

City of Huntington Beach,
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR FISCAL YEAR ENDED SEPTEMBER 30, 2011

CITY OF HUNTINGTON BEACH, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Prepared by the Finance Department

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INTRODUCTORY SECTION

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**City of Huntington Beach
Comprehensive Annual Financial Report
Year Ended September 30, 2011**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents	<i>i-ii</i>
Letter of Transmittal	<i>iii-vi</i>
City Officials	<i>vii</i>
Organizational Chart	<i>viii</i>
Certificate of Achievement in Excellence in Financial Reporting.....	<i>ix</i>

FINANCIAL SECTION

Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis (Required Supplementary Information)	4-17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Assets – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds.....	28
Statement of Fiduciary Fund Net Assets.....	29
Statement of Changes in Fiduciary Fund Net Assets – Trust Funds.....	29
Notes to Financial Statements	30-91
Required Supplemental Information:	
Budgetary Information.....	94
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget And Actual – General Fund.....	95
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget And Actual – Grants Special Revenue Fund.....	96
Schedule of Funding Progress (Normal Retirement Plan, Supplemental Retirement Plan, And Other Postemployment Benefits).....	97-98
Schedule of Employer Contributions (Supplemental Retirement Plan).....	98

FINANCIAL SECTION (Continued)

Supplementary Information:

Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Other Governmental Funds	103-106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Other Governmental Funds	107-110
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Other Governmental Funds	111-119
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget And Actual – Redevelopment Agency Debt Service and Capital Projects	120
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget And Actual – Low Income Housing Fund	121
Combining Statement of Fiduciary Fund Net Assets.....	124
Combining Statement of Changes in Fiduciary Assets and Liabilities.....	125-126

STATISTICAL SECTION

Net Assets by Component – Last Ten Fiscal Years	129-130
Changes in Net Assets- Last Ten Fiscal Years	131-132
Fund Balances – Governmental Funds – Last Ten Fiscal Years	133
Changes in Fund Balances – Last Ten Fiscal Years.....	135-136
Assessed and Actual Valuation of All Taxable Property (Excluding Redevelopment Agency) - Last Ten Fiscal Years	137
Property Tax Rates – All Direct and Overlapping Government Tax Rate 04-001 Largest Area in City – Last Ten Fiscal Years	137
Property Tax Levies and Collections – Last Ten Fiscal Years	138
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	139
Top Ten Property Tax Payers – Current Year and Ten Years Ago	140
Legal Debt Margin – Last Ten Fiscal Years	141
Principal and Private Employers – Current Year and Six Years Ago	141
Full-Time Actual and Budgeted City Employees by Program/Function – Last Ten Fiscal Years.....	142
Operating Indicators by Function/Activity – Last Seven Fiscal Years.....	143
Capital Assets Statistics by Function/Activity	143
Statement of Direct and Overlapping Bonded Debt	144



CITY OF HUNTINGTON BEACH

March 30, 2012

To the Honorable Mayor and City Council:

In accordance with the requirements of the City Charter, and the City of Huntington Beach's ongoing commitment to transparent financial reporting, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011.

As required by the City Charter, and to ensure the reliability of the information contained within this report, the City of Huntington Beach contracted with the independent auditing firm Macias Gini & O'Connell LLP. The goal of the audit was to provide reasonable assurance that the City's financial statements are free from material misstatement. After examining on a test basis assessing the accounting principles used, as well as significant estimates made by management, Macias Gini & O'Connell LLP granted the City an unqualified (clean) opinion for the fiscal year ended September 30, 2011. The auditor's opinion can be found in the Financial Section of this report. Management assumes full responsibility for the completeness and accuracy of the information presented in this document. This transmittal letter is designed to complement and should be read in conjunction with the Management's Discussion and Analysis.

In addition to the City's financial information, this report includes financial statements for separate legal entities whose activities the City controls. These entities are:

- The Redevelopment Agency of the City of Huntington Beach
- The Huntington Beach Public Financing Authority
- Various Community Facilities Districts

Additional financial information for the Redevelopment Agency can be found in the Agency's component unit (stand-alone) report.

CITY PROFILE

The City of Huntington Beach is located on the Orange County coast, 35 miles south of Los Angeles and 90 miles north of San Diego. With a population of 192,000 residents, it is known as Surf City due to its abundance of beaches, sunny, warm Mediterranean climate, and casual lifestyle. With over eight miles of coastline to boast of, Huntington Beach plays host to over 16 million visitors annually. Listed among the nation's safest cities for decades, Huntington Beach has often been ranked among the Top Ten Safest Cities by City Crime Rankings by the Federal Bureau of Investigation.

Founded in the late 1880's, Huntington Beach was incorporated as a Charter City in 1909. Huntington Beach has a Council/Manager form of government wherein seven City

Council members are elected to four-year terms, and the Mayor is filled on a rotating basis from the incumbent Council members.

On August 22, 2011, the unincorporated County oceanfront community of Sunset Beach was officially annexed by the City of Huntington Beach. Sunset Beach is a small beachfront community with approximately 1,000 residents and 0.2 square miles of land. Sunset Beach features one of the widest and most pristine beaches in Southern California and is home to the historic Sunset Beach Arts Festival.

The City of Huntington Beach is one of the leading commercial and industrial centers in Southern California. As the fourth largest city in Orange County, more than 110,600 people are currently employed by over 5,400 businesses and governmental entities in the City. The Huntington Beach business community is extremely diversified with no single industry or business dominating the local economy. Local businesses include aerospace and high technology, petroleum and petroleum support, manufacturing, computer hardware and software, financial and business services, hotel and tourism, automobile services, machine shop services, precision instruments, retailers and surf apparel, just to name a few.

FINANCIAL POLICIES AND PRACTICES

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

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

The rate of return earned for the fiscal year ended September 30, 2011 was 1.30%. The City Treasurer, as required by California Government Code 53601, has prepared an annual statement of investment policy which allows for the City to meet current obligations while earning a market rate of return. Further information regarding the City's cash and investments can be found in Note 2 of the financial statements.

LONG-TERM FINANCIAL PLANNING

In 2011, the City Council updated its Strategic Plan, which outlines five goals:

- Maintain financial viability and our reserves;
- Maintain, improve and obtain funding for infrastructure and equipment;
- Maintain public safety;
- Enhance economic development; and,

- Improve internal and external communication.

As part of the strategic goal to maintain our financial reserves, the City of Huntington Beach completed and implemented a Long-Term Financial Plan. This plan enables the City to forecast cause and effect relationships for large financial decisions such as employee labor contracts, capital projects, equipment replacements, as well as revenue fluctuations due to the weakening economy or state takeaways.

The City's Strategic Plan drives budgetary decisions and the day-to-day operations of the City by ensuring that the City is consistently working to achieve the goals outlined by the City Council.

MAJOR INITIATIVES

Sunset Beach Annexation

The annexation of Sunset Beach was one of the major achievements of the fiscal year ended September 30, 2011. The annexation is expected to generate approximately \$500,000 in net new revenue annually to the City for the provision of core public safety and community services. As the integration of Sunset Beach into the larger community of Huntington Beach continues over the next year, it is anticipated even greater economies of scale may be achieved.

Shared Services Agreements

The City of Huntington Beach continues to explore ways to "do more with less" and to reduce costs and generate new revenues in every way possible. In August 2011, the City's Police Department entered into a landmark contract with the city of Newport Beach for the provision of helicopter patrol services to these neighboring communities. In a creative effort to "outsource" City services, the Police Department will generate \$575,000 in annual revenue to the City with no increases in police staffing.

Ten Point Plan for Local Business

On March 4, 2011, the City launched its "Ten Point Plan for Local Business." The Plan was created as a vehicle to cement the City's commitment to supporting and influencing local business retention and attraction, with a goal of producing more new jobs, expanding the local tax base, and increasing the satisfaction of the business community in receiving the important services they need to remain successful. Recognizing that maintaining local businesses is just as important as attracting new businesses, the City underwent a major effort to create a plan to enhance services to the existing business community.

The City's Ten Point Plan was honored by the Orange County Business Council (OCBC) as the recipient of the inaugural "Turning Red Tape into Red Carpet" award in the category of Business Retention and Expansion. The award recognizes the City for proactively cutting through the red tape and opening the door for business by creating – and implementing - the Ten Point Plan. The Ten Point Plan included a new local vendor preference program that provides a 5% advantage to local businesses competing for City contracts, among other strategies.

2011 Series A Bond Refunding

In an effort to further reduce costs, the City issued the Huntington Beach Public Finance Authority Lease Revenue Refunding Bonds Series 2011-A, to refund the 2001 Public Finance Authority Lease Revenue Series A and Series B Bonds. The bond refunding resulted in a net present value savings of \$3.8 million thereby further reducing costs.

Economic Development

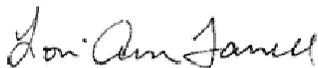
Despite fiscal constraints, the City's commitment to economic development and community revitalization is stronger than ever. Recognizing that economic development is the foundation of the local economy, the City renewed its efforts to assist in the development of hundreds of acres of dormant City land. In the fiscal year ended September 30, 2011, 31 acres of formerly inactive oceanfront property were sold to a new developer, Crescent Heights, for the development of the much anticipated "Pacific City" project, a mixed use development featuring 517 residential units, 191,000 square feet of commercial space and 400 hotel rooms in a new, state-of-the-art hotel. To further improve the sales tax base, construction started on 150,000 square feet of warehouse space for a new Costco store anticipated to generate over \$1 million in annual sales tax revenue. Other major developments include Bella Terra II, a mixed use project featuring 467 residential units, plus an additional 30,000 square feet of retail space to further revitalize the economy and the local tax base.

AWARDS AND ACKNOWLEDGEMENTS

Last year, the City of Huntington Beach was once again the honored recipient of the "Certificate of Achievement for Excellence in Financial Reporting" award bestowed by the Government Finance Officers Association (GFOA) of the United States and Canada. This was the 25th consecutive year the City has received this prestigious award. Receipt of the award requires government entities to publish transparent, easily readable and efficiently organized Comprehensive Annual Financial Reports, conforming to program, accounting, and legal standards.

The Certificate of Achievement earned for the fiscal year ended September 30, 2010, is valid for one year only. The City believes that this Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and will be submitted to the GFOA for their consideration for another award.

I wish to thank the City Council, City Manager, and City Departments for their continued diligence in their role as fiscal stewards for the City of Huntington Beach. Specifically, I would also like to thank Dahle Bulosan, Sunny Han, Janet Lockhart, and Dennis Jaw for their efforts in preparing this report.



Lori Ann Farrell
Director of Finance

City of Huntington Beach

City Council

Don Hansen, Mayor
Devin Dwyer, Mayor Pro Tem

Connie Boardman, Councilmember
Keith Bohr, Councilmember
Joe Carchio, Councilmember
Matthew Harper, Councilmember
Joe Shaw, Councilmember

Executive Team

Fred A. Wilson, City Manager
Paul Emery, Deputy City Manager
Robert Hall, Deputy City Manager
Laurie E. Payne, Community Relations Officer

City Treasurer

Alisa Cutchen

Elected Department Heads

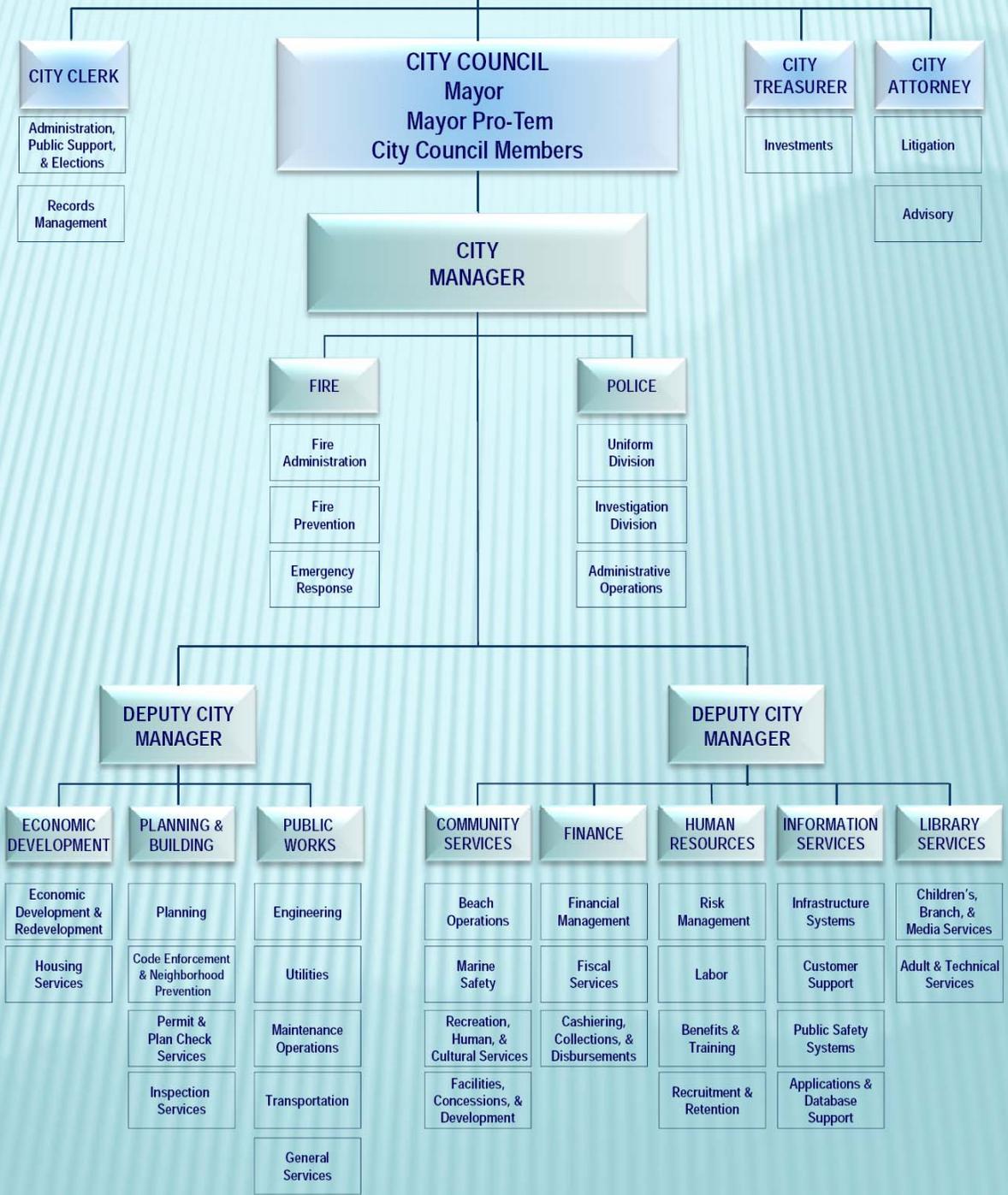
Joan L. Flynn, City Clerk
Jennifer M. McGrath, City Attorney

Department Directors

Stephanie Beverage, Library Services
Michele Carr, Human Resources
Paul Emery, Community Services
Lori Ann Farrell, Finance
Robert Hall, Economic Development
Scott Hess, Building & Planning
Travis Hopkins, Public Works
Jack Marshall, Information Services
Chief Patrick McIntosh, Fire
Chief Kenneth W. Small, Police

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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emswiler

Executive Director

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FINANCIAL SECTION

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California (City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, 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 as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the basic financial statements, on June 29, 2011, the California State Legislature enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California (Assembly Bill 1X 26) unless certain payments can be made to the State of California (Assembly Bill 1X 27). On December 29, 2011, the California Supreme Court (Court) largely upheld the legislation for the dissolution of redevelopment agencies. Furthermore, the Court invalidated Assembly Bill 1X 27. Accordingly, the Agency was required to dissolve on February 1, 2012 and the guidelines for dissolution are set forth in the legislation. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual fund statements and schedules listed as supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Jini & O'Connell LLP

Newport Beach, California

March 30, 2012

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City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

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, 2011. 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-vi 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, 2011	September 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 1,054,953	\$ 1,043,111	\$ 11,842	1.1%
Liabilities	170,892	179,714	(8,822)	-4.9%
Total Net Assets	884,061	863,397	20,664	2.4%
Unrestricted Net Assets	100,499	94,578	5,921	6.3%
Long-Term Obligations	149,259	155,809	(6,550)	-4.2%
Program Revenues	118,588	116,384	2,204	1.9%
Taxes	143,898	140,584	3,314	2.4%
Other General Revenues	13,081	19,995	(6,914)	-34.6%
Expenses	254,903	265,805	(10,902)	-4.1%

- The total assets of the City of Huntington Beach exceeded its liabilities at the close of the most recent fiscal year by \$884,061,000. Of this amount, \$100,499,000 may be used to meet the City's ongoing obligations to citizens and creditors. Net assets increased \$20,664,000 or 2.4%. This increase is due in large part to additions made to capital assets for residential street improvements and infrastructure improvements to the City's water and sewer systems. Unrestricted net assets increased by \$5,921,000 or 6.3%.
- Long-term obligations decreased by \$6,550,000 or 4.2%. This decrease is primarily due to debt service payments and a new bond issue used to refund two existing bonds held by the City.
- Program revenues increased by \$2,204,000 or 1.9%. This increase is primarily due to an increase in Gas Tax and Planning and Building permit and review revenue from prior year. Taxes increased \$3,314,000 or 2.4% due in large part to increases in sales tax, transient occupancy tax, and utility franchise revenue. Other General Revenues decreased by \$6,914,000 primarily due to a gain on sale of property in the prior fiscal year and none in the current year.
- Expenses decreased by \$10,902,000 or 4.1% due to ongoing efforts to cut costs given the sluggish economy.

Overview of the Financial Statements

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

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.

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 full accrual basis (when the economic event occurs), not when the cash is received or paid.

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

The government-wide financial statements include the City and all of its component units that are legally separate but whose activities entirely support the City of Huntington Beach. 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 19-20 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 reconciliations indicate to the reader the differences in financial reporting between the governmental activities section and the governmental funds section.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

The City maintains 20 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the General Fund, Grants Special Revenue Fund, 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 15 smaller funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in combining statements elsewhere in this report.

The City provides an annual appropriated budget for its governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue funds (Grants) are required to be presented and are included on pages 95-96 and 111-121 of this report and demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 21-24 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 Service, Refuse, and Hazmat Service 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, Refuse, and Hazmat Service Funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 26-28 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 29 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 30-91 of this report.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and General Fund budget-to-actual comparisons. Required supplementary information can be found on pages 94-98 of this report.

The combining statements and schedules referred to earlier in connection with other governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 103-110 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net asset balances for both governmental and business-type activities, with total assets exceeding liabilities by \$884,061,000.

Below is a summary schedule of the City's net assets at September 30, 2011 (in thousands):

	September 30, 2011	September 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities				
Current and Other Assets	\$ 152,402	\$ 142,600	\$ 9,802	6.9%
Capital Assets	672,119	678,791	(6,672)	-1.0%
Total Assets	824,521	821,391	3,130	0.4%
Current and Other Liabilities	14,424	16,927	(2,503)	-14.8%
Long-Term Obligations	148,166	154,878	(6,712)	-4.3%
Total Liabilities	162,590	171,805	(9,215)	-5.4%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	569,497	567,631	1,866	0.3%
Restricted	51,195	49,100	2,095	4.3%
Unrestricted	41,239	32,855	8,384	25.5%
Total Net Assets	\$ 661,931	\$ 649,586	\$ 12,345	1.9%
Business Activities				
Current and Other Assets	\$ 95,550	\$ 100,141	\$ (4,591)	-4.6%
Capital Assets	134,882	121,579	13,303	10.9%
Total Assets	230,432	221,720	8,712	3.9%
Current and Other Liabilities	7,209	6,978	231	3.3%
Long-Term Obligations	1,093	931	162	17.4%
Total Liabilities	8,302	7,909	393	5.0%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	134,882	121,576	13,306	10.9%
Restricted	27,988	30,512	(2,524)	-8.3%
Unrestricted	59,260	61,723	(2,463)	-4.0%
Total Net Assets	\$ 222,130	\$ 213,811	\$ 8,319	3.9%



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

Analysis of the City's Net Assets

Current and Other Assets: The increase in current and other assets of \$9,802,000 is primarily due to an increase in cash and investments as a result of modest improvements in revenue accompanied by cost cutting measures in the current fiscal year.

Current and Other Liabilities: The decrease in current and other liabilities of \$2,503,000 is primarily due to a disbursement from deposits payable for a loan to a developer relating to the acquisition, rehabilitation and operation of a multifamily residential project.

Long-Term Obligations: The decrease in long-term obligations of \$6,712,000 is primarily due debt service payments made in the current year.

