

*City of
Huntington
Beach,
California*

**Comprehensive
Annual
Financial
Report**

**For the Year Ended
September 30, 2007**



CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Prepared by the Finance Department

INTRODUCTORY SECTION

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INTRODUCTORY SECTION

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CITY OF HUNTINGTON BEACH

February 26, 2008

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

The Charter of the City of Huntington Beach requires that the City's financial statements be audited each year by an independent accounting firm. This report fulfills that requirement for the fiscal year ending September 30, 2007.

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

Diehl, Evans & Company, LLP, a firm of licensed independent certified public accountants, has audited the City's financial statements for the year ending September 30, 2007. The auditors' report is located at the front of the financial statement. The City received an unqualified (clean) opinion. The goal of the audit is to provide reasonable assurance that the financial statements of the City of Huntington Beach are free of material misstatement. This independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the financial statements of the City of Huntington Beach for the fiscal year ending September 30, 2007 are presented fairly in accordance with generally accepted accounting principles. The opinion is presented as the first component of the financial section of this report.

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

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

ABOUT THE CITY OF HUNTINGTON BEACH

The City of Huntington Beach is located along the Southern California coast in Orange County, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of approximately 200,000 residents, it is known as Surf City due to its abundance of beaches; sunny, warm Mediterranean climate; and casual lifestyle. Huntington Beach covers 28 square miles of land, 26 square miles of water, and is the one of the 20 largest

cities in California. With 8.5 miles of uninterrupted beach along the Pacific Ocean, the city also plays host to an annual visitor population of over 11 million people, especially during the summer, special events and weekends. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the Top Ten Safest Cities by City Crime Rankings.

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

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

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

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

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

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

LOCAL ECONOMY

The City of Huntington Beach is one of the leading commercial and industrial centers in Southern California. The City works diligently to maintain its business friendly atmosphere, working closely with the Huntington Beach Chamber of Commerce and the Huntington Beach Conference and Visitors Bureau. The City seeks to attract new businesses and support existing business through retention and expansion efforts. Benefits from tourism and continued modest economic growth should allow for sustainable revenue growth for the City.

As the third largest city in Orange County, more than 121,100 people are currently employed by over 14,400 businesses and governmental entities in the City. Huntington Beach residents represent nearly 8% of the entire Orange County working population. Huntington Beach businesses include aerospace and high technology; petroleum and petroleum support; manufacturing; computer hardware and software; financial and business services;

automobile services; machine shop services, precision instruments, retailers and surf apparel, just to name a few.

LONG-TERM FINANCIAL PLANNING

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

MAJOR INITIATIVES

Through its Strategic Plan, the Huntington Beach City Council seeks to assure a high quality of life endures and improves as the City ages. The Strategic Plan was first created in July 2001 as a way to help the City Council assess the effects of today's decisions on the City's future quality of life. As a blueprint for the City's future, the Strategic Plan defines the City Council's goals and objectives. The following are the City Council's strategic goals set forth in the City's development of the annual budget:

- Public Safety - Maintain a healthy and safe community
- Fiscal Integrity - Establish a sound financial foundation for the City's finances
- Infrastructure and Transportation - Assure the long-term adequacy of the City's infrastructure, facilities, and transportation network.
- Economic Development - Achieve development that maintains and improves the city's fiscal viability and reflects economic demands while maintaining and improving quality of life for current and future residents
- Organizational Development and Technology - Maintain and continually improve organizational effectiveness.
- Community Livability and Sustainability – Build and maintain a sense of place and an exceptional quality of life within a sustainable urban environment.
- Enrichment, Communication and Involvement - Ensure that Huntington Beach's local government is open, accessible, responsive, nurturing, and respectful to all the citizens it serves.
- Environment and Natural Resources - Enhance the community's environmental quality and its unique natural resources.

CASH MANAGEMENT POLICES AND PRACTICES

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

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

- To assure compliance with all Federal, State, and local laws governing the investment of public funds under the control of the City Treasurer.
- To protect the principal moneys entrusted to the City Treasurer.

- Achieve a reasonable rate of return within the parameters of prudent risk management while minimizing the potential for capital losses arising from market changes or issuer default.

The City forecasts revenues and expenditures to meet current obligations and to earn a market rate of return on its investments. The City Treasurer earned a return of 4.74% for the year. The California Government Code requires the City Treasurer to prepare an annual statement of investment policy. The City Treasurer complied with this law. Note 2 to the Basic Financial Statements shows further information on the City's cash and investments.

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

	Percent Funded	Unfunded Liability (in millions)
Retirement - Normal Plan	95%	\$71.5
Retirement - Supplemental	40%	\$30.6
Post-Employment Benefits	33%	\$14.9

The City has adopted actuarially sound funding plans to pay off the unfunded liabilities according to studies conducted by CalPERS and independent actuaries. The City will implement Government Accounting Standards Board Statement 45 (Other Post-Employment Benefits) for the fiscal year ending September 30, 2008. The City has made contributions to this plan since its inception in 1991, but GASB 45 will require that the City contribute additional amounts than have been contributed in past years. The 2007-08 budget includes amounts to fully fund these benefits.

RISK MANAGEMENT

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

AWARDS AND ACKNOWLEDGEMENTS

The Governmental Finance Officers Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report ended September 30, 2006. This was the nineteenth consecutive year the City has received this prestigious award. To qualify for the Certificate of Achievement, the government entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such report must satisfy both generally accepted accounting principles as well as all legal requirements.

The Certificate of Achievement is valid for one year only. The City believes that this Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to GFOA to determine its eligibility for another certificate.

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



Dan T. Vilella, CPA
Finance Director

City of Huntington Beach
City Council 2006/2007

Debbie Cook, Mayor
Keith Bohr, Mayor Pro Tem

Joe Carchio, Councilmember
Gil Coerper, Councilmember
Cathy Green, Councilmember
Don Hansen, Councilmember
Jill Hardy, Councilmember

Executive Team

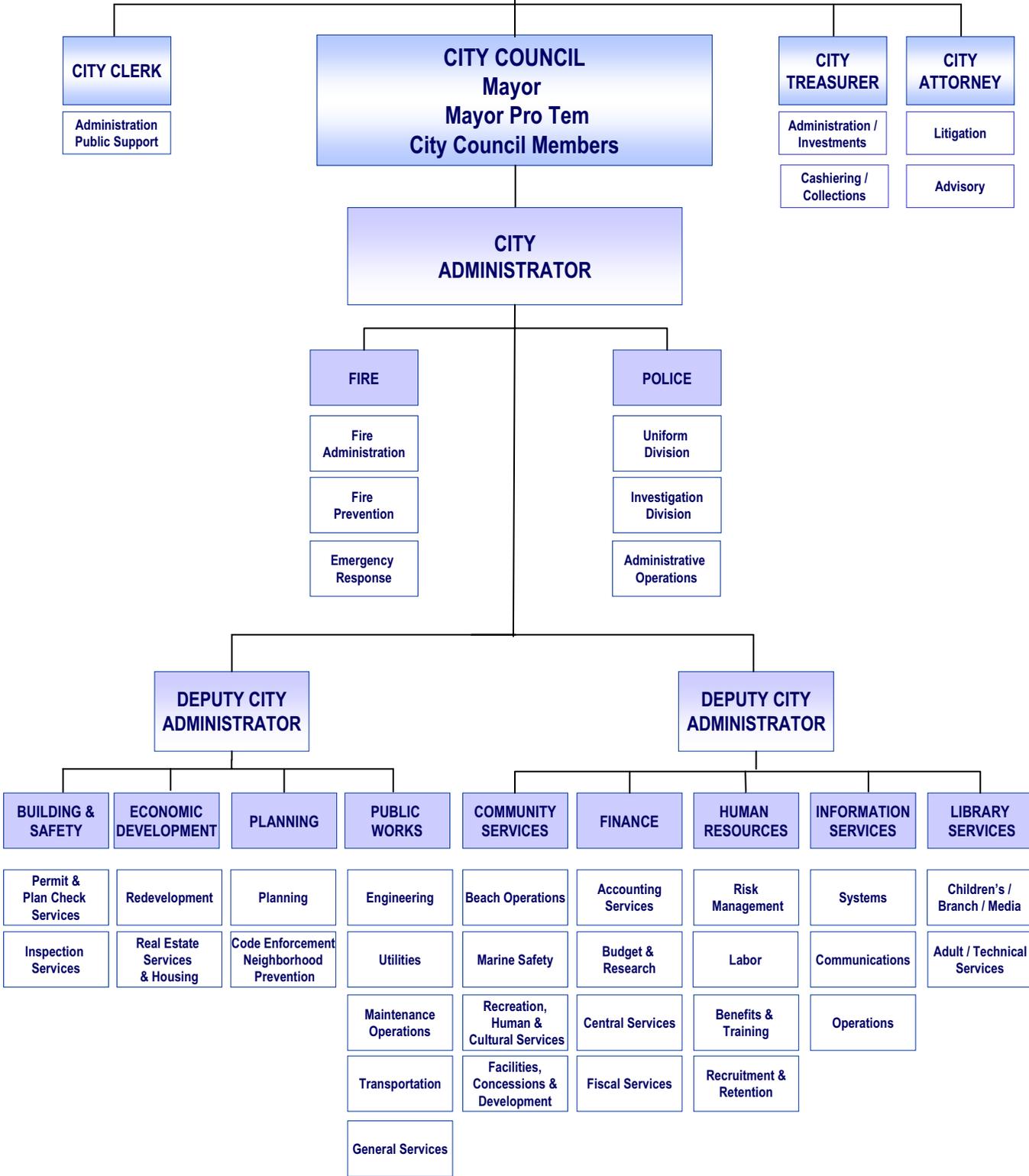
Paul Emery, Interim City Administrator
Robert Hall, Deputy City Administrator
Laurie E. Payne, Community Relations Officer

Department Directors

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

CITY OF HUNTINGTON BEACH

THE PEOPLE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Huntington Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

FINANCIAL SECTION



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*A PROFESSIONAL CORPORATION

February 20, 2008

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of City Council
City of Huntington Beach
Huntington, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the City of Huntington Beach's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, as of September 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2008 on our consideration of the City of Huntington Beach's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis and the California Public Employees Retirement System's Schedule of Funding Progress, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and the California Public Employees Retirement System's Schedule of Funding Progress and express no opinions on them. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huntington Beach's basic financial statements. The introductory section, combining and individual other 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 other fund financial statements and capital assets schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-vii of this report.

Financial Highlights

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

	Total Governmental and Business Activities			
	September 30, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,030,304	\$ 998,588	\$ 31,716	3.2%
Liabilities	202,787	205,278	(2,491)	-1.2%
Total Net Assets	827,517	793,310	34,207	4.3%
Unrestricted Net Assets	113,655	87,289	26,366	30.2%
Long-Term Obligations	146,490	152,352	(5,862)	-3.8%
Program Revenues	115,215	108,620	6,595	6.1%
Taxes	145,232	127,442	17,790	14.0%
Other General Revenues	29,879	33,788	(3,909)	-11.6%
Expenses	256,119	244,244	11,875	4.9%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$827,517,000. Of this amount, \$113,655,000 may be used to meet the City's ongoing obligations to citizens and creditors. Net assets increased \$34,207,000 or 4.3%. This increase is due in large part to investments in capitalized infrastructure. Unrestricted net assets increased by \$26,366,000 or 30.2%.
- Long-term liabilities decreased by (\$5,862,000) or (3.8%).
- Program revenues increased by \$6,595,000 or 6.1% due to developer contributions in the current fiscal year. Taxes increased \$17,790,000 or 14.0%. Expenses increased \$11,875,000 or 4.9%

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2007

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

The government-wide financial statements separate functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from functions that are supported by user fees (business activities). Governmental activities include public safety, public works, general government, and community-related activities. Business activities include the Water, Sewer, Refuse, Emerald Cove Housing, Emergency Fire Medical, Hazmat Service, and Ocean View Estates.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Grants Fund, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, and Low-Income Housing Capital Projects Fund all of which are considered to be major funds. Data from the other 17 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a combining statement elsewhere in this report.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2007

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules on pages 71-72 and 85-95 demonstrate compliance.

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on page 25 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-67 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and General Fund budget to actual comparisons. Required supplementary information can be found on pages 69-73 of this report.

The combining statements 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 page 77-84 of this report.



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2007

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Below is a summary schedule of the City's net assets at September 30, 2007 (in thousands):

Governmental Activities

	September 30, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Current and Other Assets	\$ 181,577	\$ 164,117	\$ 17,460	10.6%
Capital Assets	633,421	631,756	1,665	0.3%
Total Assets	814,998	795,873	19,125	2.4%
Current Liabilities	50,301	46,859	3,442	7.3%
Long-Term Liabilities	145,422	151,484	(6,062)	-4.0%
Total Liabilities	195,723	198,343	(2,620)	-1.3%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	486,901	494,880	(7,979)	-1.6%
Restricted	73,541	68,381	5,160	7.5%
Unrestricted	58,833	34,269	24,564	71.7%
Total Net Assets	\$ 619,275	\$ 597,530	\$ 21,745	3.6%

Business Activities

	September 30, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Current and Other Assets	\$ 95,420	\$ 91,024	\$ 4,396	4.8%
Capital Assets	119,886	111,691	8,195	7.3%
Total Assets	215,306	202,715	12,591	6.2%
Current Liabilities	5,996	6,067	(71)	-1.2%
Long-Term Obligations	1,068	868	200	23.0%
Total Liabilities	7,064	6,935	129	1.9%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	119,874	111,651	8,223	7.4%
Restricted	33,546	31,109	2,437	7.8%
Unrestricted	54,822	53,020	1,802	3.4%
Total Net Assets	\$ 208,242	\$ 195,780	\$ 12,462	6.4%

The largest portion of the City's net assets reflects investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets is subject to external (legally imposed or statutory) restrictions (\$73,541,000 for governmental activities, and \$33,546,000 for business activities). These amounts represent 11.9% and 16.1% of net assets for governmental activities and business activities respectively. The unrestricted assets (\$58,833,000 for governmental activities and \$54,822,000 for business activities) represent 9.5% and 26.3% of net assets for governmental activities and business activities respectively. A condensed summary of governmental activities (in thousands) follows:



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2007

	Governmental Activities			
	September 30, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 44,672	\$ 37,139	\$ 7,533	20.3%
Operating Grants and Contributions	1,996	917	1,079	117.7%
Capital Grants and Contributions	5,154	6,893	(1,739)	-25.2%
Total Program Revenues	51,822	44,949	6,873	15.3%
General Revenues:				
Property Taxes	79,369	66,598	12,771	19.2%
Sales Taxes	30,608	26,448	4,160	15.7%
Utility Taxes	21,479	21,170	309	1.5%
Other Taxes	13,776	13,226	550	4.2%
Use of Money and Property	7,895	4,310	3,585	83.2%
From Other Agencies	12,689	10,390	2,299	22.1%
Participation Payments	1,564	6,221	(4,657)	-74.9%
Other	2,696	9,278	(6,582)	-70.9%
Total General Revenues	170,076	157,641	12,435	7.9%
Total Revenues	221,898	202,590	19,308	9.5%
Expenses:				
City Council	287	271	16	5.9%
City Administrator	1,442	5,540	(4,098)	-74.0%
City Treasurer	1,088	1,479	(391)	-26.4%
City Attorney	2,534	2,317	217	9.4%
City Clerk	950	756	194	25.7%
Finance	4,454	3,306	1,148	34.7%
Human Resources	4,202	-	4,202	0%
Planning	3,098	2,813	285	10.1%
Building	4,899	3,930	969	24.7%
Fire	27,247	24,787	2,460	9.9%
Information Systems	6,591	7,361	(770)	-10.5%
Police	56,988	50,877	6,111	12.0%
Economic Development	9,209	4,977	4,232	85.0%
Community Services	16,482	15,777	705	4.5%
Library Services	5,586	4,829	757	15.7%
Public Works	34,581	49,654	(15,073)	-30.4%
Non-Departmental	15,131	11,263	3,868	34.3%
Interest on Long-Term Debt	5,875	5,575	300	5.4%
Total Expenses	200,644	195,512	5,132	2.6%
Increase in Net Assets Before Transfers	21,254	7,078		
Transfers	491	464		
Net Assets - Beginning of Year As Restated	597,530	589,988		
Net Assets - End of Year	\$ 619,275	\$ 597,530		

The cost of all governmental activities this year was \$200,644,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$148,822,000, because costs of \$44,672,000 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 \$1,996,000, and capital grants and contributions of \$5,154,000. Overall, the City's governmental program revenues were \$51,822,000. The City paid for the remaining "public benefit" portion of governmental activities with \$170,076,000 in taxes and general revenue (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Capital Grants and Contributions have decreased by \$1,739,000 or 25.2% due to a decrease in state grants in the current fiscal year.

Total resources available during the year to finance governmental operations were \$827,517,000 consisting of net assets at October 1, 2006 of \$597,530,000, program revenues of \$51,822,000, general revenues of \$170,076,000, and transfers of \$491,000. Total expenses for governmental activities during the year were \$200,644,000, thus, net



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2007

assets were increased by \$21,745,000, to \$619,275,000. A condensed summary of business activities (in thousands) follows:

	Business Activities			
	September 30, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 56,294	\$ 56,525	\$ (231)	-0.4%
Capital Grants and Contributions	7,099	7,146	(47)	-0.7%
Total Program Revenues	63,393	63,671	(278)	-0.4%
Use of Money and Property	5,035	3,589	1,446	40.3%
Total Revenues	68,428	67,260	1,168	1.7%
Expenses:				
Water Utility	32,606	28,117	4,489	16.0%
Emerald Cove Housing	936	551	385	69.9%
Emergency Fire Medical	5,347	5,637	(290)	-5.1%
Refuse Collection	10,542	10,289	253	2.5%
Sewer Service	5,766	3,855	1,911	49.6%
Hazmat Service	194	163	31	19.0%
Ocean View Estates	84	120	(36)	-30.0%
Total Expenses	55,475	48,732	6,743	13.8%
Increase in Net Assets Before Transfers	12,953	18,528		
Transfers	(491)	(464)		
Net Assets - Beginning of Year	195,780	177,716		
Net Assets - End of Year	\$ 208,242	\$ 195,780		

The City's net assets from business activities increased by \$12,953,000 before transfers. The largest reasons for this increase was operating income of \$819,000, capital contributions for the Water Master Plan of \$7,099,000 and interest income of \$5,035,000.

The cost of all Proprietary (Business Type) activities this year was \$55,475,000. As shown in the Statement of Activities and Changes in Net Assets, the amount paid by users of the systems was \$56,294,000, capital grants and contributions were \$7,099,000, other revenue was \$5,035,000, and transfers were \$491,000. Beginning net assets were \$195,780,000 and ending net assets were \$208,242,000. Of the ending net asset amount, \$119,874,000, or 57.6%, was invested in capital assets, \$33,546,000 or 16.1% was restricted for expenditures for the Water Master Plan, and \$54,822,000, or 26.3% was unrestricted.

