Capital Improvement Program in the Southeast Redevelopment project area starting in FY 2003/04 as they are undertaken. Based on the DOF's opinion, this agreement is null and void. Once the Successor Agency receives a Finding of Completion (FOC), loans between the city and former Redevelopment Agency can begin to be re-paid, at the LAIF rate. It is estimated that in Fiscal Year 2014/15 the Successor Agency will begin repayment of all loans.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2013

13. COMMITMENTS AND CONTINGENCIES (Continued)

Bella Terra Phase II

On October 4, 2010, the Agency approved the affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement will facilitate the construction of a 467 mixed-use unit project, including 43 moderate units and 28 very low units. This agreement will reimburse DJM for construction of the affordable units only up to \$17 million plus 4% interest. The agreement also includes payment from DJM to the City for up to \$250,000 for the pedestrian access crossing between the Levitz site and the Village at Bella Terra if construction is within 10 years of the affordable housing agreement. The reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as the 20% housing fund from the site-generated Bella Terra I. Construction is underway. DJM transferred the site to UDR and opened the project in May 2013. The first residential units were leased commencing in May 2013. All residential units are leased, including the very-low and moderate units. The reimbursement of the loan will commence in FY 2013/14.

The Agency is still paying on the following Disposition and Development Agreements and Owner Participation Agreements: Waterfront, Bella Terra 1 and CIM/The Strand.

As of September 30, 2013, the City has no outstanding obligations related to the cooperation and owner participation agreements discussed above.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

13. COMMITMENTS AND CONTINGENCIES (Continued)

d. Redevelopment Successor Agency Debt to City

The City has advanced money to the Redevelopment Agency for major capital improvements, economic development projects, and operations. In January 2011, the City Council and Redevelopment Agency Board approved a revised Cooperation Agreement, which included a Promissory Note that memorialized indebtedness previously incurred by the Agency and owed to the City from a series of loans made from the City to the Agency from 1982 to present. The City and Successor Agency have not recorded the advances in the accompanying financial statements due to uncertainties related to Health and Safety Code Section 34191.4, which establishes certain restrictions and limitations on the repayment of city-agency loans. Below is a schedule of the activity for the year (in thousands):

	September 30, 2012	Additions	Reductions	September 30, 2013
General Fund				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	25,126	184	-	25,310
Total General Fund	66,838	184	-	67,022
Sewer Fund				
Direct Advances	275	-	-	275
Deferred Development Fees	171	1	-	172
Total Sewer Fund	446	1	-	447
Drainage Fund				
Direct Advances	665	2	-	667
Deferred Development Fees	183	1	-	184
Total Drainage Fund	848	3	-	851
Park Acquisition and Development Fund				
Direct Advances	5,489	14	-	5,503
Deferred Development Fees	408	1	-	409
Total Park Acquisition and Development Fund	5,897	15	-	5,912
Water Fund				
Direct Advances	4,130	11	-	4,141
Total Water Fund	4,130	11	-	4,141
Total All Funds	\$ 78,159	\$ 214	\$ -	\$ 78,373



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

13. COMMITMENTS AND CONTINGENCIES (Continued)

e. Low Moderate Income Housing Asset Fund Debt to City

In May 2009, a Promissory Note was issued by the Redevelopment Agency to the City to pay for outstanding bonded debt related to the Emerald Cove Housing Project. The note is secured by a pledge of Set-Aside Funds. Based on the Promissory Note, the interest rate for the loan is 0% and the loan is scheduled to be repaid by 2021. The City has not recorded the advances in the accompanying financial statements due to uncertainties surrounding ABX1 26 and Assembly Bill 1484 and related litigation (see Note 12f). Below is a schedule of the activity for the year (in thousands):

	September 30, 2012	Additions	Reductions	September 30, 2013
General Fund				
Emerald Cove	\$ 3,650	\$ -	\$ (405)	\$ 3,245

14. OTHER INFORMATION

a. Fund and Accumulated Deficits

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

Special Revenue Fund	
Highway Safety & Traffic Reduction	\$ 210

The City has established plans to reduce and eliminate deficits in these Funds. Highway Safety & Traffic Reduction will be receiving sufficient revenues in fiscal year 2013/14 to eliminate the deficit balance.

15. EXTRAORDINARY ITEM

On February 1, 2012, Statewide all former redevelopment agencies were dissolved. In June 2012, Assembly Bill 1484 (AB 1484) was approved which set forth new requirements for the Successor Agency to the former Redevelopment Agency. AB 1484 required Due Diligence Reviews (DDR) of both Housing and Non-Housing Funds. On September 20, 2013, the City received the final determination and demand letter from the Department of Finance (DOF) for the Non-Housing DDR. The Demand was for a total of \$11,071,000, which includes \$4,669,000 in disallowed transfers from the former Redevelopment Agency to the City's General Fund. As a result, City's General Fund transferred the \$4,669,000 to the Successor Agency to ultimately pay the \$11,071,000 demand payment. The \$4,669,000 transfer was reported as an extraordinary item on the Statement of Activities, General Fund Statement and on the Successor Agency Private Purpose Trust Statement.



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013

16. PRIOR PERIOD ADJUSTMENT

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

	September 30, 2012	Prior Period Additions	Prior Period Dispositions	September 30, 2012 (Restated)
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	352,833	-	-	352,833
Construction in Progress	3,776	-	-	3,776
Joint Ventures	2,310	-	-	2,310
Total Capital Assets - Not Depreciated	358,919	-	-	358,919
Capital Assets Being Depreciated				
Buildings	183,252	-	-	183,252
Machinery and Equipment	49,649	1,821	(4,550)	46,920
Infrastructure	344,110	-	-	344,110
Total Capital Assets Being Depreciated	577,011	1,821	(4,550)	574,282
Less Accumulated Depreciation:				
Buildings	(52,697)	-	-	(52,697)
Machinery and Equipment	(40,719)	(1,094)	4,542	(37,271)
Infrastructure	(181,873)	-	-	(181,873)
Total Accumulated Depreciation	(275,289)	(1,094)	4,542	(271,841)
Total Depreciated - Net	301,722	727	(8)	302,441
Total Capital Assets	935,930	1,821	(4,550)	933,201
Total Accumulated Depreciation	(275,289)	(1,094)	4,542	(271,841)
Capital Assets of Governmental Activities - Net	660,641	727	(8)	661,360
Business Activities				
Capital Assets, Not Depreciated:				
Land	3,907	-	-	3,907
Construction in Progress	21,111	-	-	21,111
Total Capital Assets - Not Depreciated	25,018	-	-	25,018
Capital Assets Being Depreciated				
Buildings	54,081	-	-	54,081
Machinery and Equipment	10,193	157	(478)	9,872
Infrastructure	133,366	7,725	-	141,091
Total Capital Assets Being Depreciated	197,640	7,882	(478)	205,044
Less Accumulated Depreciation:				
Buildings	(15,403)	-	-	(15,403)
Machinery and Equipment	(7,856)	(80)	478	(7,458)
Infrastructure	(65,270)	-	-	(65,270)
Total Accumulated Depreciation	(88,529)	(80)	478	(88,131)
Total Depreciated - Net	109,111	7,802	-	116,913
Total Capital Assets	222,658	7,882	(478)	230,062
Total Accumulated Depreciation	(88,529)	(80)	478	(88,131)
Capital Assets of Business Activities - Net	134,129	7,802	-	141,931

The City determined that the value of the capitalized assets reporting under Governmental and Business-Type Activities was understated by \$719,000 and \$7,802,000, respectively as of October 1, 2012.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2013**

17. SPECIAL ITEM, SELF INSURANCE WORKERS' COMP FUND

Special items are significant transactions that are within the control of management and are either unusual in nature or infrequent in nature. City Council approved the creation of the Self Insurance Workers' Comp Internal Service Fund to provide proper tracking, planning, and transparency of workers' compensation expenses. The assets and liabilities related to workers' compensation were transferred to the newly created fund from the General Fund. \$11,355,000 was reported as a current year expense in the Self Insurance Workers' Comp Fund to record the long term portion of the workers' compensation liability transferred from the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK



City of Huntington Beach Required Supplementary Information For the Year Ended September 30, 2013

Budgetary Information

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

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

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

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

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

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

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

General Fund

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property Taxes	\$ 67,433	\$ 71,812	\$ 73,423	\$ 1,611
Sales Taxes	25,451	27,209	27,199	(10)
Utility Taxes	20,300	20,773	20,764	(9)
Other Taxes	13,539	14,568	14,568	-
Licenses and Permits	7,187	8,982	8,983	1
Fines, Forfeitures and Penalties	4,620	4,058	4,058	-
Use of Money and Property	14,032	15,280	14,981	(299)
Intergovernmental	4,232	4,795	5,453	658
Charges for Current Service	24,142	26,695	26,374	(321)
Other	952	2,530	2,074	(456)
Total Revenues	181,888	196,702	197,877	1,175
EXPENDITURES				
Current:				
City Council	281	292	260	32
City Manager	1,390	1,429	1,341	88
City Treasurer	130	133	132	1
City Attorney	2,126	2,219	2,221	(2)
City Clerk	903	944	797	147
Finance	4,954	5,171	4,825	346
Human Resources	4,752	4,798	5,442	(644)
Planning & Building	6,067	6,948	6,155	793
Fire	34,300	34,925	35,497	(572)
Information Services	5,867	6,173	6,096	77
Police	58,725	60,713	59,274	1,439
Economic Development	1,619	1,922	1,556	366
Community Services	13,128	14,186	13,050	1,136
Library Services	3,677	4,310	3,547	763
Public Works	20,869	20,867	20,209	658
Non-Departmental	19,435	19,900	19,671	229
Debt Service:				
Principal	2,043	5,157	4,751	406
Interest	-	-	191	(191)
Total Expenditures	180,266	190,087	185,015	5,072
Excess of Revenues				
Over Expenditures	1,622	6,615	12,862	6,247
OTHER FINANCING SOURCES (USES)				
Transfers In	1,320	1,103	913	(190)
Transfers Out	(6,213)	(9,092)	(9,034)	58
Total Other Financing Sources (Uses)	(4,893)	(7,989)	(8,121)	(132)
EXTRAORDINARY ITEM:				
Dissolution of Redevelopment Agency	-	(4,669)	(4,669)	-
Net Change In Fund Balances	(3,271)	(6,043)	72	6,115
Fund Balance - Beginning Of Year	54,435	54,435	54,435	-
Fund Balance - End Of Year	\$ 51,164	\$ 48,392	\$ 54,507	\$ 6,115