Invested in Capital Assets, Net of Related Debt: 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. Net assets invested in capital assets net of related debt from governmental activities increased \$1,866,000 or 0.3%. This increase was primarily due to improvements made to the City's buildings and road infrastructure. Net assets invested in capital assets net of related debt from business activities increased \$13,306,000 or 10.9% due to improvements made to the City's water and sewer systems.

Restricted Net Assets: An additional portion of the City's net assets is subject to external (legally imposed or statutory) restrictions (\$51,195,000 for governmental activities, and \$27,988,000 for business activities). These amounts represent 7.7% and 12.6% of net assets for governmental activities and business activities, respectively. Restricted net assets from governmental activities increased \$2,095,000 or 4.3%. The increase is primarily due to more funds available for capital projects. Restricted net assets from business activities decreased by \$2,524,000 or 8.3% primarily due to restricted funds used for improvement to the City's water and sewer systems.

Unrestricted Net Assets: The unrestricted assets (\$41,239,000 for governmental activities and \$59,260,000 for business activities) represent 6.2% and 26.7% of net assets for governmental activities and business activities, respectively. Unrestricted net assets for governmental activities increased \$8,384,000 or 25.5% primarily due to an increase in sales tax, transient occupancy tax, and utility franchise revenue along with cost cutting measures. Unrestricted net assets for business activities decreased by \$2,463,000 or 4.0%. This decrease was primarily due to improvements made to the City's water and sewer systems.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

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

	Governmental Activities			
	September 30, 2011	September 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues:				
Charges for Current Services	\$ 48,347	\$ 46,234	\$ 2,113	4.6%
Operating Grants and Contributions	8,914	7,069	1,845	26.1%
Capital Grants and Contributions	5,198	7,418	(2,220)	-29.9%
Total Program Revenues	62,459	60,721	1,738	2.9%
General Revenues:				
Property Taxes	86,056	85,552	504	0.6%
Sales Taxes	25,339	23,646	1,693	7.2%
Utility Taxes	19,135	19,757	(622)	-3.1%
Other Taxes	13,368	11,629	1,739	15.0%
Use of Money and Property	3,239	4,043	(804)	-19.9%
From Other Agencies - Unrestricted	5,647	4,184	1,463	35.0%
Other	3,060	9,944	(6,884)	-69.2%
Total General Revenues	155,844	158,755	(2,911)	-1.8%
Total Revenues	218,303	219,476	(1,173)	-0.5%
Expenses:				
City Council	300	301	(1)	-0.3%
City Manager	1,502	1,674	(172)	-10.3%
City Treasurer	1,274	1,532	(258)	-16.8%
City Attorney	2,354	2,772	(418)	-15.1%
City Clerk	813	883	(70)	-7.9%
Finance	3,423	4,309	(886)	-20.6%
Human Resources	4,792	5,284	(492)	-9.3%
Planning and Building	6,036	7,778	(1,742)	-22.4%
Fire	35,393	33,545	1,848	5.5%
Information Services	5,909	6,812	(903)	-13.3%
Police	60,192	59,049	1,143	1.9%
Economic Development	10,876	11,891	(1,015)	-8.5%
Community Services	16,104	16,147	(43)	-0.3%
Library Services	3,838	4,519	(681)	-15.1%
Public Works	27,232	26,483	749	2.8%
Non-Departmental	19,595	24,303	(4,708)	-19.4%
Interest on Long-Term Debt	6,287	6,146	141	2.3%
Total Expenses	205,920	213,428	(7,508)	-3.5%
Change in Net Assets Before Transfers	12,383	6,048		
Transfers	(38)	(38)		
Change in Net Assets After Transfers	12,345	6,010		
Net Assets - Beginning of Year	649,586	643,576		
Net Assets - End of Year	\$ 661,931	\$ 649,586		

The cost of all governmental activities this year was \$205,920,000. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was \$143,461,000, because costs of \$48,347,000 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 \$8,914,000, and capital grants and contributions of \$5,198,000. Overall, the City's governmental program revenues were \$62,459,000. The City paid for the remaining "public benefit" portion of governmental activities with \$155,844,000 in taxes and general revenue (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Charges for Current Services increase by \$2,113,000 or 4.6% due to an increase in gas tax, building and planning revenue.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

Operating Grants and Contribution increased by \$1,845,000 or 26.1% primarily due to an increase in police grants from the prior year. Capital Grants and Contributions have decreased by \$2,220,000 or 29.9% primarily due to a decrease in economic development and public works grants.

Total program expenses decreased by \$7,508,000 due to the following:

- Planning and Building decreased by \$1,742,000 primarily due to savings realized from the reduction of their document imaging services and the deferral of various building and planning contracts.
- Fire and Police expenditures increased by \$1,848,000 and \$1,143,000, respectively, primarily due to an increase in pension and worker's compensation costs.
- Non-Departmental expenditures decreased by \$4,708,000 primarily due to general and sick leave payouts for early retirement incentive in the prior year.
- Salary across all governmental funds decreased by \$5,472,000 primarily due to a strict hiring freeze in the current year.

Total resources available during the year to finance governmental operations were \$867,851,000 consisting of net assets at October 1, 2010, of \$649,586,000, program revenues of \$62,459,000, general revenues of \$155,844,000, less transfers of \$38,000. Total expenses for governmental activities during the year were \$205,920,000, thus, net assets were increased by \$12,345,000, to \$661,931,000.

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

Business Activities				
	September 30, 2011	September 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)
Program Revenues:				
Charges for Current Services	\$ 56,129	\$ 55,525	\$ 604	1.1%
Capital Grants and Contributions	-	138	(138)	-100.0%
Total Program Revenues	56,129	55,663	466	0.8%
Use of Money and Property	1,135	1,824	(689)	-37.8%
Total Revenues	57,264	57,487	(223)	-0.4%
Expenses:				
Water Utility	31,712	34,902	(3,190)	-9.1%
Refuse Collection	10,690	10,585	105	1.0%
Sewer Service	6,338	6,575	(237)	-3.6%
Hazmat Service	243	315	(72)	-22.9%
Total Expenses	48,983	52,377	(3,394)	-6.5%
Increase in Net Assets Before Transfers	8,281	5,110		
Transfers	38	38		
Total Change In Net Assets	8,319	5,148		
Net Assets - Beginning of Year	213,811	208,663		
Net Assets - End of Year	\$ 222,130	\$ 213,811		

The City's net assets from business activities increased by \$8,281,000 before transfers. Contributing to this increase were net program revenue of \$7,146,000 and interest income of \$1,135,000. Use of money and property decreased by \$689,000 due to a decrease in the rate of return of the City's cash and investments.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

The cost of all Business-Type activities this year was \$48,983,000. As shown in the Statement of Activities, the amount paid by users of the systems was \$56,129,000, there were no capital grants and contributions, other revenue was \$1,135,000, and transfers were \$38,000. Beginning net assets were \$213,811,000 and ending net assets were \$222,130,000. Of the ending net asset amount, \$134,882,000, or 60.7%, was invested in capital assets, \$27,988,000 or 12.6% was restricted for expenditures for the Water Master Plan, and \$59,260,000, or 26.7% was unrestricted.

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

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, 2011	September 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)	
Total Fund Equity:				
General Fund	\$ 54,556	\$ 41,352	\$ 13,204	31.9%
Grants Special Revenue Fund	1,093	923	170	18.4%
Redevelopment Agency Debt Service	(1,497)	(152)	(1,345)	884.9%
Redevelopment Agency Capital Projects	685	7,809	(7,124)	-91.2%
Low-Income Housing Fund	10,921	11,409	(488)	-4.3%
Total Fund Equity	\$ 65,758	\$ 61,341	\$ 4,417	7.2%

The General Fund Balance increased by \$13,204,000 primarily due to the transfer of land held for resale from the Redevelopment Capital Projects Fund and a slight revenue growth combined with overall cost cutting measures implemented by all departments.

The Grants Special Revenue Fund Balance increased by \$170,000 primarily due to the combination of the Narcotics Forfeiture Special Revenue Fund with the Grants Special Revenue Fund in the current year. The prior year information was not restated.

The Redevelopment Agency Debt Service Fund Balance decreased by \$1,345,000. This decrease was primarily due to the State-mandated Supplemental Education Revenue Augmentation Fund (SERAF) contribution required by AB 26 4x.

The Redevelopment Agency Capital Projects Fund Balance decreased by \$7,124,000 primarily due to the transfer of land held for resale to the General Fund.

The Low-Income Housing Fund decreased \$488,000. This decrease was primarily due affordable housing project expenditures exceeding revenues. The revenue from the housing set-aside portion of property tax increment received was less than anticipated due to the sluggish economy.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

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, 2011	September 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)
Net Assets:				
Water Fund	\$ 164,199	\$ 160,410	\$ 3,789	2.4%
Sewer Fund	57,672	53,263	4,409	8.3%
Refuse Fund	31	39	(8)	-20.5%
Hazmat Service Fund	228	99	129	130.3%
Total Net Assets	\$ 222,130	\$ 213,811	\$ 8,319	3.9%
Unrestricted Net Assets:				
Water Fund	\$ 37,727	\$ 45,117	\$ (7,390)	-16.4%
Sewer Fund	21,274	16,468	4,806	29.2%
Refuse Fund	31	39	(8)	-20.5%
Hazmat Service Fund	228	99	129	130.3%
Total Unrestricted Net Assets	\$ 59,260	\$ 61,723	\$ (2,463)	-4.0%

The Water Fund net assets increased by \$3,789,000 and unrestricted net assets decreased by \$7,389,000. The net assets increased due in large part to interest income and less expenses for supplies and operations. The unrestricted net assets decreased due to the remodeling of the water operations facility.

The Sewer Fund net assets increased by \$4,409,000 and unrestricted net assets increased by \$4,806,000. This increase is due to a reduction in repairs and maintenance costs in the current year.

Debt Administration

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

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011
Governmental Activities:				
Revenue Bonds	\$ 55,385	\$ 36,275	\$ (42,185)	\$ 49,475
Tax Allocation Bonds	21,080	-	(1,375)	19,705
Judgement Obligation Bonds	5,989	-	(810)	5,179
Claims	13,927	8,947	(5,739)	17,135
Compensated Absences	10,277	3,712	(2,858)	11,131
Pension Obligation	4,176	3,812	(3,957)	4,031
Loans	33,838	142	(1,110)	32,870
Leases Payable	857	-	(285)	572
Pollution Remediation	2,200	-	-	2,200
PARS Payable	7,149	-	(1,281)	5,868
Total Long-Term Obligations - Governmental Activities	154,878	52,888	(59,600)	148,166
Business Activities:				
Compensated Absences	928	260	(95)	1,093
Leases	3	-	(3)	-
Business Activities	931	260	(98)	1,093
Total Long-Term Obligations	\$ 155,809	\$ 53,148	\$ (59,698)	\$ 149,259



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

Additional information on the City's long-term debt is shown in Note 11 to the financial statements. The City of Huntington Beach is legally restricted to issuing general obligation bonds to 12% of its assessed valuation. Since the City has no general obligation bonds outstanding, the limit does not apply. This is shown on page 144 of the financial statements. The City's total debt decreased \$6,550,000 or 4.2% from the prior fiscal year. This decrease was due in large part to the following:

- Issuance of \$36,275,000 a new Lease Revenue Bond used to refund outstanding amounts for the 2001 Series A and B Public Financing Authority Lease Revenue Bonds totaling \$24,900,000 and \$13,960,000, respectively. Although the redemption of the old bonds occurred after the end of the fiscal year, the refunding qualified as an in-substance defeasance of debt. Accordingly, the bond liability has been removed from the financial statements as of fiscal year-end.
- Current year debt service payments on Bonds, PARS payable, and various other loans.

The City continues to maintain strong 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>
1999 Tax Allocation Refunding Bonds	Baa2	A
2002 Tax Allocation Refunding Bonds	Baa2	A
2004 Judgment Obligation Bonds	Aa2	AA
2010 Lease Revenue Bonds, Series A	Aa3	AA
2011 Lease Revenue Bonds, Series A	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:

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



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

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

	September 30, 2011	September 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)
Governmental Activities:				
Land	\$ 366,751	\$ 367,323	\$ (572)	-0.2%
Buildings	133,074	128,662	4,412	3.4%
Machinery and Equipment	8,836	11,274	(2,438)	-21.6%
Construction in Progress	3,181	10,242	(7,061)	-68.9%
Joint Venture	2,258	2,094	164	7.8%
Infrastructure	158,019	159,196	(1,177)	-0.7%
Total Governmental Activities	672,119	678,791	(6,672)	-1.0%
Business Activities:				
Land	3,907	3,907	-	0.0%
Buildings	39,523	40,820	(1,297)	-3.2%
Machinery and Equipment	2,582	2,700	(118)	-4.4%
Construction in Progress	19,382	12,375	7,007	56.6%
Infrastructure	69,488	61,777	7,711	12.5%
Total Business Activities	134,882	121,579	13,303	10.9%
Total Capital Assets	\$ 807,001	\$ 800,370	\$ 6,631	0.8%

Capital assets from governmental activities decreased \$6,672,000 or 1.0%. This decrease is largely due to depreciation outpacing acquisitions of capital assets due to cost cutting measures taken in the current fiscal year. Capital assets from business activities increased \$13,303,000 or 10.9%. This increase was largely due to ongoing improvement and rehabilitation of the City's sewer system and water facilities and off-set by annual depreciation. Further information on the City's capital assets can be found in Note 12 of the financial statements.

General Fund Budgetary Highlights

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$4,811,000 or 2.8% from the original (adopted) budget for the fiscal year ended September 30, 2011. The change from original to final budget occurred primarily as a result of adjustments made to budgeted sales tax.

Comparing the fiscal year 2010/2011 original budget (or adopted) General Fund expenditures amount of \$171,611,000 to the final budgeted amount of \$175,654,000 shows a net increase of \$4,043,000 (2.4%). This overall increase was the result of budget carryovers from the previous year.

Variance with Final Budget

General Fund actual revenues were greater than the final budget by \$2,804,000 for the fiscal year ended September 30, 2011. The steady yet modest gains in the economy yielded positive results above budgeted projections. The impact of the improving economy on major categories of revenue is listed below:



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

- Property Tax: The net \$1,017,000 positive variance in actual vs. final budgeted revenue in this category was primarily due to fewer property tax delinquencies and home foreclosures than originally projected.
- Other Taxes: The net \$833,000 positive variance in actual vs. final budgeted revenue in this category was primarily due to additional sales tax revenue from the State under the "Triple Flip" reimbursement formula whereby cities receive 0.25 percent of sales tax revenue one year delayed.
- Intergovernmental: The net \$1,060,000 positive variance in actual vs. final budgeted revenue in this category was primarily due to helicopter services revenue and overhead charges received from the Community Facilities Districts that were not originally projected in the current year.

General Fund expenditures were \$4,937,000 less than the final budget. The favorable budget variance is due in large part to the following:

- Salary savings of \$885,000 from fully-funded positions that remained vacant during the year due to a strict hiring freeze.
- Public Works realized \$1,344,000 in savings from deferred repairs and maintenance of building, grounds, storm drains and postponement of the fleet management software implementation.
- Planning and Building realized \$925,000 in savings from the reduction of their document imaging services and the deferral of various building and planning contracts.
- Continuing cut costing measures in Community Services and Library Services programs generating a \$1,584,000 in savings.

Analysis of City's Other Major Governmental Funds

Grants Special Revenue Fund

The fund balance in the Grant Special Revenue Fund decreased by \$753,000 due to the inherent timing differences between when grant expenditures are incurred versus when the revenues are received. Significant grant expenditures in the current year were \$748,000 in loans made through the HOME program and \$627,000 of improvements to the Edison Youth Sports Park.

Redevelopment Debt Service Fund

The fund balance in the Redevelopment Debt Service Fund decrease by \$1,345,000 primarily due to less tax increment revenues received than originally projected.



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

Redevelopment Agency Capital Projects Fund

The fund balance in the Redevelopment Agency Capital Projects Fund decreased by \$7,124,000 primarily due to the transfer of land held for resale with a book value of \$5,978,000 to the General Fund and the acquisition of leasehold interest in a property located on Edinger Avenue in the amount of \$1,103,000 for the purpose of future development of the site.

Low-Income Housing Capital Projects Fund

The fund balance in the Low-Income Housing Capital Projects Fund decreased by \$488,000 due to loans made through the first time homebuyers program in the amount of \$1,349,000 in the current year.

Economic Factors and Next Year's Budgets and Rates

The local and regional economies are demonstrating signs of a steady, albeit slow, recovery in the economy. As a result, many General Fund revenue sources are slowly climbing out of the precipice of the Great Recession. Overall General Fund revenue performance, however, has not yet been restored to its pre-recession levels. In light of this, the General Fund forecast for fiscal year 2011/2012 is conservative, with certain revenue sources projected to remain flat, while others are projected to slightly outpace last year's performance. Key General Fund revenue highlights are discussed below:

- Property tax revenue will remain relatively flat due to the prolonged weakness in the real estate market as evidenced by the decrease in home sales, declines in market prices, continuing property value re-assessments and increasing property tax appeals.
- Modest increases will be realized in Transient Occupancy Tax revenue as the Huntington Beach Marketing and Visitor's Bureau continues to promote the City as a desirable and affordable vacation location, and the City's new boutique hotels continue to attract new and younger visitors.
- Continuing increases in sales tax revenue will be realized due to steadily increasing fuel prices, as well as, new retail stores and restaurants.
- Utility taxes will remain relatively flat as economic pressures and energy conservation efforts continue to suppress demand and prices.
- Significant increases in the annually required contributions to the City's pension plans due to longer than anticipated life expectancies, declines in CalPERS' portfolio values and other actuarial losses.

While the local and regional economies are showing steady, albeit slow, signs of improvement, the State continues to face budgetary challenges that have required draconian cuts in virtually every area of State spending. Over the past few years, the State has reduced local government revenues as a solution to its chronic budget deficits.

Despite a recent ballot measure to protect local government revenue, the most recent attack on local governments is unprecedented, and devastating. In a move that has toppled the very foundation of economic development funding across California for the



City of Huntington Beach Management's Discussion and Analysis For the Year Ended September 30, 2011

past five decades, the State essentially obliterated all redevelopment activities statewide. AB 1X 26, new State legislation that eliminates redevelopment funding statewide, was adopted in June 2012. While cities and redevelopment agencies alike challenged this groundbreaking legislation in the courts, it was ultimately upheld, creating an at least \$1.7 billion windfall for the State. As of this writing, all redevelopment agencies, including the Redevelopment Agency of the City of Huntington Beach, have been dissolved, and are winding down their activities, pursuant to State law. The City will work closely with its partners at the State and at the regional level to continue to create opportunities to encourage developers to invest in Huntington Beach, despite the elimination of critical redevelopment seed money, as a great place to live, work and play.