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2007

	2006-2007			2005-2006
	Expenses	Less Program Revenues	Funded by Taxes and Other General Revenues	Funded by Taxes and Other General Revenues
Governmental Activities:				
City Council	\$ 287	\$ (99)	\$ 188	\$ 181
City Administrator	1,442	(392)	1,050	3,928
City Treasurer	1,088	(698)	390	147
City Attorney	2,534	(46)	2,488	2,274
City Clerk	950	(210)	740	661
Finance	4,454	(1,312)	3,142	2,981
Human Resources	4,202	(1,347)	2,855	-
Planning	3,098	(4,223)	(1,125)	1,988
Building	4,899	(5,450)	(551)	(929)
Fire	27,247	(1,807)	25,440	23,588
Information Systems	6,591	(675)	5,916	6,720
Police	56,988	(5,012)	51,976	45,390
Economic Development	9,209	(4,018)	5,191	4,100
Community Services	16,482	(16,424)	58	(293)
Library Services	5,586	(1,090)	4,496	3,820
Public Works	34,581	(8,787)	25,794	39,398
Non-Departmental	15,131	(232)	14,899	11,034
Interest on Long-Term Debt	5,875	-	5,875	5,575
Total Governmental Activities	\$ 200,644	\$ (51,822)	\$ 148,822	\$ 150,563
Business Activities				
Water Utility	32,606	(37,962)	(5,356)	(9,829)
Emerald Cove Housing	936	(1,037)	(101)	(409)
Emergency Fire Medical	5,347	(6,068)	(721)	(508)
Refuse Collection	10,542	(10,550)	(8)	(3)
Sewer Service	5,766	(7,242)	(1,476)	(4,018)
Hazmat Service	194	(210)	(16)	(19)
Ocean View Estates	84	(324)	(240)	(153)
Total Business Activities	\$ 55,475	\$ (63,393)	\$ (7,918)	\$ (14,939)

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, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Total Fund Equity:				
General Fund	\$ 43,696	\$ 40,586	\$ 3,110	7.7%
Redevelopment Agency Capital Projects	21,757	20,265	1,492	7.4%
Redevelopment Agency Debt Service	1,380	1,225	155	12.7%
Low-Income Housing Fund	12,666	10,502	2,164	20.6%
Grants	7,387	7,062	325	4.6%
Total Fund Equity	\$ 79,499	\$ 79,640	\$ 6,921	-0.2%
Unreserved Fund Equity:				
General Fund	\$ 33,017	33,204	\$ (187)	-0.6%
Redevelopment Agency Capital Projects	14,505	4,608	9,897	214.8%
Redevelopment Agency Debt Service	1,380	6,325	(4,945)	-78.2%
Total Unreserved Fund Equity	\$ 48,902	\$ 44,137	\$ 4,765	10.8%

The General fund balance increased by \$3,110,000. Key factors in this growth were



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2007

increased property tax revenue as a result of increases in the assessed value of real estate and increased sales tax revenue as a result of increasing economic activity.

The Redevelopment Agency Debt Service fund balance increased by \$155,000 primarily due to increased property tax revenue as a result of increases in assessed real estate values.

The Grants fund balance increased by \$325,000 primarily due to transfers from other funds and increased grant activity.

Financial Analysis of the City's Major Proprietary Funds

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

Enterprise Funds				
	September 30, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Assets:				
Water Fund	\$ 150,023	\$ 140,613	\$ 9,410	6.7%
Sewer Fund	42,279	40,205	2,074	5.2%
Refuse Fund	232	164	68	41.5%
Total Net Assets	\$ 192,534	\$ 180,982	\$ 11,552	6.4%
Unrestricted Net Assets:				
Water Fund	\$ 38,810	\$ 33,105	\$ 5,705	17.2%
Sewer Fund	8,044	12,366	(4,322)	-35.0%
Refuse Fund	232	164	68	41.5%
Total Unrestricted Net Assets	\$ 47,086	\$ 45,635	\$ 1,451	3.2%

The Water Fund net assets increased by \$9,410,000 and unrestricted net assets increased by \$5,705,000. Key factors in this growth were capital improvement fees of \$7,099,000 and net operating loss of \$1,743,000.

The Sewer Fund net assets increased by \$2,074,000 and unrestricted net assets decreased by \$4,322,000. The key factor in this decline was an increase in investment in capital assets net of related debt of \$6,396,000.



City of Huntington Beach
 Management's Discussion and Analysis
 For the Year Ended September 30, 2007

Debt Administration

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

	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007
Governmental Activities:				
Certificates of Participation	\$ 14,885	\$ -	\$ (670)	\$ 14,215
Revenue Bonds	55,120	-	(3,005)	52,115
Tax Allocation Bonds	26,065	-	(1,180)	24,885
Judgment Obligation Bonds	11,525	-	(730)	10,795
Special District Bonds	-	-	-	-
Claims	3,956	2,772	(2,056)	4,672
Compensated Absences	9,630	3,810	(2,372)	11,068
Pension Obligation	6,548	-	(1,773)	4,775
Loans	30,432	2,558	(4,139)	28,851
Property Tax Claims	-	-	-	-
Leases Payable	2,975	35	(729)	2,281
Total Long-Term Obligations - Governmental Activities	161,136	9,175	(16,654)	153,657
Business Activities:				
Compensated Absences	868	418	(227)	1,059
Leases	40	14	(42)	12
Business Activities	908	432	(269)	1,071
Total Long-Term Obligations	\$ 162,044	\$ 9,607	\$ (16,923)	\$ 154,728

Additional information on the City's long-term debt is shown in note 11 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 15% of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. This is shown on page 117 of the financial statements. The City's total debt decreased (\$7,316,000) or (4.5%) from its beginning amount primarily due to debt repayment.

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

<u>Debt Instrument</u>	<u>Moody's</u>	<u>S & P</u>
1998 Tax Allocation Refunding Bonds	Aaa	Not Available
2000 Lease Revenue Bonds, Series A	A1	AAA
2001 Lease Revenue Bonds, Series A	A1	AAA
2001 Lease Revenue Bonds, Series B	A1	AAA
2002 Tax Allocation Refunding Bonds	Aaa	Not Available
2004 Judgment Obligation Bonds	Aa3	AA-

Capital Assets

The capital assets of the City are those assets, which are used in the performance of the City's functions including infrastructure assets. The City has elected to use the "Basic Approach" as defined by GASB statement 34 for infrastructure reporting. The following infrastructure networks are recorded as capital assets in the government-wide financial statements:



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2007

- 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, 2007	September 30, 2006	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 360,971	\$ 360,971	\$ -	0.0%
Buildings	105,288	108,507	(3,219)	-3.0%
Machinery and Equipment	19,895	19,945	(50)	-0.3%
Construction in Progress	3,929	2,448	1,481	60.5%
Joint Venture	1,498	1,284	214	16.7%
Infrastructure	141,840	138,601	3,239	2.3%
Total Governmental Activities	633,421	631,756	1,665	0.3%
Business Activities:				
Land	\$ 7,840	\$ 7,840	\$ -	0.0%
Buildings	36,654	38,210	(1,556)	-4.1%
Machinery and Equipment	6,282	5,515	767	13.9%
Construction in Progress	10,786	4,143	6,643	160.3%
Infrastructure	58,324	55,983	2,341	4.2%
Total Business Activities	119,886	111,691	8,195	7.3%
Total Capital Assets	\$ 753,307	\$ 743,447	\$ 9,860	1.3%

Capital assets from governmental activities increased \$1,665,000 (0.3%) and capital assets from business activities increased \$8,195,000 (7.3%). These increases were largely due to infrastructure additions. Further information on the City's capital assets can be found in note 12 of the financial statements.

General Fund Budgetary Highlights

Comparing the fiscal year 2006/2007 original budget (or adopted) General Fund (expenditures and transfers) amount of \$172,960,000 to the final budgeted amount of \$179,605,000 shows a net increase of \$6,645,000 (3.8%).

General Fund expenditures were \$14,149,000 less than the final budget. The favorable budget variance is due to lower than expected claims, capital outlay, operating, and professional services expenditures.

Economic Factors And Next Year's Budgets And Rates

The key assumptions in the General Fund revenue forecast for fiscal year 2007/2008 are:

- Moderate to slowing growth in secured property tax revenue, most prevalent slowing evident in supplemental revenue and real estate transfer taxes.
- Moderating growth in sales tax revenue due to slowing economy.
- Conduct a comprehensive fee study and update of the cost allocation plan.
- Slowing growth of development related revenues due to downturn in housing market as well as fewer large development projects.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2007

- Increased growth in transient occupancy tax (TOT) late in summer 2008 with opening of new hotel downtown with anticipation of greater TOT growth in 2009 as second major hotel opens.
- Continued growth in lease and concession revenue, especially with several new cellular service site leases going into effect.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department at 2000 Main Street, Huntington Beach, California, 92648-2702, phone (714) 536-5907 or e-mail rsedlak@surfcity-hb.org.

BASIC FINANCIAL STATEMENTS

CITY OF HUNTINGTON BEACH
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007
(In Thousands)

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 28,853	\$ 52,935	\$ 81,788
Receivables	30,402	7,674	38,076
Inventories	-	1,262	1,262
Other Assets	12,429	-	12,429
Subtotal	71,684	61,871	133,555
Restricted Assets:			
Cash and Investments	65,032	33,549	98,581
Cash with Fiscal Agent	12,136	-	12,136
Receivables	30,043	-	30,043
Land Held for Resale	2,682	-	2,682
Total Restricted Assets	109,893	33,549	143,442
Capital Assets :			
Non-Depreciable	366,398	18,626	385,024
Depreciable	267,023	101,260	368,283
Total Capital Assets	633,421	119,886	753,307
Total Assets	814,998	215,306	1,030,304
 LIABILITIES			
Accounts Payable	3,971	4,224	8,195
Accrued Payroll	2,630	237	2,867
Deposits	1,824	1,532	3,356
Claims Payable	5,524	-	5,524
Current Liabilities	13,949	5,993	19,942
Current Liabilities Payable from Restricted Assets:			
Accounts Payable	3,890	-	3,890
Accrued Interest Payable	996	-	996
Unearned Revenue	21,635	-	21,635
Deposits	1,596	-	1,596
Long-Term Obligations Due Within One Year	8,235	3	8,238
Total Current Liabilities Payable from Restricted Assets	36,352	3	36,355
Long-Term Obligations:			
Long-Term Obligations Due in More than One Year	145,422	1,068	146,490
Total Liabilities	195,723	7,064	202,787
 NET ASSETS			
Investment in Capital Assets, Net of Related Debt	486,901	119,874	606,775
Restricted for:			
Debt Service	12,549	-	12,549
Capital Projects	33,366	33,546	66,912
Specific Projects and Programs	27,626	-	27,626
Total Restricted Net Assets	73,541	33,546	107,087
Unrestricted	58,833	54,822	113,655
Total Net Assets	\$ 619,275	\$ 208,242	\$ 827,517

CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
City Council	\$ 287	\$ 99	\$ -	\$ -	\$ (188)	\$ -	\$ (188)
City Administrator	1,442	392	-	-	(1,050)	-	(1,050)
City Treasurer	1,088	698	-	-	(390)	-	(390)
City Attorney	2,534	46	-	-	(2,488)	-	(2,488)
City Clerk	950	210	-	-	(740)	-	(740)
Finance	4,454	1,312	-	-	(3,142)	-	(3,142)
Human Resources	4,202	1,347	-	-	(2,855)	-	(2,855)
Planning	3,098	4,223	-	-	1,125	-	1,125
Building	4,899	5,450	-	-	551	-	551
Fire	27,247	1,267	540	-	(25,440)	-	(25,440)
Information Systems	6,591	675	-	-	(5,916)	-	(5,916)
Police	56,988	4,890	122	-	(51,976)	-	(51,976)
Economic Development	9,209	2,944	1,074	-	(5,191)	-	(5,191)
Community Services	16,482	15,036	5	1,383	(58)	-	(58)
Library Services	5,586	835	255	-	(4,496)	-	(4,496)
Public Works	34,581	5,016	-	3,771	(25,794)	-	(25,794)
Non-Departmental	15,131	232	-	-	(14,899)	-	(14,899)
Interest on Long-Term Debt	5,875	-	-	-	(5,875)	-	(5,875)
Total Governmental Activities	200,644	44,672	1,996	5,154	(148,822)	-	(148,822)
Business-type Activities:							
Water Utility	32,606	30,863	-	7,099	-	5,356	5,356
Sewer Service	5,766	7,242	-	-	-	1,476	1,476
Refuse Collection	10,542	10,550	-	-	-	8	8
Emerald Cove Housing	936	1,037	-	-	-	101	101
Emergency Fire Medical	5,347	6,068	-	-	-	721	721
Hazmat Service	194	210	-	-	-	16	16
Ocean View Estates	84	324	-	-	-	240	240
Total Business Type Activities	55,475	56,294	-	7,099	-	7,918	7,918
Total Business and Government Type Activities	\$ 256,119	\$ 100,966	\$ 1,996	\$ 12,253	(148,822)	7,918	(140,904)
General Revenues:							
Taxes:							
Property Taxes					79,369	-	79,369
Sales Taxes					30,608	-	30,608
Utility Taxes					21,479	-	21,479
Other Taxes					13,776	-	13,776
Total Taxes					145,232	-	145,232
Other:							
Use of Money and Property					7,895	5,035	12,930
From Other Agencies					12,689	-	12,689
Participation Payments					1,564	-	1,564
Other					2,696	-	2,696
Total Other General Revenue					170,076	5,035	175,111
Transfers					491	(491)	-
Total General Revenues and Transfers					170,567	4,544	175,111
Change in Net Assets					21,745	12,462	34,207
Net Assets - Beginning of Year					575,022	195,780	770,802
Prior Period Adjustment					22,508	-	22,508
Net Assets - Beginning of Year as restated					597,530	195,780	793,310
Net Assets - End of Year					\$ 619,275	\$ 208,242	\$ 827,517

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007
(In Thousands)**

	Other Major Governmental Funds					Total Major Governmental Funds	Other Governmental Funds	Total
	General Fund	Grants Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Low-Income Housing Capital Projects			
ASSETS								
Cash and Investments	\$ 28,853	\$ 7,576	\$ 1,121	\$ 17,017	\$ 10,471	\$ 65,038	\$ 28,847	\$ 93,885
Cash and Investments with Fiscal Agent	157	-	2,463	-	-	2,620	9,516	12,136
Taxes Receivable	26,355	-	4,064	-	-	30,419	-	30,419
Other Receivables	4,047	10,417	9	1,168	11,554	27,195	2,831	30,026
Due from Other Funds	-	-	-	3,023	-	3,023	734	3,757
Advances to Other Funds	1,620	-	-	302	2,094	4,016	-	4,016
Land Held for Resale	-	-	-	2,682	-	2,682	-	2,682
Other Assets	-	-	-	-	-	-	1,266	1,266
Prepays	11,163	-	-	-	-	11,163	-	11,163
TOTAL ASSETS	\$ 72,195	\$ 17,993	\$ 7,657	\$ 24,192	\$ 24,119	\$ 146,156	\$ 43,194	\$ 189,350
LIABILITES AND FUND BALANCE								
Liabilities:								
Accounts Payable	\$ 3,971	\$ 350	\$ -	\$ 192	\$ 14	\$ 4,527	\$ 3,334	\$ 7,861
Accrued Payroll	2,548	20	-	19	4	2,591	39	2,630
Due to Other Funds	-	-	3,023	-	-	3,023	734	3,757
Advances from Other Funds	-	-	302	2,094	-	2,396	1,620	4,016
Deposits Payable	1,824	92	-	130	-	2,046	1,374	3,420
Deferred Revenue	14,632	10,144	2,952	-	11,435	39,163	-	39,163
Claims Payable	5,524	-	-	-	-	5,524	-	5,524
Total Liabilities	28,499	10,606	6,277	2,435	11,453	59,270	7,101	66,371
Fund Balances:								
Reserved for:								
Encumbrances	6,202	2,442	-	3,342	437	12,423	7,643	20,066
Long-Term Receivables	1,620	-	-	1,228	2,094	4,942	-	4,942
Debt Service	-	-	-	-	-	-	7,065	7,065
Capital Projects	-	4,945	-	-	10,135	15,080	-	15,080
Land Held for Resale	-	-	-	2,682	-	2,682	-	2,682
Prepaid Insurance	2,857	-	-	-	-	2,857	-	2,857
Total Reserved Fund Balance	10,679	7,387	-	7,252	12,666	37,984	14,708	52,692
Unreserved, Designated:								
Designated for Future Expenditure (Reported in):								
Special Revenue Funds	-	-	-	-	-	-	4,711	4,711
Debt Service Funds	-	-	1,380	-	-	1,380	20	1,400
Capital Projects Funds	-	-	-	60	-	60	1,025	1,085
Other Designations:								
Equipment Replacement	4,602	-	-	-	-	4,602	-	4,602
Capital Projects	3,483	-	-	-	-	3,483	-	3,483
Council Projects	890	-	-	-	-	890	-	890
Second Tier	6,807	-	-	-	-	6,807	-	6,807
Insurance	-	-	-	-	-	-	-	-
Economic Uncertainties	12,953	-	-	-	-	12,953	-	12,953
Unreserved, Undesignated (Reported in):								
General Fund	4,282	-	-	-	-	4,282	-	4,282
Special Revenue Funds	-	-	-	-	-	-	8,789	8,789
Debt Service Funds	-	-	-	-	-	-	4,084	4,084
Capital Projects Funds	-	-	-	14,445	-	14,445	2,756	17,201
Total Unreserved	33,017	-	1,380	14,505	-	48,902	21,385	70,287
TOTAL FUND BALANCE	43,696	7,387	1,380	21,757	12,666	86,886	36,093	122,979
TOTAL LIABILITES AND FUND BALANCE	\$ 72,195	\$ 17,993	\$ 7,657	\$ 24,192	\$ 24,119	\$ 146,156	\$ 43,194	\$ 189,350

See Independent Auditors' Report and Notes to the Financial Statement

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007
(In Thousands)**

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

Total Fund Balances Governmental Funds	\$	122,979
<p>Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds</p>		
Capital Assets		866,472
Accumulated Depreciation		(233,051)
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds</p>		
Accrued Property Taxes Receivable		17,528
<p>Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.</p>		
Accrued Interest Payable		(996)
<p>Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Long-Term Obligations Due in One Year		(8,235)
Long-Term Obligations Due in More than One Year		(145,422)
Net Assets of Governmental Activities	\$	<u>619,275</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

	Other Major Governmental Funds				
	General Fund	Grants Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Low-Income Housing Capital Projects
REVENUES					
Property Taxes	\$60,606	\$ -	\$ 15,310	\$ -	\$ -
Sales Taxes	23,724	-	-	-	-
Utility Taxes	21,479	-	-	-	-
Other Taxes	13,776	-	-	-	-
Licenses and Permits	10,026	-	-	-	-
Fines and Forfeitures	4,165	-	-	-	-
From Use of Money and Property	14,032	423	232	1,808	641
Intergovernmental	6,140	6,628	-	-	-
Charges for Current Service	15,695	-	-	-	-
Other	2,252	-	-	1,573	-
Total Revenues	171,895	7,051	15,542	3,381	641
EXPENDITURES					
Current:					
City Council	287	-	-	-	-
City Administrator	1,490	-	-	-	-
City Treasurer	1,060	-	-	-	-
City Attorney	2,438	-	-	88	-
City Clerk	932	-	-	-	-
Finance	4,400	-	-	-	-
Human Resources	4,202	-	-	-	-
Planning	2,949	143	-	-	-
Building	4,193	477	-	-	-
Fire	25,935	503	-	-	-
Information Services	6,437	-	-	-	-
Police	54,973	407	-	-	-
Economic Development	1,538	2,369	2,048	1,211	679
Community Services	13,258	207	-	-	-
Library Services	4,145	60	-	-	-
Public Works	23,488	157	-	179	-
Non-Departmental	12,873	-	87	-	2
Capital Outlay	-	2,265	-	390	857
Debt Service:					
Principal	729	105	5,214	-	-
Interest	129	224	1,540	-	-
Total Expenditures	165,456	6,917	8,889	1,868	1,538
Excess (Deficiency) Of Revenues Over (Under) Expenditures	6,439	134	6,653	1,513	(897)
OTHER FINANCING SOURCES (USES)					
Transfers In	4,632	191	-	-	3,061
Issuance of Long Term Debt (Capital Leases)	35	-	-	-	-
Transfers Out	(7,996)	-	(6,500)	(20)	-
Total Other Financing Sources (Uses)	(3,329)	191	(6,500)	(20)	3,061
Net Change In Fund Balances	3,110	325	153	1,493	2,164
Fund Balance- Beginning Of Year	40,586	7,062	1,227	20,264	10,502
Fund Balance- End Of Year	\$ 43,696	\$ 7,387	\$ 1,380	\$ 21,757	\$ 12,666

**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)
(continued)**

Total Major Governmental Funds	Other Governmental Funds	Total
\$ 75,916	\$ -	\$ 75,916
23,724	2,547	26,271
21,479	-	21,479
13,776	-	13,776
10,026	105	10,131
4,165	-	4,165
17,136	2,660	19,796
12,768	6,536	19,304
15,695	3,359	19,054
3,825	391	4,216
198,510	15,598	214,108
287	-	287
1,490	-	1,490
1,060	-	1,060
2,526	-	2,526
932	-	932
4,400	-	4,400
4,202	-	4,202
3,092	-	3,092
4,670	-	4,670
26,438	-	26,438
6,437	-	6,437
55,380	81	55,461
7,845	447	8,292
13,465	1,279	14,744
4,205	892	5,097
23,824	1,424	25,248
12,962	15	12,977
3,512	12,630	16,142
6,048	4,405	10,453
1,893	3,621	5,514
184,668	24,794	209,462
13,842	(9,196)	4,646
7,884	8,429	16,313
35	-	35
(14,516)	(1,306)	(15,822)
(6,597)	7,123	526
7,245	(2,073)	5,172
79,641	38,166	117,807
\$ 86,886	\$ 36,093	\$ 122,979

**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, 2007
(In Thousands)**

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

Net Changes in Fund Balances - Total Governmental funds \$ 5,172

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

Depreciable Assets Purchased	13,268
Non-Depreciable Assets Purchased	2,085
Capital Asset Dispositions	(203)
Capital Asset Depreciation	(13,485)

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 Tax Accrual	17,528
Prior Year Property Tax Accrual	(9,738)

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	(996)
Prior Year Interest Accrual	635

Long-Term Debt Proceeds - Issuances and changes in long-term debt (bonds, leases, certificates of participation, compensated absences, etc) provide current financial resources to governmental funds, while repayments of this debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, etc. when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.