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

Grants Special Revenue

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Use of Money and Property	\$ 200	\$ 200	\$ 364	\$ 164
Intergovernmental	1,404	3,998	6,928	2,930
Other	5	5	-	(5)
Total Revenues	1,609	4,203	7,292	3,089
EXPENDITURES				
Current:				
City Manager	-	601	233	368
Planning & Building	-	210	219	(9)
Fire	-	510	411	99
Police	582	2,154	1,177	977
Economic Development	1,679	2,426	575	1,851
Community Services	-	463	269	194
Library Services	-	49	41	8
Public Works	(75)	516	238	278
Capital Outlay	2,472	6,943	2,299	4,644
Debt Service:				
Principal	-	150	150	-
Interest	-	33	43	(10)
Total Expenditures	4,658	14,055	5,655	8,400
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(3,049)	(9,852)	1,637	11,489
OTHER FINANCING USES				
Transfers In	-	439	455	16
Transfers Out	-	(56)	-	56
Total Other Financing Uses	-	383	455	72
Net Change In Fund Balances	(3,049)	(9,469)	2,092	11,561
Fund Balance - Beginning Of Year	514	514	514	-
Fund Balance - End Of Year	\$ (2,535)	\$ (8,955)	\$ 2,606	\$ 11,561

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN- NORMAL
(In Thousands)**

Actuarial Valuation Date	Entry Age Normal		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets				
6/30/2010						
Safety	\$ 500,725	\$ 384,956	\$ (115,769)	76.9%	\$ 41,015	-282.3%
Non Safety	382,671	334,778	(47,893)	87.5%	47,596	-100.6%
Total	\$ 883,396	\$ 719,734	\$ (163,662)	81.5%	\$ 88,611	-184.7%
6/30/2011						
Safety	\$ 531,801	\$ 402,867	\$ (128,934)	75.8%	\$ 39,337	-327.8%
Non Safety	415,178	347,820	(67,358)	83.8%	42,063	-160.1%
Total	\$ 946,979	\$ 750,687	\$ (196,292)	79.3%	\$ 81,400	-241.1%
6/30/2012						
Safety	\$ 552,536	\$ 420,519	\$ (132,017)	76.1%	\$ 39,241	-336.4%
Non Safety	431,175	357,911	(73,264)	83.0%	43,228	-169.5%
Total	\$ 983,711	\$ 778,430	\$ (205,281)	79.1%	\$ 82,469	-248.9%

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)**

**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
9/30/2006 Update	\$ 43,066	\$ 16,821	\$ (26,245)	39.1%	\$ 40,563	-64.7%
9/30/2007 Actual	51,028	20,452	(30,576)	40.1%	43,516	-70.3%
9/30/2008 Update	52,777	22,722	(30,055)	43.1%	44,822	-67.1%
9/30/2009 Actual*	59,576	24,980	(34,596)	41.9%	44,978	-76.9%
9/30/2010 Update*	61,448	28,467	(32,981)	46.3%	42,827	-77.0%
9/30/2011 Actual*,***	62,926	32,146	(30,780)	51.1%	34,098	-90.3%
9/30/2011 Revised*,***	64,382	27,639	(36,743)	42.9%	34,098	-107.8%

**OTHER POST EMPLOYMENT BENEFITS - MEDICAL INSURANCE
SCHEDULE OF FUNDING PROGRESS
(In Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/2009 Actual*	\$ 8,727	\$ 19,474	\$ (10,747)	44.8%	\$ 88,923	-12.1%
9/30/2010 Update*	9,157	20,608	(11,451)	44.4%	90,465	-12.7%
6/30/2011 Actual**, ***	9,639	22,447	(12,808)	42.9%	82,443	-15.5%
6/30/2011 Revised**, ***	9,626	20,179	(10,553)	47.7%	82,443	-12.8%

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

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

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
RETIREMENT PLAN - SUPPLEMENTAL
(In Thousands)**

Year Ended	Annual Required Contribution	Percentage Contributed
9/30/2008	\$3,419	106.08%
9/30/2009	3,476	100.00%
9/30/2010	3,967	100.00%
9/30/2011	3,957	100.00%
9/30/2012	4,646	105.47%
9/30/2013	4,607	100.00%

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK



City of Huntington Beach Other Governmental Funds

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

- The **Air Quality Fund** accounts for revenues from the local agencies used to improve local air quality.
- The **Development Impact Fee Fund** accounts for fees collected for new developments to be used for transportation, park land acquisition and development, library and other public facilities in an effort to mitigate the impacts of those new developments.
- The **Disability Access Fund** accounts for the State Mandated Disability Access Fee (SB 1186) to fund increased training certified access specialist (CASp) services for the public and to facilitate compliance with construction related accessibility requirements.
- The **Drainage Fund** accounts for fees received from developers to construct and maintain the City's drainage system.
- The **Fourth of July Parade Fund** accounts for the activities of the City's annual parade.
- The **Gas Tax Fund** accounts for moneys allocated under the Streets and Highways Code of California. Expenditures may be made for any street related purpose allowed under the code.
- The **Highway Safety & Traffic Reduction Fund** accounts for moneys used to fund transportation projects, improve the movement of goods, improve air quality, and enhance the safety and security of the transportation system under the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.
- The **Housing Residual Receipt Fund** accounts for residual receipts received for housing activities
- The **Park Acquisition and Development Fund** accounts for fees received from developers to develop and maintain the City's park system.
- The **Safe and Sane Fireworks Fund** accounts for activities involved in the regulation of safe and sane fireworks within the City.
- The **Self Insurance Liability Claim Fund** accounts for activities involved in general liability claims losses.
- The **Traffic Congestion Relief Fund** accounts for moneys allocated for roadway maintenance as established by Assembly Bill 2928.
- The **Traffic Impact Fee Fund** accounts for moneys received from the traffic impact fee levied on new developments in the City. The **Transportation Fund** accounts for moneys received from the countywide half cent sales tax and other specific sources to be spent on transportation related expenditures.

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

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

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

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

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2013
(In Thousands)**

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
ASSETS						
Cash and Investments	\$ 735	\$ 932	\$ 9	\$ 42	\$ 97	\$ 2,091
Cash and Investments with Fiscal Agent	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	285
Other Receivables	64	2	-	-	-	88
Due from Other Funds	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	\$ 799	\$ 934	\$ 9	\$ 42	\$ 97	\$ 2,464
LIABILITIES						
Accounts Payable	\$ 9	\$ -	\$ 2	\$ -	\$ 2	\$ 235
Accrued Payroll	-	-	-	-	-	1
Due to Other Funds	-	-	-	-	-	-
Deposits Payable	-	-	-	-	-	-
Deferred Revenue	63	-	-	-	-	84
Total Liabilities	72	-	2	-	2	320
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Highways, Streets and Transportation	-	-	-	-	-	2,144
Low Income Housing	-	-	-	-	-	-
Air Quality	727	-	-	-	-	-
Parks	-	-	-	-	-	-
Other Capital Projects	-	934	-	42	-	-
Other Purposes	-	-	7	-	-	-
Committed						
Other Capital Projects	-	-	-	-	-	-
Assigned						
Capital Projects	-	-	-	-	-	-
Other Purposes	-	-	-	-	95	-
Unassigned						
Total Fund Balances	727	934	7	42	95	2,144
Total Liabilities and Fund Balances	\$ 799	\$ 934	\$ 9	\$ 42	\$ 97	\$ 2,464

**CITY OF HUNTINGTON BEACH
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 September 30, 2013
 (In Thousands)
 (continued)**

SPECIAL REVENUE FUNDS					
Highway Safety & Traffic Reduction	Housing Residual Receipt	Park Acquisition and Development	Safe and Sane Fireworks	Self Insurance Liability Claim	Traffic Congestion Relief
\$ -	\$ 108	\$ 4,152	\$ 74	\$ 1,019	\$ 2,461
-	-	-	-	-	-
-	-	-	-	-	252
365	-	7	-	-	5
-	-	-	-	-	209
-	-	1,266	-	-	-
<u>\$ 365</u>	<u>\$ 108</u>	<u>\$ 5,425</u>	<u>\$ 74</u>	<u>\$ 1,019</u>	<u>\$ 2,927</u>
\$ -	\$ -	\$ 32	\$ -	\$ -	\$ 1,506
-	-	-	-	-	1
209	-	-	-	-	-
-	-	1,266	-	-	-
366	-	-	-	-	-
<u>575</u>	<u>-</u>	<u>1,298</u>	<u>-</u>	<u>-</u>	<u>1,507</u>
-	-	336	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,420
-	108	-	-	-	-
-	-	3,791	-	-	-
-	-	-	-	-	-
-	-	-	-	1,019	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	74	-	-
(210)	-	-	-	-	-
<u>(210)</u>	<u>108</u>	<u>4,127</u>	<u>74</u>	<u>1,019</u>	<u>1,420</u>
<u>\$ 365</u>	<u>\$ 108</u>	<u>\$ 5,425</u>	<u>\$ 74</u>	<u>\$ 1,019</u>	<u>\$ 2,927</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2013
(In Thousands)
(continued)**

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	Traffic Impact Fee	Transportation	Total Special Revenue Funds	Property Tax Refund	Public Financing Authority	Total Debt Service Fund
ASSETS						
Cash and Investments	\$ 1,503	\$ 3,229	\$ 16,452	\$ 1	\$ 19	\$ 20
Cash and Investments with Fiscal Agent	-	-	-	1	4,330	4,331
Taxes Receivable	-	242	779	-	-	-
Other Receivables	2	215	748	-	2	2
Due from Other Funds	-	-	209	-	-	-
Other Assets	-	-	1,266	-	-	-
Total Assets	\$ 1,505	\$ 3,686	\$ 19,454	\$ 2	\$ 4,351	\$ 4,353
LIABILITIES						
Accounts Payable	\$ -	\$ 794	\$ 2,580	\$ 2	\$ 1	\$ 3
Accrued Payroll	-	2	4	-	-	-
Due to Other Funds	-	-	209	-	-	-
Deposits Payable	-	-	1,266	-	-	-
Deferred Revenue	-	210	723	-	-	-
Total Liabilities	-	1,006	4,782	2	1	3
FUND BALANCES						
Restricted						
Pollution Remediation	-	-	336	-	-	-
Debt Service	-	-	-	-	4,350	4,350
Highways, Streets and Transportation	1,505	2,680	7,749	-	-	-
Low Income Housing	-	-	108	-	-	-
Air Quality	-	-	727	-	-	-
Parks	-	-	3,791	-	-	-
Other Capital Projects	-	-	976	-	-	-
Other Purposes	-	-	1,026	-	-	-
Committed						
Other Capital Projects	-	-	-	-	-	-
Assigned						
Capital Projects	-	-	-	-	-	-
Other Purposes	-	-	169	-	-	-
Unassigned			(210)			
Total Fund Balances	1,505	2,680	14,672	-	4,350	4,350
Total Liabilities and Fund Balances	\$ 1,505	\$ 3,686	\$ 19,454	\$ 2	\$ 4,351	\$ 4,353