Contacting the City's Financial Management Team

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

BASIC FINANCIAL STATEMENTS

CITY OF HUNTINGTON BEACH
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011
(In Thousands)

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 47,339	\$ 60,755	\$ 108,094
Receivables, Net	30,102	5,527	35,629
Inventories	-	1,280	1,280
Prepays	4,540	-	4,540
Other Assets	1,265	-	1,265
Land Held for Resale	5,978	-	5,978
Other Postemployment Benefits Asset	8,792	-	8,792
Subtotal	98,016	67,562	165,578
Restricted Assets:			
Cash and Investments	25,237	27,988	53,225
Cash and Investments with Fiscal Agent	6,846	-	6,846
Receivables, Net	22,303	-	22,303
Total Restricted Assets	54,386	27,988	82,374
Capital Assets:			
Non-Depreciable	372,190	23,289	395,479
Depreciable	299,929	111,593	411,522
Total Capital Assets	672,119	134,882	807,001
Total Assets	824,521	230,432	1,054,953
 LIABILITIES			
Accounts Payable	4,238	5,634	9,872
Accrued Payroll	5,526	-	5,526
Deposits	1,469	1,575	3,044
Subtotal	11,233	7,209	18,442
Liabilities Payable from Restricted Assets:			
Accounts Payable	1,454	-	1,454
Accrued Interest Payable	459	-	459
Deposits	1,278	-	1,278
Total Liabilities Payable from Restricted Assets	3,191	-	3,191
Long-Term Obligations:			
Long-Term Obligations Due Within One Year	18,487	298	18,785
Long-Term Obligations Due in More than One Year	129,679	795	130,474
Total Long-Term Obligations	148,166	1,093	149,259
Total Liabilities	162,590	8,302	170,892
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	569,497	134,882	704,379
Restricted for:			
Debt Service	6,856	-	6,856
Capital Projects	17,330	27,988	45,318
Public Works and Community Services Projects	27,009	-	27,009
Total Restricted Net Assets	51,195	27,988	79,183
Unrestricted	41,239	59,260	100,499
Total Net Assets	\$ 661,931	\$ 222,130	\$ 884,061

See Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(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	\$ 300	\$ 63	\$ -	\$ -	\$ (237)	\$ -	\$ (237)
City Manager	1,502	127	-	-	(1,375)	-	(1,375)
City Treasurer	1,274	568	-	-	(706)	-	(706)
City Attorney	2,354	127	-	-	(2,227)	-	(2,227)
City Clerk	813	98	-	-	(715)	-	(715)
Finance	3,423	1,202	-	-	(2,221)	-	(2,221)
Human Resources	4,792	1,117	-	-	(3,675)	-	(3,675)
Planning & Building	6,036	6,084	-	-	48	-	48
Fire	35,393	8,632	178	-	(26,583)	-	(26,583)
Information Services	5,909	741	-	-	(5,168)	-	(5,168)
Police	60,192	5,207	1,420	-	(53,565)	-	(53,565)
Economic Development	10,876	2,800	1,517	778	(5,781)	-	(5,781)
Community Services	16,104	15,345	93	-	(666)	-	(666)
Library Services	3,838	325	70	-	(3,443)	-	(3,443)
Public Works	27,232	5,638	5,636	4,420	(11,538)	-	(11,538)
Non-Departmental	19,595	273	-	-	(19,322)	-	(19,322)
Interest on Long-Term Debt	6,287	-	-	-	(6,287)	-	(6,287)
Total Governmental Activities	205,920	48,347	8,914	5,198	(143,461)	-	(143,461)
Business-type Activities:							
Water Utility	31,712	34,583	-	-	-	2,871	2,871
Sewer Service	6,338	10,532	-	-	-	4,194	4,194
Refuse Collection	10,690	10,631	-	-	-	(59)	(59)
Hazmat Service	243	383	-	-	-	140	140
Total Business-Type Activities	48,983	56,129	-	-	-	7,146	7,146
Total Governmental and Business Type Activities	\$ 254,903	\$ 104,476	\$ 8,914	\$ 5,198	(143,461)	7,146	(136,315)
General Revenues:							
Taxes:							
Property Taxes					86,056	-	86,056
Sales Taxes					25,339	-	25,339
Utility Taxes					19,135	-	19,135
Other Taxes					13,368	-	13,368
Total Taxes					143,898	-	143,898
Other:							
Use of Money and Property					3,239	1,135	4,374
From Other Agencies - Unrestricted					5,647	-	5,647
Other					3,060	-	3,060
Total General Revenues					155,844	1,135	156,979
Transfers					(38)	38	-
Total General Revenues and Transfers					155,806	1,173	156,979
Change in Net Assets					12,345	8,319	20,664
Net Assets - Beginning of Year					649,586	213,811	863,397
Net Assets - End of Year					\$ 661,931	\$ 222,130	\$ 884,061

**CITY OF HUNTINGTON BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
(In Thousands)**

	General Fund	Grants Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Low-Income Housing Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and Investments	\$ 47,339	\$ -	\$ 301	\$ 853	\$ 5,653	\$ 18,430	\$ 72,576
Cash and Investments with Fiscal Agent	-	-	2,451	-	-	4,395	6,846
Taxes Receivable	24,771	-	3,866	-	-	197	28,834
Other Receivables, Net	5,331	6,285	79	120	10,232	1,524	23,571
Due from Other Funds	-	-	-	1,097	-	886	1,983
Advances to Other Funds	341	-	-	-	5,291	-	5,632
Land Held for Resale	5,978	-	-	-	-	-	5,978
Other Assets	-	-	-	-	-	1,265	1,265
Prepays	4,540	-	-	-	-	-	4,540
TOTAL ASSETS	\$ 88,300	\$ 6,285	\$ 6,697	\$ 2,070	\$ 21,176	\$ 26,697	\$ 151,225
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 4,238	\$ 381	\$ -	\$ 22	\$ 36	\$ 1,015	\$ 5,692
Accrued Payroll	5,526	-	-	-	-	-	5,526
Due to Other Funds	-	513	1,097	-	-	373	1,983
Advances from Other Funds	-	-	3,928	1,363	-	341	5,632
Deposits Payable	1,469	11	-	-	-	1,267	2,747
Deferred Revenue	15,519	4,287	3,169	-	10,219	1,001	34,195
Claims Payable	6,992	-	-	-	-	-	6,992
Total Liabilities	33,744	5,192	8,194	1,385	10,255	3,997	62,767
Fund Balances:							
Nonspendable							
Land Held for Resale	5,978	-	-	-	-	-	5,978
Prepaid Insurance	3,922	-	-	-	-	-	3,922
Advances to Other Fund	341	-	-	-	-	-	341
Worker's Compensation Claims Deposit	600	-	-	-	-	-	600
Restricted							
Underground Utilities	364	-	-	-	-	-	364
Restitution	244	-	-	-	-	-	244
Pollution Remediation	-	-	-	-	-	442	442
Debt Service	-	-	2,451	-	-	4,349	6,800
Highways, Streets and Transportation	-	-	-	-	-	8,811	8,811
Low Income Housing	-	-	-	-	5,567	-	5,567
Air Quality	-	-	-	-	-	765	765
Parks	-	-	-	-	-	2,946	2,946
Advances to Other Fund	-	-	-	-	5,291	-	5,291
Other Capital Projects	-	-	-	280	-	-	280
Long-Term Receivables	-	-	56	-	-	-	56
Other Purposes	696	1,093	-	405	63	-	2,257
Committed							
Other Capital Projects	-	-	-	-	-	4,049	4,049
Assigned							
Economic Uncertainties	23,185	-	-	-	-	-	23,185
Litigation Reserves	900	-	-	-	-	-	900
Capital Projects Reserve	4,270	-	-	-	-	-	4,270
Equipment Replacement	6,913	-	-	-	-	-	6,913
Capital Projects	-	-	-	-	-	1,675	1,675
PARS Obligation	4,649	-	-	-	-	-	4,649
Other Purposes	2,494	-	-	-	-	36	2,530
Unassigned			(4,004)			(373)	(4,377)
TOTAL FUND BALANCES	54,556	1,093	(1,497)	685	10,921	22,700	88,458
TOTAL LIABILITIES AND FUND BALANCES	\$ 88,300	\$ 6,285	\$ 6,697	\$ 2,070	\$ 21,176	\$ 26,697	\$ 151,225

See Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011
(In Thousands)**

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

Total Fund Balances Governmental Funds	\$	88,458
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Net capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds

Capital Assets	933,465	
Accumulated Depreciation	(261,346)	
Total Capital Assets		672,119

Long-term receivables are not available to pay for current-period expenditures and accordingly are deferred in the governmental funds.		34,195
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Other Postemployment Benefit Asset		8,792
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Other long-term liabilities are not due in the current period and, therefore, are not recorded in the governmental funds.

Accrued Interest Payable		(459)
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Long-term Liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Long-Term Obligations Due in One Year		(11,495)
Long-Term Obligations Due in More than One Year		(129,679)

Net Assets of Governmental Activities	\$	<u>661,931</u>
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**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

	General Fund	Grants Special Revenue	Redevelopment Agency Debt Service
REVENUES			
Property Taxes	\$ 67,842	\$ -	\$ 18,027
Sales Taxes	22,617	-	-
Utility Taxes	19,135	-	-
Other Taxes	13,368	-	-
Licenses and Permits	6,593	-	-
Fines and Forfeitures	4,334	-	-
From Use of Money and Property	14,267	172	114
Intergovernmental	5,448	5,958	-
Charges for Current Services	23,543	-	-
Other	2,253	58	-
Total Revenues	179,400	6,188	18,141
EXPENDITURES			
Current:			
City Council	300	-	-
City Manager	1,493	-	-
City Treasurer	1,274	-	-
City Attorney	2,142	-	-
City Clerk	798	-	-
Finance	3,423	-	-
Human Resources	6,043	-	-
Planning & Building	5,826	208	-
Fire	34,317	229	-
Information Services	5,879	-	-
Police	58,848	698	-
Economic Development	1,723	2,131	3,376
Community Services	12,736	267	-
Library Services	3,480	66	-
Public Works	16,169	470	-
Non-Departmental	14,360	-	-
Capital Outlay	-	2,521	-
Debt Service:			
Principal	1,566	135	2,351
Interest	340	36	3,008
Total Expenditures	170,717	6,761	8,735
Excess (Deficiency) Of Revenues Over (Under) Expenditures	8,683	(573)	9,406
OTHER FINANCING SOURCES (USES)			
Transfers In	13,199	-	-
Issuance of Long-Term Debt	-	-	-
Issuance Premium	-	-	-
Payments to Escrow	-	-	-
Transfers Out	(8,678)	(180)	(10,751)
Total Other Financing Sources (Uses)	4,521	(180)	(10,751)
Net Change In Fund Balances	13,204	(753)	(1,345)
Fund Balances- Beginning Of Year	41,352	1,846	(152)
Fund Balances- End Of Year	\$ 54,556	\$ 1,093	\$ (1,497)

See Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)
(continued)**

Redevelopment Agency Capital Projects	Low-Income Housing Capital Projects	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 85,869
-	-	2,417	25,034
-	-	-	19,135
-	-	-	13,368
-	-	135	6,728
-	-	-	4,334
752	126	229	15,660
-	-	6,253	17,659
-	-	636	24,179
26	3	477	2,817
<u>778</u>	<u>129</u>	<u>10,147</u>	<u>214,783</u>
-	-	-	300
-	-	-	1,493
-	-	-	1,274
212	-	-	2,354
-	-	-	798
-	-	-	3,423
-	-	63	6,106
-	-	-	6,034
-	-	-	34,546
-	-	-	5,879
-	-	-	59,546
2,729	3,825	-	13,784
-	-	721	13,724
-	-	-	3,546
2	-	2,365	19,006
-	-	554	14,914
-	-	4,351	6,872
-	-	5,394	9,446
-	-	3,013	6,397
<u>2,943</u>	<u>3,825</u>	<u>16,461</u>	<u>209,442</u>
<u>(2,165)</u>	<u>(3,696)</u>	<u>(6,314)</u>	<u>5,341</u>
1,280	3,605	9,301	27,385
-	-	36,275	36,275
-	-	1,884	1,884
-	-	(37,601)	(37,601)
(6,239)	(397)	(1,178)	(27,423)
(4,959)	3,208	8,681	520
<u>(7,124)</u>	<u>(488)</u>	<u>2,367</u>	<u>5,861</u>
<u>7,809</u>	<u>11,409</u>	<u>20,333</u>	<u>82,597</u>
<u>\$ 685</u>	<u>\$ 10,921</u>	<u>\$ 22,700</u>	<u>\$ 88,458</u>

See Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

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

Net Changes in Fund Balances - Total Governmental funds \$ **5,861**

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	5,502
Non-Depreciable Assets Purchased	1,180
Non-Depreciable Assets Disposition	(572)
Capital Asset Depreciation	(12,782)

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	18,094
Prior Year Property Tax Accrual	(17,602)
Current Year Grant Revenue Accrual	1,469

Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. 2,928

Other Postemployment Benefits Payments - Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 131

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	(459)
Prior Year Interest Accrual	569

Repayments of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. 47,047

Some expenses reported in the Statement of Activities do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds. This amount also includes the amount of debt proceeds during the year. (39,021)

Change in Net Assets of Governmental Activities	\$ 12,345
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**CITY OF HUNTINGTON BEACH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total
ASSETS					
Current Assets:					
Cash and Investments	\$ 39,473	\$ 21,185	\$ 28	\$ 69	\$ 60,755
Restricted Cash and Investments	27,988	-	-	-	27,988
Other Receivables, Net	2,030	484	442	189	3,145
Inventories	1,280	-	-	-	1,280
Unbilled Receivables	1,510	434	438	-	2,382
Total Current Assets	<u>72,281</u>	<u>22,103</u>	<u>908</u>	<u>258</u>	<u>95,550</u>
Capital Assets:					
Land	3,907	-	-	-	3,907
Buildings and Improvements	40,071	13,505	-	-	53,576
Machinery and Equipment	8,879	996	-	-	9,875
Infrastructure	92,190	40,204	-	-	132,394
Construction in Progress	13,093	6,289	-	-	19,382
Less Accumulated Depreciation	(59,656)	(24,596)	-	-	(84,252)
Total Capital Assets	<u>98,484</u>	<u>36,398</u>	<u>-</u>	<u>-</u>	<u>134,882</u>
Total Assets	<u>170,765</u>	<u>58,501</u>	<u>908</u>	<u>258</u>	<u>230,432</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	4,207	580	847	-	5,634
Deposits Payable	1,575	-	-	-	1,575
Current Portion of Compensated Absences and Capital Leases	214	68	8	8	298
Total Current Liabilities	<u>5,996</u>	<u>648</u>	<u>855</u>	<u>8</u>	<u>7,507</u>
Non-Current Liabilities:					
Compensated Absences	570	181	22	22	795
Total Liabilities	<u>6,566</u>	<u>829</u>	<u>877</u>	<u>30</u>	<u>8,302</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	98,484	36,398	-	-	134,882
Restricted for:					
Capital Projects	27,988	-	-	-	27,988
Unrestricted	37,727	21,274	31	228	59,260
Total Net Assets	<u>\$ 164,199</u>	<u>\$ 57,672</u>	<u>\$ 31</u>	<u>\$ 228</u>	<u>\$ 222,130</u>

CITY OF HUNTINGTON BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total
OPERATING REVENUES					
Sales	\$ 33,981	\$ -	\$ -	\$ -	\$ 33,981
Fees for Service	-	10,471	10,517	383	21,371
Other	602	61	114	-	777
Total Operating Revenues	34,583	10,532	10,631	383	56,129
OPERATING EXPENSES					
Water Purchases	12,945	-	-	-	12,945
Supplies and Operations	2,704	5,103	10,686	243	18,736
Engineering	1,533	-	-	-	1,533
Production and Distribution	6,600	-	-	-	6,600
Maintenance	1,842	-	-	-	1,842
Water Meters	1,796	-	-	-	1,796
Water Quality	655	-	-	-	655
Water Use Efficiency	538	-	-	-	538
Depreciation	3,099	1,235	-	-	4,334
Total Operating Expenses	31,712	6,338	10,686	243	48,979
Operating Income (Loss)	2,871	4,194	(55)	140	7,150
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	918	215	-	2	1,135
Interest Expense	-	-	(4)	-	(4)
Total Non-Operating Revenues (Expenses)	918	215	(4)	2	1,131
Change In Net Assets Before Capital Contributions and Transfers	3,789	4,409	(59)	142	8,281
TRANSFERS					
Transfers In	-	-	51	-	51
Transfers Out	-	-	-	(13)	(13)
Total Transfers	-	-	51	(13)	38
Total Change In Net Assets	3,789	4,409	(8)	129	8,319
Net Assets - Beginning Of Year	160,410	53,263	39	99	213,811
Net Assets- End Of Year	\$ 164,199	\$ 57,672	\$ 31	\$ 228	\$ 222,130

**CITY OF HUNTINGTON BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

	Water Fund	Sewer Service Fund	Refuse Fund	Hazmat Service Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers and Users	\$ 34,740	\$ 10,635	\$ 10,646	\$ 196	\$ 56,217
Cash Paid to Employees for Services	(7,852)	(2,365)	(205)	(248)	(10,670)
Cash Paid to Suppliers of Goods and Services	(20,473)	(2,786)	(10,441)	(1)	(33,701)
Net Cash and Investment Provided (Used) by Operating Activities	6,415	5,484	-	(53)	11,846
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	-	-	51	-	51
Transfers Out	-	-	-	(13)	(13)
Cash Received (Paid) to Other Funds	19	-	(23)	-	(4)
Net Cash and Investments Used by Noncapital Financing Activities	19	-	28	(13)	34
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Capital Assets	(16,799)	(838)	-	-	(17,637)
Capital Lease Payment	(3)	-	-	-	(3)
Net Cash and Investments Used by Capital and Related Financing Activities	(16,802)	(838)	-	-	(17,640)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	918	215	-	2	1,135
Net Cash and Investments Provided (Used) by Investing Activities	918	215	-	2	1,135
Net Increase (Decrease) in Cash and Investments	(9,450)	4,861	28	(64)	(4,625)
Cash and Investments - Beginning of Year	76,911	16,324	-	133	93,368
Cash and Investments - End of Year	\$ 67,461	\$ 21,185	\$ 28	\$ 69	\$ 88,743
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND INVESTMENTS PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 2,871	\$ 4,194	\$ (55)	\$ 140	\$ 7,150
Adjustments to Reconcile Operating Income to Net Cash and Investments Provided (Used) by Operating Activities					
Depreciation	3,099	1,235	-	-	4,334
Decrease (Increase) in Other Receivables, Net	85	108	20	(187)	26
Increase in Unbilled Receivables	(2)	(5)	(5)	-	(12)
Increase in Inventory	(48)	-	-	-	(48)
Increase (Decrease) in Accounts Payable	496	9	31	(1)	535
Decrease in Accrued Payroll	(279)	(81)	(10)	(8)	(378)
Increase in Deposits Payable	74	-	-	-	74
Increase in Compensated Absences	119	24	19	3	165
Net Cash and Investments Provided (Used) by Operating Activities	\$ 6,415	\$ 5,484	\$ -	\$ (53)	\$ 11,846

See Notes to the Financial Statements

**CITY OF HUNTINGTON BEACH
STATEMENT OF FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011
(In Thousands)**

	Total Agency Funds	Pension Trust Fund - Retirement Supplemental Fund
ASSETS		
Cash and Investments	\$ 3,431	\$ -
Cash and Investments with Fiscal Agent	4,132	-
Mutual Funds	-	26,859
Money Market Funds	-	793
Accounts Receivable, Net	89	2
Total Assets	<u>\$ 7,652</u>	<u>27,654</u>
LIABILITIES		
Accounts Payable	\$ 724	15
Due to Bondholders	4,453	-
Held for Others	2,475	-
Benefits Due to Plan Members and Beneficiaries	-	4,031
Total Liabilities	<u>\$ 7,652</u>	<u>4,046</u>
NET ASSETS		
Held in Trust For Pension Benefits and Other Purposes		<u>\$ 23,608</u>

**CITY OF HUNTINGTON BEACH
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

	Pension Trust Fund - Retirement Supplemental Fund
ADDITIONS	
Employer Contributions	\$ 3,957
Other Income	96
Total Additions	<u>4,053</u>
DEDUCTIONS	
Benefits	3,063
Administrative Costs	240
Investment Expense, Net	1,134
Total Deductions	<u>4,437</u>
Change in Net Assets	(384)
Net Assets- Beginning of Year	23,992
Net Assets- End of Year	<u>\$ 23,608</u>



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011

Footnote Number	Description	Page
1.	Summary of Significant Accounting Policies.....	31-44
2.	Cash and Investments	45-50
3.	Other Receivables	50-51
4.	Deferred Compensation.....	51-52
5.	Deferred Revenue.....	52
6.	Retirement Plan – Normal	53-55
7.	Retirement Plan – Supplemental	56-58
8.	Postemployment Medical Insurance	59-61
9.	Risk Management	62-63
10.	Interfund Transactions.....	64-65
11.	Long-Term Obligations.....	66-82
12.	Capital Assets	83-84
13.	Commitments and Contingencies	85-86
14.	Other Information	87
15.	Subsequent Events.....	87-91



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

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 separately issued 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.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

b. Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net 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 to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to the various functions based on a proportionate use of services. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for current services; 2) operating grants and contributions; and, 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Unrestricted Net Assets – This category represents 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 governmental activities, business-type activities, and proprietary funds, 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 has elected not to follow applicable FASB Statements and Interpretations issued after November 30, 1989 for business-type activities and enterprise funds.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Governmental Funds Financial Statements

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

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

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that by definition are not in spendable form.
- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council with a lesser action than an ordinance, City Manager or designee has the authority to establish, modify, or rescind a fund balance assignment.
- Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance in other governmental funds is limited to any negative residual fund balance after fund balance has been classified as restricted, committed, or assigned.

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

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

Encumbrances outstanding as of September 30, 2011, by major fund (in thousands):

General Fund	\$	3,074
Grants Special Revenue		1,617
Redevelopment Agency Capital Projects		405
Low-Income Housing Capital Projects		223
Other Governmental Funds		4,813
Total Encumbrance All Funds	\$	10,132

Economic Uncertainties Reserve

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- An unplanned, major event such as catastrophic disaster requiring expenditures over 5% of the General Fund adopted budget
- Budgeted revenue taken by another government entity
- Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget

Should the Economic Uncertainties Reserve be used, and its level falls below the minimum amount of two months of General Fund expenditures adopted budget, the goal is to replenish the fund within three fiscal years.

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.

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 present 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 Funds Financial Statements

Fiduciary Funds Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets for Trust Funds. The City's fiduciary funds include 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 employees. Contributions made are funded by a percentage of the Retirement Trust 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, 2011**

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 the development of affordable housing.