(9,175)

Payments of Long-Term Debt - Principal payments on long-term debt are recorded as an expenditure in the governmental funds and a reduction of liability in the government-wide statements.

16,654

Change in Net Assets of Governmental Activities	\$ 21,745
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**CITY OF HUNTINGTON BEACH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Total Major Enterprise Funds	Non-Major Enterprise Funds	Total
ASSETS						
Current Assets:						
Cash and Investments	\$ 36,765	\$ 9,176	\$ 59	\$ 46,000	\$ 6,935	\$ 52,935
Restricted Cash	33,549	-	-	33,549	-	33,549
Other Receivables	2,873	460	496	3,829	1,214	5,043
Inventories	1,262	-	-	1,262	-	1,262
Unbilled Receivable	1,797	331	503	2,631	-	2,631
Total Current Assets	76,246	9,967	1,058	87,271	8,149	95,420
Capital Assets:						
Land	3,907	-	-	3,907	3,933	7,840
Buildings and Improvements	39,743	3,709	-	43,452	4,662	48,114
Machinery and Equipment	9,785	768	-	10,553	1,997	12,550
Infrastructure	73,396	39,704	-	113,100	-	113,100
Construction in Progress	10	10,776	-	10,786	-	10,786
Less Accumulated Depreciation	(49,162)	(20,722)	-	(69,884)	(2,620)	(72,504)
Total Capital Assets	77,679	34,235	-	111,914	7,972	119,886
Total Assets	153,925	44,202	1,058	199,185	16,121	215,306
LIABILITIES						
Current Liabilities:						
Accounts Payable	1,614	1,615	812	4,041	183	4,224
Accrued Payroll	127	39	5	171	66	237
Deposits Payable	1,459	1	2	1,462	70	1,532
Current Portion of Claims and Leases	3	-	-	3	-	3
Total Current Liabilities	3,203	1,655	819	5,677	319	5,996
Non-Current Liabilities:						
Compensated Absences	690	268	7	965	94	1,059
Capital Leases	9	-	-	9	-	9
Total Non-Current Liabilities	699	268	7	974	94	1,068
Total Liabilities	3,902	1,923	826	6,651	413	7,064
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	77,667	34,235	-	111,902	7,972	119,874
Restricted for:						
Capital Projects	33,546	-	-	33,546	-	33,546
Unrestricted	38,810	8,044	232	47,086	7,736	54,822
Total Net Assets	\$ 150,023	\$ 42,279	\$ 232	\$ 192,534	\$ 15,708	\$ 208,242

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)

	Water Fund	Sewer Service Fund	Refuse Fund	Total Major Enterprise Funds	Non-Major Enterprise Funds	Total
OPERATING REVENUES						
Sales	\$ 30,587	\$ -	\$ -	\$ 30,587	\$ -	\$ 30,587
Rentals	-	-	-	-	1,361	1,361
Fees for Service	-	7,008	10,496	17,504	6,005	23,509
Other	276	234	54	564	273	837
Total Operating Revenues	<u>30,863</u>	<u>7,242</u>	<u>10,550</u>	<u>48,655</u>	<u>7,639</u>	<u>56,294</u>
OPERATING EXPENSES						
Water Purchases	10,323	-	-	10,323	-	10,323
Supplies and Operations	6,407	4,815	10,542	21,764	6,238	28,002
Engineering	470	-	-	470	-	470
Production and Distribution	6,624	-	-	6,624	-	6,624
Maintenance	3,065	-	-	3,065	-	3,065
Water Meters	1,567	-	-	1,567	-	1,567
Water Quality	460	-	-	460	-	460
Depreciation	3,690	951	-	4,641	323	4,964
Total Operating Expenses	<u>32,606</u>	<u>5,766</u>	<u>10,542</u>	<u>48,914</u>	<u>6,561</u>	<u>55,475</u>
Operating Income (Loss)	<u>(1,743)</u>	<u>1,476</u>	<u>8</u>	<u>(259)</u>	<u>1,078</u>	<u>819</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	4,054	598	-	4,652	383	5,035
Capital Improvement Fees	7,099	-	-	7,099	-	7,099
Total Non-Operating Revenues (Expenses)	<u>11,153</u>	<u>598</u>	<u>-</u>	<u>11,751</u>	<u>383</u>	<u>12,134</u>
Change In Net Assets Before Transfers	<u>9,410</u>	<u>2,074</u>	<u>8</u>	<u>11,492</u>	<u>1,461</u>	<u>12,953</u>
TRANSFERS						
Transfers In	-	-	60	60	-	60
Transfers Out	-	-	-	-	(551)	(551)
Total Transfers	<u>-</u>	<u>-</u>	<u>60</u>	<u>60</u>	<u>(551)</u>	<u>(491)</u>
Total Change In Net Assets	9,410	2,074	68	11,552	910	12,462
Net Assets - Beginning Of Year	<u>140,613</u>	<u>40,205</u>	<u>164</u>	<u>180,982</u>	<u>14,798</u>	<u>195,780</u>
Net Assets- End Of Year	<u>\$ 150,023</u>	<u>\$ 42,279</u>	<u>\$ 232</u>	<u>\$ 192,534</u>	<u>\$ 15,708</u>	<u>\$ 208,242</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Total Major Enterprise Funds	Non-Major Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers and Users	\$ 30,723	\$ 7,414	\$ 10,584	\$ 48,721	\$ 7,554	\$ 56,275
Cash Paid to Employees for Services	(3,698)	(1,058)	(85)	(4,841)	(1,723)	(6,564)
Cash Paid to Suppliers of Goods and Services	(25,653)	(3,303)	(10,464)	(39,420)	(4,495)	(43,915)
Net Cash Provided (Used) by Operating Items	<u>1,372</u>	<u>3,053</u>	<u>35</u>	<u>4,460</u>	<u>1,336</u>	<u>5,796</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	60	60	-	60
Transfers Out	-	-	-	-	(551)	(551)
Cash Received (Paid) to Other Funds	36	-	(36)	-	-	-
Net Cash Provided (Used) by Non Capital Financing Activities	<u>36</u>	<u>-</u>	<u>24</u>	<u>60</u>	<u>(551)</u>	<u>(491)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Plant, Property, and Equipment	(4,928)	(7,367)	-	(12,295)	(882)	(13,177)
Capital Surcharge	7,099	-	-	7,099	-	7,099
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,171</u>	<u>(7,367)</u>	<u>-</u>	<u>(5,196)</u>	<u>(882)</u>	<u>(6,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investments Earnings Received	4,054	598	-	4,652	383	5,035
Net Increase (Decrease) in Cash and Cash Equivalents	7,633	(3,716)	59	3,976	286	4,262
Cash and Cash Equivalents - Beginning of Year	62,681	12,892	-	75,573	6,649	82,222
Cash and Cash Equivalents - End of Year	<u>\$ 70,314</u>	<u>\$ 9,176</u>	<u>\$ 59</u>	<u>\$ 79,549</u>	<u>\$ 6,935</u>	<u>\$ 86,484</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (1,743)	\$ 1,476	\$ 8	\$ (259)	\$ 1,078	\$ 819
Adjustments to Reconcile Operating income to Net Cash Provided (Used) by Operating Activities						
Depreciation	3,690	951	-	4,641	323	4,964
Decrease (Increase) in Accounts Receivable	78	220	105	403	(85)	318
Decrease (Increase) in Unbilled Receivables	(218)	(49)	(71)	(338)	-	(338)
Decrease (Increase) in Inventory	(114)	-	-	(114)	-	(114)
Increase (Decrease) in Accounts Payable	(599)	407	(14)	(206)	3	(203)
Increase (Decrease) in Accrued Payroll	17	7	2	26	16	42
Increase (Decrease) in Claims Payable	(31)	-	-	(31)	-	(31)
Increase (Decrease) in Deposits	130	1	-	131	17	148
Increase (Decrease) in Compensated Absences	162	40	5	207	(16)	191
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,372</u>	<u>\$ 3,053</u>	<u>\$ 35</u>	<u>\$ 4,460</u>	<u>\$ 1,336</u>	<u>\$ 5,796</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007
(In Thousands)**

	Total Agency Funds	Trust Fund - Retirement Supplemental Fund
ASSETS		
Cash and Investments - Local Agency Investment Fund	\$ 10,983	\$ 20,235
Cash with Fiscal Agent	4,264	-
Accounts Receivable, Net	243	228
Total Assets	\$ 15,490	\$ 20,463
LIABILITIES		
Accounts Payable	\$ 27	\$ 18
Due to Bondholders	5,682	-
Held for Others	9,781	-
Net Pension/Benefit Obligation	-	4,775
Total Liabilities	15,490	4,793
NET ASSETS		
Held in Trust For Pension Benefits and Other Purposes	\$ -	\$ 15,670

**CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

	Trust Fund - Retirement Supplemental Fund
ADDITIONS	
Employer Contributions	\$ 4,442
Other Income	1,773
Interest Income	1,028
Total Additions	\$ 7,243
DEDUCTIONS	
Benefits	1,846
Total Deductions	1,846
Change in Net Assets	5,397
Net Assets- Beginning of Year	10,273
Net Assets- End of Year	\$ 15,670



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

NOTES TO FINANCIAL STATEMENTS

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City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

- **Redevelopment Agency of the City of Huntington Beach** (the Redevelopment Agency) – This entity was formed in 1967 to renovate older areas in the City. The City Council serves as its governing body and adopts its annual budget. The Redevelopment Agency is financially dependent on the City for all of its operations. Separately prepared financial statements are available for the Redevelopment Agency from the Finance Department.
- **Huntington Beach Public Financing Authority** (Public Financing Authority) – This Corporation was formed in March 1988 to issue debt to finance public improvements and other capital purchases for the City and Redevelopment Agency. The Public Financing Authority's governing body is the City Council, which also adopts the annual budget. The Public Financing Authority is financially dependent on the City. There are no prepared financial statements available for the Public Financing Authority.
- **The City of Huntington Beach Community Facilities Districts 1990-1, 2000-1, 2002-1, and 2003-1** (Community Facilities Districts), were formed to construct public improvements within the City boundaries. The governing board of these districts is the City Council. The proceeds of debt issued and the expenditures for the public improvements are recorded in capital projects funds. The Community Facilities Districts' debt is not an obligation of the City. There are no separate financial statements prepared for these entities.

b. Government-Wide Financial Statements

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 or account group. They simply distinguish between governmental and business activities. The City’s statement of net assets includes both current and non-current assets and liabilities.

Financial Statement Classification

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

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

c. Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City presents all major funds that met those qualifications.

Proprietary Fund Financial Statements

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

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

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

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets for Trust Funds. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on the accrual basis of accounting. The Retirement 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 employee. Contributions made are funded by a percentage of payroll and are recognized when the payroll is incurred. Fiduciary funds are not presented in the government-wide financial statements because these funds do not represent net assets available to the City.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

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 revenues and expenditures of grant related activity.
- **Redevelopment Agency Debt Service** - accounts for the related debt service activity for certain projects in the City's Redevelopment project areas.
- **Redevelopment Agency Capital Projects** - accounts for acquisition and construction of capital assets for certain projects in the City's Redevelopment project areas.
- **Low Income Housing Capital Projects** - accounts for the activity related to low income 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 the activities of the City's refuse program.

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

The **Special Revenue Funds** are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

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

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

Fiduciary Funds

- **General Deposit Fund** - accounts for the deposit of general monies held by the City for private individuals and businesses.
- **Community Facilities Districts Funds** - accounts for the debt service activity of the City's community facilities district.
- **Huntington Beach Auto Business Improvement District Fund** - accounts for the activities of the City's business improvement district.
- **Central Net Fund** - accounts for the activity of the Central Net Operations Authority.
- **Retiree Medical Insurance Fund** - accounts for the City's medical retirement program.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliations of Financial Statements

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

d. Cash and Investments

The City records investments at fair value. The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

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

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

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates. The City early-implemented GASB Statement 40 (*Deposit and Investment Risk Disclosures*). The City's investment policy is further discussed in note 2 on page 35.

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

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. Capital assets have an acquisition cost of \$10,000 or greater (\$50,000 for infrastructure) and a useful life of two years or more.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

f. Inventories

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Long-Term Obligations

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

i. Employee Compensated Absences

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

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 Balance of Governmental Funds to the Statement of Activities and the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

I. Cash Flow Statements

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

m. Estimates

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

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 (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

2. CASH AND INVESTMENTS (Continued)

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	50%
Banker's Acceptances	180 days	25%/40%**	10%
Time Certificate of Deposits	3 years	50%	10%
Negotiable Certificates of Deposit	3/5 years***	30%	10%
Repurchase Agreements	3 months	50%	10%
Reverse-Repurchase Agreements *****	92 days	50%	10%
Local Agency Investment Fund (LAIF)	N/A	No Limit	\$60,000,000
Commercial Paper	270 days	25%	10%
Municipal Bonds from Any State	5 years	50%	10%
Money Market Funds	N/A	15%	10%
Medium Term Notes	5 years	20%/30%****	10%

N/A - Not Applicable

** - 40% only with City Council approval

*** - 5 years only with City Council approval

**** - 30% with City Council approval

***** - Only with City Council approval

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, credit risk, and concentration of credit risk



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

2. CASH AND INVESTMENTS (Continued)

<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 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			

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

	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	more than 5	
DEPOSITS:						
Demand Accounts	\$ 3,327	\$ 3,327	\$ -	\$ -	\$ -	\$ 3,327
INVESTMENTS:						
US Treasuries	26,048	19,980	6,068	-	-	26,048
US Agencies	106,873	46,616	31,995	28,262	-	106,873
Guaranteed Investment Contracts	8,238	-	-	-	8,238	8,238
Commercial Paper	31,720	31,720	-	-	-	31,720
Money Market Funds	2,868	2,868	-	-	-	2,868
Medium Term Notes	3,939	1,987	-	1,952	-	3,939
Local Agency Investment Fund	44,974	44,974	-	-	-	44,974
Subtotal of Investments	224,660	148,145	38,063	30,214	8,238	224,660
Total Deposits and Investments	\$ 227,987	\$ 151,472	\$ 38,063	\$ 30,214	\$ 8,238	\$ 227,987



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

2. CASH AND INVESTMENTS (Continued)

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

Statement of Net Assets:

Cash and Investments	\$ 81,788
Restricted Assets (Cash and Cash Equivalents)	98,581
Cash with Fiscal Agent - Restricted	12,136
Total Per Statement of Net Assets	<u>192,505</u>
Fiduciary Funds:	
Cash and Investments	31,218
Cash with Fiscal Agent - Restricted	4,264
Total Fiduciary Funds	<u>35,482</u>
Total Cash and Investments	<u>\$ 227,987</u>

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

Credit Risk- State law 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 was AAA. The investments in the Guaranteed Investment Contracts are backed by collateral of either 104% or 105% depending on the type of collateral. The GIC providers are rated by Standard and Poor’s and Moody’s at AAA and AA and Aaa or Aa respectively. State law limits investments in commercial paper and medium term notes to have at least an “A” rating issued by a nationally recognized statistical rating organization. It is the City’s policy to limit its investments in these investment types to the top two ratings issued by these rating organizations. As of Year end, Standard and Poor’s and Moody’s ratings of the City’s investments in commercial paper was A1 or better, and P-1 respectively. State law limits investments in Money Market funds to 20% of the portfolio and both Standard and Poor’s and Moody’s have rated the money market funds in our portfolio as AAA. Standard and Poors and Moody’s rated the City’s investments in medium-term notes as AAA and AA and Aaa and Aa, respectively.

Concentration of Credit Risk – The City’s investment policy limits investments in any one issuer, except for U.S. Treasury Securities and U.S. Government Agencies to no more than 10% of the investments. In addition, no more than 50% can be invested in a single security type or with single financial institution and every security type has a specific limit. This is in addition to the limits placed on investments by State Law. Investments in any one issuer that represent 5% or more of total City’s investments are as follows:



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

2. CASH AND INVESTMENTS (Continued)

Issuer	Investment Type	Par Value Amount
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$30,000,000
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$35,850,000
Federal Farm Credit Bank	U.S. Government Sponsored Enterprise Securities	\$23,000,000

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

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

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

As of September 30, 2007, the City held \$66,842,000 in callable securities, which amounted to approximately 32% of investments. The LAIF had invested 4.26% of the pooled investments funds in Structured Notes and Asset-Backed Securities. This external investment pool is not rated.

3. OTHER RECEIVABLE

a. Owner Participation Agreement – Abdelmuti

In 1991, the Agency agreed to assist a private business in the demolition and the construction of a new building. The Agency agreed to make public improvements totaling \$500,000 and to loan the business \$3,126,000 for 15 years at 7% interest to make building improvements. At year-end, the balance of the loan was \$728,000. The note was refinanced and the City was paid in full for the remaining amount owed in December of 2007.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

3. OTHER RECEIVABLE (Continued)

b. Deferred Loans – Developers

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$18,733,000 at year end. These loans are deferred until a future event occurs. Loans made by the Agency total \$11,435,000 and loans made under the Home Program total \$7,298,000.

c. Deferred Loans – Housing Rehabilitation

Loans made to qualified homeowners and landlords in the City of Huntington Beach to rehabilitate certain single family homes or multifamily rental housing under deferred loan agreements total \$2,846,000 at year end. These loans are deferred until a future event occurs.

d. Other Receivable

A summary of Other Receivable as of September 30, 2007 is as follows:

<u>Description</u>	<u>Amount</u>
OPA - Abdelmuti Receivable	\$ 728,000
Deferred Loans Receivable	18,733,000
Housing Rehabilitation Loans Receivable	2,846,000
Other Receivables	<u>7,719,000</u>
Total	<u>\$ 30,026,000</u>

4. DEFERRED COMPENSATION

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

5. DEFERRED REVENUE

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

	Property Taxes	Deferred Loans - Developers	Deferred Loans - Housing Rehabilitation	Other Deferred Revenue	Total
General Fund	\$ 14,576	\$ -	\$ -	\$ 56	\$ 14,632
Redevelopment Agency Debt Service	2,952	-	-	-	2,952
Low Income Housing	-	11,435	-	-	11,435
Grants	-	7,298	2,846	-	10,144
Total	\$ 17,528	\$ 18,733	\$ 2,846	\$ 56	\$ 39,163

Deferred Loans to developers and for housing rehabilitation is discussed in the notes receivable note.

6. RETIREMENT PLAN – NORMAL

a. Plan Description

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

b. Employer and Employee Contribution Obligations

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

6. RETIREMENT PLAN – NORMAL (Continued)

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

	October 1, 2006 to June 30, 2007	July 1, 2007 to Year end
Local Miscellaneous	7.849%	8.212%
Local Safety	28.556%	28.261%

c. Employer and Employee Contribution Obligations

The member rates are as follows:

	Rate
Local Miscellaneous	7.000%
Local Safety	9.000%

d. Annual Pension Cost

The City's annual pension cost of \$12,422,000 was equal to the City's required and actual contributions. The required contribution was determined as part of a June 30, 2006 actuarial valuation using the entry age normal actuarial cost method.