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2013
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS							
Affordable Housing In-Lieu	Energy Efficiency	Infrastructure	Parking in-lieu	Sewer Development	Total Capital Projects Funds	Total Other Governmental Funds	
\$ 873	\$ 279	\$ 5,663	\$ 910	\$ 4,485	\$ 12,210	\$ 28,682	
-	-	-	-	-	-	4,331	
-	-	-	-	-	-	779	
-	1	8	2	30	41	791	
-	-	-	-	-	-	209	
-	-	-	-	-	-	1,266	
\$ 873	\$ 280	\$ 5,671	\$ 912	\$ 4,515	\$ 12,251	\$ 36,058	
\$ -	\$ 133	\$ -	\$ -	\$ -	\$ 133	\$ 2,716	
-	-	-	-	-	-	4	
-	-	-	-	-	-	209	
754	-	-	-	-	754	2,020	
-	-	-	-	-	-	723	
<u>754</u>	<u>133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>887</u>	<u>5,672</u>	
-	-	-	-	-	-	336	
-	-	-	-	-	-	4,350	
-	-	-	-	-	-	7,749	
119	-	-	-	-	119	227	
-	-	-	-	-	-	727	
-	-	-	-	-	-	3,791	
-	-	-	-	-	-	976	
-	-	-	-	-	-	1,026	
-	-	5,671	912	4,515	11,098	11,098	
-	147	-	-	-	147	147	
-	-	-	-	-	-	169	
-	-	-	-	-	-	(210)	
119	147	5,671	912	4,515	11,364	30,386	
\$ 873	\$ 280	\$ 5,671	\$ 912	\$ 4,515	\$ 12,251	\$ 36,058	

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

	SPECIAL REVENUE FUNDS					
	Air Quality	Development Impact Fee	Disability Access	Drainage	Fourth of July Parade	Gas Tax
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-
Licenses and Permits	-	-	15	-	-	-
Use of Money and Property	-	-	-	-	31	-
Intergovernmental	230	-	-	-	86	3,111
Charges for Current Service	-	934	-	317	172	-
Other	-	-	-	-	150	-
Total Revenues	230	934	15	317	439	3,111
EXPENDITURES						
Current:						
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Community Services	-	-	-	-	400	-
Public Works	184	-	-	-	-	213
Non-Departmental	-	-	8	-	-	-
Capital Outlay	5	-	-	-	-	2,215
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	189	-	8	-	400	2,428
Excess Of Revenues Over (Under) Expenditures	41	934	7	317	39	683
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	(900)
Total Other Financing Sources Sources (Uses)	-	-	-	-	-	(900)
Net Change in Fund Balances	41	934	7	317	39	(217)
Fund Balances - Beginning Of Year	686	-	-	(275)	56	2,361
Fund Balances - End Of Year	\$ 727	\$ 934	\$ 7	\$ 42	\$ 95	\$ 2,144

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS					
Highway Safety & Traffic Reduction	Housing Residual Receipt	Park Acquisiton and Development	Safe and Sane Fireworks	Self Insurance Liability Claim	Traffic Congestion Relief
\$ -	\$ -	\$ -	\$ -	\$ 1,019	\$ -
-	-	-	-	-	-
-	12	-	-	-	-
10	-	95	-	-	1,804
-	-	-	69	-	-
-	96	341	-	-	-
<u>10</u>	<u>108</u>	<u>436</u>	<u>69</u>	<u>1,019</u>	<u>1,804</u>
-	-	-	12	-	-
-	-	-	9	-	-
-	-	233	-	-	-
100	-	-	-	-	291
-	-	-	-	-	-
-	-	103	-	-	2,915
-	-	-	-	-	-
-	-	-	-	-	-
<u>100</u>	<u>-</u>	<u>336</u>	<u>21</u>	<u>-</u>	<u>3,206</u>
<u>(90)</u>	<u>108</u>	<u>100</u>	<u>48</u>	<u>1,019</u>	<u>(1,402)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(90)</u>	<u>108</u>	<u>100</u>	<u>48</u>	<u>1,019</u>	<u>(1,402)</u>
<u>(120)</u>	<u>-</u>	<u>4,027</u>	<u>26</u>	<u>-</u>	<u>2,822</u>
<u>\$ (210)</u>	<u>\$ 108</u>	<u>\$ 4,127</u>	<u>\$ 74</u>	<u>\$ 1,019</u>	<u>\$ 1,420</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)
(continued)**

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	Traffic Impact Fee	Transportation	Total Special Revenue Funds	Property Tax Refund	Public Financing Authority	Total Debt Service Funds
REVENUES						
Property Taxes	\$ -	\$ -	\$ 1,019	\$ -	\$ -	\$ -
Sales Taxes	-	2,564	2,564	-	-	-
Licenses and Permits	-	-	15	-	-	-
Use of Money and Property	-	-	43	-	86	86
Intergovernmental	1	30	5,367	-	-	-
Charges for Current Service	1,065	-	2,557	-	-	-
Other	339	-	926	-	-	-
Total Revenues	1,405	2,594	12,491	-	86	86
EXPENDITURES						
Current:						
Fire	-	-	12	-	-	-
Police	-	-	9	-	-	-
Community Services	-	-	633	-	-	-
Public Works	166	600	1,554	-	-	-
Non-Departmental	-	-	8	3	2	5
Capital Outlay	-	2,131	7,369	-	-	-
Debt Service:						
Principal	-	-	-	865	3,615	4,480
Interest	-	-	-	156	1,931	2,087
Total Expenditures	166	2,731	9,585	1,024	5,548	6,572
Excess Of Revenues Over (Under) Expenditures	1,239	(137)	2,906	(1,024)	(5,462)	(6,486)
Other Financing Sources (Uses):						
Transfers In	-	-	-	1,024	5,469	6,493
Transfers Out	-	-	(900)	-	-	-
Total Other Financing Sources (Uses)	-	-	(900)	1,024	5,469	6,493
Net Change in Fund Balances	1,239	(137)	2,006	-	7	7
Fund Balances - Beginning of Year	266	2,817	12,666	-	4,343	4,343
Fund Balances - End of Year	\$ 1,505	\$ 2,680	\$ 14,672	\$ -	\$ 4,350	\$ 4,350

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)
(continued)**

CAPITAL PROJECT FUNDS							
Affordable Housing In-Lieu	Energy Efficiency	Infrastructure	Parking In-Lieu	Sewer Development	Total Capital Projects Funds	Total Other Governmental Funds	
\$ -	\$ -		\$ -	\$ -	\$ -	\$ 1,019	
-	-	-	-	-	-	2,564	
119	-	-	40	723	882	897	
-	-	-	-	-	-	129	
-	-	-	-	25	25	5,392	
-	-	249	-	1,969	2,218	4,775	
-	-	-	-	-	-	926	
<u>119</u>	<u>-</u>	<u>249</u>	<u>40</u>	<u>2,717</u>	<u>3,125</u>	<u>15,702</u>	
-	-	-	-	-	-	12	
-	-	-	-	-	-	9	
-	-	-	-	-	-	633	
-	-	-	-	168	168	1,722	
-	-	-	-	-	-	13	
-	952	111	-	14	1,077	8,446	
-	-	-	-	-	-	4,480	
-	-	-	-	-	-	2,087	
<u>-</u>	<u>952</u>	<u>111</u>	<u>-</u>	<u>182</u>	<u>1,245</u>	<u>17,402</u>	
<u>119</u>	<u>(952)</u>	<u>138</u>	<u>40</u>	<u>2,535</u>	<u>1,880</u>	<u>(1,700)</u>	
-	-	1,640	-	-	1,640	8,133	
-	-	-	-	-	-	(900)	
-	-	1,640	-	-	1,640	7,233	
119	(952)	1,778	40	2,535	3,520	5,533	
-	1,099	3,893	872	1,980	7,844	24,853	
<u>\$ 119</u>	<u>\$ 147</u>	<u>\$ 5,671</u>	<u>\$ 912</u>	<u>\$ 4,515</u>	<u>\$ 11,364</u>	<u>\$ 30,386</u>	

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 6	\$ 6	\$ -	\$ (6)
Intergovernmental	240	240	230	(10)
TOTAL REVENUES	<u>246</u>	<u>246</u>	<u>230</u>	<u>(16)</u>
EXPENDITURES:				
Current:				
Public Works	172	228	184	44
Capital Outlay	135	361	5	356
TOTAL EXPENDITURES	<u>307</u>	<u>589</u>	<u>189</u>	<u>400</u>
NET CHANGE IN FUND BALANCE	<u>(61)</u>	<u>(343)</u>	<u>41</u>	<u>384</u>
Fund Balance - Beginning of Year	<u>686</u>	<u>686</u>	<u>686</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 625</u>	<u>\$ 343</u>	<u>\$ 727</u>	<u>\$ 384</u>

Development Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Current Service	\$ -	\$ -	\$ 934	\$ (934)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934</u>	<u>\$ 934</u>

Disability Access

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ 21	\$ 15	\$ 6
EXPENDITURES:				
Current:				
Non-Departmental	-	21	8	13
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Current Service	\$ 90	\$ 90	\$ 317	\$ 227
Fund Balance - Beginning of Year	<u>(275)</u>	<u>(275)</u>	<u>(275)</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ (185)</u>	<u>\$ (185)</u>	<u>\$ 42</u>	<u>\$ 227</u>

Fourth of July Parade

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 31	\$ 31
Intergovernmental	-	-	86	86
Charges for Current Service	-	-	172	172
Other	400	400	150	(250)
TOTAL REVENUES	<u>400</u>	<u>400</u>	<u>439</u>	<u>39</u>
EXPENDITURES:				
Current:				
Community Services	400	400	400	-
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>39</u>	<u>39</u>
Fund Balance - Beginning of Year	<u>56</u>	<u>56</u>	<u>56</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ 95</u>	<u>\$ 39</u>

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 11	\$ 11	\$ -	\$ (11)
Intergovernmental	3,146	3,146	3,111	(35)
Other	1	1	-	(1)
TOTAL REVENUES	<u>3,158</u>	<u>3,158</u>	<u>3,111</u>	<u>(47)</u>
EXPENDITURES:				
Current:				
Public Works	700	832	213	619
Capital Outlay	1,152	3,537	2,215	1,322
TOTAL EXPENDITURES	<u>1,852</u>	<u>4,369</u>	<u>2,428</u>	<u>1,941</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,306</u>	<u>(1,211)</u>	<u>683</u>	<u>1,894</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(900)	(900)	(900)	-
NET CHANGE IN FUND BALANCE	<u>406</u>	<u>(2,111)</u>	<u>(217)</u>	<u>1,894</u>
Fund Balance - Beginning of Year	<u>2,361</u>	<u>2,361</u>	<u>2,361</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,767</u>	<u>\$ 250</u>	<u>\$ 2,144</u>	<u>\$ 1,894</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