Proprietary Funds

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

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

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

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

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

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

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 districts where the City is not obligated in any manner for the outstanding debt.

Huntington Beach Business Improvement Districts Fund - accounts for the activities of the City's business improvement districts.

Central Net Operations Authority Fund - accounts for the activity of the Central Net Operations Authority.

Parking Structures Fund - accounts for the activities of the Bella Terra Parking Structure and Strand Parking Structure.

West Orange County Water Board - accounts for the West Orange County Water Board.

Supplemental Retirement Plan and Trust - accounts for the City's supplemental retirement plan.

Reconciliations of Financial Statements

Reconciliation of the Governmental Funds financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Investments

The City records investments at fair value except for guaranteed investment contracts (GICs), which are reported at cost, because the investments are not transferable and the fair values are not affected by changes in interest rates. The City pools cash resources of its various funds to facilitate cash management. Cash in excess of daily needs is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity, or yield of the portfolio. Interest earnings are apportioned among funds based on month-end cash and investment balances. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, such as money market funds, and any investment with a maturity of 90 days or less at the time of purchase.

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

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State Treasurer of the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk. In addition, these structured notes and asset-backed securities are subject to interest rate risk as a result of changes in interest rates. The City's investment policy is further discussed in Note 2 on page 45.

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with taxable and tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project, and for tax-exempt debt, offset with interest earned on the invested proceeds over the same period. There was no capitalized interest for the year ended September 30, 2011.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Inventories

Proprietary fund 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 activities 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 and amounts due to or from other funds. Amounts due to or from are the current (due within one year) portion of moneys that are to be paid or to be received from other funds.

h. Long-Term Obligations

In the government-wide and proprietary funds financial statements, long-term obligations are recorded as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net 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 an other financing source or use. Issuance costs are recorded as a current year debt service expenditure.

i. Employee Compensated Absences

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Property Tax Revenue

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

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

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

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

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 |



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Cash Flow Statements

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all cash and investments to be cash equivalents, as these funds participate in the citywide cash and investment pool. Restricted Cash and Investments are also included resource. They are either deposits or investments with original maturities of less than 90 days.

l. Estimates

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

m. Implementation of New Accounting Pronouncements

During the year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. . Implementation of this Statement had no material effect on amounts reported in the City's financial statements for the fiscal year ended September 30, 2011.

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

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this Statement is effective for the City's fiscal year ending September 30, 2013.

In November 2010, GASB issued Statement No.61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. Application of this Statement is effective for the City's fiscal year ending September 30, 2013.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the City's fiscal year ending September 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement sets forth criteria to establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for the City's fiscal year ending September 30, 2012.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

2. CASH AND INVESTMENTS

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

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

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

Notes:

* The following investment types are authorized for the City by the California Government Code; however, they are not considered permissible investments by the City's Investment Policy: mortgage pass-through securities, CD placement service, and collateralized bank deposits.

** - 40% only with City Council approval

*** - 5 years only with City Council approval

**** - 30% with City Council approval

***** - Only with City Council approval

N/A - Not Applicable

California Government Code:

(a) 5 years

(b) 1 year

(c) 40%

(d) N/A

(e) 25%

(f) 20%

(g) 30%

(h) \$50,000,000 per Entity



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations	Life of Bond	No Limit	No Limit
U.S. Government Sponsored Agency Securities	Life of Bond	No Limit	No Limit
Banker's Acceptances	180 days	No Limit	No Limit
Time Certificate of Deposits	360 days	No Limit	No Limit
Negotiable Certificates of Deposit	360 days	No Limit	No Limit
LAIF	N/A	No Limit	No Limit
Commercial Paper	270 days	No Limit	No Limit
Municipal Bonds from Any State	Life of Bond	No Limit	No Limit
Money Market Funds	N/A	No Limit	No Limit
Investment Agreements	Life of bond	No Limit	No Limit
Forward Purchase/Delivery Agreements	Life of bond	No Limit	No Limit
N/A - Not Applicable			



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

2. CASH AND INVESTMENTS (Continued)

Investment of the Supplemental Pension Retirement Trust

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

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

N/A - Not Applicable



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011

2. CASH AND INVESTMENTS (Continued)

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

Statement of Net Assets:

Cash and Investments	\$ 108,094
Restricted Assets (Cash and Cash Equivalents)	53,225
Cash and Investments with Fiscal Agent - Restricted	6,846
Total Per Statement of Net Assets	168,165
Fiduciary Funds:	
Cash and Investments	3,431
Cash and Investments with Fiscal Agent - Restricted	31,784
Total Fiduciary Funds	35,215
Total Deposits and Investments	\$ 203,380

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.

Investments maturities are as follows (in thousands):

INVESTMENTS:	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	more than 5	
US Agencies	\$ 84,231	\$ -	\$ 42,091	\$ 42,140	\$ -	\$ 84,231
Guaranteed Investment Contracts	1,649	-	-	-	1,649	1,649
Mutual Funds	26,859	26,859	-	-	-	26,859
Money Market Funds	3,355	3,355	-	-	-	3,355
Medium Term Notes	24,313	15,202	7,663	1,449	-	24,314
Local Agency Investment Fund	54,347	54,347	-	-	-	54,347
Total Investments	\$ 194,754	\$ 99,763	\$ 49,754	\$ 43,589	\$ 1,649	194,755
						Total Deposits
						8,625
						Total Deposits and Investments
						\$ 203,380



City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011

2. CASH AND INVESTMENTS (Continued)

Credit Risk - State law allows investment in United States Government Sponsored Enterprise (GSE) obligations noted above as U.S. Agencies. As of year-end, the Standard and Poor's and Moody's ratings of the GSE's were AA and AAA, respectively. Investments in Guaranteed Investment Contracts (GIC) are backed by collateral of either 104% or 107% depending on the type of collateral and GIC provider. The GIC provider is rated by Standard and Poor's and Moody's at A+ and A2. State law limits investments in commercial paper and medium term notes to have at least an A-1 or P-1 or an "A" rating, respectively, and 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, the City had no commercial paper holdings.

The City's investment policy for operating funds limits investments in Money Market Funds to 15% of the portfolio. Both Standard and Poor's and Moody's have rated the Money Market Funds in our operating funds and in our bond investment portfolio as AAA. Standard and Poor's rated the City's investments in medium-term notes as AAA and AA while Moody's rated them as Aaa and Aa.

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

Issuer	Investment Type	Fair Value Amount
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$20,000,000
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$13,999,000
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$46,996,000
General Electric Capital Corp	Medium Term Notes	\$9,620,000

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

2. CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund – The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF had invested 4.43% of the pooled investments funds in Structured Notes and Asset-Backed Securities. This external investment pool is not rated.

Guaranteed Investment Contracts (GIC) – The City records GICs at cost versus fair value due to the lack of readily available market pricing for these types of instruments. GICs held by the City are either collateralized with government securities that under the GIC agreement are required to have a higher market value than cost or fully guaranteed by a government entity and no losses are expected.

As of September 30, 2011, the City held \$85,994,000 in callable securities, which amounted to approximately 44% of investments.

3. OTHER RECEIVABLES

a. Developer Loans

Loans made to developers to construct or rehabilitate certain facilities under deferred loan agreements total \$36,376,000 at year-end. These loans are deferred until a future event occurs. Loans made by the Agency total \$25,258,000 and loans made under the Home Program total \$11,118,000. Interest rates on these loans range from 0% to 6.5%. The allowance for uncollectible developer loans is \$36,376,000 due to the terms of the agreement to forgive the balance of loans after a specified time period if all the conditions of loan forgiveness are met.

b. Emerald Cove Loan

On June 15, 2010, the Agency loaned Emerald Cove, LP \$8,000,000 to acquire and rehabilitate Emerald Cove Senior Apartments. The loan has an interest rate of 3% and is to be repaid annually from residual receipts over 60 years. The loan balance as of September 30, 2011 is \$8,252,000.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

3. OTHER RECEIVABLES (Continued)

c. Housing Rehabilitation Loans

Loans made to qualified homeowners and landlords in the City of Huntington Beach to rehabilitate certain single-family homes or multifamily rental housing under deferred loan agreements total \$3,500,000 at year-end. These loans are deferred until a future event occurs. The interest rates on these loans range from 0% to 6%.

d. Deferred Loans – First Time Homebuyers

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

e. Other Receivables

A summary of Other Receivables as of September 30, 2011 is as follows (in thousands):

<u>Description</u>	<u>Amount</u>
Developer Loans Receivable	\$ 36,376
Emerald Cove Loan Receivable	8,252
Housing Rehabilitation Loans Receivable	3,500
Emergency Medical Fee Receivable	1,395
Franchise Fee Receivable	1,941
HOME Program Grant Receivable	1,217
OCTA Grant Receivable	900
First Time Homebuyers Receivable	1,967
Other Receivables	4,399
Total Other Receivables	<u>59,947</u>
Allowance for Uncollectible Developer Loans	<u>(36,376)</u>
Net Other Receivables	<u><u>\$ 23,571</u></u>

4. DEFERRED COMPENSATION

Permanent City employees may defer a portion of their salary under tax-deferred plans as permitted under the Internal Revenue Code. These plans permit 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.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

4. DEFERRED COMPENSATION (Continued)

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 not reported as assets of the City. The City does not have fiduciary responsibility for these assets.

5. DEFERRED REVENUE

Certain revenues in governmental funds are deferred until received. The property and sales 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 to the extent they are not collected within 60 days after year-end. The other amounts are unearned revenue in both the funds and government-wide financial statements. The amounts are as follows (in thousands):

	General Fund	Grants Special Revenue	Redevelopment Agency Debt Service	Low-Income Housing Capital Projects	Total Major Governmental Funds
Property Taxes	\$ 10,965	\$ -	\$ 3,169	\$ -	\$ 14,134
Sales Tax	3,960	-	-	-	3,960
Grants	-	787	-	-	787
Deferred Loans:					
Emerald Cove	-	-	-	8,252	8,252
Housing Rehabilitation	-	3,500	-	-	3,500
First Time Homebuyers	-	-	-	1,967	1,967
Other Deferred Revenue	594	-	-	-	594
Total	\$ 15,519	\$ 4,287	\$ 3,169	\$ 10,219	\$ 33,194

	Total Major Governmental Funds	Other Governmental Funds	Total Deferred Revenue
Property Taxes	\$ 14,134	\$ -	\$ 14,134
Sales Tax	3,960	-	3,960
Grants	787	682	1,469
Deferred Loans:			
Emerald Cove	8,252	-	8,252
Housing Rehabilitation	3,500	-	3,500
First Time Homebuyers	1,967	-	1,967
Other Deferred Revenue	594	319	913
Total	\$ 33,194	\$ 1,001	\$ 34,195

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

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 or on their website: www.calpers.ca.gov.

b. Employer and Employee Contribution Obligations

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

The employer rate is an actuarially established rate, is set by CalPERS, and changes from year to year. The employer rates for the fiscal year ended September 30, 2011 are:

	10/1/2010 - 6/30/2011	7/1/2011 - 9/30/2011
Local Miscellaneous	10.222%	15.311%
Local Safety	29.203%	34.196%

The member rates are as follows:

	Rate
Local Miscellaneous	8.000%
Local Safety	9.000%



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

6. RETIREMENT PLAN – NORMAL (Continued)

c. Annual Pension Cost

The City's annual pension cost of \$23,363,000 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 and 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions used to determine the required contribution for fiscal year ended September 30, 2011 were:

- Maximum amortization remaining period – 30 years as of the Valuation Date – closed end
- Asset valuation method - 15 years smoothed market
- Investment Rate of Return - 7.75%
- Projected salary increases - 3.55% to 13.15% (safety) and 3.55% 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 0.25%.

CalPERS conducted an actuarial valuation using the entry-age actuarial cost method using a level percent of payroll to determine the City's funded status as of June 30, 2010. Significant assumptions are the same as the June 30, 2009 valuation.

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 30 year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years special gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If the plan's accrued liability exceeds the actuarial value of the assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

6. RETIREMENT PLAN – NORMAL (Continued)

d. Trend Information

Fiscal Year	Local Miscellaneous			Local Safety		
	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation	Annual Pension Cost (in thousands)	Percentage of APC Funded	Net Pension Obligation
9/30/2009	\$ 4,765	100%	\$ -	\$ 10,763	100%	\$ -
9/30/2010	\$ 5,380	100%	\$ -	\$ 11,826	100%	\$ -
9/30/2011	\$ 8,163	100%	\$ -	\$ 15,200	100%	\$ -

e. Funded Status and Funding Progress

Below is the funding progress based on the June 30, 2010 actuarial valuation for the miscellaneous and safety plans (in thousands):

Plan	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Liability (UL)	Funded Ratio	Covered Payroll	UL as a Percentage of Covered Payroll
Safety	\$ 500,725	\$ 384,956	\$ (115,769)	76.9%	\$ 41,015	-282.3%
Miscellaneous	382,671	334,778	(47,893)	87.5%	47,596	-100.6%
Total	\$ 883,396	\$ 719,734	\$ (163,662)	81.5%	\$ 88,611	-184.7%

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

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 defined benefit plan. It is a defined benefit plan and will pay the retiree an additional amount to his or her CalPERS amount for life. The City contracts with employee bargaining associations, which 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 1,001 active employees reported on the September 30, 2011 data, only 336 were eligible for plan benefits. No separately prepared financial statements are prepared for this plan and it is not included in the financial report of any other pension plan. Prior to fiscal year 2008-09, the City had prefunded these benefits and recorded the amounts in a fiduciary fund. In fiscal year 2008-09, the City established the Supplemental Employee Retirement Plan and Trust, and transferred \$24,918,000 to an irrevocable trust from the prefunded amounts. The plan and trust are still reported as a fiduciary fund pension trust.

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

Retirees and beneficiaries receiving benefits	649
Active Plan Members	<u>336</u>
Total Plan Participants	<u><u>985</u></u>

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

b. Employer Obligations and Funding Status and Progress

The City annually transfers amounts from the various City funds to the pension trust fund. The City is required to contribute the actuarially determined rate of 4.38% of total payroll for all permanent employees for the year ended September 30, 2011. Administrative costs of this plan are financed through investment earnings.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

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 fiscal year 2010/11 were (in thousands):

Annual required contribution	\$ 3,957
Interest on net pension obligation	229
Adjustment to annual required contribution	<u>(374)</u>
Annual pension cost	3,812
Contributions made	<u>(3,957)</u>
Decrease in net pension obligation	(145)
Net Pension Obligation – Beginning of Year	<u>4,176</u>
Net Pension Obligation – End of Year	<u><u>\$ 4,031</u></u>

The annual required contribution was determined as part of an independent actuarial valuation as of September 30, 2010 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% to 15.0% per annum depending on years of service
- Projected salary increases due to merit - 0%
- Inflation rate - 3.0%
- Postemployment benefit increases - 0%
- Amortization of unfunded liability - level percentage of pay ending in 2027 (closed)
- Actuarial value of assets - market value

d. Trend Information

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

Fiscal Year	Annual Pension Cost	Percentage of APC Funded	Net Pension Obligation
9/30/09	\$3,348	104%	\$4,312
9/30/10	\$3,831	104%	\$4,176
9/30/11	\$3,812	104%	\$4,031



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

7. RETIREMENT PLAN – SUPPLEMENTAL (Continued)

e. Funded Status and Funding Progress

Below is the funding progress based on the September 30, 2011 actuarial valuation update (dollar amounts in thousands):

Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
\$ 62,926	\$ 32,146	\$ (30,780)	51.1%	\$ 34,098	-90.3%

The September 30, 2011 actuarial valuation for funding progress uses the same assumptions as the September 30, 2010 actuarial valuation to determine the annual pension costs and net pension obligation as listed in note 7c. The schedule of funding progress presented as Required Supplementary Information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

f. Accounting for Plan

Since the City is required to adopt GASB Statement 27 for the supplemental pension plan, the difference between the ARC and the amount of pension cost funded for the years must be recorded as a liability in the government-wide financial statements. The amount of this liability is \$4,031,000 (see Note 11). Contributions are recognized when due and payable. Benefits are recognized when due and payable under plan provisions.

8. POSTEMPLOYMENT MEDICAL INSURANCE

a. Plan Description

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

8. POSTEMPLOYMENT MEDICAL INSURANCE (Continued)

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

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

The maximum subsidy a retiree is entitled to is \$344 per month after 25 years of service. If a retiree dies, the benefits that would be payable for his or her insurance are provided to the spouse or family for 18 months. 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.

b. Accounting and Funding

The City utilizes the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan, for the postemployment medical insurance benefit. Benefits paid from the CERBT were \$958,000. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814 or on their website: www.calpers.ca.gov. The City's policy is to make 100% of each year's ARC. Actuarial assumptions for the June 30, 2011 valuation were:

- Entry age normal – 30 year amortization of unfunded liabilities
- Discount rate – 6.36%
- All other retirement assumptions equivalent to CalPERS assumptions used for the City's normal retirement plan
- The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets forth the trend assumption used for the valuation:

<u>Year</u>	<u>Annual Rate</u>	<u>Year</u>	<u>Annual Rate</u>
2011/12	10.5%	2017/18	7.5%
2012/13	10.0%	2018/19	7.0%
2013/14	9.5%	2019/20	6.5%
2014/15	9.0%	2020/21	6.0%
2015/16	8.5%	2021/22	5.5%
2016/17	8.0%	2022/23+	5.0%



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

8. POSTEMPLOYMENT MEDICAL INSURANCE (Continued)

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

Employer Contribution

Direct Contributions - City health plan contributions	\$ 1,052
Implicit subsidy	507
	507
Total Employer Contributions	\$ 1,559

Development of Annual OPEB Cost (AOC)

Amortization of Actuarially Accrued Liability	\$ 714
Normal Cost	845
	845
Total Annual Required Contribution (ARC)	1,559
Interest on Net OPEB Assets (NOA)	(671)
Adjustment to the Annual Required Contribution (ARC)	540
	540
Total Annual OPEB Cost (AOC)	\$ 1,428

Development of Net OPEB Asset (NOA)

Net OPEB Asset (NOA), beginning of year	\$ (8,661)
Annual OPEB Cost (AOC)	1,428
Employer Contribution	(1,559)
	(1,559)
Net OPEB Asset (NOA), end of year	\$ (8,792)

The City's actual contributions of \$1,559,000 are equal to the annual required contribution. The Annual OPEB Cost is reported as expenses in the non-departmental governmental activities program.

c. Other Disclosures

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB (Asset)
9/30/2009	\$1,564	\$1,715	109.70%	(\$8,378)
9/30/2010	\$1,320	\$1,603	121.40%	(\$8,661)
9/30/2011	\$1,428	\$1,559	109.20%	(\$8,792)



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

8. POSTEMPLOYMENT MEDICAL INSURANCE (Continued)

d. Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 42.9% funded. The actuarial accrued liability for benefits was \$22.5 million, and the actuarial value of assets was \$9.6 million, resulting in an unfunded accrued liability (UAAL) of \$12.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$82.4 million, and the ratio of the UAAL to the covered payroll was 15.5%.

The annual required contribution was determined as part of an independent actuarial valuation as of September 30, 2010 using same assumptions in the June 30, 2011 valuation in Note 8b except for the following:

- Discount rate – 7.75%

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

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 insurance of \$25,000,000 above the City's retention of \$1,000,000. BICEP was created by a joint powers agreement between the City of Huntington Beach and four other local entities for the purpose of providing joint insurance coverage and related risk management services for member cities. BICEP allows member entities to finance a claims payment pool for certain liability claims in excess of \$1,000,000 million to a limit of \$27,000,000. BICEP's governing board has one representative from each city (either a member of the City Council or designate). Current members must approve any changes to the board. Each participating City pays an insurance premium to BICEP that is used to fund the operating and debt service requirements. Payments for claims beyond what is covered by BICEP, from \$27,000,000 to \$37,000,000, are paid by excess insurance coverage. There were no liability claims in the last three years that exceeded the coverage limit.