CalPERS conducted an actuarial valuation using the entry-age actuarial cost method using a level percent of payroll to determine the City's net pension obligation as of June 30, 2007. Significant assumptions were:

- Average amortization remaining period -18 Years as of the Valuation Date – closed end
- Asset valuation method - 3 years smoothed market
- Investment Rate of Return -7.75%
- Projected salary increases - 3.25% to 13.15% (safety) and 3.25% to 14.45% (miscellaneous) depending on age, service, and type of employment
- Inflation - 3.00%
- Payroll growth -3.25%
- Individual salary growth - A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of .25%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

6. 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. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of the unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of the assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

e. Trend Information

Fiscal Year	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
9/30/2005	\$8,729	100%	\$0
9/30/2006	\$11,739	100%	\$0
9/30/2007	\$12,422	100%	\$0

7. RETIREMENT PLAN – SUPPLEMENTAL

a. Plan Description

The City provides a supplemental retirement plan for all employees hired prior to 1997 (exact dates are different for various associations). It is a single-employer CalPERS. It is a defined benefit plan and will pay the retiree an additional amount to his or her normal amount for life. The City's contracts with employee bargaining associations establish the plan. These associations must agree to any changes to the plan. The amount will cease upon the employee's death. The amount that is computed as a factor of an employee's normal retirement allowance is computed at retirement and remains constant for his or her life. Of the 1,134 active employees reported on the September 30, 2007 data, only 546 were eligible for plan benefits. No separately prepared financial statements are prepared for this plan and it is not included in the financial report of any other pension plan. The assets used to pay these liabilities have not yet been set up in a legal trust.

b. Employer Obligations and Funding Status and Progress

The City annually transfers amounts from the various City funds to a pension trust fund. The City is required to contribute the actuarially determined rate of 4.53% of total payroll for all permanent employees. Administrative costs of this plan are financed through investment earnings.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

c. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for this plan at June 30, 2007 were (in thousands):

Annual required contribution	\$ 2,850
Interest on net pension obligation	360
Adjustment to annual required contribution	<u>(519)</u>
Annual pension cost	2,691
Contributions made	<u>(4,464)</u>
Increase (decrease) in net pension obligation	(1,773)
Net Pension Obligation – Beginning of Year	<u>6,548</u>
Net Pension Obligation – End of Year	<u><u>\$ 4,775</u></u>

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

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

d. Trend Information

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

Fiscal Year	Annual Pension Cost	Percentage of APC Funded	Net Pension Obligation
6/30/05	\$2,900	127%	\$7,640
6/30/06	\$2,851	138%	\$6,548
6/30/07	\$2,691	166%	\$4,775



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

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

Fiscal Year Ending June 30	Annual Required Contribution	Percentage of ARC Contributed
2005	3,074	120%
2006	3,022	130%
2007	2,850	157%

e. Accounting for Plan

Since the City is required to adopt GASB 25 for the supplemental pension plan, the difference between the ARC and the amount of pension cost funded for the years in which there was an actuarial study must be recorded as a liability in the government-wide financial statements. The amount of this liability is \$4,775,000. Benefits are recognized when due and payable (see Note 11).

8. POST-EMPLOYMENT MEDICAL INSURANCE

a. Plan Description

The City agreed via contract with each employee association to provide post-employment medical insurance to retirees. The benefits are based on years of service and are available to all retirees who meet all three of the following criteria:

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

8. POST-EMPLOYMENT MEDICAL INSURANCE (Continued)

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

b. Accounting and Funding

The Retiree Medical Insurance Fund is an agency fund. Other funds contribute on a periodic basis. Employees do not contribute. The actuarial assumptions for the plan are identical to the assumptions used for the Retirement Supplement Plan (see Note 7).

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

Number of active participants	1,044
Employer's actuarially required contributions	\$1,684
Employer's actual contributions	\$2,634

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

Actuarial accrued liability	\$22,338
Net assets available for plan benefits	\$7,401
Unfunded Actuarial Accrued Liability	\$14,937

c. Accounting and Funding

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

9. RISK MANAGEMENT

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

Liability Claims

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



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007

9. RISK MANAGEMENT (Continued)

insurance of \$25,000,000 above the City's retention of \$1,000,000. BICEP was created by a joint powers agreement between the City of Huntington Beach and four other local entities for the purpose of providing joint insurance coverage and related risk management services or member cities. BICEP allows member entities to finance claims payment pool for certain liability claims in excess of \$1,000,000 million to a limit of \$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. There were no liability claims in the last three years that exceeded the coverage limit.

Workers' Compensation Claims

Workers' compensation claims of up to \$1,000,000 per claim are paid from the General Fund. The BICEP is a member of CSAC-Excess Insurance Authority for excess workers' compensation coverage. Payments for claims from \$1,000,000 to \$5,000,000 are shared. Payments for claims between \$5,000,000 and \$200,000,000 are paid by excess insurance coverage. All funds of the City participate in the program and make payments to these funds based on estimated cost information.

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

	Workers Compensation	Liability Insurance	Total
Balance September 30, 2005	\$ 6,793	\$ 13,696	\$ 20,489
Additions	1,039	767	1,806
Reductions	(1,098)	(11,441)	(12,539)
Net Increase (Decrease)	(59)	(10,674)	(10,733)
Balance September 30, 2006	6,734	3,022	9,756
Additions	1,585	2,772	4,357
Reductions	(1,733)	(2,184)	(3,917)
Net Increase (Decrease)	(148)	588	440
Balance September 30, 2007	\$ 6,586	\$ 3,610	\$ 10,196

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

Current Claims Payable - Reported on the Balance Sheet of Both the Government-Wide and Fund Statements	\$ 5,524
Claims Payable - Long-Term (Greater than One Year) - Reported in Government-Wide Statements, but not in Fund Statements	4,672
Total	\$ 10,196



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

10. INTERFUND TRANSACTIONS

a. Due To/From Other Funds

The amounts at Year end were (in thousands):

	Due from Other Funds	Due to Other Funds
Governmental Funds		
Redevelopment Agency Capital Projects	\$ 3,023	\$ -
Redevelopment Agency Debt Service	-	3,023
Other Governmental Funds		
Gas Tax	734	-
Drainage	-	734
Total Due to/from Governmental Funds	\$ 3,757	\$ 3,757

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

b. Advances to/from Other Funds

The amounts at Year end were (in thousands):

	Advances to Other Funds	Advances from Other Funds
Governmental Funds		
General Fund	\$ 1,620	\$ -
Redevelopment Agency Capital Projects	302	2,094
Redevelopment Agency Debt Service	-	302
Low-Income Housing Capital Projects	2,094	-
Other Governmental Funds		
Park Acquisition and Development	-	1,620
Total Due to/from Governmental Funds	\$ 4,016	\$ 4,016

There is a \$1,620,000 advanced from the General Fund to the Park Acquisition and Development Fund (a non-major governmental fund) for closed school site purchases. The amount will be repaid in within fiscal year ending September 30, 2008.

There is a \$2,094,000 advanced from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Educational Revenue Augmentation Fund payments and Main Pier property acquisitions.

There is a \$302,000 advanced from the Redevelopment Agency Capital Projects Fund to the Redevelopment Agency Debt Service Fund for the Southeast Coastal Project Area.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

10. INTERFUND TRANSACTIONS (Continued)

c. Transfers In/Out

The amounts at Year end were (in thousands):

Transfers In	Transfers Out						Total Transfers In
	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Other Enterprise Funds	
General Fund	\$ -	\$ 20	\$ 3,360	\$ 1,058	\$ 4,438	\$ 194	\$ 4,632
Low Income Housing Fund	-	-	3,061	-	3,061	-	3,061
Grants	191	-	-	-	191	-	191
Other Governmental Funds	7,745	-	79	248	8,072	357	8,429
Total Governmental Funds	7,936	20	6,500	1,306	15,762	551	16,313
Refuse Fund	60	-	-	-	60	-	60
Total Transfers Out	\$ 7,996	\$ 20	\$ 6,500	\$ 1,306	\$ 15,822	\$ 551	\$ 16,373

The following is a summary of the significant transfers:

- \$7,745,000 was transferred from the General Fund to Other Governmental Funds primarily for debt service payments.
- \$3,360,000 was transferred from the Debt Service Fund to the General Fund to repay the General Fund Loan to the Redevelopment Agency.
- \$3,061,000 was transferred from the Debt Service Fund to the Low Income Housing Fund to comply with the twenty percent set-aside to Low Income Housing



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

11. LONG-TERM OBLIGATIONS

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

Governmental Activities:	October 1, 2006	Additions	Retirements	September 30, 2007	Accrued Interest	Due Within One Year
Judgment Obligation Bonds	\$ 11,525	\$ -	\$ (730)	\$ 10,795	\$ 259	\$ 745
Public Financing Authority:						
1997 Leasehold Revenue Bonds	3,690	-	(665)	3,025	136	80
2000 Certificates of Participation	14,885	-	(670)	14,215	62	700
2001-a Lease Revenue Bonds	28,400	-	(650)	27,750	109	675
2001-b Lease Revenue Bonds	23,030	-	(1,690)	21,340	154	1,745
Total Public Financing Authority	70,005	-	(3,675)	66,330	461	3,200
Redevelopment Agency:						
1999 Tax Allocation						
Refunding Bonds	8,155	-	(365)	7,790	61	380
2002 Tax Allocation						
Refunding Bonds	17,910	-	(815)	17,095	129	845
Mayer Disposition and						
Development Agreement	8,197	496	(1,592)	7,101	-	-
Bella Terra OPA (Parking)	15,000	2,062	(2,207)	14,855	-	-
Section 108 Loan/Bowen Court	7,235	-	(340)	6,895	86	365
Total Redevelopment Agency	56,497	2,558	(5,319)	53,736	276	1,590
Other Long-Term Obligations:						
Leases Payable	2,975	35	(729)	2,281	-	600
Compensated Absences	9,630	3,810	(2,372)	11,068	-	2,100
Net Pension Obligation	6,548	-	(1,773)	4,775	-	-
Claims Payable	3,956	2,772	(2,056)	4,672	-	-
Total Other Long-Term Obligations	23,109	6,617	(6,930)	22,796	-	2,700
Total Long-Term Obligations - Governmental Activities	\$ 161,136	\$ 9,175	\$ (16,654)	\$ 153,657	\$ 996	\$ 8,235

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

Issuance of Long-Term Debt in Governmental Fund Financial Statements	\$ 35
Increase in Mayer Disposition and Development Agreement	496
Increase in Bella Terra OPA (Parking)	2,062
Increase in Compensated Absences	3,810
Increase in Claims Payable	2,772
Increases in Above Schedule	\$ 9,175
Principal Paid in Governmental Fund Financial Statements	\$ 10,453
Decrease in Compensated Absences	2,372
Decrease in Net Pension Obligation	1,773
Decrease in Claims Payable	2,056
Decreases in Above Schedule	\$ 16,654



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. 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 1st and August 1st
Principal Payment Dates	February 1st
Purpose of Debt	Pay claims on court judgment

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	745	389	1,134
2009	765	369	1,134
2010	785	346	1,131
2011	810	320	1,130
2012	840	292	1,132
2013-2017	4,695	933	5,628
2018-2019	2,155	91	2,246
Total	\$ 10,795	\$ 2,740	\$ 13,535

b. Public Financing Authority

(1) 1997 Public Financing Authority Revenue Bonds

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	80	163	243
2009	85	159	244
2010	90	154	244
2011	95	149	244
2012	100	144	244
2013-2017	580	632	1,212
2018-2022	760	449	1,209
2023-2027	1,000	208	1,208
2028	235	7	242
Total	\$ 3,025	\$ 2,065	\$ 5,090

(2) 2000 Public Financing Authority Certificates of Participation

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	700	744	1,444
2009	730	714	1,444
2010	760	680	1,440
2011	490	645	1,135
2012	510	622	1,132
2013-2017	2,960	2,708	5,668
2018-2022	3,450	1,816	5,266
2023-2027	2,650	994	3,644
2028-2030	1,965	218	2,183
Total	\$ 14,215	\$ 9,141	\$ 23,356



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	675	1,312	1,987
2009	700	1,288	1,988
2010	725	1,262	1,987
2011	750	1,234	1,984
2012	785	1,204	1,989
2013-2017	4,445	5,482	9,927
2018-2022	5,565	4,358	9,923
2023-2027	7,070	2,856	9,926
2028-2031	7,035	900	7,935
Total	\$ 27,750	\$ 19,896	\$ 47,646

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	1,745	875	2,620
2009	1,800	818	2,618
2010	1,880	737	2,617
2011	1,955	662	2,617
2012	2,030	589	2,619
2013-2017	9,905	1,649	11,554
2018-2019	2,025	148	2,173
Total	\$ 21,340	\$ 5,478	\$ 26,818

c. Redevelopment Agency

(1) 1999 Redevelopment Agency Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	380	365	745
2009	390	350	740
2010	410	334	744
2011	430	317	747
2012	450	298	748
2013-2017	2,575	1,165	3,740
2018-2022	2,370	520	2,890
2023-2024	785	57	842
Total	\$ 7,790	\$ 3,406	\$ 11,196



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

(2) 2002 Redevelopment Agency Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	845	772	1,617
2009	870	742	1,612
2010	910	712	1,622
2011	945	677	1,622
2012	995	641	1,636
2013-2017	5,650	2,540	8,190
2018-2022	5,180	1,134	6,314
2023-2024	1,700	124	1,824
Total	\$ 17,095	\$ 7,342	\$ 24,437

(3) Mayer Disposition and Development Agreement

In fiscal year 1996-97, the Agency entered into a disposition and development agreement with Robert Mayer Corporation (Corporation) concerning additional development adjacent to the Waterfront Hotel. Under the agreement, the Corporation would advance payments for the project costs with the Agency reimbursing up to \$16,750,000 of the costs. As of year end, the Agency obligation under the agreement amounted to \$7,101,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance.

(4) Bella Terra Parking Structure

In fiscal year 2005-06, the agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year end, the Agency obligation under the agreement amounted to \$14,855,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance

(5) Section 108 Loan

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	365	493	858
2009	390	467	857
2010	415	439	854
2011	445	408	853
2012	970	375	1,345
2013-2017	2,870	1,278	4,148
2018-2019	1,440	173	1,613
Total	\$ 6,895	\$ 3,633	\$ 10,528

d. Other Long-Term Obligations

(1) Leases Payable

The City entered into capital leases for various items:

Year of Insurance	2001 through 2007
Type of Debt	Capital Leases
Original Principal Amount	Various (\$10,000 to \$1,800,000)
Security	Lease Agreement
Interest Rates	4.2% to 6.9%
Interest Payment Dates	Monthly, Quarterly, Semi-Annually
Principal Payment Dates	Monthly, Quarterly, Semi-Annually
Purpose of Debt	Equipment Financing



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

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

Year Ending September 30	Principal	Interest	Total
2008	600	96	696
2009	520	68	588
2010	304	47	351
2011	285	34	319
2012	282	21	303
2013	290	8	298
Total	\$ 2,281	\$ 274	\$ 2,555

(2) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$11,068,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.

(3) Net Pension Obligation

There is no fixed repayment schedule to fund the actuarial liability for the unfunded net pension obligation totaling \$4,775,000 for the City's Retirement Supplement Plan described in Note 7. The amount will be funded through a contribution rate determined by an independent actuarial study.

(4) Claims Payable

There is no repayment schedule for the claims payable of \$4,672,000 described in note 9. The City pays the claims upon final settlement.

e. Long-Term Obligations – Business Activities

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

Long-Term Obligations - Business Activities:	October 1, 2006	Additions	Retirements	September 30, 2007	Due Within One Year
Compensated Absences	\$ 868	\$ 418	\$ (227)	\$ 1,059	\$ -
Leases Payable	40	14	(42)	12	3
Total Long-Term Obligations - Business Activities	\$ 908	\$ 432	\$ (269)	\$ 1,071	\$ 3



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,059,000 relating to business activities.

(2) Leases Payable

The City entered into capital leases for various items:

Year of Issuance	2005
Type of Debt	Capital Lease
Original Principal Amount	\$15,268
Security	Lease Agreement
Interest Rates	6.9%
Interest Payment Dates	Monthly
Principal Payment Dates	Monthly
Purpose of Debt	Equipment Financing

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

Year Ending September 30	Principal	Interest	Total
2008	3	1	4
2009	3	1	4
2010	3	-	3
2011	3	-	3
Total	\$ 12	\$ 2	\$ 14

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

Community Facilities Districts: (in thousands)	(in	October 1, 2006	Additions	Retirements	September 30, 2007
Community Facilities District No. 1990-1					
Special Tax Refunding Bonds		\$ 1,745	\$ -	\$ (90)	\$ 1,655
Community Facilities District 2000-1					
Special Assessment Tax Bonds		15,235	-	(280)	14,955
Community Facilities District NO. 2002-1					
Special Assessment Tax Bonds		4,885	-	(15)	4,870
Community Facilities District NO. 2003-1					
Special Assessment Tax Bonds		24,560	-	(450)	24,110
Total Community Facilities Districts		46,425	-	(835)	45,590
Residential Redevelopment Bonds		25,500	-	-	25,500
Total Obligations Not Recorded in Financial Statements		\$ 71,925	\$ -	\$ (835)	\$ 71,090



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	95	84	179
2009	100	80	180
2010	100	75	175
2011	110	70	180
2012	110	65	175
2013-2017	655	224	879
2018-2021	485	41	526
Total	\$ 1,655	\$ 639	\$ 2,294

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	295	943	1,238
2009	305	928	1,233
2010	325	912	1,237
2011	340	895	1,235
2012	360	876	1,236
2013-2017	2,155	4,026	6,181
2018-2022	2,930	3,248	6,178
2023-2027	4,010	2,174	6,184
2028-2031	4,235	704	4,939
Total	\$ 14,955	\$ 14,706	\$ 29,661

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	25	298	323
2009	30	296	326
2010	40	295	335
2011	50	293	343
2012	55	290	345
2013-2017	450	1,396	1,846
2018-2022	815	1,228	2,043
2023-2027	1,335	918	2,253
2028-2032	2,070	412	2,482
Total	\$ 4,870	\$ 5,426	\$ 10,296



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2008	465	1,340	1,805
2009	485	1,323	1,808
2010	500	1,305	1,805
2011	520	1,284	1,804
2012	545	1,263	1,808
2013-2017	3,145	5,887	9,032
2018-2022	4,095	4,936	9,031
2023-2027	5,430	3,598	9,028
2028-2032	7,220	1,813	9,033
2033	1,705	100	1,805
Total	\$ 24,110	\$ 22,849	\$ 46,959

(5) Residential Development Bonds

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

These bond issues are (in thousands):

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



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007

12. CAPITAL ASSETS

a. Changes in Capital Assets

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

	October 1, 2006 (as restated)	Additions	Dispositions	September 30, 2007
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 360,971	-	-	\$ 360,971
Construction in Progress	2,448	1,871	(390)	3,929
Joint Ventures	1,284	214	-	1,498
Total Capital Assets -Not Depreciated	364,703	2,085	(390)	366,398
Capital Assets Being Depreciated				
Buildings	138,765	-	-	138,765
Machinery and Equipment	57,840	4,428	(1,790)	60,478
Infrastructure	292,539	9,230	(938)	300,831
Total Capital Assets Being Depreciated	489,144	13,658	(2,728)	500,074
Less Accumulated Depreciation:				
Buildings	(30,258)	(3,219)	-	(33,477)
Machinery and Equipment	(37,895)	(4,263)	1,575	(40,583)
Infrastructure	(153,938)	(6,003)	950	(158,991)
Total Accumulated Depreciation	(222,091)	(13,485)	2,525	(233,051)
Total Depreciated - Net	267,053	173	(203)	267,023
Total Capital Assets	853,847	15,743	(3,118)	866,472
Total Accumulated Depreciation	(222,091)	(13,485)	2,525	(233,051)
Capital Assets of Governmental Activities - Net	\$ 631,756	\$ 2,258	\$ (593)	\$ 633,421