Highway Safety & Traffic Reduction

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,100	1,100	10	(1,090)
TOTAL REVENUES	<u>1,100</u>	<u>1,100</u>	<u>10</u>	<u>(1,090)</u>
EXPENDITURES:				
Current:				
Public Works	-	100	100	-
Capital Outlay	1,133	1,033	-	1,033
TOTAL EXPENDITURES	<u>1,133</u>	<u>1,133</u>	<u>100</u>	<u>1,033</u>
NET CHANGE IN FUND BALANCE	<u>(33)</u>	<u>(33)</u>	<u>(90)</u>	<u>(57)</u>
Fund Balance - Beginning of Year	(120)	(120)	(120)	-
Fund Balance - End of Year	<u>\$ (153)</u>	<u>\$ (153)</u>	<u>\$ (210)</u>	<u>\$ (57)</u>

Housing Residual Receipt

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 12	\$ 12
Other	-	-	96	96
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>108</u>	<u>108</u>
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 108</u>

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	95	95
Charges for Current Service	1,000	1,000	-	(1,000)
Other	-	-	341	341
TOTAL REVENUES	<u>1,000</u>	<u>1,000</u>	<u>436</u>	<u>(564)</u>
EXPENDITURES:				
Current:				
Community Services	155	580	233	347
Capital Outlay	748	928	103	825
TOTAL EXPENDITURES	<u>903</u>	<u>1,508</u>	<u>336</u>	<u>1,172</u>
NET CHANGE IN FUND BALANCE	<u>97</u>	<u>(508)</u>	<u>100</u>	<u>608</u>
Fund Balance - Beginning of Year	4,027	4,027	4,027	-
Fund Balance - End of Year	<u>\$ 4,124</u>	<u>\$ 3,519</u>	<u>\$ 4,127</u>	<u>\$ 608</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

Safe and Sane Fireworks

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Current Service	\$ -	\$ 31	\$ 69	\$ 38
EXPENDITURES:				
Current:				
Fire	-	23	12	11
Police	-	32	9	23
Public Works	-	1	-	1
TOTAL EXPENDITURES	<u>-</u>	<u>56</u>	<u>21</u>	<u>35</u>
NET CHANGE IN FUND BALANCE	-	(25)	48	73
Fund Balance - Beginning of Year	26	26	26	-
Fund Balance - End of Year	<u>\$ 26</u>	<u>\$ 1</u>	<u>\$ 74</u>	<u>\$ 73</u>

Self Insurance Liability Claims

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property Taxes	\$ -	\$ -	\$ 1,019	\$ 1,019
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,019</u>	<u>\$ 1,019</u>

Traffic Congestion Relief

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 20	\$ 20	\$ -	\$ (20)
Intergovernmental	2,323	2,323	1,804	(519)
TOTAL REVENUES	<u>2,343</u>	<u>2,343</u>	<u>1,804</u>	<u>(539)</u>
EXPENDITURES:				
Current:				
Public Works	227	526	291	235
Capital Outlay	2,100	4,000	2,915	1,085
TOTAL EXPENDITURES	<u>2,327</u>	<u>4,526</u>	<u>3,206</u>	<u>1,320</u>
NET CHANGE IN FUND BALANCE	16	(2,183)	(1,402)	781
Fund Balance - Beginning of Year	2,822	2,822	2,822	-
Fund Balance - End of Year	<u>\$ 2,838</u>	<u>\$ 639</u>	<u>\$ 1,420</u>	<u>\$ 781</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

Traffic Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ 2	\$ 2	\$ -	\$ (2)
Intergovernmental	-	-	1	1
Charges for Current Service	60	60	1,065	1,005
Other	-	-	339	339
TOTAL REVENUES	<u>62</u>	<u>62</u>	<u>1,405</u>	<u>1,343</u>
EXPENDITURES:				
Current:				
Public Works	60	238	166	72
Capital Outlay	89	89	-	89
TOTAL EXPENDITURES	<u>149</u>	<u>327</u>	<u>166</u>	<u>161</u>
NET CHANGE IN FUND BALANCE	<u>(87)</u>	<u>(265)</u>	<u>1,239</u>	<u>1,504</u>
Fund Balance - Beginning of Year	<u>266</u>	<u>266</u>	<u>266</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 179</u>	<u>\$ 1</u>	<u>\$ 1,505</u>	<u>\$ 1,504</u>

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 2,760	\$ 2,760	\$ 2,564	\$ (196)
Use of Money and Property	11	11	-	(11)
Intergovernmental	-	-	30	30
TOTAL REVENUES	<u>2,771</u>	<u>2,771</u>	<u>2,594</u>	<u>(177)</u>
EXPENDITURES:				
Current:				
Public Works	1,069	954	600	354
Capital Outlay	1,232	4,202	2,131	2,071
TOTAL EXPENDITURES	<u>2,301</u>	<u>5,156</u>	<u>2,731</u>	<u>2,425</u>
NET CHANGE IN FUND BALANCE	<u>470</u>	<u>(2,385)</u>	<u>(137)</u>	<u>2,248</u>
Fund Balance - Beginning of Year	<u>2,817</u>	<u>2,817</u>	<u>2,817</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,287</u>	<u>\$ 432</u>	<u>\$ 2,680</u>	<u>\$ 2,248</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

Property Tax Refund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
Non-Departmental	-	2	3	(1)
Debt Service:				
Principal	865	865	865	-
Interest	156	157	156	1
TOTAL EXPENDITURES	<u>1,021</u>	<u>1,024</u>	<u>1,024</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,021)</u>	<u>(1,024)</u>	<u>(1,024)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,021	1,021	1,024	3
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>3</u>
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ 3</u>

Public Financing Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 86	\$ 86
EXPENDITURES:				
Current:				
Non-Departmental	-	2	2	-
Debt Service:				
Principal	3,615	3,615	3,615	-
Interest	1,931	1,931	1,931	-
TOTAL EXPENDITURES	<u>5,546</u>	<u>5,548</u>	<u>5,548</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,546)</u>	<u>(5,548)</u>	<u>(5,462)</u>	<u>86</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	5,546	5,546	5,469	(77)
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(2)</u>	<u>7</u>	<u>9</u>
Fund Balance - Beginning of Year	4,343	4,343	4,343	-
Fund Balance - End of Year	<u>\$ 4,343</u>	<u>\$ 4,341</u>	<u>\$ 4,350</u>	<u>\$ 9</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

Affordable Housing In-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 119	\$ 119
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ 119</u>

Energy Efficiency

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Capital Outlay	-	1,091	952	139
NET CHANGE IN FUND BALANCE	-	(1,091)	(952)	139
Fund Balance - Beginning of Year	1,099	1,099	1,099	-
Fund Balance - End of Year	<u>\$ 1,099</u>	<u>\$ 8</u>	<u>\$ 147</u>	<u>\$ 139</u>

Infrastructure

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ -	\$ -
Charges for Current Service	-	-	249	249
Other	2,000	2,000	-	(2,000)
TOTAL REVENUES	<u>2,000</u>	<u>2,000</u>	<u>249</u>	<u>(1,751)</u>
EXPENDITURES:				
Capital Outlay	2,250	2,759	111	2,648
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(250)</u>	<u>(759)</u>	<u>138</u>	<u>897</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	600	1,640	1,640	-
NET CHANGE IN FUND BALANCE	350	881	1,778	897
Fund Balance - Beginning of Year	3,893	3,893	3,893	-
Fund Balance - End of Year	<u>\$ 4,243</u>	<u>\$ 4,774</u>	<u>\$ 5,671</u>	<u>\$ 897</u>

CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

Parking in-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 40	\$ 40
Use of Money and Property	61	61	-	(61)
TOTAL REVENUES	61	61	40	(21)
EXPENDITURES:				
Capital Outlay	50	50	-	50
NET CHANGE IN FUND BALANCE	11	11	40	29
Fund Balance - Beginning of Year	872	872	872	-
Fund Balance - End of Year	\$ 883	\$ 883	\$ 912	\$ 29

Sewer Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 723	\$ 723
Use of Money and Property	-	-	-	-
Intergovernmental	-	-	25	25
Charges for Current Service	87	87	1,969	1,882
TOTAL REVENUES	87	87	2,717	2,630
EXPENDITURES:				
Current:				
Public Works	-	129	168	(39)
Capital Outlay	400	1,303	14	1,289
TOTAL EXPENDITURES	400	1,432	182	1,250
NET CHANGE IN FUND BALANCE	(313)	(1,345)	2,535	3,880
Fund Balance - Beginning of Year	1,980	1,980	1,980	-
Fund Balance - End of Year	\$ 1,667	\$ 635	\$ 4,515	\$ 3,880

**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, 2013
(In Thousands)**

LMIHAF Capital Projects Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 572	\$ 572
Intergovernmental	-	-	464	464
Other	-	-	1	1
Total Revenues	<u>-</u>	<u>-</u>	<u>1,037</u>	<u>1,037</u>
 EXPENDITURES:				
Current:				
Economic Development	-	4,883	4,881	2
Excess of Revenues Over (Under) Expenditures	-	(4,883)	(3,844)	1,039
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	-	(405)	(405)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(405)</u>	<u>(405)</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>(5,288)</u>	<u>(4,249)</u>	<u>1,039</u>
Fund Balance - Beginning of Year	<u>9,886</u>	<u>9,886</u>	<u>9,886</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 9,886</u></u>	<u><u>\$ 4,598</u></u>	<u><u>\$ 5,637</u></u>	<u><u>\$ 1,039</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK



City of Huntington Beach Fiduciary Funds

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

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	Agency Funds						Total Agency Funds
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	
Assets:							
Cash and Investments	\$ 390	\$ 70	\$ 259	\$ 1,061	\$ 2,571	\$ 226	\$ 4,577
Cash with Fiscal Agent	-	3,476	-	-	-	-	3,476
Accounts Receivable, Net	-	996	10	-	5	-	1,011
Total Assets	\$ 390	\$ 4,542	\$ 269	\$ 1,061	\$ 2,576	\$ 226	\$ 9,064
Liabilities:							
Accounts Payable	\$ -	\$ 6	\$ 269	\$ 10	\$ 455	\$ 6	\$ 746
Due to Bondholders	-	4,536	-	-	-	-	4,536
Held for others	390	-	-	1,051	2,121	220	3,782
Total Liabilities	\$ 390	\$ 4,542	\$ 269	\$ 1,061	\$ 2,576	\$ 226	\$ 9,064