Workers' Compensation Claims

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

9. RISK MANAGEMENT (Continued)

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

	Workers' Compensation	Liability Insurance	Total
Balance September 30, 2009	\$ 7,281	\$ 5,219	\$ 12,500
Additions	5,590	664	6,254
Reductions	(4,086)	(741)	(4,827)
Net Increase (Decrease)	1,504	(77)	1,427
Balance September 30, 2010	8,785	5,142	13,927
Additions	2,979	5,968	8,947
Reductions	(4,749)	(990)	(5,739)
Net Increase (Decrease)	(1,770)	4,978	3,208
Balance September 30, 2011	\$ 7,015	\$ 10,120	\$ 17,135



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

10. INTERFUND TRANSACTIONS

a. Due To/From Other Funds

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

	Due to (Payable):			Total Due from (Receivable):
	Grant Special Revenue	Redevelopment Agency Debt Service	Other Governmental Fund	
Due from (Receivable):				
Major Governmental Funds				
Redevelopment Agency Capital Projects	\$ -	\$ 1,097	\$ -	\$ 1,097
Other Governmental Funds				
Traffic Congestion Relief	513	-	373	886
Total Due to (Payable):	\$ 513	\$ 1,097	\$ 373	\$ 1,983

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

b. Advances to/from Other Funds

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

	Advances to (Payable):			Total Advances from (Receivable):
	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	Other Governmental Funds	
Advances from (Receivable):				
Major Governmental Funds				
General Fund	\$ -	\$ -	\$ 341	\$ 341
Low-Income Housing Capital Projects	1,363	3,928	-	5,291
Total Advances to (Payable):	\$ 1,363	\$ 3,928	\$ 341	\$ 5,632

There is a \$1,363,000 advance from the Low-Income Housing Fund to the Redevelopment Agency Capital Projects Fund for Main Pier property acquisitions. The amount will be repaid by fiscal year ending September 30, 2014.

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

There is a \$341,000 advance 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 by fiscal year ending September 30, 2012.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

10. INTERFUND TRANSACTIONS (Continued)

c. Transfers In/Out

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

Transfers In	Transfers Out					Total Major Governmental Funds
	General Fund	Grant Special Revenue	RDA Debt Service Fund	RDA Capital Projects Fund	Low Income Housing Fund	
General Fund	\$ -	\$ -	\$ 6,046	\$ 6,239	\$ -	\$ 12,285
RDA Capital Projects Fund	-	180	1,100	-	-	1,280
Low Income Housing Fund	-	-	3,605	-	-	3,605
Other Governmental Funds	8,627	-	-	-	397	9,024
Total Governmental Funds	8,627	180	10,751	6,239	397	26,194
Refuse Enterprise Fund	51	-	-	-	-	51
Total Transfers Out	\$ 8,678	\$ 180	\$ 10,751	\$ 6,239	\$ 397	\$ 26,245

Transfers In	Transfer Out				Total Transfers In
	Total Major Governmental Funds	Other Governmental Funds	Total Governmental Funds	Hazmat Service Enterprise Fund	
General Fund	\$ 12,285	\$ 901	\$ 13,186	\$ 13	\$ 13,199
RDA Capital Projects Fund	1,280	-	1,280	-	1,280
Low Income Housing Fund	3,605	-	3,605	-	3,605
Other Governmental Funds	9,024	277	9,301	-	9,301
Total Governmental Funds	26,194	1,178	27,372	13	27,385
Refuse Enterprise Fund	51	-	51	-	51
Total Transfers Out	\$ 26,245	\$ 1,178	\$ 27,423	\$ 13	\$ 27,436

The following is a summary of the significant transfers:

- \$8,627,000 was transferred from the General Fund to Other Governmental Funds primarily for debt service payments
- \$6,046,000 was transferred from the Redevelopment Agency (RDA) Debt Service Fund to the General Fund to repay the General Fund Loan to the Redevelopment Agency
- \$1,100,000 was transferred from RDA Debt Service Fund to RDA Capital Projects Fund for the termination of a leasehold interest.
- \$3,605,000 was transferred from the RDA Debt Service Fund to the Low Income Housing Fund to comply with the twenty percent set-aside to Low Income Housing
- \$6,239,000 was transferred from the RDA Capital Projects Fund to the General Fund which includes the transfer of Land Held for Resale of \$5,978,000.
- \$901,000 was transferred from Other Governmental Funds to the General Fund primarily for General Fund expenditures of Gas Tax Fund related projects.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

11. LONG-TERM OBLIGATIONS

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

	October 1, 2010	Additions	Retirements	September 30, 2011	Accrued Interest	Due Within One Year
Governmental Activities:						
Judgment Obligation Bonds	\$ 5,989	\$ -	\$ (810)	\$ 5,179	\$ 125	\$ 840
Public Financing Authority:						
2001-a Lease Revenue Bonds	25,650	-	(25,650)	-	-	-
2001-b Lease Revenue Bonds	15,915	-	(15,915)	-	-	-
2010-a Lease Revenue Bonds	13,820	-	(620)	13,200	50	635
2011-a Lease Revenue Bonds	-	36,275	-	36,275	107	2,120
Total Public Financing Authority	55,385	36,275	(42,185)	49,475	157	2,755
Redevelopment Agency:						
1999 Tax Allocation Refunding Bonds	6,610	-	(430)	6,180	50	450
2002 Tax Allocation Refunding Bonds	14,470	-	(945)	13,525	107	995
Mayer DDA	6,153	-	(350)	5,803	-	-
Bella Terra OPA (Parking)	14,076	-	(154)	13,922	-	-
CIM DDA (Parking & Infrastructure)	7,444	-	(156)	7,288	-	168
CIM DDA (Additional Parking)	440	-	(5)	435	-	6
Section 108 Loan RDA/Bow en Court	4,165	142	(310)	3,997	14	972
Pollution Remediation	200	-	-	200	-	200
Total Redevelopment Agency	53,558	142	(2,350)	51,350	171	2,791
Other Long-Term Obligations:						
Leases Payable	857	-	(285)	572	-	282
Compensated Absences	10,277	3,712	(2,858)	11,131	-	3,336
Net Pension Obligation	4,176	3,812	(3,957)	4,031	-	-
Claims Payable	13,927	8,947	(5,739)	17,135	-	6,992
Pollution Remediation	2,000	-	-	2,000	-	-
PARS Payable	7,149	-	(1,281)	5,868	-	1,351
Section 108 Loan City	1,560	-	(135)	1,425	6	140
Total Other Long-Term Obligations	39,946	16,471	(14,255)	42,162	6	12,101
Total Long-Term Obligations - Governmental Activities	\$ 154,878	\$ 52,888	\$ (59,600)	\$ 148,166	\$ 459	\$ 18,487



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

11. LONG-TERM OBLIGATIONS (Continued)

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

Issuance of Long-Term Debt in Governmental Fund Financial Statements	\$ 36,275
Decrease in Net Pension Obligation	(145)
Increase in Compensated Absences	854
Increase in Claims Payable	3,208
Increase in Section 108 Loan/Bowen Court	142
Increases in Above Schedule	<u>40,334</u>
Increase in Current Portion of Claims Payable reported in the Governmental Fund Financial Statement	<u>(1,313)</u>
Changes in Long-term Obligations reported in the Reconciliation to the Government-wide Financial Statements	<u>\$ 39,021</u>
Principal Paid in Governmental Fund Financial Statements	\$ 9,446
Refunding of 2001 Series A and B Lease Revenue Bonds	37,601
Decreases in Above Schedule	<u>\$ 47,047</u>

a. Judgment Obligation Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2012	\$ 840	\$ 188	\$ 1,028
2013	865	156	1,021
2014	900	121	1,021
2015	940	84	1,024
2016	975	46	1,021
2017	659	13	672
Total	\$ 5,179	\$ 608	\$ 5,787



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

b. Public Financing Authority

(1) 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

Bonds of \$24,900,000 were advance refunded by the 2011(a) Lease Revenue Bonds on September 28, 2011. The 2001(a) Lease Revenue Bonds were paid on October 17, 2011 but in substance defeased as of September 30, 2011.

(2) 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

Bonds of \$13,960,000 were advance refunded by the 2011(a) Lease Revenue Bonds on September 28, 2011. The 2001(a) Lease Revenue Bonds were paid on October 17, 2011 but in substance defeased as of September 30, 2011.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

(3) 2010(a) Public Financing Authority Lease Revenue Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2012	\$ 635	\$ 604	\$ 1,239
2013	655	585	1,240
2014	680	559	1,239
2015	705	532	1,237
2016	730	503	1,233
2017-2021	4,155	2,028	6,183
2022-2026	3,035	1,122	4,157
2027-2030	2,605	314	2,919
Total	\$ 13,200	\$ 6,247	\$ 12,371

(4) 2011(a) Public Financing Authority Lease Revenue Bonds

On September 28, 2011, the Public Financing Authority issued \$36,275,000 of 2011 Series A Lease Revenue Bonds on behalf of the City. The bond proceeds including premiums of \$1,884,000 were used to advance refund the outstanding 2001 Series A and B Lease Revenue Bonds. The 2011 Series A bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity date of September 1, 2031. The 2011 Series A bonds payments to escrow from net proceeds are reported as other financing uses. The 2001 Series A and Series B bonds in the amount of \$24,900,000 and \$13,960,000, respectively, were redeemed on



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

October 17, 2011. The Public Financing Authority in effect reduced its aggregate debt service payments by approximately \$5,382,000 over the next 20 years and obtained a net economic gain (difference between the present values of the old and new debt service payments) of \$3,773,000.

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2012	\$ 2,120	\$ 1,284	\$ 3,404
2013	2,960	1,346	4,306
2014	3,030	1,272	4,302
2015	3,180	1,121	4,301
2016	3,335	962	4,297
2017-2021	8,080	3,605	11,685
2022-2026	6,140	2,286	8,426
2027-2031	7,430	986	8,416
Total	\$ 36,275	\$ 12,862	\$ 49,137



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

c. Redevelopment Agency

(1) 1999 Redevelopment Agency Tax Allocation Refunding Bonds

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

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2012	\$ 450	\$ 298	\$ 748
2013	465	278	743
2014	490	257	747
2015	515	234	749
2016	540	211	751
2017-2021	2,530	645	3,175
2022-2024	1,190	117	1,307
Total	\$ 6,180	\$ 2,040	\$ 8,220



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

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
2012	\$ 995	\$ 641	\$ 1,636
2013	1,040	601	1,641
2014	1,080	558	1,638
2015	1,115	512	1,627
2016	1,180	464	1,644
2017-2021	5,540	1,410	6,950
2022-2024	2,575	253	2,828
Total	\$ 13,525	\$ 4,439	\$ 17,964

Pledged Revenues

The 1999 and 2002 Tax Allocation Refunding Bonds are secured by tax increment revenues excluding the 20% total tax increment dedicated to the Low Income Housing fund. As of September 30, 2011, the total principal and interest remaining for both bonds is \$26,184,000. Pledged tax increment revenue recognized during the fiscal year was \$14,422,000 against the total debt service payment of \$2,369,000. Although the incremental property taxes were projected to produce sufficient revenues to meet the debt service requirements over the life of the bonds, certain conditions could have a material adverse impact on revenues allocated to the Agency. These include future decreases in the assessed valuation of the project areas, decreases in the applicable tax rates or collection rates, general decline in the economic condition of the project areas, or a change in law reducing the tax increment received by the Agency. Current legislation dissolving the Agency discussed in Note 15 will impact future revenues received.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

(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 \$5,803,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.32%.

(4) Bella Terra Parking Structure

In fiscal year 2005-06, the Agency entered into an owner participation agreement with Bella Terra Associates, LLC (formerly Huntington Center Associates, LLC). Under the agreement, the Corporation would construct various public improvements, including a parking structure, which would then be deeded to the City. The Agency would reimburse \$15,000,000 of the costs of the public improvements. As of year-end, the Agency obligation under the agreement amounted to \$13,922,000. Project-generated revenues as available will repay these amounts over the time needed to fully amortize the advance. The interest rate of this obligation is 6.94%.

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

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

As of year-end, the Agency obligation under the agreement amounted to \$7,288,000. Repayment shall be made solely from net tax increment generated by the Merged Redevelopment Project Area by 2034.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

The loan repayment shall be made solely from net tax increment generated by the Merged Redevelopment Project Area by 2034. As of year-end, the Agency obligation under the agreement amounted to \$435,000.

(7) Section 108 Loan Redevelopment Agency/Bowen Court

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

Year of Issuance	2002
Type of Debt	HELP Loan – Bowen Court
Principal Amount	\$500,000
Security	Note with developer
Interest Rates	3.0%
Repayment terms	Deferred for 10 years
Purpose of Debt	Affordable Housing

In October 2011, CalHFA offered an Early Payoff Discount to all HELP loan holders, discounting the accrued interest based on the number of months the loan was paid off prior to maturity. The Agency elected the early payoff option and in November 2011, the HELP loan was paid in full.

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2012	\$ 972	\$ 88	\$ 1,060
2013	350	78	428
2014	375	73	448
2015	400	66	466
2016	430	57	487
2017-2019	1,470	95	1,565
Total	\$ 3,997	\$ 457	\$ 4,454

(8) Pollution Remediation – Redevelopment Agency

The Redevelopment Agency purchased property on Edinger Avenue to consolidate land for redevelopment on January 28, 2009. The Agency plans on remediating hazardous materials on this site. The estimated cost of cleanup is \$200,000 and is reported as a long-term liability in the government-wide statements. The cleanup cost will not exceed the estimated amount as an environmental insurance policy taken by the Agency will indemnify itself against further liability.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

d. Other Long-Term Obligations

(1) Leases Payable

The City entered into capital leases for various items:

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

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

Year Ending September 30	Principal	Interest	Total
2012	\$ 282	\$ 21	\$ 303
2013	290	8	298
Total	\$ 572	\$ 29	\$ 601

(2) Compensated Absences

There is no repayment schedule to pay the compensated absences amount of \$11,131,000 relating to governmental operations. The General Fund typically liquidates the vacation and sick leave liability.

(3) Net Pension Obligation

There is no fixed repayment schedule to fund the liability for the unfunded net pension obligation totaling \$4,031,000 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 (see note 7).



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

11. LONG-TERM OBLIGATIONS (Continued)

(4) Claims Payable

There is no repayment schedule for the claims payable of \$17,135,000 described in Note 9. The City pays the claims upon final settlement.

(5) Pollution Remediation

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

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

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

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

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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

11. LONG-TERM OBLIGATIONS (Continued)

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

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

The City is funding the cost of this program through an annuity that requires a one-time payment of \$82,000 in September 2010 and \$1,587,000 fixed annual payments over five years due in October of each year starting in 2010. In accordance with GASB 47, a liability of the accrual cost for this benefit has been recognized in the amount of \$ 7,231,000 in September 2010 and the balance as of September 30, 2011 is \$5,868,000. The cash flows associated with the five year funding were discounted at a rate of 5.5% in the table below (in thousands):

Year Ending September 30	Principal	Interest	Annual Payments
2012	\$ 1,351	\$ 236	\$ 1,587
2013	1,426	161	1,587
2014	1,504	83	1,587
2015	1,587	-	1,587
Total	\$ 5,868	\$ 480	\$ 6,348

(7) Section 108 Loan City

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Annual Payments
2012	\$ 140	\$ 34	\$ 174
2013	150	33	183
2014	160	31	191
2015	170	28	198
2016	180	24	204
2017-2019	625	40	665
Total	\$ 1,425	\$ 190	\$ 1,615

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, 2010	Additions	Retirements	September 30, 2011	Due Within One Year
Compensated Absences	\$ 928	\$ 260	\$ (95)	\$ 1,093	\$ 298
Leases Payable	3	-	(3)	-	-
Total Long-Term Obligations - Business Activities	\$ 931	\$ 260	\$ (98)	\$ 1,093	\$ 298

(1) Compensated Absences

There is no repayment schedule for the compensated absences amount of \$1,093,000 relating to business-type activities.

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

Obligations Not Recorded in Financial Statements:

Community Facilities Districts: (in thousands)	October 1, 2010	Additions	Retirements	September 30, 2011
Community Facilities District No. 1990-1 Special Tax Refunding Bonds	\$ 1,360	\$ -	\$ (110)	\$ 1,250
Community Facilities District No. 2000-1 Special Assessment Tax Bonds	14,030	-	(340)	13,690
Community Facilities District No. 2002-1 Special Assessment Tax Bonds	4,775	-	(50)	4,725
Community Facilities District No. 2003-1 Special Assessment Tax Bonds	22,660	-	(520)	22,140
Total Community Facilities Districts	42,825	-	(1,020)	41,805
Residential Redevelopment Bonds	9,500	-	-	9,500
Total Obligations Not Recorded in Financial Statements	\$ 52,325	\$ -	\$ (1,020)	\$ 51,305



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

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
2012	\$ 110	\$ 65	\$ 175
2013	120	59	179
2014	120	52	172
2015	130	45	175
2016	140	38	178
2017-2020	630	71	701
Total	\$ 1,250	\$ 330	\$ 1,580

(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, 2011**

11. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are (in thousands):

Year Ending September 30	Principal	Interest	Total
2012	\$ 360	\$ 876	\$ 1,236
2013	380	855	1,235
2014	405	832	1,237
2015	430	807	1,237
2016	455	780	1,235
2017-2021	2,755	3,426	6,181
2022-2026	3,765	2,416	6,181
2027-2031	5,140	1,036	6,176
Total	\$ 13,690	\$ 11,028	\$ 24,718

(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
2012	\$ 55	\$ 290	\$ 345
2013	65	288	353
2014	80	284	364
2015	90	280	370
2016	100	275	375
2017-2021	730	1,271	2,001
2022-2026	1,215	994	2,209
2027-2031	1,905	532	2,437
2032	485	30	515
Total	\$ 4,725	\$ 4,244	\$ 8,969



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

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
2012	\$ 545	\$ 1,263	\$ 1,808
2013	570	1,236	1,806
2014	595	1,209	1,804
2015	625	1,180	1,805
2016	660	1,148	1,808
2017-2021	3,875	5,158	9,033
2022-2026	5,130	3,897	9,027
2027-2031	6,825	2,212	9,037
2032-2033	3,315	294	3,609
Total	\$ 22,140	\$ 17,597	\$ 39,737

(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



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

12. CAPITAL ASSETS

a. Changes in Capital Assets

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

	October 1, 2010	Additions	Dispositions	September 30, 2011
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 367,323	-	(572)	\$ 366,751
Construction in Progress	10,242	1,016	(8,077)	3,181
Joint Ventures	2,094	164		2,258
Total Capital Assets -Not Depreciated	379,659	1,180	(8,649)	372,190
Capital Assets Being Depreciated				
Buildings	171,346	8,080		179,426
Machinery and Equipment	47,701		(146)	47,555
Infrastructure	329,497	5,499	(702)	334,294
Total Capital Assets Being Depreciated	548,544	13,579	(848)	561,275
Less Accumulated Depreciation:				
Buildings	(42,684)	(3,668)		(46,352)
Machinery and Equipment	(36,427)	(2,438)	146	(38,719)
Infrastructure	(170,301)	(6,676)	702	(176,275)
Total Accumulated Depreciation	(249,412)	(12,782)	848	(261,346)
Total Depreciated - Net	299,132	797	-	299,929
Total Capital Assets	928,203	14,759	(9,497)	933,465
Total Accumulated Depreciation	(249,412)	(12,782)	848	(261,346)
Capital Assets of Governmental Activities - Net	\$ 678,791	\$ 1,977	\$ (8,649)	\$ 672,119

	October 1, 2010	Additions	Dispositions	September 30, 2011
Business Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 3,907			\$ 3,907
Construction in Progress	12,375	7,073	(66)	19,382
Total Capital Assets -Not Depreciated	16,282	7,073	(66)	23,289
Capital Assets Being Depreciated				
Buildings	53,509	66		53,575
Machinery and Equipment	9,396	479		9,875
Infrastructure	122,345	10,084	(35)	132,394
Total Capital Assets Being Depreciated	185,250	10,629	(35)	195,844
Less Accumulated Depreciation:				
Buildings	(12,689)	(1,363)		(14,052)
Machinery and Equipment	(6,696)	(597)		(7,293)
Infrastructure	(60,568)	(2,373)	35	(62,906)
Total Accumulated Depreciation	(79,953)	(4,333)	35	(84,251)
Total Depreciated - Net	105,297	6,296	-	111,593
Total Capital Assets	201,532	17,702	(101)	219,133
Total Accumulated Depreciation	(79,953)	(4,333)	35	(84,251)
Capital Assets of Business Activities - Net	\$ 121,579	\$ 13,369	\$ (66)	\$ 134,882



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

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 Manager	\$ 9
City Clerk	15
Fire	703
Information Services	30
Police	327
Economic Development	20
Community Services	1,501
Library Services	290
Public Works	8,646
Non-Departmental	1,241
Total	<u>\$ 12,782</u>

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

Fund:	
Water	\$ 3,099
Sewer Service	1,235
Total	<u>\$ 4,334</u>

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
Machinery and Equipment	\$ 1,869
Buildings	3,449
Less: Accumulated Depreciation	(1,478)
Total	<u>\$ 3,840</u>

d. Sunset Beach Annexation

Sunset Beach, a small beachfront community founded in 1904 with less than 1,000 residents and 134 acres of land, was annexed to the City of Huntington Beach in August 2011. While capital assets were transferred to the City, the records supporting the net book value of those assets were not available as of the issuance date of the financial statements. However, the City intends to capitalize the assets transferred upon receipt of records supporting the net book value of these assets. Further, the exclusion of these assets are not expected to have a significant effect on the basic financial statements given the size and age of Sunset Beach and the types of assets transferred relative to the City's capitalization policy.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

13. COMMITMENTS AND CONTINGENCIES

a. Legal Actions

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

b. Sales Tax Sharing Agreements

City Council agreed to provide sales tax rebates to various companies. The sales tax rebates serve to attract and retain various companies in the City of Huntington Beach. The City of Huntington Beach has sales tax agreements that extend until 2020. Sales tax rebates total \$607,000 in fiscal year ended September 30, 2011.

c. Cooperation and Owner Participation Agreements

On September 2, 2003, the Redevelopment Agency Approved a Cooperation Agreement Regarding Capital Improvements in the Southeast Coastal Redevelopment Project with the City. This agreement commits the Redevelopment Agency to reimburse the City for a number of capital improvement projects to be undertaken as part of the Five Year Capital Improvement Program in the Southeast Redevelopment project area starting in FY 2003/04 as they are undertaken.