	October 1, 2006 (as restated)	Additions	Dispositions	September 30, 2007
Business Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 7,840	-	-	\$ 7,840
Construction in Progress	4,143	6,643	-	10,786
Total Capital Assets -Not Depreciated	11,983	6,643	-	18,626
Capital Assets Being Depreciated				
Buildings	48,113	1	-	48,114
Machinery and Equipment	10,582	2,125	(157)	12,550
Infrastructure	108,883	4,443	(226)	113,100
Total Capital Assets Being Depreciated	167,578	6,569	(383)	173,764
Less Accumulated Depreciation:				
Buildings	(9,903)	(1,557)	-	(11,460)
Machinery and Equipment	(5,067)	(1,306)	105	(6,268)
Infrastructure	(52,900)	(2,101)	225	(54,776)
Total Accumulated Depreciation	(67,870)	(4,964)	330	(72,504)
Total Depreciated - Net	99,708	1,605	(53)	101,260
Total Capital Assets	179,561	13,212	(383)	192,390
Total Accumulated Depreciation	(67,870)	(4,964)	330	(72,504)
Capital Assets of Governmental Activities - Net	\$ 111,691	\$ 8,248	\$ (53)	\$ 119,886



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

12. 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 Administrator	\$ 40
City Treasurer	27
City Attorney	8
City Clerk	18
Finance	54
Planning	6
Building and Safety	219
Fire	595
Information Services	269
Police	776
Economic Development	1
Community Services	1,603
Library Services	392
Public Works	7,895
Non-Departmental	1,582
Total	<u>\$ 13,485</u>

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

Fund:	
Water	\$ 3,690
Sewer Service	951
Emerald Cove	82
Fire Medical Program	230
Ocean View Estates	11
Total	<u>\$ 4,964</u>



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

12. CAPITAL ASSETS (Continued)

c. Capital Assets Acquired via Capital Leases

At year-end the City's assets acquired through outstanding capital leases (see note 11) were (in thousands):

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$ 2,188	\$ 15
Buildings	3,449	-
Less: Accumulated Depreciation	(554)	(3)
Total	\$ 5,083	\$ 12

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. City Council also agreed to pay increased sales tax revenues relating to the development of a new commercial site by Home Depot to the Huntington Beach Union High School District. The City of Huntington Beach has sales tax agreements that extend until 2017. Sales tax rebates total \$193,000 in fiscal year ending September 30, 2007.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2007

13. COMMITMENTS AND CONTINGENCIES (Continued)

c. Disposition and Development and Owner Participation Agreements

In June 1999, the Redevelopment Agency entered into a disposition and development agreement with the CIM Group, LLC to allow development of a hotel, retail and restaurant improvements and a public parking facility. The project costs are to be paid initially by the developer with the Agency reimbursing the developer a maximum of \$7.9 million pursuant to a Third Implementation Agreement approved on October 21, 2002. The Fourth Implementation Agreement provided a maximum Agency cost for additional parking spaces \$1,500,000. The Fifth Implementation Agreement, dated July 19, 2004, clarified certain provisions in the DDA relating to the Agency Participation Payment, Acquisition costs and indemnification obligations. A Sixth Implementation Agreement and the 33433 Report are scheduled to be presented to the Redevelopment Agency in spring 2008.

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.

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

As of September 30, 2007, the City has no outstanding obligations related to the disposition and development and owner participation agreements discussed above.

d. Redevelopment Agency Debt to City

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

13. COMMITMENTS AND CONTINGENCIES (Continued)

	Amount @ 10/1/06	Additions	Reductions	Amount @ 9/30/07
General Fund				
Direct Advances	\$ 4,035			\$ 4,035
Overhead Charges	6,567			6,567
Land Sales	32,833			32,833
Interest	31,761	3,205	(3,360)	31,606
Total General Fund	75,196	3,205	(3,360)	75,041
Sewer Fund				
Direct Advances	131			131
Deferred Development Fees	38			38
Interest	203	16		219
Total Sewer Fund	372	16	-	388
Drainage Fund				
Direct Advances	250			250
Deferred Development Fees	54			54
Interest	400	30		430
Total Drainage Fund	704	30	-	734
Park Acquisition and Development Fund				
Direct Advances	1,742			1,742
Deferred Development Fees	247			247
Interest	2,894	208		3,102
Total Park Acquisition and Development Fund	4,883	208	-	5,091
Capital Improvement Fund				
Direct Advances	200			200
Interest	328	22		350
Total Capital Improvement Fund	528	22	-	550
Water Fund				
Direct Advances	1,138			1,138
Interest	2,282	145		2,427
Total Water Fund	3,420	145	-	3,565
Total All Funds	\$ 85,103	\$ 3,626	\$ (3,360)	\$ 85,369

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2007**

14. OTHER INFORMATION

a. Expenditures Exceeding Appropriations

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

Major Funds	
Redevelopment Agency Debt Service - Economic Development	\$ 557
Redevelopment Agency Debt Service - Non-Departmental	87
Redevelopment Agency Low Income Housing - Non-Departmental	2
Other Non-Major Funds	
Sewer Development - Public Works	50

b. Fund and Accumulated Deficits

The Drainage Fund had a total fund deficit of \$734,000 at year end. The deficit will be eliminated through monitoring of expenditures.

c. Participation Payments

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

15. PRIOR PERIOD ADJUSTMENT

The City determined that the value of land reported under Governmental Activities was understated by \$22,508,000 as of October 1, 2006.

Government-Wide Financial Statements (in thousands)

Beginning Net Assets - Governmental Activities	\$ 575,022
Prior Period Adjustment	<u>22,508</u>
Beginning Net Assets - Governmental Activities (Restated)	<u><u>\$ 597,530</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

City of Huntington Beach Required Supplementary Information Year end

Budgetary Information

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

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

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

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

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

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

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

General Fund

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property Taxes	\$59,587	\$59,587	\$60,606	\$ 1,019
Sales Taxes	24,833	24,833	23,724	(1,109)
Utility Taxes	22,750	22,750	21,479	(1,271)
Other Taxes	13,885	13,729	13,776	47
Licenses and Permits	8,241	8,670	10,026	1,356
Fines, Forfeitures and Penalties	4,468	4,468	4,165	(303)
From Use of Money and Property	11,882	11,882	14,032	2,150
From Other Agencies	5,964	5,964	6,140	176
Charges for Current Service	14,476	14,477	15,695	1,218
Other	723	723	2,252	1,529
Total Revenues	166,809	167,083	171,895	4,812
EXPENDITURES				
Current:				
City Council	289	289	287	2
City Administrator	1,472	1,582	1,490	92
City Treasurer	1,040	1,072	1,060	12
City Attorney	2,628	2,658	2,438	220
City Clerk	973	1,065	932	133
Finance	4,403	4,605	4,400	205
Human Resources	6,054	5,990	4,202	1,788
Planning	3,266	4,347	2,949	1,398
Building	4,222	4,643	4,193	450
Fire	25,794	25,951	25,935	16
Information Services	6,634	6,908	6,437	471
Police	55,238	55,444	54,973	471
Economic Development	1,876	1,984	1,538	446
Community Services	13,130	13,613	13,258	355
Library Services	3,885	4,354	4,145	209
Public Works	24,658	27,860	23,488	4,372
Non-Departmental	16,631	16,382	12,873	3,509
Debt Service:				
Principal	642	729	729	-
Interest	125	129	129	-
Total Expenditures	172,960	179,605	165,456	14,149
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(6,151)	(12,522)	6,439	18,961
OTHER FINANCING SOURCES (USES)				
Transfers In	4,654	4,722	4,632	(90)
Capital Leases			35	35
Transfers Out	(8,137)	(9,026)	(7,996)	1,030
Total Other Financing Sources (Uses)	(3,483)	(4,304)	(3,329)	975
Excess Of Revenues And Other Souces Over (Under) Expenditures And Other Uses	(9,634)	(16,826)	3,110	19,936
Fund Balance - Beginning Of Year	40,586	40,586	40,586	-
Fund Balance - End Of Year	\$ 30,952	\$ 23,760	\$ 43,696	\$ 19,936

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

Grants

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
From Use of Money and Property	\$ 312	\$ 320	\$ 423	\$ 103
From Other Agencies	5,657	14,669	6,628	(8,041)
Total Revenues	5,969	14,989	7,051	(7,938)
EXPENDITURES				
Current:				
Planning	-	174	143	31
Building	866	866	477	389
Fire	467	1,009	503	506
Police	136	603	407	196
Economic Development	3,190	3,876	2,369	1,507
Community Services	112	316	207	109
Library Services	-	112	60	52
Public Works	50	375	157	218
Capital Outlay	14,419	17,999	2,265	15,734
Debt Service:				
Principal	260	260	105	155
Interest	-	69	224	(155)
Total Expenditures	19,500	25,659	6,917	18,742
Excess Of Revenues Over (Under) Expenditures	(13,531)	(10,670)	134	10,804
OTHER FINANCING SOURCES (USES)				
Transfers In	3,000	191	191	-
Total Other Financing Sources (Uses)	3,000	191	191	-
Excess Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	(10,531)	(10,479)	325	10,804
Fund Balance - Beginning of Year	7,062	7,062	7,062	-
Fund Balance - End Of Year	\$ (3,469)	\$ (3,417)	\$ 7,387	\$ 10,804

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2007
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN- NORMAL
(In Thousands)**

Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Excess Assets (Unfunded Liability)	Funded Ratio	Covered Payroll	Excess Assets as a Percentage of Covered Payroll
2002						
Safety	\$ 299,052	\$ 272,367	\$ (26,685)	91.1%	\$ 23,270	-114.7%
Non Safety	191,997	223,364	31,367	116.3%	37,811	83.0%
Total	\$ 491,049	\$ 495,731	\$ 4,682	101.0%	\$ 61,081	7.7%
2003						
Safety	\$ 320,670	\$ 270,538	\$ (50,132)	84.4%	\$ 28,919	-173.4%
Non Safety	222,221	225,689	3,468	101.6%	36,918	9.4%
Total	\$ 542,891	\$ 496,227	\$ (46,664)	91.4%	\$ 65,837	-70.9%
2004						
Safety	\$ 339,301	\$ 280,745	\$ (58,556)	82.7%	\$ 27,412	-213.6%
Non Safety	234,602	236,189	1,587	100.7%	36,143	4.4%
Total	\$ 573,903	\$ 516,934	\$ (56,969)	90.1%	\$ 63,555	-89.6%
2005						
Safety	\$ 356,782	\$ 296,477	\$ (60,305)	83.1%	\$ 29,081	-207.4%
Non Safety	253,268	249,443	(3,825)	98.5%	37,343	-10.2%
Total	\$ 610,050	\$ 545,920	\$ (64,130)	89.5%	\$ 66,424	-96.5%
2006						
Safety	\$ 382,934	\$ 316,038	\$ (66,896)	82.5%	\$ 32,149	-208.1%
Non Safety	271,254	266,642	(4,612)	98.3%	41,263	-11.2%
Total	\$ 654,188	\$ 582,680	\$ (71,508)	89.1%	\$ 73,412	-97.4%

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2007
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN- SUPPLEMENTAL
(In Thousands)**

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/96 Actual	\$ 16,071	\$ (120)	\$ (16,191)	-0.7%	\$ 54,368	-29.8%
6/30/1997 Actual	25,342	2,334	(23,008)	9.2%	49,881	-46.1%
6/30/98 Update	26,493	3,251	(23,242)	12.3%	48,585	-47.8%
6/30/99 Actual	28,601	4,162	(24,439)	14.6%	50,723	-48.2%
6/30/2000 Update	28,844	5,077	(23,767)	17.6%	57,674	-41.2%
6/30/2001 Actual	36,453	6,678	(29,775)	18.3%	63,345	-47.0%
6/30/2002 Update	35,524	8,775	(26,749)	24.7%	65,137	-41.1%
6/30/2003 Actual	40,436	10,474	(29,962)	25.9%	65,227	-45.9%
6/30/2004 Update	40,978	11,936	(29,042)	29.1%	63,538	-45.7%
6/30/2005 Actual	40,873	14,227	(26,646)	34.8%	65,843	-40.5%
9/30/2006 Update	43,066	16,821	(26,245)	39.1%	72,186	-36.4%
9/30/2007	51,028	20,452	(30,576)	40.1%	73,380	-41.7%

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SUPPLEMENTARY INFORMATION

Other Governmental Funds

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

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

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

- The **Property Tax Refund Fund** records the payment of claims for repayment of the Judgment Obligation Bonds.
- 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 **Holly Seacliff Fund** accounts for capital improvements made to the Holly Seacliff area.
- The **Parking in-lieu Fund** records construction activity from developers who pay fees in-lieu of directly providing parking facilities to the City.
- The **Sewer Development Fund** accounts for fees received from developers to construct and maintain sewer facilities.
- The **Bella Terra Parking Structure Fund** accounts for the fees paid by the developer for expenses related to the Bella Terra Parking Structure.
- The **Infrastructure Fund** records activity for certain designate infrastructure related expenditures.

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007
(In Thousands)**

	SPECIAL REVENUE FUNDS			
	Gas Tax	Drainage	Narcotics Forfeiture	Transportation
ASSETS				
Cash and Investments	\$ 5,630	\$ -	\$ 490	\$ 3,371
Cash and Investments with Fiscal Agent	-	-	-	-
Other Receivables	2,029	-	30	455
Due from Other Funds	734	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 8,393</u>	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ 3,826</u>
LIABILITIES				
Accounts Payable	\$ 3,000	\$ -	\$ -	\$ 80
Accrued Payroll	14	-	-	6
Due to Other Funds	-	734	-	-
Advances from Other Funds	-	-	-	-
Deposits Payable	-	-	62	-
Total Liabilities	<u>3,014</u>	<u>734</u>	<u>62</u>	<u>86</u>
FUND BALANCES				
Reserved for:				
Encumbrances	5,379	-	64	169
Debt Service	-	-	-	-
Total Reserved Fund Balances	<u>5,379</u>	<u>-</u>	<u>64</u>	<u>169</u>
Unreserved Fund Balances				
Unreserved, Designated for Future Expenditures	-	-	335	1,683
Undesignated	-	(734)	59	1,888
Total Unreserved Fund Balance	<u>-</u>	<u>(734)</u>	<u>394</u>	<u>3,571</u>
Total Fund Balances	<u>5,379</u>	<u>(734)</u>	<u>458</u>	<u>3,740</u>
Total Liabilities and Fund Balances	<u>\$ 8,393</u>	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ 3,826</u>

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS						
Air Quality	Traffic Impact	Fourth of July	Special Library	Cultural Affairs	Park Acquisition and Development	Total Special Revenue Funds
\$ 965	\$ 6,691	\$ 126	\$ 365	\$ 167	\$ 5,634	\$ 23,439
-	-	-	-	-	-	-
11	75	1	12	10	63	2,686
-	-	-	-	-	-	734
-	-	-	-	-	1,266	1,266
\$ 976	\$ 6,766	\$ 127	\$ 377	\$ 177	\$ 6,963	\$ 28,125
\$ -	\$ 47	\$ 4	\$ 99	\$ 11	\$ 85	\$ 3,326
1	2	-	7	5	3	38
-	-	-	-	-	-	734
-	-	-	-	-	1,620	1,620
-	-	-	1	-	1,266	1,329
<u>1</u>	<u>49</u>	<u>4</u>	<u>107</u>	<u>16</u>	<u>2,974</u>	<u>7,047</u>
88	1,300	20	79	1	478	7,578
-	-	-	-	-	-	-
<u>88</u>	<u>1,300</u>	<u>20</u>	<u>79</u>	<u>1</u>	<u>478</u>	<u>7,578</u>
169	-	-	10	16	2,498	4,711
<u>718</u>	<u>5,417</u>	<u>103</u>	<u>181</u>	<u>144</u>	<u>1,013</u>	<u>8,789</u>
<u>887</u>	<u>5,417</u>	<u>103</u>	<u>191</u>	<u>160</u>	<u>3,511</u>	<u>13,500</u>
<u>975</u>	<u>6,717</u>	<u>123</u>	<u>270</u>	<u>161</u>	<u>3,989</u>	<u>21,078</u>
\$ 976	\$ 6,766	\$ 127	\$ 377	\$ 177	\$ 6,963	\$ 28,125

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007
(In Thousands)
(continued)**

	Debt Service Fund			Capital Projects Funds
	Property Tax Refund	Public Financing Authority	Total Debt Service Fund	Holly Seacliff
ASSETS				
Cash and Investments	\$ 1,601	\$ -	\$ 1,601	\$ 12
Cash and Investments with Fiscal Agent	2,509	7,007	9,516	-
Other Receivables	19	83	102	-
Due from Other Funds	-	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 4,129</u>	<u>\$ 7,090</u>	<u>\$ 11,219</u>	<u>\$ 12</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 5	\$ 5	\$ -
Accrued Payroll	-	-	-	-
Due to Other Funds	-	-	-	-
Advances from Other Funds	-	-	-	-
Deposits Payable	45	-	45	-
Total Liabilities	<u>45</u>	<u>5</u>	<u>50</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	-	10
Debt Service	-	7,065	7,065	-
Total Reserved Fund Balances	<u>-</u>	<u>7,065</u>	<u>7,065</u>	<u>10</u>
Unreserved Fund Balances				
Unreserved, Designated for Future Expenditures	-	20	20	-
Undesignated	4,084	-	4,084	2
Total Unreserved Fund Balance	<u>4,084</u>	<u>20</u>	<u>4,104</u>	<u>2</u>
Total Fund Balances	<u>4,084</u>	<u>7,085</u>	<u>11,169</u>	<u>12</u>
Total Liabilities and Fund Balances	<u>\$ 4,129</u>	<u>\$ 7,090</u>	<u>\$ 11,219</u>	<u>\$ 12</u>

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007
(In Thousands)
(continued)**

Capital Projects Funds						Total Other Governmental Funds
Parking in-lieu	Sewer Development	Bella Terra Parking Structure	Infrastructure	Total Capital Projects Funds		
\$ 980	\$ 786	\$ 9	\$ 2,020	\$ 3,807	\$ 28,847	
-	-	-	-	-	9,516	
11	9	-	23	43	2,831	
-	-	-	-	-	734	
-	-	-	-	-	1,266	
\$ 991	\$ 795	\$ 9	\$ 2,043	\$ 3,850	\$ 43,194	
\$ -	\$ 3	\$ -	\$ -	\$ 3	\$ 3,334	
-	1	-	-	1	39	
-	-	-	-	-	734	
-	-	-	-	-	1,620	
-	-	-	-	-	1,374	
-	4	-	-	4	7,101	
-	55	-	-	65	7,643	
-	-	-	-	-	7,065	
-	55	-	-	65	14,708	
-	172	-	853	1,025	5,756	
991	564	9	1,190	2,756	15,629	
991	736	9	2,043	3,781	21,385	
991	791	9	2,043	3,846	36,093	
\$ 991	\$ 795	\$ 9	\$ 2,043	\$ 3,850	\$ 43,194	

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

	Special Revenue Funds			
	Gas Tax	Drainage	Narcotics Forfeiture	Transportation
REVENUES				
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,544
Licenses and Permits	-	-	-	-
From Use of Money and Property	455	-	27	188
Intergovernmental	5,652	-	37	65
Charges for Current Service	-	43	-	-
Other	2	-	-	-
Total Revenues	<u>6,109</u>	<u>43</u>	<u>64</u>	<u>2,797</u>
EXPENDITURES				
Current:				
Police	-	-	81	-
Economic Development	-	-	-	-
Community Services	-	-	-	-
Library Services	-	-	-	-
Public Works	828	-	-	301
Non-Departmental	-	-	-	-
Capital Outlay	8,248	-	95	2,140
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>9,076</u>	<u>-</u>	<u>176</u>	<u>2,441</u>
Excess Of Revenues Over (Under) Expenditures	<u>(2,967)</u>	<u>43</u>	<u>(112)</u>	<u>356</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(900)	-	-	-
Total Other Financing Sources Sources (Uses)	<u>(900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(3,867)</u>	<u>43</u>	<u>(112)</u>	<u>356</u>
Fund Balance - Beginning Of Year	<u>9,246</u>	<u>(777)</u>	<u>570</u>	<u>3,384</u>
Fund Balance - End Of Year	<u>\$ 5,379</u>	<u>\$ (734)</u>	<u>\$ 458</u>	<u>\$ 3,740</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)
(continued)**