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
General Deposit				
Assets:				
Cash and Investments	\$ 239	\$ 803	\$ (652)	\$ 390
Total Assets	\$ 239	\$ 803	\$ (652)	\$ 390
Liabilities:				
Accounts Payable	\$ 5	\$ -	\$ (5)	\$ -
Held for others	234	206	(50)	390
Total Liabilities	\$ 239	\$ 206	\$ (55)	\$ 390
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 706	\$ 8,223	\$ (8,859)	\$ 70
Cash with Fiscal Agent	3,738	2,974	(3,236)	3,476
Accounts Receivable, Net	1,030	-	(34)	996
Total Assets	\$ 5,474	\$ 11,197	\$ (12,129)	\$ 4,542
Liabilities:				
Accounts Payable	\$ 145	\$ 6,328	\$ (6,467)	\$ 6
Due to Bondholders	5,329	-	(793)	4,536
Total Liabilities	\$ 5,474	\$ 6,328	\$ (7,260)	\$ 4,542
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 220	\$ 1,814	\$ (1,775)	\$ 259
Accounts Receivable, Net	6	252	(248)	10
Total Assets	\$ 226	\$ 2,066	\$ (2,023)	\$ 269
Liabilities:				
Accounts Payable	\$ 226	\$ 2,118	\$ (2,075)	\$ 269
Total Liabilities	\$ 226	\$ 2,118	\$ (2,075)	\$ 269
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 1,178	\$ 1,259	\$ (1,376)	\$ 1,061
Accounts Receivable, Net	-	45	(45)	-
Total Assets	\$ 1,178	\$ 1,304	\$ (1,421)	\$ 1,061
Liabilities:				
Accounts Payable	\$ 15	\$ 305	\$ (310)	\$ 10
Held for others	1,163	-	(112)	1,051
Total Liabilities	\$ 1,178	\$ 305	\$ (422)	\$ 1,061

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Parking Structures				
Assets:				
Cash and Investments	\$ 1,626	\$ 2,524	\$ (1,579)	\$ 2,571
Accounts Receivable, Net	4	52	(51)	5
Total Assets	\$ 1,630	\$ 2,576	\$ (1,630)	\$ 2,576
Liabilities:				
Accounts Payable	\$ 221	\$ 1,599	\$ (1,365)	\$ 455
Held for others	1,409	712	-	2,121
Total Liabilities	\$ 1,630	\$ 2,311	\$ (1,365)	\$ 2,576
West Orange County Water Board				
Assets:				
Cash and Investments	\$ 262	\$ 1,073	\$ (1,109)	\$ 226
Accounts Receivable, Net	-	83	(83)	-
Total Assets	\$ 262	\$ 1,156	\$ (1,192)	\$ 226
Liabilities:				
Accounts Payable	\$ 7	\$ 121	\$ (122)	\$ 6
Held for others	255	-	(35)	220
Total Liabilities	\$ 262	\$ 121	\$ (157)	\$ 226
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 4,231	\$ 15,696	\$ (15,350)	\$ 4,577
Cash with Fiscal Agent	3,738	2,974	(3,236)	3,476
Accounts Receivable, Net	1,040	432	(461)	1,011
Total Assets	\$ 9,009	\$ 19,102	\$ (19,047)	\$ 9,064
Liabilities:				
Accounts Payable	\$ 619	\$ 10,471	\$ (10,344)	\$ 746
Due to Bondholders	5,329	-	(793)	4,536
Held for others	3,061	918	(197)	3,782
Total Liabilities	\$ 9,009	\$ 11,389	\$ (11,334)	\$ 9,064

THIS PAGE INTENTIONALLY LEFT BLANK



City of Huntington Beach Statistical Section

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

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

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

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

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

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

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

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

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

	Fiscal Year Ended September 30,				
	2008	2007	2006	2005	2004
Governmental Activities					
Net investment in capital assets	\$ 521,654	\$ 486,552	\$ 472,372	\$ 479,897	\$ 448,217
Restricted	69,126	73,541	68,381	39,227	61,051
Unrestricted	35,615	59,182	34,269	40,226	(9,278)
Total Governmental Activities Net Position	\$ 626,395	\$ 619,275	\$ 575,022	\$ 559,350	\$ 499,990
Business - Type Activities					
Net investment in capital assets	\$ 118,671	\$ 119,874	\$ 111,651	\$ 102,068	\$ 92,890
Restricted	32,665	33,546	31,109	34,085	32,968
Unrestricted	57,704	54,822	53,020	41,563	33,664
Total Business - Type Activities Net Position	\$ 209,040	\$ 208,242	\$ 195,780	\$ 177,716	\$ 159,522
Primary Government					
Net investment in capital assets	\$ 640,325	\$ 606,426	\$ 584,023	\$ 581,965	\$ 541,107
Restricted	101,791	107,087	99,490	73,312	94,019
Unrestricted	93,319	114,004	87,289	81,789	24,386
Total Primary Government Net Position	\$ 835,435	\$ 827,517	\$ 770,802	\$ 737,066	\$ 659,512

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

	Fiscal Year Ended September 30,				
	2008	2007	2006	2005	2004
Expenses:					
Governmental Activities:					
City Council	\$ 295	\$ 287	\$ 271	\$ 254	\$ 280
City Manager	1,652	1,442	5,540	1,990	1,188
City Treasurer	1,408	1,088	1,479	1,568	1,541
City Attorney	2,914	2,534	2,317	2,852	2,775
City Clerk	1,020	950	756	685	717
Administrative Services	-	-	-	5,554	6,348
Finance	4,944	4,454	3,306	2,501	-
Human Resources	4,725	4,202	-	-	-
Planning & Building	3,881	3,098	2,813	2,559	2,396
Building	5,747	4,899	3,930	3,321	2,858
Fire	27,299	27,247	24,787	23,365	20,000
Information Services	7,311	6,591	7,361	6,806	6,423
Police	58,378	56,988	50,877	47,029	40,686
Economic Development	18,031	9,209	4,977	4,199	19,372
Community Services	18,565	16,482	15,777	13,693	15,735
Library Services	5,607	5,586	4,829	4,394	4,138
Public Works	31,246	34,581	49,654	33,018	30,277
Non-Departmental	30,814	15,131	11,263	12,024	4,054
Interest on Long-Term Debt	5,291	5,875	5,575	6,810	6,001
Total Governmental Activities	229,128	200,644	195,512	172,622	164,789
Business-type Activities:					
Water Utility	32,701	32,606	28,117	22,349	24,643
Sewer Service	7,120	5,766	3,855	5,924	4,042
Refuse Collection	10,561	10,542	10,289	9,826	9,806
Emerald Cove Housing	893	936	551	399	409
Emergency Fire Medical	6,933	5,347	5,637	5,497	5,605
Hazmat Service	249	194	163	141	204
Ocean View Estates	117	84	120	118	62
Total Business Type Activities	58,574	55,475	48,732	44,254	44,771
Total Business and Government Type Activities	\$ 287,702	\$ 256,119	\$ 244,244	\$ 216,876	\$ 209,560

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

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 66	\$ 65	\$ 63	\$ 62	\$ 94
City Manager	134	130	127	126	370
City Treasurer	602	585	568	566	765
City Attorney	135	131	127	456	50
City Clerk	248	170	98	106	108
Finance	1,275	1,238	1,202	1,234	1,264
Human Resources	1,236	1,150	1,117	1,103	1,254
Planning & Building*	9,411	7,706	6,084	682	801
Building	-	-	-	4,126	3,665
Fire	9,482	9,497	8,632	8,504	7,978
Information Services	786	763	741	731	674
Police	4,653	5,073	5,207	4,849	5,083
Economic Development	2,505	2,303	2,800	2,685	3,049
Community Services	17,832	17,792	15,345	15,470	15,278
Library Services	634	466	325	415	437
Public Works	7,315	5,482	5,638	4,850	4,328
Non-Departmental	306	281	273	269	216
Total Charges for Services	56,620	52,832	48,347	46,234	45,414
Operating Grants	7,303	5,088	8,914	7,069	4,181
Capital Grants	7,191	6,624	5,198	7,418	25,625
Total Governmental Activities Program Revenue	71,114	64,544	62,459	60,721	75,220
Business-Type Activities:					
Water Utility	38,679	35,926	34,583	34,394	34,200
Sewer Service	12,267	11,546	10,532	10,565	10,535
Refuse Collection	10,950	10,786	10,631	10,506	10,386
Emerald Cove Housing	-	-	-	-	843
Emergency Fire Medical	-	-	-	-	-
Hazmat Service	278	154	383	198	204
Ocean View Estates	-	-	-	-	-
Total Business-Type Activities Program Revenues	62,174	58,412	56,129	55,663	56,168
Total Primary Government Program Revenue	133,288	122,956	118,550	116,346	138,563
Net (Expense) Revenue:					
Governmental Activities:	(136,928)	(129,138)	(143,499)	(145,237)	(142,308)
Business-Type Activities	5,373	2,351	7,146	6,680	3,791
Total Net (Expense) Revenue	(131,555)	(126,787)	(136,353)	(138,557)	(138,517)
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	74,795	74,856	86,056	85,552	84,010
Sales Taxes	30,276	30,051	25,339	23,646	21,427
Utility Taxes	20,764	20,152	19,135	19,757	20,616
Other Taxes	14,568	12,930	13,368	11,629	12,085
Use of Money and Property	2,816	3,434	3,239	4,043	5,002
From Other Agencies	6,003	6,585	5,647	4,184	8,500
Participation Payments	-	-	-	4,496	-
Other	5,240	4,941	3,060	5,448	7,849
Transfers	(38)	(38)	(38)	(38)	7,175
Total Governmental Activities General Revenues	154,424	152,911	155,806	158,717	166,664
Business-Type Activities:					
Use of Money and Property	137	1,100	1,135	1,824	3,351
Transfers	38	38	38	38	(7,175)
Total Business-Type Activities General Revenues	175	1,138	1,173	1,862	(3,824)
Total General Revenues and Transfers	154,599	154,049	157,017	160,617	155,665
Extraordinary Gain	(4,669)	23,960	-	-	-
Changes in Net Position - Governmental Activities	12,827	47,733	12,345	13,518	17,181
Changes in Net Position - Business-Type Activities	5,548	3,489	8,319	8,542	(33)
Net Position - Beginning of Year (restated for 2013)	943,804	884,061	863,397	852,239	835,435
Net Position - End of Year	\$ 962,179	\$ 935,283	\$ 884,061	\$ 874,299	\$ 852,583