On October 16, 2006, the Redevelopment Agency approved an Owner Participation Agreement with Makallon Atlanta Huntington Beach, LLC (also known 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. Current development of the site is on hold and will proceed in the future as economic conditions permit. Currently, Crescent Heights has purchased the property from Makallon. The next steps are being discussed.

Bella Terra Phase II

On October 4, 2010, the Agency approved the affordable housing agreement with BTDJM Phase II Associates (DJM). The agreement will facilitate the construction of a 467 mixed-use unit project, including 43 moderate units and 28 very low units. This agreement will reimburse DJM for construction of the affordable units only up to \$17 million plus 4% interest. The agreement also includes payment from DJM to the City for up to \$250,000 for the pedestrian access crossing between the



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

13. COMMITMENTS AND CONTINGENCIES (Continued)

Levitz site and the Village at Bella Terra if construction is within 10 years of the affordable housing agreement. The reimbursement of the affordable units will be based upon the site-generated tax increment for the mixed use project as well as the 20% housing fund from the site-generated Bella Terra I. Construction is underway.

As of September 30, 2011, the City has no outstanding obligations related to the cooperation and owner participation agreements discussed above.

d. Redevelopment Agency Debt to City

The City has advanced money to the Redevelopment Agency for major capital improvements, economic development projects, and operations. In January 2011, the City Council and Redevelopment Agency Board approved a revised Cooperation Agreement, which included a Promissory Note that memorialized indebtedness previously incurred by the Agency and owed to the City from a series of loans made from the City to the Agency from 1982 to present. Based on this Cooperation Agreement, the interest rate for the loan is 3.81% and the loan is scheduled to be fully repaid by September 2030. The City has not recorded the advances in the accompanying financial statements due to uncertainties surrounding Assembly Bill 1X 26 and the introduction of Assembly Bill 1585 (see Note 15 b and c). Below is a schedule of the activity for the year (in thousands):

	<u>10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2011</u>
General Fund				
Direct Advances	\$ 2,312	\$ -	\$ -	\$ 2,312
Indirect Advances	6,567	-	-	6,567
Land Sales	32,833	-	-	32,833
Interest	28,511	2,676	(6,307)	24,880
Emerald Cove	4,461		(407)	4,054
Total General Fund	74,684	2,676	(6,714)	70,646
Sewer Fund				
Direct Advances	265	10	-	275
Deferred Development Fees	165	6	-	171
Total Sewer Fund	430	16	-	446
Drainage Fund				
Direct Advances	639	24	-	663
Deferred Development Fees	175	7	-	182
Total Drainage Fund	814	31	-	845
Park Acquisition and Development Fund				
Direct Advances	5,267	201	-	5,468
Deferred Development Fees	391	15	-	406
Total Park Acquisition and Development Fund	5,658	216	-	5,874
Water Fund				
Direct Advances	3,964	151	-	4,115
Total Water Fund	3,964	151	-	4,115
Total All Funds	\$ 85,550	\$ 3,090	\$ (6,714)	\$ 81,926

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, 2011

14. OTHER INFORMATION

a. Expenditures Exceeding Appropriations

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

General Fund	
Fire	\$ 1,280

b. Fund and Accumulated Deficits

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

Major Fund	
Redevelopment Agency Debt Service	\$ 1,497
Special Revenue Fund	
Drainage	373

We have established plans to reduce and eliminate deficits in these Funds. This will be accomplished in the Redevelopment Agency Debt Service by minimizing expenditures over the next fiscal years. Given the dissolution of Redevelopment Agencies pursuant to AB 1X 26, personnel and operating expenditures in the Redevelopment Agency have been significantly decreased in the fiscal year 2011/12 budget. Future year's budget will also reflect the statutory driven winding down of all Agency expenses. Expenditures are not authorized in the Drainage Fund until annual revenues eliminate the negative fund balance.

15. SUBSEQUENT EVENTS

a. HB Auto I

In October 2011, The City entered into a Settlement Agreement with HB Auto I regarding the purchase and sale of 7872 Edinger Avenue regarding retention in escrow of Environmental Remediation funds in the amount of \$240,000.

b. Legislation Dissolving California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

15. SUBSEQUENT EVENTS (Continued)

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to Assembly Bill 1X 27, which was invalidated in its entirety by the Court. Accordingly, the Agency is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in Assembly Bill 1X 26. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

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

The following is a summary of the significant provisions of Assembly Bill 1X 26:

Assembly Bill 1X 26

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

Dissolves Redevelopment Agencies - Assembly Bill 1X 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

Creates Successor Agencies - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency. The City has been designated the Successor Agency. The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations.



City of Huntington Beach Notes to Financial Statements For the Year Ended September 30, 2011

15. SUBSEQUENT EVENTS (Continued)

Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the housing functions to its sponsoring community, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the "Oversight Board."

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

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



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

15. SUBSEQUENT EVENTS (Continued)

c. Additional Legislation Related to Assembly Bill 1X 26

Three bills, Senate Bill 654, Senate Bill 986 and Assembly Bill 1585, have been introduced to the legislature to make technical fixes to AB 1X 26.

SB 654 -- Senate Bill 654 would allow the successor agency to retain the funds on deposit in the former redevelopment agency's Low-Income Housing Fund to continue to "increase, improve, and preserve supplies" of low and moderate income housing. The bill also expands the definition of an enforceable obligation to include the following additional types of loan agreements between cities/counties and redevelopment agencies: (1) a loan that was executed within two years of the date of creation of a project area, if the loan is specific to that project area; and (2) a loan to fund the agency's 2009-10 SERAF payment to schools. SB 654 was approved by the Senate on January 31, 2012 and is currently awaiting consideration in the State Assembly. The bill has not yet been assigned to a committee. If adopted, the statute will not take effect until January 1, 2013.

SB 986 – Senate Bill 986 clarifies that all bond proceeds initiated by the former redevelopment agency are considered encumbered and prohibits a successor agency from sending the proceeds to the county auditor-controller. This bill has been assigned to the Senate Committee on Government and Finance. Currently, a hearing date has not yet been set for the bill.

AB 1585 – Assembly Bill 1585 was introduced as a companion bill to Senate Bill 654 on February 2, 2012. The bill makes various technical fixes to AB 1 X 26 clarifying the functions of successor agencies and oversight boards. AB 1585 expands the definition of an enforceable obligation to include the loan types described under SB 654 and also includes the following: (1) other loan agreements between the RDA and the City/County if the oversight board finds that the loan was for a legitimate redevelopment purpose, had economic substance, and was based on reasonable repayment terms; and (2) payments for costs incurred to fulfill collective bargaining agreements for layoffs or terminations of city employees who performed work directly on behalf of the former RDA.

AB 1585 also further expands the definition of the administrative cost allowance to specify that: (1) employee costs associated with work on specific project implementation activities shall be considered projects-specific costs (not administrative), and (2) the oversight board may approve temporary increases to the administrative cost allowance to carry out the requirements of an enforceable obligation, cover litigation costs, and/or to maintain and preserve the value of assets while in the possession of the successor agency.



**City of Huntington Beach
Notes to Financial Statements
For the Year Ended September 30, 2011**

15. SUBSEQUENT EVENTS (Continued)

AB 1585 would authorize successor agencies, with oversight board approval, to enter into agreements to fund required payments under enforceable obligations that exceed the amount of property tax revenue available to the RDA during the payment period. AB 1585 would also require the auditor-controller to reserve additional funds in the Redevelopment Property Tax Trust Fund at the time of the annual January 16th allocation, if necessary, to cover payments made in the second half of the calendar year that are in excess of amounts anticipated to be deposited from the allocation in May or June.

AB 1585 includes an urgency clause and will require a two-thirds vote. The bill is currently awaiting a hearing date in the Housing and Community Development and Local Government Committee.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Huntington Beach Required Supplementary Information For the Year Ended September 30, 2011

Budgetary Information

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

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

General Fund

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property Taxes	\$ 66,825	\$ 66,825	\$ 67,842	\$ 1,017
Sales Taxes	20,115	23,015	22,617	(398)
Utility Taxes	19,480	19,480	19,135	(345)
Other Taxes	11,570	12,535	13,368	833
Licenses and Permits	6,613	6,836	6,593	(243)
Fines, Forfeitures and Penalties	4,158	4,374	4,334	(40)
From Use of Money and Property	14,379	14,380	14,267	(113)
Intergovernmental	4,388	4,388	5,448	1,060
Charges for Current Service	23,211	23,213	23,543	330
Other	1,046	1,550	2,253	703
Total Revenues	171,785	176,596	179,400	2,804
EXPENDITURES				
Current:				
City Council	306	306	300	6
City Manager	1,584	1,552	1,493	59
City Treasurer	1,379	1,274	1,274	-
City Attorney	2,493	2,203	2,142	61
City Clerk	1,024	965	798	167
Finance	4,320	3,938	3,423	515
Human Resources	6,186	6,443	6,043	400
Planning & Building	6,352	7,016	5,826	1,190
Fire	32,443	33,037	34,317	(1,280)
Information Services	6,313	6,085	5,879	206
Police	59,334	59,060	58,848	212
Economic Development	1,484	1,844	1,723	121
Community Services	13,135	13,607	12,736	871
Library Services	4,115	4,193	3,480	713
Public Works	17,444	17,614	16,169	1,445
Non-Departmental	13,155	14,395	14,360	35
Debt Service:				
Principal	544	1,782	1,566	216
Interest	-	340	340	-
Total Expenditures	171,611	175,654	170,717	4,937
Excess Of Revenues				
Over Expenditures	174	942	8,683	7,741
OTHER FINANCING SOURCES (USES)				
Transfers In	6,402	6,402	13,199	6,797
Transfers Out	(6,523)	(6,523)	(8,678)	(2,155)
Total Other Financing Sources (Uses)	(121)	(121)	4,521	4,642
Net Change In Fund Balances	53	821	13,204	12,383
Fund Balance - Beginning Of Year	41,352	41,352	41,352	-
Fund Balance - End Of Year	\$ 41,405	\$ 42,173	\$ 54,556	\$ 12,383

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

Grants Special Revenue

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
From Use of Money and Property	\$ 238	\$ 238	\$ 172	\$ (66)
Intergovernmental	2,509	4,851	5,958	1,107
Other	5	5	58	53
Total Revenues	2,752	5,094	6,188	1,094
 EXPENDITURES				
Current:				
Planning & Building	-	208	208	-
Fire	-	787	229	558
Police	-	1,231	698	533
Economic Development	1,862	3,355	2,131	1,224
Community Services	-	381	267	114
Library Services	-	88	66	22
Public Works	70	910	470	440
Capital Outlay	-	6,605	2,521	4,084
Debt Service:				
Principal	-	135	135	-
Interest	-	61	36	25
Total Expenditures	1,932	13,761	6,761	7,000
Excess (Deficiency) Of Revenues Over (Under) Expenditures	820	(8,667)	(573)	8,094
 OTHER FINANCING USES				
Transfers Out	-	(180)	(180)	-
Total Other Financing Uses	-	(180)	(180)	-
Net Change In Fund Balances	820	(8,847)	(753)	8,094
Fund Balance - Beginning of Year	1,846	1,846	1,846	-
Fund Balance - End Of Year	\$ 2,666	\$ (7,001)	\$ 1,093	\$ 8,094

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2008						
Safety	\$ 439,687	\$ 357,782	\$ (81,905)	81.4%	\$ 36,791	-222.6%
Non Safety	320,209	307,549	(12,660)	96.0%	47,817	-26.5%
Total	\$ 759,896	\$ 665,331	\$ (94,565)	87.6%	\$ 84,608	-111.8%
2009						
Safety	\$ 478,818	\$ 370,250	\$ (108,568)	77.3%	\$ 40,384	-268.8%
Non Safety	363,638	321,435	(42,203)	88.4%	48,439	-87.1%
Total	\$ 842,456	\$ 691,685	\$ (150,771)	82.1%	\$ 88,823	-169.7%
2010						
Safety	\$ 500,725	\$ 384,956	\$ (115,769)	76.9%	\$ 41,015	-282.3%
Non Safety	382,671	334,778	(47,893)	87.5%	47,596	-100.6%
Total	\$ 883,396	\$ 719,734	\$ (163,662)	81.5%	\$ 88,611	-184.7%

**CITY OF HUNTINGTON BEACH
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(Continued)**

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

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/2006 Update	\$ 43,066	\$ 16,821	\$ (26,245)	39.1%	\$ 40,563	-64.7%
9/30/2007 Actual	51,028	20,452	(30,576)	40.1%	43,516	-70.3%
9/30/2008 Update	52,777	22,722	(30,055)	43.1%	44,822	-67.1%
9/30/2009 Actual*	59,576	24,980	(34,596)	41.9%	44,978	-76.9%
9/30/2010 Update*	61,448	28,467	(32,981)	46.3%	42,827	-77.0%
9/30/2011 Actual*	62,926	32,146	(30,780)	51.1%	34,098	-90.3%

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

Year Ended	Annual Required Contribution	Percentage Contributed
9/30/2006	\$ 3,022	130.48%
9/30/2007	2,850	156.63%
9/30/2008	3,419	106.08%
9/30/2009	3,476	100.00%
9/30/2010	3,967	100.00%
9/30/2011	3,957	100.00%

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

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

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

** Actuarial valuation date changed to June 30th to conform with CalPERS year-end

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SUPPLEMENTARY INFORMATION

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City of Huntington Beach Other Governmental Funds

Special Revenue Funds account for revenues and expenditures legally 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 **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 **Park Acquisition and Development Fund** accounts for fees received from developers to develop and maintain the City's park system.
- The **Highway Safety & Traffic Reduction Fund** accounts for moneys used to fund transportation projects, improve the movement of goods, improve air quality, and enhance the safety and security of the transportation system under the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.
- The **Traffic Congestion Relief Fund** accounts for moneys allocated for roadway maintenance as established by Assembly Bill 2928.

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 **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 **Infrastructure Fund** records activity for certain designate infrastructure related expenditures.
- The **Energy Efficiency Fund** records activities to implement energy efficiency and infrastructure measures.

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
(In Thousands)**

	SPECIAL REVENUE FUNDS			
	Gas Tax	Drainage	Transportation	Air Quality
ASSETS				
Cash and Investments	\$ 2,188	\$ -	\$ 1,728	\$ 770
Cash and Investments with Fiscal Agent		-		
Taxes Receivable	-		197	
Other Receivables	760		522	70
Due from Other Funds		-		
Other Assets	-	-	-	-
Total Assets	<u>\$ 2,948</u>	<u>\$ -</u>	<u>\$ 2,447</u>	<u>\$ 840</u>
LIABILITIES				
Accounts Payable	\$ 114	\$ -	\$ 114	\$ 7
Due to Other Funds	-	373	-	-
Advances from Other Funds	-	-	-	-
Deposits Payable	-	-	-	-
Deferred Revenue	563	-	244	68
Total Liabilities	<u>677</u>	<u>373</u>	<u>358</u>	<u>75</u>
FUND BALANCES				
Restricted				
Pollution Remediation	-	-	-	-
Debt Service	-	-	-	-
Highways, Streets and Transportation	2,271	-	2,089	-
Air Quality	-	-	-	765
Parks	-	-	-	-
Committed				
Other Capital Projects	-	-	-	-
Assigned				
Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Unassigned	-	(373)	-	-
Total Fund Balances	<u>2,271</u>	<u>(373)</u>	<u>2,089</u>	<u>765</u>
Total Liabilities and Fund Balances	<u>\$ 2,948</u>	<u>\$ -</u>	<u>\$ 2,447</u>	<u>\$ 840</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
(In Thousands)
(continued)**

SPECIAL REVENUE FUNDS					
Traffic Impact Fee	Fourth of July Parade	Park Acquisition and Development	Highway Safety & Traffic Reduction	Traffic Congestion Relief	Total Special Revenue Funds
\$ 38	\$ 32	\$ 3,764	\$ 1,357	\$ 2,807	\$ 12,684
					-
					197
130	9	7	4	8	1,510
				886	886
-	-	1,265	-	-	1,265
<u>\$ 168</u>	<u>\$ 41</u>	<u>\$ 5,036</u>	<u>\$ 1,361</u>	<u>\$ 3,701</u>	<u>\$ 16,542</u>
\$ 12	\$ 5	\$ 40	\$ 504	\$ 137	\$ 933
-	-	-	-	-	373
-	-	341	-	-	341
-	-	1,267	-	-	1,267
126	-	-	-	-	1,001
<u>138</u>	<u>5</u>	<u>1,648</u>	<u>504</u>	<u>137</u>	<u>3,915</u>
		442	-	-	442
		-	-	-	-
30	-	-	857	3,564	8,811
-	-	-	-	-	765
-	-	2,946	-	-	2,946
-	-	-	-	-	-
-	-	-	-	-	-
-	36	-	-	-	36
-	-	-	-	-	(373)
<u>30</u>	<u>36</u>	<u>3,388</u>	<u>857</u>	<u>3,564</u>	<u>12,627</u>
<u>\$ 168</u>	<u>\$ 41</u>	<u>\$ 5,036</u>	<u>\$ 1,361</u>	<u>\$ 3,701</u>	<u>\$ 16,542</u>

**CITY OF HUNTINGTON BEACH
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
(In Thousands)
(continued)**

	Debt Service Fund			Capital Projects Funds
	Property Tax Refund	Public Financing Authority	Total Debt Service Fund	Parking in-lieu
ASSETS				
Cash and Investments	\$ -	\$ 23	\$ 23	\$ 821
Cash and Investments with Fiscal Agent	1	4,394	4,395	-
Taxes Receivable	-	-	-	-
Other Receivables	-	-	-	2
Due from Other Funds	-	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 1</u>	<u>\$ 4,417</u>	<u>\$ 4,418</u>	<u>\$ 823</u>
LIABILITIES				
Accounts Payable	\$ 1	\$ 68	\$ 69	\$ -
Due to Other Funds	-	-	-	-
Advances from Other Funds	-	-	-	-
Deposits Payable	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>1</u>	<u>68</u>	<u>69</u>	<u>-</u>
FUND BALANCES				
Restricted				
Pollution Remediation	-	-	-	-
Debt Service	-	4,349	4,349	-
Highways, Streets and Transportation	-	-	-	-
Air Quality	-	-	-	-
Parks	-	-	-	-
Committed				
Other Capital Projects	-	-	-	823
Assigned				
Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>4,349</u>	<u>4,349</u>	<u>823</u>
Total Liabilities and Fund Balances	<u>\$ 1</u>	<u>\$ 4,417</u>	<u>\$ 4,418</u>	<u>\$ 823</u>

**CITY OF HUNTINGTON BEACH
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011
 (In Thousands)
 (continued)**

Capital Projects Funds				Total Other Governmental Funds
Sewer Development	Infrastructure	Energy Efficiency	Total Capital Projects Funds	
\$ 1,082	\$ 2,149	\$ 1,671	\$ 5,723	\$ 18,430
-	-	-	-	4,395
-	-	-	-	197
3	5	4	14	1,524
-	-	-	-	886
-	-	-	-	1,265
<u>\$ 1,085</u>	<u>\$ 2,154</u>	<u>\$ 1,675</u>	<u>\$ 5,737</u>	<u>\$ 26,697</u>
\$ 13	\$ -	\$ -	\$ 13	\$ 1,015
-	-	-	-	373
-	-	-	-	341
-	-	-	-	1,267
-	-	-	-	1,001
<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>3,997</u>
-	-	-	-	442
-	-	-	-	4,349
-	-	-	-	8,811
-	-	-	-	765
-	-	-	-	2,946
1,072	2,154	-	4,049	4,049
-	-	1,675	1,675	1,675
-	-	-	-	36
-	-	-	-	(373)
<u>1,072</u>	<u>2,154</u>	<u>1,675</u>	<u>5,724</u>	<u>22,700</u>
<u>\$ 1,085</u>	<u>\$ 2,154</u>	<u>\$ 1,675</u>	<u>\$ 5,737</u>	<u>\$ 26,697</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