Special Revenue Funds							
Air Quality	Traffic Impact	Fourth of July	Special Library	Cultural Affairs	Park Acquisition and Development	Total Special Revenue Funds	
\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,547	
-	12	-	1	-	-	13	
53	402	39	379	16	299	1,858	
243	2	82	-	-	-	6,081	
-	460	134	563	173	1,825	3,198	
-	6	126	33	62	162	391	
<u>299</u>	<u>882</u>	<u>381</u>	<u>976</u>	<u>251</u>	<u>2,286</u>	<u>14,088</u>	
-	-	-	-	-	-	81	
-	-	-	-	-	-	-	
-	-	361	-	339	579	1,279	
-	-	-	892	-	-	892	
65	165	-	-	-	-	1,359	
-	-	-	-	-	-	-	
165	1,480	-	87	-	178	12,393	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>230</u>	<u>1,645</u>	<u>361</u>	<u>979</u>	<u>339</u>	<u>757</u>	<u>16,004</u>	
<u>69</u>	<u>(763)</u>	<u>20</u>	<u>(3)</u>	<u>(88)</u>	<u>1,529</u>	<u>(1,916)</u>	
-	-	-	-	82	-	82	
-	-	-	(406)	-	-	(1,306)	
-	-	-	(406)	82	-	(1,224)	
69	(763)	20	(409)	(6)	1,529	(3,140)	
906	7,480	103	679	167	2,460	24,218	
<u>\$ 975</u>	<u>\$ 6,717</u>	<u>\$ 123</u>	<u>\$ 270</u>	<u>\$ 161</u>	<u>\$ 3,989</u>	<u>\$ 21,078</u>	

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)
(continued)**

	Debt Service Fund			Capital Projects Fund
	Property Tax Refund	Public Financing Authority	Total Debt Service Fund	Holly Seacliff
REVENUES				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
From Use of Money and Property	172	442	614	7
Intergovernmental	-	-	-	-
Charges for Current Service	-	-	-	-
Other	-	-	-	-
Total Revenues	172	442	614	7
EXPENDITURES				
Current:				
Police	-	-	-	-
Economic Development	-	-	-	-
Community Services	-	-	-	-
Library Services	-	-	-	-
Public Works	-	-	-	-
Non-Departmental	-	15	15	-
Capital Outlay	-	-	-	185
Debt Service:				
Principal	730	3,675	4,405	-
Interest	405	3,216	3,621	-
Total Expenditures	1,135	6,906	8,041	185
Excess Of Revenues Over (Under) Expenditures	(963)	(6,464)	(7,427)	(178)
Other Financing Sources (Uses):				
Transfers In	1,025	6,429	7,454	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	1,025	6,429	7,454	-
Net Change in Fund Balances	62	(35)	27	(178)
Fund Balance - Beginning Of Year	4,022	7,120	11,142	190
Fund Balance - End Of Year	\$ 4,084	\$ 7,085	\$ 11,169	\$ 12

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)
(continued)**

Capital Projects Fund					
Parking In-Lieu	Sewer Development	Bella Terra Parking Structure	Infrastructure	Total Capital Projects Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,547
40	52	-	-	92	105
55	40	6	80	188	2,660
-	12	443	-	455	6,536
-	161	-	-	161	3,359
-	-	-	-	-	391
<u>95</u>	<u>265</u>	<u>449</u>	<u>80</u>	<u>896</u>	<u>15,598</u>
-	-	-	-	-	81
-	-	447	-	447	447
-	-	-	-	-	1,279
-	-	-	-	-	892
-	65	-	-	65	1,424
-	-	-	-	-	15
-	52	-	-	237	12,630
-	-	-	-	-	4,405
-	-	-	-	-	3,621
<u>-</u>	<u>117</u>	<u>447</u>	<u>-</u>	<u>749</u>	<u>24,794</u>
<u>95</u>	<u>148</u>	<u>2</u>	<u>80</u>	<u>147</u>	<u>(9,196)</u>
-	-	-	893	893	8,429
-	-	-	-	-	(1,306)
<u>-</u>	<u>-</u>	<u>-</u>	<u>893</u>	<u>893</u>	<u>7,123</u>
<u>95</u>	<u>148</u>	<u>2</u>	<u>973</u>	<u>1,040</u>	<u>(2,073)</u>
<u>896</u>	<u>643</u>	<u>7</u>	<u>1,070</u>	<u>2,806</u>	<u>38,166</u>
<u>\$ 991</u>	<u>\$ 791</u>	<u>\$ 9</u>	<u>\$ 2,043</u>	<u>\$ 3,846</u>	<u>\$ 36,093</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, 2007
(In Thousands)**

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 300	\$ 300	\$ 455	\$ 155
Intergovernmental	4,600	4,600	5,652	1,052
Other	-	-	2	2
TOTAL REVENUES	4,900	4,900	6,109	1,209
EXPENDITURES:				
Current:				
Public Works	1,223	1,469	828	641
Capital Outlay	12,970	14,533	8,248	6,285
TOTAL EXPENDITURES	14,193	16,002	9,076	6,926
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,293)	(11,102)	(2,967)	8,135
OTHER FINANCING SOURCES (USES):				
Transfers Out	(900)	(900)	(900)	-
TOTAL OTHER FINANCING SOURCES (USES)	(900)	(900)	(900)	-
NET CHANGE IN FUND BALANCE	(10,193)	(12,002)	(3,867)	8,135
FUND BALANCE - BEGINNING OF YEAR	9,246	9,246	9,246	-
FUND BALANCE - END OF YEAR	\$ (947)	\$ (2,756)	\$ 5,379	\$ 8,135

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Current Service	\$ 100	\$ 100	\$ 43	\$ (57)
FUND BALANCE - BEGINNING OF YEAR	(777)	(777)	(777)	-
FUND BALANCE - END OF YEAR	\$ (677)	\$ (677)	\$ (734)	\$ (57)

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)
(continued)**

Narcotics Forfeiture

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 22	\$ 22	\$ 27	\$ 5
Intergovernmental	50	50	37	(13)
TOTAL REVENUES	72	72	64	(8)
EXPENDITURES:				
Current:				
Police	53	203	81	122
Capital Outlay	360	210	95	115
TOTAL EXPENDITURES	413	413	176	237
NET CHANGE IN FUND BALANCE	(341)	(341)	(112)	229
FUND BALANCE - BEGINNING OF YEAR	570	570	570	-
FUND BALANCE - END OF YEAR	\$ 229	\$ 229	\$ 458	\$ 229

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 2,200	\$ 2,200	\$ 2,544	\$ 344
From Use of Money and Property	100	100	188	88
Intergovernmental	-	-	65	65
TOTAL REVENUES	2,300	2,300	2,797	497
EXPENDITURES:				
Current:				
Public Works	320	320	301	19
Capital Outlay	3,915	2,915	2,140	775
TOTAL EXPENDITURES	4,235	3,235	2,441	794
NET CHANGE IN FUND BALANCE	(1,935)	(935)	356	1,291
FUND BALANCE - BEGINNING OF YEAR	3,384	3,384	3,384	-
FUND BALANCE - END OF YEAR	\$ 1,449	\$ 2,449	\$ 3,740	\$ 1,291

**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, 2007**

(In Thousands)
(continued)

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ -	\$ -	\$ 3	\$ 3
From Use of Money and Property	35	35	53	18
Intergovernmental	240	240	243	3
TOTAL REVENUES	<u>275</u>	<u>275</u>	<u>299</u>	<u>24</u>
EXPENDITURES:				
Current:				
Public Works	155	155	65	90
Capital Outlay	307	407	165	242
TOTAL EXPENDITURES	<u>462</u>	<u>562</u>	<u>230</u>	<u>332</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(187)</u>	<u>(287)</u>	<u>69</u>	<u>356</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(215)	(230)	-	230
NET CHANGE IN FUND BALANCE	<u>(402)</u>	<u>(517)</u>	<u>69</u>	<u>586</u>
FUND BALANCE - BEGINNING OF YEAR	<u>906</u>	<u>906</u>	<u>906</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 504</u>	<u>\$ 389</u>	<u>\$ 975</u>	<u>\$ 586</u>

Traffic Impact

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 12	\$ 12
From Use of Money and Property	275	275	402	127
Intergovernmental	-	-	2	2
Charges for Current Service	750	750	460	(290)
Other	-	-	6	6
TOTAL REVENUES	<u>1,025</u>	<u>1,025</u>	<u>882</u>	<u>(143)</u>
EXPENDITURES:				
Current:				
Public Works	668	868	165	703
Capital Outlay	7,562	7,412	1,480	5,932
TOTAL EXPENDITURES	<u>8,230</u>	<u>8,280</u>	<u>1,645</u>	<u>6,635</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,205)</u>	<u>(7,255)</u>	<u>(763)</u>	<u>6,492</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	115	-	(115)
NET CHANGE IN FUND BALANCE	<u>(7,205)</u>	<u>(7,140)</u>	<u>(763)</u>	<u>6,377</u>
FUND BALANCE - BEGINNING OF YEAR	<u>7,480</u>	<u>7,480</u>	<u>7,480</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 275</u>	<u>\$ 340</u>	<u>\$ 6,717</u>	<u>\$ 6,377</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, 2007
(In Thousands)
(continued)**

Fourth of July

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 6	\$ 6	\$ 39	\$ 33
Intergovernmental	-	-	82	82
Charges for Current Service	-	-	134	134
Other	400	400	126	(274)
TOTAL REVENUES	406	406	381	(25)
EXPENDITURES:				
Current:				
Community Services	406	406	361	45
NET CHANGE IN FUND BALANCE	-	-	20	20
FUND BALANCE - BEGINNING OF YEAR	103	103	103	-
FUND BALANCE - END OF YEAR	\$ 103	\$ 103	\$ 123	\$ 20

Library

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 1	\$ 1
From Use of Money and Property	420	420	379	(41)
Charges for Current Service	975	975	563	(412)
Other	130	130	33	(97)
TOTAL REVENUES	1,525	1,525	976	(549)
EXPENDITURES:				
Current:				
Library Services	1,325	1,325	892	433
Capital Outlay	100	100	87	13
TOTAL EXPENDITURES	1,425	1,425	979	446
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100	100	(3)	(103)
OTHER FINANCING SOURCES (USES):				
Transfers Out	(471)	(471)	(406)	65
NET CHANGE IN FUND BALANCE	(371)	(371)	(409)	(38)
FUND BALANCE - BEGINNING OF YEAR	679	679	679	-
FUND BALANCE - END OF YEAR	\$ 308	\$ 308	\$ 270	\$ (38)

**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, 2007
(In Thousands)
(continued)**

Cultural Affairs

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 11	\$ 11	\$ 16	\$ 5
Charges for Current Service	178	178	173	(5)
Other	91	91	62	(29)
TOTAL REVENUES	280	280	251	(29)
EXPENDITURES:				
Current:				
Community Services	360	360	339	21
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80)	(80)	(88)	(8)
OTHER FINANCING SOURCES (USES):				
Transfers In	85	85	82	(3)
NET CHANGE IN FUND BALANCE	5	5	(6)	(11)
FUND BALANCE - BEGINNING OF YEAR	167	167	167	-
FUND BALANCE - END OF YEAR	\$ 172	\$ 172	\$ 161	\$ (11)

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 125	\$ 125	\$ 299	\$ 174
Intergovernmental	1,245	1,245	-	(1,245)
Charges for Current Service	1,000	1,000	1,825	825
Other	-	-	162	162
TOTAL REVENUES	2,370	2,370	2,286	(84)
EXPENDITURES:				
Current:				
Community Services	1,163	1,163	579	584
Public Works	25	25	-	25
Capital Outlay	2,343	2,343	178	2,165
TOTAL EXPENDITURES	3,531	3,531	757	2,774
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,161)	(1,161)	1,529	2,690
OTHER FINANCING SOURCES (USES):				
Transfers Out	(67)	(67)	-	67
NET CHANGE IN FUND BALANCE	(1,228)	(1,228)	1,529	2,757
FUND BALANCE - BEGINNING OF YEAR	2,460	2,460	2,460	-
FUND BALANCE - END OF YEAR	\$ 1,232	\$ 1,232	\$ 3,989	\$ 2,757

**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, 2007
(In Thousands)
(continued)**

Property Tax Refund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 62	\$ 62	\$ 172	\$ 110
EXPENDITURES:				
Debt Service:				
Principal	351	730	730	-
Interest	819	440	405	35
TOTAL EXPENDITURES	1,170	1,170	1,135	35
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,108)	(1,108)	(963)	145
OTHER FINANCING SOURCES (USES):				
Transfers In	1,300	1,300	1,025	(275)
NET CHANGE IN FUND BALANCE	192	192	62	(130)
FUND BALANCE - BEGINNING OF YEAR	4,022	4,022	4,022	-
FUND BALANCE - END OF YEAR	\$ 4,214	\$ 4,214	\$ 4,084	\$ (130)

Public Finance Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 350	\$ 350	\$ 442	\$ 92
EXPENDITURES:				
Current:				
Non-Departmental	65	67	15	52
Debt Service:				
Principal	5,318	5,318	3,675	1,643
Interest	1,618	2,029	3,216	(1,187)
TOTAL EXPENDITURES	7,001	7,414	6,906	508
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,651)	(7,064)	(6,464)	600
OTHER FINANCING SOURCES (USES):				
Transfers In	6,650	6,650	6,429	(221)
NET CHANGE IN FUND BALANCE	(1)	(414)	(35)	379
FUND BALANCE - BEGINNING OF YEAR	7,120	7,120	7,120	-
FUND BALANCE - END OF YEAR	\$ 7,119	\$ 6,706	\$ 7,085	\$ 379

**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, 2007**

(In Thousands)
(continued)

Holly Seacliff

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 8	\$ 8	\$ 7	\$ (1)
EXPENDITURES:				
Current:				
Capital Outlay	187	195	185	10
NET CHANGE IN FUND BALANCE	(179)	(187)	(178)	9
FUND BALANCE - BEGINNING OF YEAR	190	190	190	-
FUND BALANCE - END OF YEAR	\$ 11	\$ 3	\$ 12	\$ 9

Parking in-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 40	\$ 40
From Use of Money and Property	40	40	55	15
TOTAL REVENUES	40	40	95	55
FUND BALANCE - BEGINNING OF YEAR	896	896	896	-
FUND BALANCE - END OF YEAR	\$ 936	\$ 936	\$ 991	\$ 55

**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, 2007
(In Thousands)
(continued)**

Sewer Development

REVENUES:	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
Licenses and Permits	\$ -	\$ -	\$ 52	\$ 52
From Use of Money and Property	22	22	40	18
Intergovernmental	-	-	12	12
Charges for Current Service	200	200	161	(39)
TOTAL REVENUES	222	222	265	43
EXPENDITURES:				
Current:				
Public Works	5	15	65	(50)
Capital Outlay	355	345	52	293
TOTAL EXPENDITURES	360	360	117	243
NET CHANGE IN FUND BALANCE	(138)	(138)	148	286
FUND BALANCE - BEGINNING OF YEAR	643	643	643	-
FUND BALANCE - END OF YEAR	\$ 505	\$ 505	\$ 791	\$ 286

Bella Terra Parking Structure

REVENUES:	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
From Use of Money and Property	\$ -	\$ -	\$ 6	\$ 6
Intergovernmental	-	-	443	443
TOTAL REVENUES	-	-	449	449
EXPENDITURES:				
Current:				
Economic Development	-	448	447	1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(448)	2	450
OTHER FINANCING SOURCES (USES):				
Transfers In	550	550	-	(550)
NET CHANGE IN FUND BALANCE	550	102	2	(100)
FUND BALANCE - BEGINNING OF YEAR	7	7	7	-
FUND BALANCE - END OF YEAR	\$ 557	\$ 109	\$ 9	\$ (100)

**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, 2007
(In Thousands)
(continued)**

Infrastructure

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 80	\$ 80
EXPENDITURES:				
Current:				-
Capital Outlay	1,056	1,056	-	1,056
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,056)	(1,056)	80	1,136
OTHER FINANCING SOURCES (USES):				
Transfers In	-	893	893	-
NET CHANGE IN FUND BALANCE	(1,056)	(163)	973	1,136
FUND BALANCE - BEGINNING OF YEAR	1,070	1,070	1,070	-
FUND BALANCE - END OF YEAR	\$ 14	\$ 907	\$ 2,043	\$ 1,136

**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, 2007
(In Thousands)**

Redevelopment Agency Capital Projects

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
From Use of Money and Property	1,000	1,000	1,808	808
Other	115	115	1,573	1,458
Total Revenues	1,115	1,115	3,381	2,266
EXPENDITURES				
Current:				
City Attorney	165	165	88	77
Economic Development	921	3,481	1,211	2,270
Public Works	-	962	179	783
Capital Outlay	10,962	9,693	390	9,303
Total Expenditures	12,048	14,301	1,868	12,433
Excess Of Revenues Over (Under) Expenditures	(10,933)	(13,186)	1,513	14,699
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	(20)	(20)	-
Net Change in Fund Balance	(10,933)	(13,206)	1,493	14,699
Fund Balance - Beginning Of Year	20,264	20,264	20,264	-
Fund Balance - End Of Year	\$ 9,331	\$ 7,058	\$ 21,757	\$ 14,699

Redevelopment Agency Debt Service

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property Taxes	\$ 14,900	\$ 14,900	\$ 15,310	\$ 410
From Use of Money and Property	99	99	232	133
Total Revenues	14,999	14,999	15,542	543
EXPENDITURES				
Current:				
Economic Development	10	1,491	2,048	(557)
Non-Departmental	1,481	-	87	(87)
Debt Service:				
Principal	8,948	5,588	5,214	374
Interest	1,641	1,641	1,540	101
Total Expenditures	12,080	8,720	8,889	(169)
Excess Of Revenues Over (Under) Expenditures	2,919	6,279	6,653	374
OTHER FINANCING SOURCES (USES):				
Transfers Out	(2,866)	(6,226)	(6,500)	(274)
Net Change in Fund Balance	53	53	153	100
Fund Balance - Beginning Of Year	1,227	1,227	1,227	-
Fund Balance - End Of Year	\$ 1,280	\$ 1,280	\$ 1,380	\$ 100

**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, 2007
(In Thousands)
(continued)**

Low Income Housing Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
From Use of Money and Property	\$ 370	\$ 370	\$ 641	\$ 271
Other	710	710	-	(710)
Total Revenues	<u>1,080</u>	<u>1,080</u>	<u>641</u>	<u>(439)</u>
EXPENDITURES				
Current:				
Economic Development	291	1,071	679	392
Non-Departmental	-	-	2	(2)
Capital Outlay	2,750	1,970	857	1,113
Total Expenditures	<u>3,041</u>	<u>3,041</u>	<u>1,538</u>	<u>1,503</u>
Excess Of Revenues Over (Under) Expenditures	<u>(1,961)</u>	<u>(1,961)</u>	<u>(897)</u>	<u>1,064</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	2,500	2,500	3,061	561
Net Change in Fund Balance	<u>539</u>	<u>539</u>	<u>2,164</u>	<u>1,625</u>
Fund Balance - Beginning Of Year	<u>10,502</u>	<u>10,502</u>	<u>10,502</u>	<u>-</u>
Fund Balance - End Of Year	<u>\$ 11,041</u>	<u>\$ 11,041</u>	<u>\$ 12,666</u>	<u>\$ 1,625</u>

Other Enterprise Funds

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

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

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**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
SEPTEMBER 30, 2007
(In Thousands)**