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

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

	Fiscal Year Ended September 30,				
	2008	2007	2006	2005	2004
Program Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 103	\$ 99	\$ 90	\$ -	\$ -
City Manager	404	392	1,612	-	-
City Treasurer	720	698	1,332	-	-
City Attorney	47	46	43	-	-
City Clerk	168	210	95	111	-
Finance	1,354	1,312	325	-	-
Human Resources	1,391	1,347	-	-	-
Planning & Building	1,987	4,223	825	1,024	1,403
Building	4,582	5,450	4,859	5,068	4,513
Fire	1,423	1,267	1,086	1,095	1,183
Information Services	697	675	641	-	-
Police	5,159	4,890	5,355	5,254	1,605
Economic Development	3,001	2,944	505	385	5
Community Services	15,383	15,036	14,644	13,376	12,611
Library Services	851	835	714	714	4,290
Public Works	6,000	5,016	4,784	1,781	4,220
Non-Departmental	239	232	229	-	589
Total Charges for Services	<u>43,509</u>	<u>44,672</u>	<u>37,139</u>	<u>28,808</u>	<u>30,419</u>
Operating Grants	7,684	1,996	917	1,657	6,343
Capital Grants	14,284	5,154	6,893	43,341	7,384
Total Governmental Activities Program Revenue	<u>65,477</u>	<u>51,822</u>	<u>44,949</u>	<u>73,806</u>	<u>44,146</u>
Business-Type Activities:					
Water Utility	35,751	37,962	37,946	40,371	40,172
Sewer Service	9,906	7,242	7,873	8,512	6,373
Refuse Collection	10,521	10,550	10,292	9,985	10,412
Emerald Cove Housing	1,180	1,037	960	866	781
Emergency Fire Medical	6,762	6,068	6,145	5,725	5,650
Hazmat Service	185	210	182	110	187
Ocean View Estates	337	324	273	263	258
Total Business-Type Activities Program Revenues	<u>64,642</u>	<u>63,393</u>	<u>63,671</u>	<u>65,832</u>	<u>63,833</u>
Total Primary Government Program Revenue	<u>139,713</u>	<u>115,215</u>	<u>108,620</u>	<u>139,638</u>	<u>107,979</u>
Net (Expense) Revenue:					
Governmental Activities:	(149,632)	(177,306)	(155,695)	(121,706)	(128,476)
Business-Type Activities	11,921	4,819	8,196	17,100	19,579
Total Net (Expense) Revenue	<u>(137,711)</u>	<u>(172,487)</u>	<u>(147,499)</u>	<u>(104,606)</u>	<u>(108,897)</u>
General Revenue and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	84,016	79,369	66,598	61,466	47,405
Sales Taxes	25,560	30,608	26,448	24,340	28,273
Utility Taxes	21,591	21,479	21,170	20,004	19,424
Other Taxes	15,065	13,776	13,226	14,952	11,365
Use of Money and Property	5,714	7,895	4,310	3,137	3,528
From Other Agencies	6,899	12,689	10,390	8,186	14,406
Participation Payments	-	1,564	6,221	12,697	-
Other	2,332	2,696	9,278	8,510	7,328
Transfers	9,594	491	464	4,884	-
Total Governmental Activities General Revenues	<u>170,771</u>	<u>170,567</u>	<u>158,105</u>	<u>158,176</u>	<u>131,729</u>
Business-Type Activities:					
Use of Money and Property	4,324	5,035	3,589	1,500	1,085
Transfers	(9,594)	(491)	(464)	(4,884)	-
Total Business-Type Activities General Revenues	<u>(5,270)</u>	<u>4,544</u>	<u>3,125</u>	<u>(3,384)</u>	<u>1,085</u>
Total General Revenues and Transfers	<u>155,907</u>	<u>175,111</u>	<u>161,230</u>	<u>154,792</u>	<u>132,814</u>
Extraordinary Gain	-	-	-	-	-
Changes in Net Position - Governmental Activities	11,545	(6,739)	2,410	36,470	3,253
Changes in Net Position - Business-Type Activities	6,651	9,363	11,321	13,716	20,664
Net Position - Beginning of Year	<u>827,517</u>	<u>793,310</u>	<u>745,196</u>	<u>659,512</u>	<u>628,279</u>
Net Position - End of Year	<u>\$ 845,713</u>	<u>\$ 795,934</u>	<u>\$ 758,927</u>	<u>\$ 709,698</u>	<u>\$ 652,196</u>

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

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

	Fiscal Year Ended September 30,				
	2008	2007	2006	2005	2004
General Fund:					
Reserved	\$ 10,967	\$ 10,679	\$ 7,382	\$ 5,915	\$ 2,113
Unreserved	33,476	33,017	33,204	32,371	24,219
Total General Fund	<u>\$ 44,443</u>	<u>\$ 43,696</u>	<u>\$ 40,586</u>	<u>\$ 38,286</u>	<u>\$ 26,332</u>
Other Governmental Funds:					
Reserved	\$ 35,445	\$ 42,013	\$ 25,472	\$ 35,458	\$ 30,143
Unreserved, Reported in:					
Special Revenue Funds	11,307	13,500	20,631	17,833	11,810
Debt Service Funds	5,467	5,484	4,022	3,916	4,434
Capital Projects Funds	15,316	18,286	27,096	16,820	10,242
Total Other Governmental Funds	<u>\$ 67,535</u>	<u>\$ 79,283</u>	<u>\$ 77,221</u>	<u>\$ 74,027</u>	<u>\$ 56,629</u>

Notes:

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
REVENUES:					
Property Taxes	\$ 74,442	\$ 74,554	\$ 85,869	\$ 85,072	\$ 85,612
Sales Taxes	29,763	29,126	25,034	22,582	22,356
Utility Taxes	20,764	20,152	19,135	19,757	20,616
Other Taxes	14,568	12,930	13,368	11,629	12,085
Licenses and Permits	9,880	7,773	6,728	6,204	5,879
Fines and Forfeitures	4,058	4,252	4,334	3,965	4,144
From Use of Money and Property	16,046	16,855	15,660	16,330	17,285
From Other Agencies	18,237	18,537	17,659	19,893	21,152
Charges for Current Service/Other Revenue	34,150	30,051	26,996	26,401	24,894
TOTAL REVENUES	221,908	214,230	214,783	211,833	214,023
EXPENDITURES					
Current:					
City Council	260	310	300	301	295
City Manager	1,574	1,758	1,493	1,652	1,839
City Treasurer	132	141	1,274	1,532	1,308
City Attorney	2,221	2,313	2,354	2,772	2,877
City Clerk	797	689	798	868	1,084
Administrative Services	-	-	-	-	-
Finance*	4,825	4,573	3,423	4,286	4,456
Human Resources	5,661	5,213	6,106	5,284	4,749
Planning & Building**	6,155	6,119	6,034	3,170	3,232
Building	-	-	-	3,449	4,176
Fire	35,920	35,145	34,546	32,816	33,596
Information Systems	6,096	5,857	5,879	6,782	7,339
Police	60,460	60,249	59,546	58,566	59,686
Economic Development	7,012	3,389	13,784	14,704	11,086
Community Services	13,952	14,082	13,724	14,501	15,407
Library Services	3,588	3,492	3,546	4,158	4,336
Public Works	22,169	22,666	19,006	20,466	22,143
Non-Departmental	19,684	15,455	14,914	14,832	16,710
Capital Outlay	10,745	11,096	6,872	17,175	38,494
Debt Service:					
Principal	9,381	6,012	9,446	7,351	11,480
Interest	2,321	2,564	6,397	6,368	5,383
TOTAL EXPENDITURES	212,953	201,123	209,442	221,033	249,676
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER)					
EXPENDITURES	8,955	13,107	5,341	(9,200)	(35,653)
OTHER FINANCING SOURCES (USES):					
Transfers In	9,501	18,904	27,385	20,850	27,125
Reclassification of Interfund Advances	-	-	-	-	-
Proceeds of Long-Term Debt	-	-	36,275	14,745	8,850
Issuance Premium	-	-	1,884	707	-
Capital Assets Reclassification for Changes in Fund Type	-	-	-	-	-
Payments to Escrow	-	-	(37,601)	(15,967)	-
Transfers Out	(10,339)	(18,942)	(27,423)	(20,888)	(19,950)
TOTAL OTHER FINANCING SOURCES (USES)	(838)	(38)	520	(553)	16,025
Extraordinary Item - Dissolution of RDA	(4,669)	(11,839)	-	-	-
INCREASE (DECREASE) IN FUND BALANCES	\$ 3,448	\$ 1,230	\$ 5,861	\$ (9,753)	\$ (19,628)
DEBT SERVICE AS A PERCENTAGE OF					
NON-CAPITAL EXPENDITURES	6.1%	4.7%	8.5%	7.2%	8.7%

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

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

Fiscal Year Ended September 30,				
2008	2007	2006	2005	2004
\$ 82,138	\$ 75,916	\$ 69,065	\$ 59,716	\$ 43,501
26,377	26,271	26,448	24,340	28,273
21,591	21,479	21,170	20,004	19,424
15,065	13,776	13,226	13,068	11,365
7,924	10,131	7,432	7,457	7,736
4,060	4,165	4,288	4,365	4,342
18,221	19,796	16,461	12,733	11,856
19,231	19,304	16,611	20,179	26,321
20,645	23,270	27,237	33,950	17,553
215,252	214,108	201,938	195,812	170,371
295	287	271	254	280
1,588	1,490	5,508	1,917	1,165
1,357	1,060	1,446	1,547	1,519
2,881	2,526	2,313	2,848	2,771
992	932	828	679	712
-	-	-	5,731	6,295
4,792	4,400	3,283	2,501	-
4,725	4,202	-	-	-
3,859	3,092	2,800	2,548	2,382
3,957	4,670	3,729	3,291	2,938
27,146	26,438	24,334	22,365	19,018
6,741	6,437	6,540	5,726	5,315
56,535	55,461	50,151	45,778	39,414
16,228	8,292	4,172	2,866	5,132
15,666	14,744	14,382	12,321	11,718
4,962	5,097	4,359	3,969	3,745
23,528	25,248	28,448	21,535	16,756
21,519	12,977	13,831	13,039	23,809
21,525	16,142	30,174	9,065	29,484
8,234	10,453	9,406	8,474	8,718
5,345	5,514	6,512	5,999	5,987
231,875	209,462	212,487	172,453	187,158
(16,623)	4,646	(10,549)	23,359	(16,787)
24,278	16,313	21,531	20,890	30,274
-	-	-	-	-
-	35	15,579	1,102	13,236
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(18,656)	(15,822)	(20,075)	(16,006)	(24,148)
5,622	526	17,035	5,986	19,362
-	-	-	-	-
\$ (11,001)	\$ 5,172	\$ 6,486	\$ 29,345	\$ 2,575
6.9%	9.0%	9.6%	9.7%	10.3%