	Special Revenue Funds			
	Gas Tax	Drainage	Transportation	Air Quality
REVENUES				
Sales Taxes	\$ -	\$ -	\$ 2,417	\$ -
Licenses and Permits	-	-	-	-
From Use of Money and Property	14	-	6	6
Intergovernmental	3,685	-	151	224
Charges for Current Service	-	119	-	-
Other	-	-	-	-
Total Revenues	<u>3,699</u>	<u>119</u>	<u>2,574</u>	<u>230</u>
EXPENDITURES				
Current:				
Human Resources	-	-	-	63
Community Services	-	-	-	-
Public Works	676	-	704	124
Non-Departmental	-	-	-	-
Capital Outlay	853	-	1,271	81
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>1,529</u>	<u>-</u>	<u>1,975</u>	<u>268</u>
Excess Of Revenues Over (Under) Expenditures	<u>2,170</u>	<u>119</u>	<u>599</u>	<u>(38)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Issuance of Long-Term Debt	-	-	-	-
Issuance Premium	-	-	-	-
Payments to Escrow	-	-	-	-
Transfers Out	(900)	-	-	-
Total Other Financing Sources Sources (Uses)	<u>(900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,270</u>	<u>119</u>	<u>599</u>	<u>(38)</u>
Fund Balances - Beginning Of Year	<u>1,001</u>	<u>(492)</u>	<u>1,490</u>	<u>803</u>
Fund Balances - End Of Year	<u>\$ 2,271</u>	<u>\$ (373)</u>	<u>\$ 2,089</u>	<u>\$ 765</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)
(continued)**

Special Revenue Funds					
Traffic Impact Fee	Fourth of July Parade	Park Acquisition and Development	Highway Safety & Traffic Reduction	Traffic Congestion Relief	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,417
22	-	64	-	-	86
-	27	20	4	37	114
37	90	-	18	2,047	6,252
78	157	130	-	-	484
<u>272</u>	<u>77</u>	<u>115</u>	<u>1</u>	<u>-</u>	<u>465</u>
<u>409</u>	<u>351</u>	<u>329</u>	<u>23</u>	<u>2,084</u>	<u>9,818</u>
-	-	-	-	-	63
-	373	348	-	-	721
97	-	-	156	489	2,246
-	-	-	-	-	-
26	-	230	1,079	678	4,218
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>123</u>	<u>373</u>	<u>578</u>	<u>1,235</u>	<u>1,167</u>	<u>7,248</u>
<u>286</u>	<u>(22)</u>	<u>(249)</u>	<u>(1,212)</u>	<u>917</u>	<u>2,570</u>
277	-	593	-	-	870
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(277)</u>	<u>(1,178)</u>
<u>277</u>	<u>-</u>	<u>592</u>	<u>-</u>	<u>(277)</u>	<u>(308)</u>
<u>563</u>	<u>(22)</u>	<u>343</u>	<u>(1,212)</u>	<u>640</u>	<u>2,262</u>
<u>(533)</u>	<u>58</u>	<u>3,045</u>	<u>2,069</u>	<u>2,924</u>	<u>10,365</u>
<u>\$ 30</u>	<u>\$ 36</u>	<u>\$ 3,388</u>	<u>\$ 857</u>	<u>\$ 3,564</u>	<u>\$ 12,627</u>

**CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)
(continued)**

	Debt Service Funds			Capital Projects Funds
	Property Tax Refund	Public Financing Authority	Total Debt Service Funds	Parking In-Lieu
REVENUES				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	49
From Use of Money and Property	36	44	80	7
Intergovernmental	-	-	-	-
Charges for Current Service	-	-	-	-
Other	-	-	-	-
Total Revenues	36	44	80	56
EXPENDITURES				
Current:				
Human Resources	-	-	-	-
Community Services	-	-	-	-
Public Works	-	-	-	-
Non-Departmental	2	552	554	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	810	4,584	5,394	-
Interest	217	2,796	3,013	-
Total Expenditures	1,029	7,932	8,961	-
Excess Of Revenues Over (Under) Expenditures	(993)	(7,888)	(8,881)	56
Other Financing Sources (Uses):				
Transfers In	1,027	5,729	6,756	-
Issuance of Long-Term Debt	-	36,275	36,275	-
Issuance Premium	-	1,884	1,884	-
Payments to Escrow	-	(37,601)	(37,601)	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	1,027	6,287	7,314	-
Net Change in Fund Balances	34	(1,601)	(1,567)	56
Fund Balances - Beginning Of Year	(34)	5,950	5,916	767
Fund Balances - End Of Year	\$ -	\$ 4,349	\$ 4,349	\$ 823

**CITY OF HUNTINGTON BEACH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (In Thousands)
 (continued)**

Capital Projects Funds				Total Other Governmental Funds
Sewer Development	Infrastructure	Energy Efficiency	Total Capital Projects Funds	
\$ -	\$ -	\$ -	\$ -	\$ 2,417
-	-	-	49	135
10	18	-	35	229
1	-	-	1	6,253
152	-	-	152	636
1	11	-	12	477
<u>164</u>	<u>29</u>	<u>-</u>	<u>249</u>	<u>10,147</u>
-	-	-	-	63
-	-	-	-	721
84	35	-	119	2,365
-	-	-	-	554
87	46	-	133	4,351
-	-	-	-	5,394
-	-	-	-	3,013
<u>171</u>	<u>81</u>	<u>-</u>	<u>252</u>	<u>16,461</u>
<u>(7)</u>	<u>(52)</u>	<u>-</u>	<u>(3)</u>	<u>(6,314)</u>
-	-	1,675	1,675	9,301
-	-	-	-	36,275
-	-	-	-	1,884
-	-	-	-	(37,601)
-	-	-	-	(1,178)
-	-	1,675	1,675	8,681
(7)	(52)	1,675	1,672	2,367
<u>1,079</u>	<u>2,206</u>	<u>-</u>	<u>4,052</u>	<u>20,333</u>
<u>\$ 1,072</u>	<u>\$ 2,154</u>	<u>\$ 1,675</u>	<u>\$ 5,724</u>	<u>\$ 22,700</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, 2011
(In Thousands)**

Gas Tax

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 10	\$ 10	\$ 14	\$ 4
Intergovernmental	3,200	3,200	3,685	485
Other	2	2	-	(2)
TOTAL REVENUES	<u>3,212</u>	<u>3,212</u>	<u>3,699</u>	<u>487</u>
EXPENDITURES:				
Current:				
Public Works	500	676	676	-
Capital Outlay	2,346	1,994	853	1,141
TOTAL EXPENDITURES	<u>2,846</u>	<u>2,670</u>	<u>1,529</u>	<u>1,141</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	366	542	2,170	1,628
OTHER FINANCING SOURCES (USES):				
Transfers Out	(900)	(900)	(900)	-
NET CHANGE IN FUND BALANCE	(534)	(358)	1,270	1,628
FUND BALANCE - BEGINNING OF YEAR	1,001	1,001	1,001	-
FUND BALANCE - END OF YEAR	<u>\$ 467</u>	<u>\$ 643</u>	<u>\$ 2,271</u>	<u>\$ 1,628</u>

Drainage

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for Current Service	\$ 50	\$ 50	\$ 119	\$ 69
FUND BALANCE - BEGINNING OF YEAR	(492)	(492)	(492)	-
FUND BALANCE - END OF YEAR	<u>\$ (442)</u>	<u>\$ (442)</u>	<u>\$ (373)</u>	<u>\$ 69</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, 2011
(In Thousands)
(continued)

Transportation

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Sales Taxes	\$ 2,000	\$ 2,000	\$ 2,417	\$ 417
From Use of Money and Property	25	25	6	(19)
Intergovernmental	-	-	151	151
Other	2	2	-	(2)
TOTAL REVENUES	<u>2,027</u>	<u>2,027</u>	<u>2,574</u>	<u>547</u>
EXPENDITURES:				
Current:				
Public Works	1,083	1,255	704	551
Capital Outlay	475	1,549	1,271	278
TOTAL EXPENDITURES	<u>1,558</u>	<u>2,804</u>	<u>1,975</u>	<u>829</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	469	(777)	599	1,376
OTHER FINANCING SOURCES (USES):				
Transfers Out	(631)	(599)	-	599
NET CHANGE IN FUND BALANCE	<u>(162)</u>	<u>(1,376)</u>	<u>599</u>	<u>1,975</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,490</u>	<u>1,490</u>	<u>1,490</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,328</u>	<u>\$ 114</u>	<u>\$ 2,089</u>	<u>\$ 1,975</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, 2011

(In Thousands)

(continued)

Air Quality

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 20	\$ 20	\$ 6	\$ (14)
Intergovernmental	240	240	224	(16)
TOTAL REVENUES	<u>260</u>	<u>260</u>	<u>230</u>	<u>(30)</u>
EXPENDITURES:				
Current:				
Human Resources	111	114	63	51
Public Works	142	153	124	29
Capital Outlay	100	125	81	44
TOTAL EXPENDITURES	<u>353</u>	<u>392</u>	<u>268</u>	<u>124</u>
NET CHANGE IN FUND BALANCE	<u>(93)</u>	<u>(132)</u>	<u>(38)</u>	<u>94</u>
FUND BALANCE - BEGINNING OF YEAR	<u>803</u>	<u>803</u>	<u>803</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 710</u>	<u>\$ 671</u>	<u>\$ 765</u>	<u>\$ 94</u>

Traffic Impact Fee

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 22	\$ 22
From Use of Money and Property	10	10	-	(10)
Intergovernmental	-	-	37	37
Charges for Current Service	100	100	78	(22)
Other	-	-	272	272
TOTAL REVENUES	<u>110</u>	<u>110</u>	<u>409</u>	<u>299</u>
EXPENDITURES:				
Current:				
Public Works	106	193	97	96
Capital Outlay	-	284	26	258
TOTAL EXPENDITURES	<u>106</u>	<u>477</u>	<u>123</u>	<u>354</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4</u>	<u>(367)</u>	<u>286</u>	<u>653</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	277	277
NET CHANGE IN FUND BALANCE	<u>4</u>	<u>(367)</u>	<u>563</u>	<u>930</u>
FUND BALANCE - BEGINNING OF YEAR	<u>(533)</u>	<u>(533)</u>	<u>(533)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (529)</u>	<u>\$ (900)</u>	<u>\$ 30</u>	<u>\$ 930</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, 2011
(In Thousands)
(continued)**

Fourth of July Parade

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 3	\$ 3	\$ 27	\$ 24
Intergovernmental	-	-	90	90
Charges for Current Service	-	-	157	157
Other	400	400	77	(323)
TOTAL REVENUES	403	403	351	(52)
EXPENDITURES:				
Current:				
Community Services	400	402	373	29
NET CHANGE IN FUND BALANCE	3	1	(22)	(23)
FUND BALANCE - BEGINNING OF YEAR	58	58	58	-
FUND BALANCE - END OF YEAR	\$ 61	\$ 59	\$ 36	\$ (23)

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, 2011
(In Thousands)
(continued)

Park Acquisition and Development

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ 64	\$ 64
From Use of Money and Property	50	50	20	(30)
Charges for Current Service	100	100	130	30
Other	-	-	115	115
TOTAL REVENUES	150	150	329	179
EXPENDITURES:				
Current:				
Community Services	1,194	1,515	348	1,167
Capital Outlay	880	871	230	641
Debt Service:				
Principal	10	10	-	10
TOTAL EXPENDITURES	2,084	2,396	578	1,818
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,934)	(2,246)	(249)	1,997
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	593	593
Transfers Out	(375)	(375)	(1)	374
TOTAL OTHER FINANCING SOURCES (USES)	(375)	(375)	592	967
NET CHANGE IN FUND BALANCE	(2,309)	(2,621)	343	2,964
FUND BALANCE - BEGINNING OF YEAR	3,045	3,045	3,045	-
FUND BALANCE - END OF YEAR	\$ 736	\$ 424	\$ 3,388	\$ 2,964

Highway Safety & Traffic Reduction

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 50	\$ 50	\$ 4	\$ (46)
Intergovernmental	-	-	18	18
Other	-	-	1	1
TOTAL REVENUES	50	50	23	(27)
EXPENDITURES:				
Current:				
Public Works	-	156	156	-
Capital Outlay	700	2,073	1,079	994
TOTAL EXPENDITURES	700	2,229	1,235	994
NET CHANGE IN FUND BALANCE	(650)	(2,179)	(1,212)	967
FUND BALANCE - BEGINNING OF YEAR	2,069	2,069	2,069	-
FUND BALANCE - END OF YEAR	\$ 1,419	\$ (110)	\$ 857	\$ 967

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, 2011
(In Thousands)
(continued)

Traffic Congestion Relief

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 50	\$ 50	\$ 37	\$ (13)
Intergovernmental	2,000	2,000	2,047	47
TOTAL REVENUES	<u>2,050</u>	<u>2,050</u>	<u>2,084</u>	<u>34</u>
EXPENDITURES:				
Current:				
Public Works	360	764	489	275
Capital Outlay	2,271	2,591	678	1,913
TOTAL EXPENDITURES	<u>2,631</u>	<u>3,355</u>	<u>1,167</u>	<u>2,188</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(581)</u>	<u>(1,305)</u>	<u>917</u>	<u>2,222</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	(277)	(277)	-
NET CHANGE IN FUND BALANCE	<u>(581)</u>	<u>(1,582)</u>	<u>640</u>	<u>2,222</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,924</u>	<u>2,924</u>	<u>2,924</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,343</u>	<u>\$ 1,342</u>	<u>\$ 3,564</u>	<u>\$ 2,222</u>

Property Tax Refund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 36	\$ 36
EXPENDITURES:				
Current:				
Non-Departmental	6	6	2	4
Debt Service:				
Principal	810	810	810	-
Interest	217	217	217	-
TOTAL EXPENDITURES	<u>1,033</u>	<u>1,033</u>	<u>1,029</u>	<u>4</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,033)</u>	<u>(1,033)</u>	<u>(993)</u>	<u>40</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,027	1,027	1,027	-
NET CHANGE IN FUND BALANCE	<u>(6)</u>	<u>(6)</u>	<u>34</u>	<u>40</u>
FUND BALANCE - BEGINNING OF YEAR	<u>(34)</u>	<u>(34)</u>	<u>(34)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (40)</u>	<u>\$ (40)</u>	<u>\$ -</u>	<u>\$ 40</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, 2011
(In Thousands)
(continued)

Public Financing Authority

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 44	\$ 44
EXPENDITURES:				
Current:				
Non-Departmental	12	560	552	8
Debt Service:				
Principal	3,636	4,584	4,584	-
Interest	2,207	2,796	2,796	-
TOTAL EXPENDITURES	5,855	7,940	7,932	8
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,855)	(7,940)	(7,888)	52
OTHER FINANCING SOURCES (USES):				
Transfers In	5,851	5,851	5,729	(122)
Issuance of Long Term Debt	-	36,275	36,275	-
Issuance Premium	-	1,884	1,884	-
Payments to Escrow	-	(37,601)	(37,601)	-
TOTAL OTHER FINANCING SOURCES (USES)	5,851	6,409	6,287	(122)
NET CHANGE IN FUND BALANCE	(4)	(1,531)	(1,601)	(70)
FUND BALANCE - BEGINNING OF YEAR	5,950	5,950	5,950	-
FUND BALANCE - END OF YEAR	\$ 5,946	\$ 4,419	\$ 4,349	\$ (70)

Parking in-Lieu

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ 50	\$ 50	\$ 49	\$ (1)
From Use of Money and Property	20	20	7	(13)
TOTAL REVENUES	70	70	56	(14)
EXPENDITURES:				
Current:				
Capital Outlay	100	100	-	100
NET CHANGE IN FUND BALANCE	(30)	(30)	56	86
FUND BALANCE - BEGINNING OF YEAR	767	767	767	-
FUND BALANCE - END OF YEAR	\$ 737	\$ 737	\$ 823	\$ 86

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, 2011
(In Thousands)
(continued)

Sewer Development

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
From Use of Money and Property	10	10	10	-
Intergovernmental	12	12	1	(11)
Charges for Current Service	100	100	152	52
Other	-	-	1	1
TOTAL REVENUES	122	122	164	42
EXPENDITURES:				
Current:				
Public Works	-	544	84	460
Capital Outlay	300	371	87	284
TOTAL EXPENDITURES	300	915	171	744
NET CHANGE IN FUND BALANCE	(178)	(793)	(7)	786
FUND BALANCE - BEGINNING OF YEAR	1,079	1,079	1,079	-
FUND BALANCE - END OF YEAR	\$ 901	\$ 286	\$ 1,072	\$ 786

Infrastructure

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ -	\$ -	\$ 18	\$ 18
Other	-	-	11	11
TOTAL REVENUES	-	-	29	29
EXPENDITURES:				
Current:				
Public Works	-	35	35	-
Capital Outlay	-	1,891	46	1,845
TOTAL EXPENDITURES	-	1,926	81	1,845
NET CHANGE IN FUND BALANCE	-	(1,926)	(52)	1,874
FUND BALANCE - BEGINNING OF YEAR	2,206	2,206	2,206	-
FUND BALANCE - END OF YEAR	\$ 2,206	\$ 280	\$ 2,154	\$ 1,874

**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, 2011
 (In Thousands)
 (continued)**

Energy Efficiency

	Original Budget	Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Capital Outlay	-	1,675	-	1,675
OTHER FINANCING SOURCES (USES):				
Transfers In	-	1,675	1,675	-
NET CHANGE IN FUND BALANCE	-	-	1,675	1,675
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 1,675	\$ 1,675

**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, 2011
(In Thousands)**

Redevelopment Agency Debt Service

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property Taxes	\$ 19,650	\$ 19,650	\$ 18,027	\$ (1,623)
From Use of Money and Property	150	150	114	(36)
Total Revenues	<u>19,800</u>	<u>19,800</u>	<u>18,141</u>	<u>(1,659)</u>
EXPENDITURES:				
Current:				
Economic Development	3,152	3,376	3,376	-
Debt Service:				
Principal	5,160	3,209	2,351	858
Interest	1,281	3,008	3,008	-
Total Expenditures	<u>9,593</u>	<u>9,593</u>	<u>8,735</u>	<u>858</u>
Excess Of Revenues Over (Under) Expenditures	<u>10,207</u>	<u>10,207</u>	<u>9,406</u>	<u>(801)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(8,845)	(9,945)	(10,751)	(806)
Net Change in Fund Balance	<u>1,362</u>	<u>262</u>	<u>(1,345)</u>	<u>(1,607)</u>
Fund Balance - Beginning Of Year	<u>(152)</u>	<u>(152)</u>	<u>(152)</u>	<u>-</u>
Fund Balance - End Of Year	<u>\$ 1,210</u>	<u>\$ 110</u>	<u>\$ (1,497)</u>	<u>\$ (1,607)</u>

Redevelopment Agency Capital Projects

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
From Use of Money and Property	\$ 655	\$ 655	\$ 752	\$ 97
Other	-	-	26	26
Total Revenues	<u>655</u>	<u>655</u>	<u>778</u>	<u>123</u>
EXPENDITURES:				
Current:				
City Attorney	200	222	212	10
Economic Development	1,586	3,032	2,729	303
Public Works	-	2	2	-
Capital Outlay	125	432	-	432
Total Expenditures	<u>1,911</u>	<u>3,688</u>	<u>2,943</u>	<u>745</u>
Excess Of Revenues Over (Under) Expenditures	<u>(1,256)</u>	<u>(3,033)</u>	<u>(2,165)</u>	<u>868</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	1,280	1,280	-
Transfers Out	-	(5,495)	(6,239)	(744)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(4,215)</u>	<u>(4,959)</u>	<u>(744)</u>
Net Change in Fund Balance	<u>(1,256)</u>	<u>(7,248)</u>	<u>(7,124)</u>	<u>124</u>
Fund Balance - Beginning Of Year	<u>7,809</u>	<u>7,809</u>	<u>7,809</u>	<u>-</u>
Fund Balance - End Of Year	<u>\$ 6,553</u>	<u>\$ 561</u>	<u>\$ 685</u>	<u>\$ 124</u>