ASSETS	Emerald Cove Housing	Emergency Fire Medical	Hazmat Service	Ocean View Estates	Total
CURRENT ASSETS:					
Cash and Investments	\$ 2,906	\$ 1,877	\$ 267	\$ 1,885	\$ 6,935
Other Receivables	32	1,144	17	21	1,214
TOTAL CURRENT ASSETS	2,938	3,021	284	1,906	8,149
CAPITAL ASSETS:					
Land	1,289	-	-	2,644	3,933
Buildings	4,102	-	-	560	4,662
Machinery and Equipment	-	1,977	20	-	1,997
Less Accumulated Depreciation	(1,805)	(706)	(20)	(89)	(2,620)
TOTAL CAPITAL ASSETS	3,586	1,271	-	3,115	7,972
TOTAL ASSETS	6,524	4,292	284	5,021	16,121
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts Payable	133	48	-	2	183
Accrued Payroll	-	62	3	1	66
Deposits Payable	50	1	-	19	70
TOTAL CURRENT LIABILITIES	183	111	3	22	319
NON-CURRENT LIABILITIES:					
Compensated Absences	-	94	-	-	94
TOTAL NON-CURRENT LIABILITIES	-	94	-	-	94
TOTAL LIABILITIES	183	205	3	22	413
NET ASSETS:					
Invested in Capital Assets	3,586	1,271	-	3,115	7,972
Unrestricted	2,755	2,816	281	1,884	7,736
TOTAL NET ASSETS	\$ 6,341	\$ 4,087	\$ 281	\$ 4,999	\$ 15,708

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

	Emerald Cove Housing	Emergency Fire Medical	Hazmat Service	Ocean View Estates	Total
OPERATING REVENUES:					
Rentals	\$ 1,037	\$ -	\$ -	\$ 324	\$ 1,361
Fees for Service	-	5,809	196	-	6,005
Other	-	259	14	-	273
TOTAL OPERATING REVENUES	1,037	6,068	210	324	7,639
OPERATING EXPENSES:					
Supplies and Operations	854	5,117	194	73	6,238
Depreciation	82	230	-	11	323
TOTAL OPERATING EXPENSES	936	5,347	194	84	6,561
OPERATING INCOME (LOSS)	101	721	16	240	1,078
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	166	100	21	96	383
CHANGE IN NET ASSETS BEFORE TRANSFERS	267	821	37	336	1,461
TRANSFERS:					
Transfers Out	(357)	(181)	(13)	-	(551)
TOTAL CHANGE IN NET ASSETS	(90)	640	24	336	910
NET ASSETS - BEGINNING OF YEAR	6,431	3,447	257	4,663	14,798
NET ASSETS - END OF YEAR	\$ 6,341	\$ 4,087	\$ 281	\$ 4,999	\$ 15,708

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007
(In Thousands)**

	Emerald Cove Housing	Emergency Fire Medical	Hazmat Service	Ocean View Estates	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers and Users	\$ 1,028	\$ 6,003	\$ 207	\$ 316	\$ 7,554
Cash Paid to Employees for Services	-	(1,548)	(126)	(49)	(1,723)
Cash Paid to Suppliers of Goods and Services	(764)	(3,620)	(82)	(29)	(4,495)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>264</u>	<u>835</u>	<u>(1)</u>	<u>238</u>	<u>1,336</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers Out	(357)	(181)	(13)	-	(551)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Plant, Property, and Equipment	-	(882)	-	-	(882)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Earnings Received	166	100	21	96	383
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73	(128)	7	334	286
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,833</u>	<u>2,005</u>	<u>260</u>	<u>1,551</u>	<u>6,649</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,906</u>	<u>\$ 1,877</u>	<u>\$ 267</u>	<u>\$ 1,885</u>	<u>\$ 6,935</u>
 RECONCILIATION OF OPERATING INCOME NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income	\$ 101	\$ 721	\$ 16	\$ 240	\$ 1,078
 ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation	82	230	-	11	323
Decrease (Increase) in Accounts Receivable	(9)	(65)	(3)	(8)	(85)
Increase (Decrease) in Accounts Payable	83	(78)	-	(2)	3
Increase (Decrease) in Accrued Payroll	-	16	-	-	16
Increase (Decrease) in Deposits	7	1	-	9	17
Increase (Decrease) in Compensated Absences	-	10	(14)	(12)	(16)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 264</u>	<u>\$ 835</u>	<u>\$ (1)</u>	<u>\$ 238</u>	<u>\$ 1,336</u>

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Fiduciary Funds

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

- The **General Deposit Fund** accounts for the deposit of general monies held by the City for private individuals and businesses.
- The **Community Facilities Districts Funds** accounts for the debt service activity of the City's community facilities district.
- The **Huntington Beach Auto Business Improvement District Fund** accounts for the activities of the City's business improvement district.
- The **Central Net Fund** accounts for the activity of the Central Net Operations Authority.
- The **Retiree Medical Insurance Fund** accounts for the City's medical retirement program.

**CITY OF HUNTINGTON BEACH
 COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2007**

	Agency Funds					Total Agency Funds
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Retiree Medical Insurance	
Assets:						
Cash and Investments -						
Local Agency Investment Fund	\$ 562	\$ 1,272	\$ 149	\$ 1,680	\$ 7,320	\$ 10,983
Cash with Fiscal Agent	-	4,264	-	-	-	4,264
Accounts Receivable, Net	-	147	14	-	82	243
Total Assets	<u>\$ 562</u>	<u>\$ 5,683</u>	<u>\$ 163</u>	<u>\$ 1,680</u>	<u>\$ 7,402</u>	<u>\$ 15,490</u>
Liabilities:						
Accounts Payable	\$ -	\$ 1	\$ 11	\$ 14	\$ 1	\$ 27
Due to Bondholders	-	5,682	-	-	-	5,682
Held for others	562	-	152	1,666	7,401	9,781
Total Liabilities	<u>\$ 562</u>	<u>\$ 5,683</u>	<u>\$ 163</u>	<u>\$ 1,680</u>	<u>\$ 7,402</u>	<u>\$ 15,490</u>

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
General Deposit				
Assets:				
Cash and Investments	\$ 739	\$ -	\$ (177)	\$ 562
Liabilities:				
Held for others	\$ 739	\$ -	\$ (177)	\$ 562
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 1,126	\$ 146	\$ -	\$ 1,272
Cash with Fiscal Agent	5,860	-	(1,596)	4,264
Accounts Receivable, Net	372	-	(225)	147
Total Assets	\$ 7,358	\$ 146	\$ (1,821)	\$ 5,683
Liabilities:				
Accounts Payable	\$ -	\$ 1	\$ -	\$ 1
Due to Bondholders	7,358	-	(1,676)	5,682
Total Liabilities	\$ 7,358	\$ 1	\$ (1,676)	\$ 5,683
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 191	\$ -	\$ (42)	\$ 149
Accounts Receivable, Net	19	-	(5)	14
Total Assets	\$ 210	\$ -	\$ (47)	\$ 163
Liabilities:				
Accounts Payable	\$ 152	\$ -	\$ (141)	\$ 11
Held for others	58	94	-	152
Total Liabilities	\$ 210	\$ 94	\$ (141)	\$ 163
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 1,446	\$ 234	\$ -	\$ 1,680
Liabilities:				
Accounts Payable	\$ 197	\$ -	\$ (183)	\$ 14
Held for others	1,249	417	-	1,666
Total Liabilities	\$ 1,446	\$ 417	\$ (183)	\$ 1,680
Retiree Medical Insurance				
Assets:				
Cash and Investments	\$ 5,118	\$ 2,202	\$ -	\$ 7,320
Accounts Receivable, Net	41	41	-	82
Total Assets	\$ 5,159	\$ 2,243	\$ -	\$ 7,402
Liabilities:				
Accounts Payable	\$ 1	\$ -	\$ -	\$ 1
Held for others	5,158	2,243	-	7,401
Total Liabilities	\$ 5,159	\$ 2,243	\$ -	\$ 7,402

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 8,620	\$ 2,582	\$ (219)	\$ 10,983
Cash with Fiscal Agent	5,860	-	(1,596)	4,264
Accounts Receivable, Net	432	41	(230)	243
Interest Receivable				
Total Assets	\$ 14,912	\$ 2,623	\$ (2,045)	\$ 15,490
Liabilities:				
Accounts Payable	\$ 350	\$ 1	\$ (324)	\$ 27
Due to Bondholders	7,358	-	(1,676)	5,682
Held for others	7,204	2,754	(177)	9,781
Total Liabilities	\$ 14,912	\$ 2,755	\$ (2,177)	\$ 15,490

Statistical Section

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

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

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

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

	Fiscal Year Ending September 30,					
	2007	2006	2005	2004	2003	2002
Governmental Activities						
Investment in Capital Assets, Net of Related Debt	\$ 486,901	\$ 472,372	\$ 479,897	\$ 448,217	\$ 446,061	\$ 425,967
Restricted	73,541	68,381	39,227	61,051	51,261	42,417
Unrestricted	58,833	34,269	40,226	(9,278)	(12,924)	(10,745)
Total Governmental Activities Net Assets	\$ 619,275	\$ 559,350	\$ 559,350	\$ 499,990	\$ 484,398	\$ 457,639
Business - Type Activities						
Investment in Capital Assets, Net of Related Debt	\$ 119,874	\$ 111,651	\$ 102,068	\$ 92,890	\$ 88,884	\$ 79,781
Restricted	33,546	31,109	34,085	32,968	30,946	31,043
Unrestricted	54,822	53,020	41,563	33,664	25,671	23,236
Total Business - Type Activities Net Assets	\$ 208,242	\$ 177,716	\$ 177,716	\$ 159,522	\$ 145,501	\$ 134,060
Primary Government						
Investment in Capital Assets, Net of Related Debt	\$ 606,775	\$ 584,023	\$ 581,965	\$ 541,107	\$ 534,945	\$ 505,748
Restricted	107,087	99,490	73,312	94,019	82,207	73,460
Unrestricted	113,655	87,289	81,789	24,386	12,747	12,491
Total Primary Government Net Assets	\$ 827,517	\$ 770,802	\$ 737,066	\$ 659,512	\$ 629,899	\$ 591,699

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

	Fiscal Year Ending September 30,					
	2007	2006	2005	2004	2003	2002
Expenses:						
Governmental Activities:						
City Council	\$ 287	\$ 271	\$ 254	\$ 280	\$ 267	\$ 262
City Administrator	1,442	5,540	1,990	1,188	1,587	2,214
City Treasurer	1,088	1,479	1,568	1,541	1,341	1,160
City Attorney	2,534	2,317	2,852	2,775	2,899	3,634
City Clerk	950	756	685	717	559	698
Administrative Services	-	-	5,554	6,348	8,357	7,230
Finance	4,454	3,306	2,501	-	-	-
Human Resources	4,202	-	-	-	-	-
Planning	3,098	2,813	2,559	2,396	3,633	2,658
Building	4,899	3,930	3,321	2,858	3,045	3,101
Fire	27,247	24,787	23,365	20,000	19,490	19,361
Information Systems	6,591	7,361	6,806	6,423	4,401	4,464
Police	56,988	50,877	47,029	40,686	41,104	42,187
Economic Development	9,209	4,977	4,199	19,372	3,830	3,080
Community Services	16,482	15,777	13,693	15,735	9,989	12,440
Library Services	5,586	4,829	4,394	4,138	6,721	4,801
Public Works	34,581	49,654	33,018	30,277	25,386	28,237
Non-Departmental	15,131	11,263	12,024	4,054	25,604	19,725
Interest on Long-Term Debt	5,875	5,575	6,810	6,001	6,199	9,438
Total Governmental Activities	200,644	195,512	172,622	164,789	164,412	164,690
Business-type Activities:						
Water Utility	32,606	28,117	22,349	24,643	24,943	27,250
Sewer Service	5,766	3,855	5,924	4,042	3,775	2,419
Refuse Collection	10,542	10,289	9,826	9,806	9,681	9,178
Emerald Cove Housing	936	551	399	409	401	405
Emergency Fire Medical	5,347	5,637	5,497	5,605	3,765	3,172
Cultural Affairs	-	-	-	-	-	317
Hazmat Service	194	163	141	204	150	143
Ocean View Estates	84	120	118	62	58	11
Total Business Type Activities	55,475	48,732	44,254	44,771	42,773	42,895
Total Business and Government Type Activities	\$ 256,119	\$ 244,244	\$ 216,876	\$ 209,560	\$ 207,185	\$ 207,585

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

	Fiscal Year Ending September 30,					
	2007	2006	2005	2004	2003	2002
Revenues:						
Governmental Activities:						
Charges for Services						
City Council	\$ 99	\$ 90	\$ -	\$ -	\$ -	\$ -
City Administrator	392	1,612	-	-	-	33
City Treasurer	698	1,332	-	-	-	-
City Attorney	46	43	-	-	-	-
City Clerk	210	95	111	-	82	46
Finance	1,312	325	-	-	-	-
Human Resources	1,347	-	-	-	-	-
Planning	4,223	825	1,024	1,403	752	580
Building	5,450	4,859	5,068	4,513	3,067	3,940
Fire	1,267	1,086	1,095	1,183	1,157	500
Information Systems	675	641	-	-	-	-
Police	4,890	5,355	5,254	1,605	4,176	4,433
Economic Development	2,944	505	385	5	257	-
Community Services	15,036	14,644	13,376	12,611	9,433	8,510
Library Services	835	714	714	4,290	673	-
Public Works	5,016	4,784	1,781	4,220	3,356	1,103
Non-Departmental	232	229	-	589	5	4,411
Total Charges for Services	<u>44,672</u>	<u>37,139</u>	<u>28,808</u>	<u>30,419</u>	<u>22,958</u>	<u>23,556</u>
Operating Grants	1,996	917	1,657	6,343	1,736	5,063
Capital Grants	5,154	6,893	43,341	7,384	6,955	13,039
Transfers	491	464	4,884	-	-	(244)
Total Governmental Activities Program Revenue	<u>52,313</u>	<u>45,413</u>	<u>78,690</u>	<u>44,146</u>	<u>31,649</u>	<u>41,414</u>
Business-Type Activities Program Revenue						
Water Utility	37,962	37,946	40,371	40,172	37,943	59,103
Sewer Service	7,242	7,873	8,512	6,373	5,876	4,540
Refuse Collection	10,550	10,292	9,985	10,412	9,123	9,182
Emerald Cove Housing	1,037	960	866	781	746	707
Emergency Fire Medical	6,068	6,145	5,725	5,650	4,103	4,103
Cultural Affairs	-	-	-	-	-	189
Hazmat Service	210	182	110	187	233	145
Ocean View Estates	324	273	263	258	245	192
Total Business Type Activities	<u>63,393</u>	<u>63,671</u>	<u>65,832</u>	<u>63,833</u>	<u>58,269</u>	<u>78,161</u>
Total Primary Government Program Revenue	<u>115,706</u>	<u>109,084</u>	<u>144,522</u>	<u>107,979</u>	<u>89,918</u>	<u>119,575</u>
Net (Expense) Revenue:						
Governmental Activities:	(148,331)	(150,099)	(93,932)	(120,643)	(132,763)	(123,276)
Business-Type Activities	7,918	14,939	21,578	19,062	15,496	35,266
Total Net (Expense) Revenue	<u>(140,413)</u>	<u>(135,160)</u>	<u>(72,354)</u>	<u>(101,581)</u>	<u>(117,267)</u>	<u>(88,010)</u>
General Revenue and Other Changes in Net Assets						
Governmental Activities:						
Property Taxes	79,369	66,598	61,466	47,405	40,633	38,106
Sales Taxes	30,608	26,448	24,340	28,273	28,011	na
Utility Taxes	21,479	21,170	20,004	19,424	18,310	na
Other Taxes	13,776	13,226	14,952	11,365	13,337	55,084
Use of Money and Property	7,895	4,310	3,137	3,528	9,923	13,895
From Other Agencies	12,689	10,390	8,186	14,406	16,414	20,359
Participation Payments	1,564	6,221	12,697	na	na	na
Other	2,696	9,278	8,510	7,328	5,491	2,604
Total Governmental General Revenue	<u>170,076</u>	<u>157,641</u>	<u>153,292</u>	<u>131,729</u>	<u>132,119</u>	<u>130,048</u>
Business-Type Activities:						
Transfers	(491)	(464)	(4,884)	-	-	244
Use of Money and Property	5,035	3,589	1,500	1,085	1,482	2,240
Total Business-Type Activities General Revenue	<u>4,544</u>	<u>3,125</u>	<u>(3,384)</u>	<u>1,085</u>	<u>1,482</u>	<u>2,484</u>
Total General Revenue and Transfers	<u>174,620</u>	<u>160,766</u>	<u>149,908</u>	<u>132,814</u>	<u>133,601</u>	<u>132,532</u>
Changes in Net Assets - Governmental Activities	21,745	7,542	59,360	11,086	(644)	6,772
Changes in Net Assets - Business Activities	12,462	18,064	18,194	20,147	16,978	37,750
Net Assets - Beginning of Year (restated)	<u>793,310</u>	<u>745,196</u>	<u>659,512</u>	<u>628,279</u>	<u>613,565</u>	<u>563,111</u>
Net Assets - End of Year	<u>\$ 827,517</u>	<u>\$ 770,802</u>	<u>\$ 737,066</u>	<u>\$ 659,512</u>	<u>\$ 629,899</u>	<u>\$ 607,633</u>

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

	Fiscal Year Ending September 30,				
	2007	2006	2005	2004	2003 (b)
General Fund:					
Reserved	\$ 10,679	\$ 7,382	\$ 5,915	\$ 2,113	\$ 2,757
Unreserved	33,017	33,204	32,371	24,219	12,217
Total General Fund	<u>\$ 43,696</u>	<u>\$ 40,586</u>	<u>\$ 38,286</u>	<u>\$ 26,332</u>	<u>\$ 14,974</u>
Other Governmental Funds:					
Reserved	\$ 42,013	\$ 25,472	\$ 35,458	\$ 30,143	\$ 35,470
Unreserved, Reported in:					
Special Revenue Funds	13,500	20,631	17,833	11,810	10,399
Debt Service Funds	5,484	4,022	3,916	4,434	10,992
Capital Projects Funds	18,286	27,096	16,820	10,242	8,553
Total Other Governmental Funds	<u>\$ 79,283</u>	<u>\$ 77,221</u>	<u>\$ 74,027</u>	<u>\$ 56,629</u>	<u>\$ 65,414</u>

	Fiscal Year Ending September 30,				
	2002 (a)	2001	2000	1999	1998
General Fund:					
Reserved	\$ 25,773	\$ 23,677	\$ 26,115	\$ 23,628	\$ 23,807
Unreserved	15,972	11,741	17,618	19,291	8,998
Total General Fund	<u>\$ 41,745</u>	<u>\$ 35,418</u>	<u>\$ 43,733</u>	<u>\$ 42,919</u>	<u>\$ 32,805</u>
Other Governmental Funds:					
Reserved	\$ 45,259	\$ 81,465	\$ 72,056	\$ 61,401	\$ 58,634
Unreserved, Reported in:					
Special Revenue Funds	7,967	21,698	19,073	12,748	8,845
Debt Service Funds	(33,364)	12,969	-	-	9,567
Capital Projects Funds	8,637	7,898	11,793	4,968	9,933
Total Other Governmental Funds	<u>\$ 28,499</u>	<u>\$ 124,030</u>	<u>\$ 102,922</u>	<u>\$ 79,117</u>	<u>\$ 86,979</u>

Notes:

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

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

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

	Fiscal Year Ending September 30,				
	2007	2006	2005 (d)	2004	2003
REVENUES:					
Property Taxes	\$ 75,916	\$ 69,065	\$ 59,716	\$ 43,501	\$ 38,983
Sales Taxes	26,271	26,448	24,340	28,273	28,011
Utility Taxes	21,479	21,170	20,004	19,424	18,310
Other Taxes	13,776	13,226	13,068	11,365	13,337
Licenses and Permits	10,131	7,432	7,457	7,736	8,045
Fines and Forfeitures	4,165	4,288	4,365	4,342	3,815
From Use of Money and Property	19,796	16,461	12,733	11,856	9,923
From Other Agencies	19,304	16,611	20,179	26,321	25,103
Charges for Current Service/Other Revenue	23,270	27,237	33,950	17,553	14,140
TOTAL REVENUES	214,108	201,938	195,812	170,371	159,667
EXPENDITURES					
Current:					
City Council	287	271	254	280	269
City Administrator	1,490	5,508	1,917	1,165	1,559
City Treasurer	1,060	1,446	1,547	1,519	1,377
City Attorney	2,526	2,313	2,848	2,771	2,836
City Clerk	932	828	679	712	555
Administrative Services	-	-	5,731	6,295	8,323
Finance	4,400	3,283	2,501	-	-
Human Resources	4,202	-	-	-	-
Community Development	-	-	-	-	-
Planning	3,092	2,800	2,548	2,382	2,544
Building	4,670	3,729	3,291	2,938	3,043
Fire	26,438	24,334	22,365	19,018	19,021
Information Systems	6,437	6,540	5,726	5,315	3,619
Police	55,461	50,151	45,778	39,414	41,184
Economic Development	8,292	4,172	2,866	5,132	3,616
Community Services	14,744	14,382	12,321	11,718	10,182
Library Services	5,097	4,359	3,969	3,745	4,215
Public Works	25,248	28,448	21,535	16,756	19,832
Non-Departmental	12,977	13,831	13,039	23,809	31,236
Capital Outlay	16,142	30,174	9,065	29,484	24,217
Debt Service:					
Principal	10,453	9,406	8,474	8,718	7,427
Interest	5,514	6,512	5,999	5,987	6,273
TOTAL EXPENDITURES	209,462	212,487	172,453	187,158	191,328
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	4,646	(10,549)	23,359	(16,787)	(31,661)
OTHER FINANCING SOURCES (USES):					
Transfers In	16,313	21,531	20,890	30,274	54,463
Proceeds of Bankruptcy Settlements	-	-	-	-	-
Reclassification of Interfund Advances	-	-	-	-	16,018
Capital Assets Reclassification for Changes in F	-	-	-	-	(1,743)
Payments to Escrow	-	-	-	-	-
Proceeds of Long-Term Debt	35	15,579	1,102	13,236	24,582
Transfers Out	(15,822)	(20,075)	(16,006)	(24,148)	(57,096)
TOTAL OTHER FINANCING SOURCES (USES)	526	17,035	5,986	19,362	36,224
INCREASE (DECREASE) IN FUND BALANCES	\$ 5,172	\$ 6,486	\$ 29,345	\$ 2,575	\$ 4,563
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES					
	9.0%	9.6%	9.7%	10.3%	8.9%

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

Fiscal Year Ending September 30,					
2002	2001	2000	1999 (c)	1998	
\$ 33,204	\$ 36,860	\$ 37,645	\$ 34,345	\$ 32,477	
23,449	28,082	26,268	22,699	21,156	
18,014	17,045	15,058	14,936	13,888	
13,621	15,096	10,868	11,122	9,851	
7,162	6,902	8,538	10,527	8,848	
3,797	4,092	4,018	2,744	2,649	
13,895	15,812	14,603	10,913	12,614	
28,426	31,634	32,021	24,753	21,539	
15,201	12,150	15,847	14,071	13,945	
156,769	167,673	164,866	146,110	136,967	
237	231	277	275	207	
2,109	1,776	1,799	1,569	1,092	
1,108	916	884	820	805	
3,570	2,943	2,227	1,969	2,340	
676	559	451	474	434	
7,095	3,874	3,559	2,876	3,056	
-	-	-	-	-	
-	-	-	4,067	3,919	
2,585	2,329	2,180	-	-	
2,991	2,589	2,384	-	-	
18,024	18,142	17,471	15,639	16,368	
3,500	2,814	-	-	-	
37,990	39,081	36,140	34,343	34,127	
3,073	2,816	6,749	3,598	3,452	
11,065	11,395	9,815	8,439	7,723	
4,350	4,265	3,984	3,510	3,212	
21,565	24,870	25,263	18,287	18,686	
13,407	15,298	18,572	12,929	14,919	
54,356	33,687	18,740	20,739	15,894	
5,541	11,884	6,333	12,111	2,313	
7,152	16,204	14,965	16,654	9,648	
200,394	195,673	171,793	158,299	138,195	
(43,625)	(28,000)	(6,927)	(12,189)	(1,228)	
58,948	21,267	30,529	7,794	12,494	
-	-	3,833	-	-	
-	-	-	-	-	
-	-	-	-	-	
(52,673)	-	-	(10,001)	-	
61,514	37,947	30,110	25,684	1,179	
(59,818)	(21,908)	(32,958)	(9,053)	(12,852)	
7,971	37,306	31,514	14,424	821	
\$ (35,654)	\$ 9,306	\$ 24,587	\$ 2,235	\$ (407)	
9.5%	21.0%	16.2%	26.4%	10.8%	

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

Fiscal Year	Common				Total Assessed Valuation	Total Direct Tax Rate
	Property	Public Utilities	Total Secured	Unsecured		
1997-1998	12,311,145	1,800	\$ 12,312,945	546,050	\$ 12,858,995	\$ 1.05830
1998-1999	13,376,116	2,705	13,378,821	598,733	13,977,554	1.05840
1999-2000	13,386,740	1,670	13,388,410	581,160	13,969,570	1.05810
2000-2001	15,796,157	2,745	15,798,902	674,719	16,473,621	1.05810
2001-2002	16,081,760	2,449	16,084,209	699,307	16,783,516	1.00770
2002-2003	17,949,445	2,428	17,951,873	820,219	18,772,092	1.01902
2003-2004	17,987,861	2,876	17,990,737	911,027	18,901,764	1.02571
2004-2005	19,532,238	3,524	19,535,762	877,078	20,412,840	1.06575
2005-2006	20,925,190	1,522	20,926,712	790,513	21,717,225	1.06575
2006-2007	22,817,616	1,458	22,819,074	962,198	23,781,272	1.06487

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	Metro Water						Total
	Basic Levy	City	Orange County	School Districts	District	Others	
1997-1998	\$ 1.00000	\$ 0.04930	\$ 0.00010	\$ -	\$ 0.00890	\$ -	\$ 1.05830
1998-1999	1.00000	0.04930	0.00020	-	0.00890	-	1.05840
1999-2000	1.00000	0.04930	-	-	0.00880	-	1.05810
2000-2001	1.00000	0.04930	-	-	0.00880	-	1.05810
2001-2002	1.00000	-	-	-	0.00770	-	1.00770
2002-2003	1.00000	-	-	0.01232	0.00670	-	1.01902
2003-2004	1.00000	0.00696	-	0.01214	0.00610	0.00051	1.02571
2004-2005	1.00000	0.00696	-	0.02850	0.00520	0.02509	1.06575
2005-2006	1.00000	0.00696	-	0.03814	0.00520	0.01545	1.06575
2006-2007	1.00000	0.00700	-	0.03718	0.00470	0.01599	1.06487

Note: Rates are per \$100 of assessed valuation
 Source: County of Orange Auditor Controller

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

Fiscal Year	Secured Taxes				Unsecured Taxes			
	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent
1997-1998	17,630	17,176	272	1.54%	1,247	1,077	40	3.21%
1998-1999	18,341	17,868	262	1.47%	1,243	1,146	35	3.05%
1999-2000	21,001	20,676	284	1.35%	1,321	1,231	29	2.20%
2000-2001	22,724	22,035	629	2.77%	1,348	1,267	33	2.45%
2001-2002	24,581	24,238	343	1.40%	1,419	1,366	53	3.74%
2002-2003	27,634	26,765	507	1.83%	1,467	1,343	42	2.86%
2003-2004	31,024	30,033	441	1.42%	1,507	1,382	34	2.26%
2004-2005	34,403	33,423	570	1.66%	1,606	1,474	40	2.49%
2005-2006	36,556	35,318	795	2.17%	1,590	1,434	42	2.64%
2006-2007	39,174	37,194	1,278	3.26%	1,842	1,600	150	8.14%

Fiscal Year	Reservoir Hill				Community Facilities Districts			
	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent	Total Levy	Total Collections	Delinquency Amount	Delinquency Percent
1997-1998	\$ 173	\$ 184	\$ 9	4.89%	\$ 264	\$ 255	\$ 9	3.53%
1998-1999	194	184	9	4.89%	264	255	8	3.14%
1999-2000	184	181	3	1.63%	264	259	5	1.89%
2000-2001	184	180	4	2.17%	264	258	5	1.89%
2001-2002	188	184	4	2.13%	264	258	6	2.27%
2002-2003	192	189	3	1.56%	538	534	1	0.19%
2003-2004	191	190	1	0.52%	1,797	1,789	2	0.11%
2004-2005	-	-	-	0.00%	1,731	1,719	7	0.41%
2005-2006	-	-	-	0.00%	4,085	4,069	11	0.27%
2006-2007	-	-	-	0.00%	4,061	4,041	7	0.17%

Source: County of Orange Auditor Controller's Office

Note- Delinquency amount does not always equal levy amount minus collections amount since there are always amounts collected from prior years

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

	Fiscal Year Ending September 30,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Long-Term Indebtedness										
Governmental Activities:										
Judgement Obligation Bonds	\$ 10,795	\$ 11,525	\$ 12,500	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Financing Authority:										
Revenue and Lease Revenue Bonds	52,115	55,120	58,030	60,840	63,535	66,125	37,940	7,020	7,440	7,840
Certificates of Participation	14,215	14,885	15,525	16,140	16,730	17,295	17,840	18,310	-	-
Civic Improvement Corporation:										
Refunding Certificates of Participation	-	-	-	-	-	-	29,750	30,880	31,955	32,980
Assessment Bonds	-	-	-	-	360	415	605	815	1,030	1,090
Redevelopment Agency:										
Tax Allocation Bonds	24,885	26,065	27,205	28,305	29,375	30,370	9,770	10,060	10,340	-
Disposition and Development Agreement	7,101	8,197	10,083	10,730	10,549	11,280	4,756	9,770	10,142	-
Bella Terra OPA (Parking)	14,855	15,000	-	-	-	-	-	-	-	-
Notes Payable	-	-	116	337	545	1,035	1,272	1,566	759	810
Section 108 Loan	6,895	7,235	7,235	7,850	7,630	7,890	8,130	8,355	-	-
Capital Leases Payable	2,281	2,975	3,461	4,885	6,420	4,107	2,007	155	-	-
Business Activities:										
Emerald Cove Certificates of Participation	-	-	-	-	-	-	-	-	5,105	5,205
Capital Leases	12	40	112	183	250	595	432	1,550	1,633	2,215
	\$ 133,154	\$ 141,042	\$ 134,267	\$ 141,770	\$ 135,394	\$139,112	\$132,962	\$109,366	\$ 89,679	\$ 81,000
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Population*	202,250	201,000	200,023	198,996	197,263	194,889	192,446	188,706	187,061	184,044
Debt Per-Capita	\$ 658	\$ 702	\$ 671	\$ 712	\$ 686	\$ 714	\$ 691	\$ 580	\$ 479	\$ 440
Total Personal Income (In Thousands)**	\$ 7,626,443	\$ 7,436,799	\$ 7,284,238	\$ 7,246,837	\$ 7,456,541					
Per - Capita Personal Income**	\$ 37,708	\$ 36,999	\$ 36,417	\$ 36,417	\$ 37,800					
Unemployment Rate***	3.40%	2.70%	3.00%	3.20%	3.80%	4.00%	3.40%	2.80%	3.60%	
Total Employment***	121,100	121,400	119,600	117,200	114,400	112,600	111,800	110,200		

Source:

* State of California Department of Finance

** Claritas, Inc.

*** State of California Employee Development Department

NOTE:

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

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

2006-2007		
	Revenue (In Thousands)	Percent of Total
Mayer Financial Limited Partnership	\$ 1,847	3.59%
Bella Terra Associates LLC	1,221	2.37%
Mc Donnel Douglas Corp/Boeing Corp	408	0.79%
Waterfront Construction 1 California LP	387	0.75%
Mullrock 1 Beach Pointe LLC	378	0.73%
First Huntington Capital Limited Partnership	326	0.63%
Essex Huntington Breakers	304	0.59%
Pierside Pavillion LLC	277	0.54%
Atlanta Huntington Beach LLC	247	0.48%
CIM Huntington LLC	196	0.38%
Total Top Ten	5,591	10.85%
All Other Properties	45,919	89.15%
City Total	\$ 51,510	100.00%

2000-2001		
	Revenue (In Thousands)	Percent of Total
Mc Donnel Douglas Corp/Boeing Corp	\$ 764	2.10%
Huntington Center	357	0.98%
Waterfront Construction 1 A California	335	0.92%
Essex Huntington Breakers	259	0.71%
Kyray LLC	214	0.59%
Atlanta Huntington Beach LLC	211	0.58%
AES Huntington Beach LLC	205	0.56%
Liu Corporation	172	0.47%
Bentall US Partners	158	0.43%
JT Development Company	112	0.31%
Total Top Ten	2,787	7.66%
All Other Properties	33,609	92.34%
City Total	\$ 36,396	100.00%

Source: HdL Coren & Cone

Note: Information on the top ten property taxpayers is not readily available for fiscal year ending September 2000 and earlier.

**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
1997-1998	\$ 12,858,995	\$ 1,543,079	\$ -	\$ 1,543,079
1998-1999	13,977,554	1,677,306	-	1,677,306
1999-2000	13,969,570	1,676,348	-	1,676,348
2000-2001	16,473,621	1,976,835	-	1,976,835
2001-2002	16,783,516	2,014,022	-	2,014,022
2002-2003	18,772,092	2,252,651	-	2,252,651
2003-2004	18,901,764	2,268,212	-	2,268,212
2004-2005	20,412,840	2,449,541	-	2,449,541
2005-2006	21,717,225	2,606,067	-	2,606,067
2006-2007	23,781,272	2,853,753	-	2,853,753

**PRINCIPAL PRIVATE EMPLOYERS
CURRENT YEAR AND TWO YEARS AGO**

	2007	% of total
Boeing	7,000	5.78%
Quiksilver	1,800	1.49%
Cambo Manufacturing	750	0.62%
Verizon	736	0.61%
Hyatt Regency Huntington Beach	670	0.55%
Fisher & Paykel	654	0.54%
Huntington Beach Hospital	602	0.50%
C & D Aerospace	600	0.50%
Rainbow Disposal	408	0.34%
Home Depot (inlcuding Expo)	383	0.32%
Total of top 10	13,603	11.23%
all others	107,497	88.77%
Total employment (public and private)	121,100	100.00%

	2005	% of total
Boeing	4,282	3.58%
Quiksilver	1,550	1.30%
Cambo Manufacturing	886	0.74%
Dynamic Cooking Systems	706	0.59%
Triad Financial	637	0.53%
Verizon	556	0.46%
E-Trade Mortgage	554	0.46%
C & D Aerospace	554	0.46%
Huntington Beach Hospital	513	0.43%
Rainbow Disposal	408	0.34%
Total of top 10	10,646	8.90%
all others	108,954	91.10%
Total employment (public and private)	119,600	100.00%

Source - Economic Development Department, City of Huntington Beach

Note: Information on the principal private employers in not readily available for fiscal year ending September 2004 and earlier. Until data is readily available, only the available years will be presented.

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

General Government:	2007	2006	2005	2004	2003	2002
City Council	1.00	1.00	1.00	1.00	1.00	1.00
City Administrator	8.00	29.00	29.00	7.00	13.00	17.00
City Treasurer	10.00	10.00	16.00	16.00	16.00	16.00
City Attorney	18.00	18.00	17.00	15.00	14.00	16.00
City Clerk	8.00	8.00	7.50	7.50	8.00	8.00
Finance	33.00	31.00	23.00	-	-	-
Human Resources	20.00	-	-	-	-	-
Administrative Services	-	-	-	47.00	49.00	53.50
Planning	28.00	28.00	27.50	25.00	26.00	28.00
Building	31.50	31.50	30.50	27.50	27.50	27.50
Information Systems	38.00	38.00	36.00	37.00	18.50	18.25
Economic Development	14.00	13.00	14.00	11.00	12.00	15.00
Library Services	37.25	37.25	37.25	38.25	40.25	45.75
Fire	184.00	160.00	157.00	156.50	162.00	166.00
Police	376.00	374.00	371.50	366.00	379.00	388.00
Community Services	69.75	69.75	64.50	62.25	67.50	71.50
Public Works	257.00	255.30	240.00	231.00	264.00	270.00
	<u>1,133.50</u>	<u>1,103.80</u>	<u>1,071.75</u>	<u>1,048.00</u>	<u>1,097.75</u>	<u>1,141.50</u>

Source: Finance Department, City of Huntington Beach

CITY OF HUNTINGTON BEACH

OPERATING INDICATORS BY FUNCTION/ACTIVITY LAST THREE FISCAL YEARS			
Function/Program	2007	2006	2005
Finance:			
Water Bills Processed	630,228	626,903	586,000
Business Licenses Issued	20,670	19,746	20,184
Accounts Receivable Billings Processed	21,352	22,453	22,768
City Clerk:			
Passports Issued	5,755	3,069	3,676
Planning:			
Entitlements Processed	504	566	523
Plan Reviews	1,456	2,105	2,296
Field Inspection Complaints	5,273	5,926	5,550
Code Violation Cases	2,231	3,580	3,906
Building:			
# of Permits Issued	4,355	11,210	12,082
# of Inspections Completed	42,181	43,905	49,737
Value of Construction Permits (Thousands of Dollars)	141,277	196,453	169,570
Processed # of Certificate of Occupancies	590	307	683
Automated Information Requests	78,243	77,006	78,868
Fire:			
Inspections	4,900	4,300	4,100
Responses	12,400	12,100	12,100
Police:			
Physical Arrests	5,576	6,368	5,282
Parking Violations	123,096	68,712	112,698
Traffic Violations	19,859	22,755	25,902
Community Services:			
Acreage of Parks	999	999	998
Estimated Beach Visitors	10,363,719	10,085,358	8,727,369
Enrollment in Recreation Classes	34,932	25,447	22,346
Public Works:			
Water Sold (Acre Feet)	31,128	29,246	29,730
Gallons of Sewage Pumped Per Day	23 million	23 million	23 million
Library:			
Volumes in Collection	431,304	437,472	441,523
Volumes Borrowed	826,921	823,116	931,347

Source: Various departments of the City of Huntington Beach

CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY SEPTEMBER 30, 2007	
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	999
Community Centers	4
Miles of Beach Maintained	3.5
Public Works:	
Centerline Square Miles of Streets Maintained	523
Miles of Storm Drains Maintained	127
Miles of Sewer Maintained	355

Source: Various departments of the City of Huntington Beach

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2007**

2006-07 Assessed Valuation \$24,044,875,126 (after deducting \$1,432,116,928) of incremental redevelopment valuation)

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

	Percent Applicable	Debt Applicable to City
Tax Debt:		
Orange County Teeter Plan Obligations	7.0590%	\$ 8,733,748
Metropolitan Water District	1.4770%	5,304,129
Coast Community College District	30.6610%	106,626,346
Huntington Beach Union High School District	77.3890%	180,022,290
Huntington Beach City School District	97.5390%	28,636,438
Los Alamitos Unified School District Comm Facilities Dist. 1990-1	1.2530%	115,527
City of Huntington Beach Community Facilities Districts	100.0000%	45,680,000
Tax and Assessment Debt		375,118,478

Other Debt

Other Entities:

Orange County General Fund Obligations	38,926,503
Orange County Pension Obligations	5,134,001
Orange County Board of Education Certifictes of Participation	1,392,035
MWDOC Facilities Corporation	1,624,446
Orange County Sanitation District Certificates of Participation	10,211,350
North Orange County Regional Occupation Program Certificates of Participation	12,755
Huntington Beach Union High School District Certificates of Participation	13,140,652
Los Alamitos Unified School District Certificates of Participation	255,267
Fountain Valley School Districts Certificates of Participation	4,352,589
Huntington Beach City School District Certificates of Participation	10,295,241
Ocean View School District Certificates of Participation	8,223,755
Westminster School District Certificates of Participation	6,754,329
City of Huntington Judgement Obligation Bonds	10,795,000
City of Huntington Reporting Entity Beach General Fund Obligations:	66,864,678
Total Gross and Overlapping Bonded Debt Not Repaid by Property Taxes	177,982,601
Less Self Supporting Debt of MWDOC Water Facilities Corporation	(1,624,446)
Total Net Direct and Overlapping General Fund Obligation Debt	176,358,155
Gross Combined Total Debt	\$ 551,476,633

Ratios to 2006-2007 Assessed Valuation

Total Overlapping Debt and Assessment Debt 1.47%

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$77,659,678) 0.32%

Gross Combined Total Debt 2.30%

Net Combined Total Debt 2.29%

State School Building Aide Repayable \$ -
Source: California Municipal Statistics and City of Huntington Beach Finance Department