**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
2003-2004	17,987,861	2,876	17,990,737	911,027	18,901,764	0.15996
2004-2005	19,532,238	3,524	19,535,762	877,078	20,412,840	0.15996
2005-2006	20,925,190	1,522	20,926,712	790,513	21,717,225	0.15996
2006-2007	22,817,616	1,458	22,819,074	962,198	23,781,272	0.16282
2007-2008	24,294,404	305	24,294,709	1,066,668	25,361,377	0.16382
2008-2009	25,062,579	263	25,062,842	1,039,636	26,102,478	0.16482
2009-2010	25,324,857	263	25,325,120	1,086,770	26,411,890	0.17082
2010-2011	25,513,584	70,602	25,584,186	1,090,869	26,675,055	0.17082
2011-2012	25,480,770	72,602	25,553,372	1,170,004	26,723,376	0.17082
2012-2013	26,927,738	60,802	26,988,540	1,056,938	28,045,479	0.17082

Source: County of Orange Auditor Controller

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

Fiscal Year	Direct		Overlapping			Total Direct and Overlapping
	City Basic Rate (1), (2)	City Other	School Districts	Metro Water District	Others	
2003-2004	0.15300	0.00696	0.54834	0.00610	0.31131	1.02571
2004-2005	0.15300	0.00696	0.56470	0.00520	0.33589	1.06575
2005-2006	0.15300	0.00696	0.57434	0.00520	0.32625	1.06575
2006-2007	0.15582	0.00700	0.57338	0.00470	0.32397	1.06487
2007-2008	0.15582	0.00800	0.57893	0.00450	0.32299	1.07024
2008-2009	0.15582	0.00900	0.57673	0.00430	0.32270	1.06855
2009-2010	0.15582	0.01500	0.58099	0.00430	0.32471	1.08082
2010-2011	0.15582	0.01500	0.58252	0.00370	0.32548	1.08252
2011-2012	0.15582	0.01500	0.58334	0.00370	0.32513	1.08299
2012-2013	0.15582	0.01500	0.60412	0.00350	0.30798	1.08642

Note: Rates are per \$100 of assessed valuation

Source: County of Orange Auditor Controller

(1) Excludes rates associated with Mello-Roos Districts

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

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

Fiscal Year	Total Levy	Collected within the Fiscal Year of the Levy			Total Collections			Delinquent Taxes Receivable	Delinquency Percent
		Amount	Percentage of Levy	Delinquent Tax Collections*	Amount	Percentage of Levy	Percentage of Levy		
Secured Taxes									
2003-2004	31,024	30,033	96.8%	-	30,033	96.8%	441	1.4%	
2004-2005	34,403	33,423	97.2%	434	33,857	98.4%	570	1.7%	
2005-2006	36,556	35,318	96.6%	498	35,816	98.0%	795	2.2%	
2006-2007	39,174	37,194	94.9%	622	37,816	96.5%	1,278	3.3%	
2007-2008	42,269	40,001	94.6%	1,113	41,114	97.3%	1,734	4.1%	
2008-2009	42,569	40,298	94.7%	1,789	42,087	98.9%	1,582	3.7%	
2009-2010	43,892	36,992	84.3%	1,880	38,872	88.6%	1,038	2.4%	
2010-2011	44,014	42,233	96.0%	1,339	43,572	99.0%	746	1.7%	
2011-2012	44,304	42,611	96.2%	951	43,562	98.3%	660	1.5%	
2012-2013	47,162	45,722	96.9%	855	46,577	98.8%	565	1.2%	
Unsecured Taxes									
2003-2004	1,507	1,382	91.7%	-	1,382	91.7%	34	2.3%	
2004-2005	1,606	1,474	91.8%	24	1,498	93.3%	40	2.5%	
2005-2006	1,590	1,434	90.2%	23	1,457	91.6%	42	2.6%	
2006-2007	1,842	1,600	86.9%	37	1,637	88.9%	150	8.1%	
2007-2008	1,718	1,618	94.2%	60	1,678	97.7%	34	2.0%	
2008-2009	1,783	1,606	90.1%	90	1,696	95.1%	49	2.7%	
2009-2010	1,882	1,677	89.1%	44	1,721	91.4%	65	3.5%	
2010-2011	1,940	1,739	89.6%	22	1,761	90.8%	75	3.9%	
2011-2012	1,863	1,731	92.9%	28	1,759	94.4%	68	3.7%	
2012-2013	1,882	1,653	87.8%	23	1,676	89.1%	62	3.3%	
Reservoir Hill									
2003-2004	191	190	99.5%	-	190	99.5%	1	0.5%	
2004-2005	-	-	0.0%	-	-	0.0%	-	0.0%	
2005-2006	-	-	0.0%	-	-	0.0%	-	0.0%	
2006-2007	-	-	0.0%	-	-	0.0%	-	0.0%	
2007-2008	-	-	0.0%	-	-	0.0%	-	0.0%	
2008-2009	-	-	0.0%	-	-	0.0%	-	0.0%	
2009-2010	-	-	0.0%	-	-	0.0%	-	0.0%	
2010-2011	-	-	0.0%	-	-	0.0%	-	0.0%	
2011-2012	-	-	0.0%	-	-	0.0%	-	0.0%	
2012-2013	-	-	0.0%	-	-	0.0%	-	0.0%	
Community Facilities Districts									
2003-2004	1,797	1,789	99.6%	-	1,789	99.6%	2	0.1%	
2004-2005	1,731	1,719	99.3%	4	1,723	99.5%	7	0.4%	
2005-2006	4,085	4,069	99.6%	12	4,081	99.9%	11	0.3%	
2006-2007	4,061	4,041	99.5%	22	4,063	100.0%	7	0.2%	
2007-2008	4,106	4,085	99.5%	21	4,106	100.0%	9	0.2%	
2008-2009	4,053	4,034	99.5%	12	4,046	99.8%	7	0.2%	
2009-2010	3,937	3,925	99.7%	11	3,936	100.0%	-	0.0%	
2010-2011	3,850	3,838	99.7%	-	3,838	99.7%	1	0.0%	
2011-2012	4,106	4,091	99.6%	3	4,094	99.7%	2	0.0%	
2012-2013	4,093	4,077	99.6%	4	4,081	99.7%	4	0.1%	

Source: County of Orange Auditor Controller's Office

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

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

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

2012-2013		
	Revenue (In Thousands)	Percent of Total
Mayer Financial LP	\$ 1,978	2.66%
Bella Terra Associates LLC	1,770	2.38%
CIM Huntington LLC	1,549	2.08%
OXY USA, Inc	944	1.27%
21002 HB, LLC	874	1.17%
NF Huntington Plaza	533	0.72%
Bella Office Owner, LLC	506	0.68%
Waterfront Construction	452	0.61%
Essex Huntington Breakers	371	0.50%
Boeing/McDonnell Douglas	580	0.78%
Total Top Ten	9,557	10.18%
All Other Property Taxpayers	64,885	89.82%
City Total	\$ 74,442	100.00%

2004-2005		
	Revenue (In Thousands)	Percent of Total
Mayer Financial Limited Partnership	\$ 1,765	4.21%
McDonnell Douglas Corporation	798	1.90%
AES Huntington Beach LLC	450	1.07%
Huntington Center	437	1.04%
Water Construction 1A California LP	369	0.88%
Mullrock Mortgage LLC	324	0.77%
Essex Huntington Breakers	288	0.69%
Atlanta Huntington Beach LLC	264	0.63%
Pierside	234	0.56%
Liu Corporation	215	0.51%
Total Top Ten	5,144	12.27%
All Other Property Taxpayers	36,786	87.73%
City Total	\$ 41,930	100.00%

Source: HdL Coren & Cone

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

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

	Fiscal Year Ended September 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Long-Term Indebtedness										
Governmental Activities:										
Judgement Obligation Bonds	\$ 3,474	\$ 4,339	\$ 5,179	\$ 5,989	\$ 6,774	\$ 10,050	\$ 10,795	\$ 11,525	\$ 12,245	\$ 12,500
Public Financing Authority:										
1997 Leasehold Revenue Bond	-	-	-	-	2,860	2,945	3,025	3,690	4,330	4,940
2000 Lease Revenue Bond	-	-	-	-	12,785	13,515	14,215	14,885	15,525	16,140
2001(a) Lease Revenue Bond	-	-	-	25,650	26,375	27,075	27,750	28,400	29,030	29,635
2001(b) Lease Revenue Bond	-	-	-	15,915	17,795	19,595	21,340	23,030	24,670	26,265
2010(a) Lease Revenue Bond	11,910	12,565	13,200	13,820	-	-	-	-	-	-
2011(a) Lease Revenue Bond	31,195	34,155	36,275	-	-	-	-	-	-	-
Total Public Financing Authority	43,105	46,720	49,475	55,385	59,815	63,130	66,330	70,005	73,555	76,980
Civic Improvement Corporation:										
Reservoir Hill Assessment Bonds	-	-	-	-	-	-	-	-	-	-
Total Civic Improvement Corporation	-	-	-	-	-	-	-	-	-	-
Redevelopment Agency:										
1999 Tax Allocation Refunding Bonds	-	-	6,180	6,610	7,020	7,410	7,790	8,155	8,505	8,840
2002 Tax Allocation Refunding Bonds	-	-	13,525	14,470	15,380	16,250	17,095	17,910	18,700	19,465
Mayer Disposition and Development Agreement	-	-	5,803	6,153	6,503	6,810	7,101	8,197	10,083	10,730
Bella Terra OPA (Parking)	-	-	13,922	14,076	14,227	14,532	14,855	15,000	-	-
CIM DDA (Parking & Infrastructure)	-	-	7,288	7,444	7,768	-	-	-	-	-
CIM DDA (Additional Parking)	-	-	435	440	421	-	-	-	-	-
Section 108 Loan RDA/Bowen Court	-	-	3,997	5,725	6,140	6,530	6,895	7,235	7,550	7,850
Total Redevelopment Agency	-	-	51,150	54,918	57,459	51,532	53,736	56,497	44,838	46,885
Other Long-Term Obligations:										
Notes Payable	-	-	-	-	-	-	-	-	116	337
Energy Financing Loan	-	-	-	-	-	-	-	-	-	-
Capital Leases Payable	-	290	572	857	1,161	1,681	2,281	2,975	3,461	4,885
Property Tax Claims	-	-	-	-	-	-	-	-	-	-
PARS Payable	-	4,517	5,868	7,149	-	-	-	-	-	-
Section 108 Loan City	1,135	1,285	1,425	-	-	-	-	-	-	-
Total Other Long-Term Obligations	1,135	6,092	7,865	8,006	1,161	1,681	2,281	2,975	3,577	5,222
Total Long-Term Obligations - Governmental Activities	\$ 47,714	\$ 57,151	\$ 113,669	\$ 124,298	\$ 125,209	\$ 126,393	\$ 133,142	\$ 141,002	\$ 134,215	\$ 141,587
Long-Term Obligations - Business-Type Activities:										
Leases Payable	\$ -	\$ -	\$ 3	\$ 6	\$ 9	\$ 12	\$ 40	\$ 112	\$ 183	\$ 250
Total Long Term Obligations - Governmental Activities and Business-Type Activities	\$ 47,714	\$ 57,151	\$ 113,669	\$ 113,672	\$ 124,304	\$ 125,218	\$ 126,405	\$ 133,182	\$ 141,114	\$ 134,398
Population*	193,616	192,524	190,377	203,484	202,480	201,993	202,250	201,000	200,023	198,996
Debt Per Capita	\$ 246	\$ 297	\$ 300	\$ 559	\$ 578	\$ 712	\$ 619	\$ 623	\$ 705	\$ 675
Total Personal Income (In Thousands)**	\$ 7,839,899	\$ 7,573,894	\$ 7,356,548	\$ 8,440,720	\$ 8,207,324	\$ 8,000,943	\$ 7,626,443	\$ 7,436,799	\$ 7,284,238	\$ 7,246,837
Per Capita Personal Income**	\$ 40,492	\$ 39,340	\$ 38,642	\$ 41,481	\$ 40,534	\$ 39,610	\$ 37,708	\$ 36,999	\$ 36,417	\$ 36,417
Unemployment Rate***	4.30%	6.30%	7.40%	7.80%	7.90%	4.70%	3.40%	2.70%	3.00%	3.20%
Total Employment***	119,600	115,100	110,600	112,100	114,100	119,300	121,100	121,400	119,600	117,200

Source:

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

** Claritas, Inc.

*** State of California Employment Development Department

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

	Assessed Valuation	Debt Limit - 12% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
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
2006-2007	23,781,272	2,853,753	-	2,853,753
2007-2008	25,361,377	3,043,365	-	3,043,365
2008-2009	26,102,478	3,132,297	-	3,132,297
2009-2010	26,411,890	3,169,427	-	3,169,427
2010-2011	26,675,055	3,201,007	-	3,201,007
2011-2012	26,723,376	3,206,805	-	3,206,805
2012-2013	28,045,479	3,365,457	-	3,365,457

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2013**

2012-13 Assessed Valuation \$28,322,339,435 (after deducting \$1,744,092,986 of incremental redevelopment valuation)

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

Overlapping Tax and Assessment Debt	Percent Applicable (1)	Debt Applicable to City
Metropolitan Water District	1.4290%	\$ 2,359,065
Coast Community College District	29.3850%	185,834,765
Huntington Beach Union High School District	72.9840%	150,985,649
Huntington Beach City School District	99.8380%	22,008,251
Westminster School District	26.1200%	18,822,958
Los Alamitos Unified School District School Facilities District No. 1	1.1480%	1,159,367
City of Huntington Beach Community Facilities Districts	100.0000%	39,630,000
Total Overlapping Tax and Assessment Debt		\$ 420,800,055

Ratios to 2012-2013 Assessed Valuation

Total Overlapping Tax and Assessment Debt 1.40%

Direct and Overlapping General Fund Debt

Orange County General Fund Obligations	\$ 11,998,272
Orange County Pension Obligations	20,420,226
Orange County Board of Education Certificates of Participation	1,108,316
MWDOC Facilities Corporation	654,733
North Orange County Regional Occupation Program Certificates of Participation	9,193
Huntington Beach Union High School District Certificates of Participation	43,732,808
Los Alamitos Unified School District Certificates of Participation	470,406
Fountain Valley School Districts Certificates of Participation	2,347,737
Huntington Beach City School District Certificates of Participation	16,297,875
Ocean View School District Certificates of Participation	5,192,410
Westminster School District Certificates of Participation	6,089,878
City of Huntington Judgement Obligation Bonds	3,474,000
City of Huntington Reporting Entity Beach General Fund Obligations:	43,105,000
Total Gross Direct and Overlapping General Fund Debt	154,900,854
Less Self Supporting Debt of MWDOC Water Facilities Corporation	(654,733)
Total Net Direct and Overlapping General Fund Debt	\$ 154,246,121

Total Direct Debt	\$ 46,579,000
Total Gross Overlapping Debt	545,876,909
Total Net Overlapping Debt	545,222,176
Gross Combined Total Debt	\$ 592,455,909
Net Combined Total Debt	591,801,176

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$46,579,000)	0.15%
Gross Combined Total Debt	1.97%
Net Combined Total Debt	1.97%

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

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

	2013	% of total
Boeing	5,178	4.33%
Cambro MFG Co.	1,137	0.95%
Quiksilver	955	0.80%
Ensign United States Drilling	925	0.77%
Hyatt Regency Huntington Beach	641	0.54%
C & D Aerospace	555	0.46%
Huntington Beach Hospital	527	0.44%
Wal-Mart	462	0.39%
Rainbow Disposal	408	0.34%
Huntington Beach Healthcare	381	0.32%
Total of top 10	11,169	9.34%
All others	108,431	90.66%
Total employment (public and private)	119,600	100.00%

	2004	% of total
Boeing	4,800	3.73%
Quiksilver	1,600	1.24%
Cambro Manufacturing	886	0.69%
Dynamic Cooking Systems	700	0.54%
C & D Aerospace	665	0.52%
Triad Financial	637	0.49%
E-Trade Mortgage	561	0.44%
Huntington Beach Hospital	513	0.40%
Rainbow Disposal	420	0.33%
Verizon	352	0.27%
Total of top 10	11,134	8.64%
All others	117,706	91.36%
Total employment (public and private)	128,840	100.00%

Source: Economic Development Department, City of Huntington Beach

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

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

	Actual				Budgeted					
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager	11.50	7.00	7.00	6.00	9.00	9.00	8.00	7.00	8.00	8.00
City Treasurer	1.50	1.50	1.50	10.00	10.00	10.00	10.00	10.00	16.00	16.00
City Attorney	11.00	11.00	11.00	17.00	18.00	18.00	18.00	17.00	17.00	15.00
City Clerk	4.00	4.00	4.00	8.00	8.00	8.00	7.50	7.50	7.50	7.50
Finance	29.50	29.50	29.50	32.00	33.00	33.00	33.00	31.00	22.00	18.00
Human Resources	14.50	15.00	15.00	20.50	20.50	20.50	20.00	22.00	21.00	22.00
Planning	42.75	42.75	43.75	26.00	28.00	28.00	28.00	28.00	26.50	25.00
Building *	-	-	-	25.75	30.50	31.50	31.50	31.50	29.50	27.50
Information Systems	29.50	29.50	29.50	39.00	40.00	39.00	38.00	37.00	36.00	37.00
Economic Development **	-	5.50	11.50	14.00	14.00	14.00	13.00	13.00	14.00	14.00
Library Services	27.75	27.75	29.75	32.25	37.25	37.25	37.25	37.25	37.25	37.25
Fire	176.50	176.50	176.50	176.00	185.00	185.00	184.00	157.00	156.00	155.00
Police	358.50	363.00	367.00	355.00	381.00	381.00	376.00	371.50	371.00	367.00
Community Services	56.00	61.00	61.00	65.75	69.75	69.75	69.75	66.50	62.25	63.25
Public Works	196.00	196.00	203.00	227.00	258.00	258.00	255.00	247.00	239.00	235.00
	960.00	971.00	991.00	1,055.25	1,143.00	1,143.00	1,130.00	1,084.25	1,064.00	1,048.50

Source: Finance Department, City of Huntington Beach

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

Budgeted full-time employees provided for remaining years.

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

** The Economic Development department was merged into the City Manager's Office for fiscal year ended September 30 2013 and subsequent years.

CITY OF HUNTINGTON BEACH

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

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006
Finance:								
Water Bills Processed	628,207	646,229	630,268	640,351	641,602	642,883	630,228	626,903
Business Licenses Issued	21,127	22,304	21,903	21,045	20,841	21,129	20,670	19,746
Accounts Receivable Billings Processed	45,422	45,422	42,968	37,146	31,894	26,263	21,352	22,453
City Clerk:								
Passports Issued	4,220	3,850	3,082	3,251	3,186	4,386	5,687	3,416
Planning:								
Entitlements Processed	231	205	195	353	465	674	504	566
Plan Reviews	1,575	1,184	1,524	2,216	1,447	1,941	1,456	2,105
Field Inspection Complaints	7,301	6,105	6,064	8,187	9,345	7,932	5,273	5,926
Code Violation Cases	2,385	2,573	2,521	3,315	3,876	3,385	2,231	3,580
Building:								
Number of Permits Issued	8,970	8,444	8,413	8,037	8,114	9,254	4,355	11,210
Number of Inspections Completed	33,962	31,224	29,905	29,792	33,734	40,510	42,181	43,905
Value of Construction Permits (Thousands of Dollars)	248,246	190,992	104,238	91,049	72,727	123,843	141,277	196,453
Processed Number of Certificate of Occupancies	477	647	765	796	484	540	590	307
Automated Information Requests	n/a	n/a	n/a	n/a	n/a	n/a	78,243	77,006
Counter Visits	20,854	19,777	20,288	20,272	19,149	18,775	n/a	n/a
Fire:								
Inspections	5,087	6,974	7,858	7,450	6,375	6,203	4,900	4,300
Responses	15,608	15,040	15,940	15,629	14,130	13,879	12,400	12,100
Police:								
Physical Arrests	4,237	5,774	6,457	5,695	6,380	6,930	5,576	6,368
Parking Violations	72,347	77,282	77,261	74,115	55,840	67,270	123,096	68,712
Traffic Violations	13,016	16,916	16,770	22,660	19,433	18,882	19,859	22,755
Community Services:								
Acreage of Parks	1,062	1,062	998	1,003	999	1,001	999	999
Estimated Beach Visitors	11,016,615	8,906,592	7,840,968	8,208,477	9,922,165	10,452,461	10,363,719	10,085,358
Enrollment in Recreation Classes	20,318	32,817	32,565	31,743	32,906	35,537	34,932	25,447
Ocean Recues	4,195	4,669	3,845	2,822	6,047	n/a	n/a	n/a
Public Works:								
Water Sold (Acre Feet)	28,354	27,784	26,868	27,268	30,537	30,518	31,128	29,246
Gallons of Sewage Pumped Per Day	22 million	22 million	22 million	22 million	23 million	23 million	23 million	23 million
Library:								
Items in Collection	385,901	420,956	427,707	437,603	440,578	438,467	431,304	437,472
Items Borrowed	892,543	888,019	943,695	1,009,634	944,492	879,225	826,921	823,116

Source: Various departments of the City of Huntington Beach

**CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
SEPTEMBER 30, 2013**

Library Services	One Main Library and Four Branches
Fire:	
Fire Stations	8
Police:	
Stations	One Main Station and Three Substations
Community Services:	
Acreage of Parks	1062
Community Centers	6
Miles of Beach Maintained	4.7
Public Works:	
Centerline Square Miles of Streets Maintained	443
Miles of Storm Drains Maintained	118
Miles of Sewer Maintained	360

Source: Various departments of the City of Huntington Beach