**CITY OF HUNTINGTON BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(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	\$ 175	\$ 175	\$ 126	\$ (49)
Other	-	-	3	3
Total Revenues	<u>175</u>	<u>175</u>	<u>129</u>	<u>(46)</u>
EXPENDITURES:				
Current:				
Economic Development	2,498	5,021	3,825	1,196
Capital Outlay	-	224	-	224
Total Expenditures	<u>2,498</u>	<u>5,245</u>	<u>3,825</u>	<u>1,420</u>
Excess Of Revenues Over (Under) Expenditures	<u>(2,323)</u>	<u>(5,070)</u>	<u>(3,696)</u>	<u>1,374</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	3,910	3,909	3,605	(304)
Transfers Out	(406)	(406)	(397)	9
Total Other Financing Sources (Uses)	<u>3,504</u>	<u>3,503</u>	<u>3,208</u>	<u>(295)</u>
Net Change in Fund Balance	<u>1,181</u>	<u>(1,567)</u>	<u>(488)</u>	<u>1,079</u>
Fund Balance - Beginning Of Year	<u>11,409</u>	<u>11,409</u>	<u>11,409</u>	<u>-</u>
Fund Balance - End Of Year	<u>\$ 12,590</u>	<u>\$ 9,842</u>	<u>\$ 10,921</u>	<u>\$ 1,079</u>



City of Huntington Beach Fiduciary Funds

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

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

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**CITY OF HUNTINGTON BEACH
 COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2011**

	Agency Funds						Total Agency Funds
	General Deposit	Community Facilities Districts	Business Improvement Districts	Central Net Operations Authority	Parking Structures	West Orange County Water Board	
Assets:							
Cash and Investments	\$ 159	\$ 255	\$ 452	\$ 1,316	\$ 1,021	\$ 228	\$ 3,431
Cash with Fiscal Agent	-	4,132	-	-	-	-	4,132
Accounts Receivable, Net	-	67	18	-	2	2	89
Total Assets	\$ 159	\$ 4,454	\$ 470	\$ 1,316	\$ 1,023	\$ 230	\$ 7,652
Liabilities:							
Accounts Payable	\$ -	\$ 1	\$ 470	\$ 6	\$ 246	\$ 1	\$ 724
Due to Bondholders	-	4,453	-	-	-	-	4,453
Held for others	159	-	-	1,310	777	229	2,475
Total Liabilities	\$ 159	\$ 4,454	\$ 470	\$ 1,316	\$ 1,023	\$ 230	\$ 7,652

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
General Deposit				
Assets:				
Cash and Investments	\$ 226	\$ 914	\$ (981)	\$ 159
Total Assets	\$ 226	\$ 914	\$ (981)	\$ 159
Liabilities:				
Accounts Payable	\$ 49	\$ -	\$ (49)	\$ -
Held for others	177	-	(18)	159
Total Liabilities	\$ 226	\$ -	\$ (67)	\$ 159
Community Facilities Districts				
Assets:				
Cash and Investments	\$ 1,190	\$ 9,301	\$ (10,236)	\$ 255
Cash with Fiscal Agent	4,139	16	(23)	4,132
Accounts Receivable, Net	78	67	(78)	67
Total Assets	\$ 5,407	\$ 9,384	\$ (10,337)	\$ 4,454
Liabilities:				
Accounts Payable	\$ 6	\$ 6,127	\$ (6,132)	\$ 1
Due to Bondholders	5,401	-	(948)	4,453
Total Liabilities	\$ 5,407	\$ 6,127	\$ (7,080)	\$ 4,454
Business Improvement Districts				
Assets:				
Cash and Investments	\$ 145	\$ 1,620	\$ (1,313)	\$ 452
Accounts Receivable, Net	18	278	(278)	18
Total Assets	\$ 163	\$ 1,898	\$ (1,591)	\$ 470
Liabilities:				
Accounts Payable	\$ 90	\$ 1,703	\$ (1,323)	\$ 470
Held for others	73	-	(73)	-
Total Liabilities	\$ 163	\$ 1,703	\$ (1,396)	\$ 470
Central Net Operations Authority				
Assets:				
Cash and Investments	\$ 1,338	\$ 1,824	\$ (1,846)	\$ 1,316
Accounts Receivable, Net	-	114	(114)	-
Total Assets	\$ 1,338	\$ 1,938	\$ (1,960)	\$ 1,316
Liabilities:				
Accounts Payable	\$ 15	\$ 227	\$ (236)	\$ 6
Held for others	1,323	-	(13)	1,310
Total Liabilities	\$ 1,338	\$ 227	\$ (249)	\$ 1,316

CITY OF HUNTINGTON BEACH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
Parking Structures				
Assets:				
Cash and Investments	\$ 669	\$ 1,971	\$ (1,619)	\$ 1,021
Accounts Receivable, Net	2	2	(2)	2
Total Assets	\$ 671	\$ 1,973	\$ (1,621)	\$ 1,023
Liabilities:				
Accounts Payable	\$ 259	\$ 1,865	\$ (1,878)	\$ 246
Held for others	412	365	-	777
Total Liabilities	\$ 671	\$ 2,230	\$ (1,878)	\$ 1,023
West Orange County Water Board				
Assets:				
Cash and Investments	\$ 237	\$ 837	\$ (846)	\$ 228
Accounts Receivable, Net	-	39	(37)	2
Total Assets	\$ 237	\$ 876	\$ (883)	\$ 230
Liabilities:				
Accounts Payable	\$ -	\$ 173	\$ (172)	\$ 1
Held for others	237	-	(8)	229
Total Liabilities	\$ 237	\$ 173	\$ (180)	\$ 230
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 3,805	\$ 16,467	\$ (16,841)	\$ 3,431
Cash with Fiscal Agent	4,139	16	(23)	4,132
Accounts Receivable, Net	98	500	(509)	89
Total Assets	\$ 8,042	\$ 16,983	\$ (17,373)	\$ 7,652
Liabilities:				
Accounts Payable	\$ 419	\$ 10,095	\$ (9,790)	\$ 724
Due to Bondholders	5,401	-	(948)	4,453
Held for others	2,222	365	(112)	2,475
Total Liabilities	\$ 8,042	\$ 10,460	\$ (10,850)	\$ 7,652

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City of Huntington Beach Statistical Section

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

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

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. 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 TEN FISCAL YEARS
(In Thousands)

	Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
Governmental Activities					
Investment in Capital Assets, Net of Related Debt	\$ 569,497	\$ 567,351	\$ 559,059	\$ 521,654	\$ 486,552
Restricted	51,195	49,100	48,198	69,126	73,541
Unrestricted	41,239	33,135	36,319	35,615	59,182
Total Governmental Activities Net Assets	\$ 661,931	\$ 649,586	\$ 643,576	\$ 626,395	\$ 619,275
Business - Type Activities					
Investment in Capital Assets, Net of Related Debt	\$ 134,882	\$ 121,576	\$ 118,059	\$ 118,671	\$ 119,874
Restricted	27,988	30,512	30,794	32,665	33,546
Unrestricted	59,260	61,723	59,810	57,704	54,822
Total Business - Type Activities Net Assets	\$ 222,130	\$ 213,811	\$ 208,663	\$ 209,040	\$ 208,242
Primary Government					
Investment in Capital Assets, Net of Related Debt	\$ 704,379	\$ 688,927	\$ 677,118	\$ 640,325	\$ 606,426
Restricted	79,183	79,612	78,992	101,791	107,087
Unrestricted	100,499	94,858	96,129	93,319	114,004
Total Primary Government Net Assets	\$ 884,061	\$ 863,397	\$ 852,239	\$ 835,435	\$ 827,517

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

	Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
Expenses:					
Governmental Activities:					
City Council	\$ 300	\$ 301	\$ 295	\$ 295	\$ 287
City Manager	1,502	1,674	1,861	1,652	1,442
City Treasurer	1,274	1,532	1,308	1,408	1,088
City Attorney	2,354	2,772	2,877	2,914	2,534
City Clerk	813	883	1,099	1,020	950
Administrative Services	-	-	-	-	-
Finance	3,423	4,309	4,479	4,944	4,454
Human Resources	4,792	5,284	4,749	4,725	4,202
Planning & Building*	6,036	3,170	3,232	3,881	3,098
Building	-	4,608	9,549	5,747	4,899
Fire	35,393	33,545	33,942	27,299	27,247
Information Services	5,909	6,812	7,377	7,311	6,591
Police	60,192	59,049	60,551	58,378	56,988
Economic Development	10,876	11,891	15,758	18,031	9,209
Community Services	16,104	16,147	17,110	18,565	16,482
Library Services	3,838	4,519	4,574	5,607	5,586
Public Works	27,232	26,483	29,514	31,246	34,581
Non-Departmental	19,595	24,303	21,196	30,814	15,131
Interest on Long-Term Debt	6,287	6,146	5,232	5,291	5,875
Total Governmental Activities	205,920	213,428	224,703	229,128	200,644
Business-type Activities:					
Water Utility	31,712	34,902	34,290	32,701	32,606
Sewer Service	6,338	6,575	7,306	7,120	5,766
Refuse Collection	10,690	10,585	10,623	10,561	10,542
Emerald Cove Housing	-	-	306	893	936
Emergency Fire Medical	-	-	-	6,933	5,347
Cultural Affairs	-	-	-	-	-
Hazmat Service	243	315	196	249	194
Ocean View Estates	-	-	-	117	84
Total Business Type Activities	48,983	52,377	52,721	58,574	55,475
Total Business and Government Type Activities	\$ 254,903	\$ 265,805	\$ 277,424	\$ 287,702	\$ 256,119

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

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

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

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

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

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

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

Revenues: Governmental Activities:	Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
Charges for Services					
City Council	\$ 63	\$ 62	\$ 94	\$ 103	\$ 99
City Manager	127	126	370	404	392
City Treasurer	568	566	765	720	698
City Attorney	127	456	50	47	46
City Clerk	98	106	108	168	210
Finance	1,202	1,234	1,264	1,354	1,312
Human Resources	1,117	1,103	1,254	1,391	1,347
Planning & Building*	6,084	682	801	1,987	4,223
Building	-	4,126	3,665	4,582	5,450
Fire	8,632	8,504	7,978	1,423	1,267
Information Services	741	731	674	697	675
Police	5,207	4,849	5,083	5,159	4,890
Economic Development	2,800	2,685	3,049	3,001	2,944
Community Services	15,345	15,470	15,278	15,383	15,036
Library Services	325	415	437	851	835
Public Works	5,638	4,850	4,328	6,000	5,016
Non-Departmental	273	269	216	239	232
Total Charges for Services	<u>48,347</u>	<u>46,234</u>	<u>45,414</u>	<u>43,509</u>	<u>44,672</u>
Operating Grants	8,914	7,069	4,181	7,684	1,996
Capital Grants	5,198	7,418	25,625	14,284	5,154
Transfers	(38)	(38)	7,175	9,594	491
Total Governmental Activities Program Revenue	<u>62,421</u>	<u>60,683</u>	<u>82,395</u>	<u>75,071</u>	<u>52,313</u>
Business-Type Activities Program Revenue					
Water Utility	34,583	34,394	34,200	35,751	37,962
Sewer Service	10,532	10,565	10,535	9,906	7,242
Refuse Collection	10,631	10,506	10,386	10,521	10,550
Emerald Cove Housing	-	-	843	1,180	1,037
Emergency Fire Medical	-	-	-	6,762	6,068
Cultural Affairs	-	-	-	-	-
Hazmat Service	383	198	204	185	210
Ocean View Estates	-	-	-	337	324
Total Business Type Activities	<u>56,129</u>	<u>55,663</u>	<u>56,168</u>	<u>64,642</u>	<u>63,393</u>
Total Primary Government Program Revenue	<u>118,550</u>	<u>116,346</u>	<u>138,563</u>	<u>139,713</u>	<u>115,706</u>
Net (Expense) Revenue:					
Governmental Activities:	(143,499)	(152,745)	(142,308)	(154,057)	(148,331)
Business-Type Activities	7,146	3,286	3,447	6,068	7,918
Total Net (Expense) Revenue	<u>(136,353)</u>	<u>(149,459)</u>	<u>(138,861)</u>	<u>(147,989)</u>	<u>(140,413)</u>
General Revenue and Other Changes in Net Assets					
Governmental Activities:					
Property Taxes	86,056	85,552	84,010	84,016	79,369
Sales Taxes	25,339	23,646	21,427	25,560	30,608
Utility Taxes	19,135	19,757	20,616	21,591	21,479
Other Taxes	13,368	11,629	12,085	15,065	13,776
Use of Money and Property	3,239	4,043	5,002	5,714	7,895
From Other Agencies	5,647	4,184	8,500	6,899	12,689
Participation Payments	-	4,496	-	-	1,564
Other	3,060	5,448	7,849	2,332	2,696
Total Governmental General Revenue	<u>155,844</u>	<u>158,755</u>	<u>159,489</u>	<u>161,177</u>	<u>170,076</u>
Business-Type Activities:					
Transfers	38	38	(7,175)	(9,594)	(491)
Use of Money and Property	1,135	1,824	3,351	4,324	5,035
Total Business-Type Activities General Revenue	<u>1,173</u>	<u>1,862</u>	<u>(3,824)</u>	<u>(5,270)</u>	<u>4,544</u>
Total General Revenue and Transfers	<u>157,017</u>	<u>160,617</u>	<u>155,665</u>	<u>155,907</u>	<u>174,620</u>
Changes in Net Assets - Governmental Activities	12,345	6,010	17,181	7,120	21,745
Changes in Net Assets - Business Activities	8,319	5,148	(377)	798	12,462
Net Assets - Beginning of Year	<u>863,397</u>	<u>852,239</u>	<u>835,435</u>	<u>827,517</u>	<u>793,310</u>
Net Assets - End of Year	<u>\$ 884,061</u>	<u>\$ 863,397</u>	<u>\$ 852,239</u>	<u>\$ 835,435</u>	<u>\$ 827,517</u>

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

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

	Fiscal Year Ended September 30,				
	2006	2005	2004	2003	2002
Revenues:					
Governmental Activities:					
Charges for Services					
City Council	\$ 90	\$ -	\$ -	\$ -	\$ -
City Administrator	1,612	-	-	-	33
City Treasurer	1,332	-	-	-	-
City Attorney	43	-	-	-	-
City Clerk	95	111	-	82	46
Finance	325	-	-	-	-
Human Resources	-	-	-	-	-
Planning & Building*	825	1,024	1,403	752	580
Building	4,859	5,068	4,513	3,067	3,940
Fire	1,086	1,095	1,183	1,157	500
Information Services	641	-	-	-	-
Police	5,355	5,254	1,605	4,176	4,433
Economic Development	505	385	5	257	-
Community Services	14,644	13,376	12,611	9,433	8,510
Library Services	714	714	4,290	673	-
Public Works	4,784	1,781	4,220	3,356	1,103
Non-Departmental	229	-	589	5	4,411
Total Charges for Services	<u>37,139</u>	<u>28,808</u>	<u>30,419</u>	<u>22,958</u>	<u>23,556</u>
Operating Grants	917	1,657	6,343	1,736	5,063
Capital Grants	6,893	43,341	7,384	6,955	13,039
Transfers	464	4,884	-	-	(244)
Total Governmental Activities Program Revenue	<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	37,946	40,371	40,172	37,943	59,103
Sewer Service	7,873	8,512	6,373	5,876	4,540
Refuse Collection	10,292	9,985	10,412	9,123	9,182
Emerald Cove Housing	960	866	781	746	707
Emergency Fire Medical	6,145	5,725	5,650	4,103	4,103
Cultural Affairs	-	-	-	-	189
Hazmat Service	182	110	187	233	145
Ocean View Estates	273	263	258	245	192
Total Business Type Activities	<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>109,084</u>	<u>144,522</u>	<u>107,979</u>	<u>89,918</u>	<u>119,575</u>
Net (Expense) Revenue:					
Governmental Activities:	(150,099)	(93,932)	(120,643)	(132,763)	(123,276)
Business-Type Activities	14,939	21,578	19,062	15,496	35,266
Total Net (Expense) Revenue	<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	66,598	61,466	47,405	40,633	38,106
Sales Taxes	26,448	24,340	28,273	28,011	-
Utility Taxes	21,170	20,004	19,424	18,310	-
Other Taxes	13,226	14,952	11,365	13,337	55,084
Use of Money and Property	4,310	3,137	3,528	9,923	13,895
From Other Agencies	10,390	8,186	14,406	16,414	20,359
Participation Payments	6,221	12,697	-	-	-
Other	9,278	8,510	7,328	5,491	2,604
Total Governmental General Revenue	<u>157,641</u>	<u>153,292</u>	<u>131,729</u>	<u>132,119</u>	<u>130,048</u>
Business-Type Activities:					
Transfers	(464)	(4,884)	-	-	244
Use of Money and Property	3,589	1,500	1,085	1,482	2,240
Total Business-Type Activities General Revenue	<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>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	7,542	59,360	11,086	(644)	6,772
Changes in Net Assets - Business Activities	18,064	18,194	20,147	16,978	37,750
Net Assets - Beginning of Year	<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>\$ 770,802</u>	<u>\$ 737,066</u>	<u>\$ 659,512</u>	<u>\$ 629,899</u>	<u>\$ 607,633</u>

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

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

	Fiscal Year Ended September 30,							
	2011		2010		2009 (c)		2008	
General Fund:								
Nonspendable	\$	10,841	\$	4,605	\$	4,834	General Fund: Reserved	\$ 10,967
Restricted		1,304		1,452		1,921	Unreserved	33,476
Committed		-		30,493		20,600	Total General Fund	\$ 44,443
Assigned		42,411		4,802		11,733		
Total General Fund	\$	54,556	\$	41,352	\$	39,088		
Other Governmental Funds:								
Nonspendable	\$	-	\$	6,576	\$	11,328	Other Governmental Funds: Reserved	\$ 35,445
Restricted		32,519		33,319		11,509	Unreserved, Reported in:	
Committed		4,049		1,755		7,545	Special Revenue Funds	11,307
Assigned		1,711		3,914		24,437	Debt Service Funds	5,467
Unassigned		(4,377)		(4,319)		(1,557)	Capital Projects Funds	15,316
Total Other Governmental Funds	\$	33,902	\$	41,245	\$	53,262	Total Other Governmental Funds	\$ 67,535

	Fiscal Year Ended September 30,					
	2007	2006	2005	2004	2003 (b)	2002 (a)
General Fund:						
Reserved	\$ 10,679	\$ 7,382	\$ 5,915	\$ 2,113	\$ 2,757	\$ 25,773
Unreserved	33,017	33,204	32,371	24,219	12,217	15,972
Total General Fund	\$ 43,696	\$ 40,586	\$ 38,286	\$ 26,332	\$ 14,974	\$ 41,745
Other Governmental Funds:						
Reserved	\$ 42,013	\$ 25,472	\$ 35,458	\$ 30,143	\$ 35,470	\$ 45,259
Unreserved, Reported in:						
Special Revenue Funds	13,500	20,631	17,833	11,810	10,399	7,967
Debt Service Funds	5,484	4,022	3,916	4,434	10,992	(33,364)
Capital Projects Funds	18,286	27,096	16,820	10,242	8,553	8,637
Total Other Governmental Funds	\$ 79,283	\$ 77,221	\$ 74,027	\$ 56,629	\$ 65,414	\$ 28,499

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

(c) The City implemented GASB statement No. 54 in the fiscal year ended September 30, 2009.

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Fiscal Year Ended September 30,				
2006	2005 (a)	2004	2003	2002
\$ 69,065	\$ 59,716	\$ 43,501	\$ 38,983	\$ 33,204
26,448	24,340	28,273	28,011	23,449
21,170	20,004	19,424	18,310	18,014
13,226	13,068	11,365	13,337	13,621
7,432	7,457	7,736	8,045	7,162
4,288	4,365	4,342	3,815	3,797
16,461	12,733	11,856	9,923	13,895
16,611	20,179	26,321	25,103	28,426
27,237	33,950	17,553	14,140	15,201
201,938	195,812	170,371	159,667	156,769
271	254	280	269	237
5,508	1,917	1,165	1,559	2,109
1,446	1,547	1,519	1,377	1,108
2,313	2,848	2,771	2,836	3,570
828	679	712	555	676
-	5,731	6,295	8,323	7,095
3,283	2,501	-	-	-
-	-	-	-	-
2,800	2,548	2,382	2,544	2,585
3,729	3,291	2,938	3,043	2,991
24,334	22,365	19,018	19,021	18,024
6,540	5,726	5,315	3,619	3,500
50,151	45,778	39,414	41,184	37,990
4,172	2,866	5,132	3,616	3,073
14,382	12,321	11,718	10,182	11,065
4,359	3,969	3,745	4,215	4,350
28,448	21,535	16,756	19,832	21,565
13,831	13,039	23,809	31,236	13,407
30,174	9,065	29,484	24,217	54,356
9,406	8,474	8,718	7,427	5,541
6,512	5,999	5,987	6,273	7,152
212,487	172,453	187,158	191,328	200,394
(10,549)	23,359	(16,787)	(31,661)	(43,625)
21,531	20,890	30,274	54,463	58,948
-	-	-	16,018	-
15,579	1,102	13,236	24,582	61,514
-	-	-	-	-
-	-	-	(1,743)	-
-	-	-	-	(52,673)
(20,075)	(16,006)	(24,148)	(57,096)	(59,818)
17,035	5,986	19,362	36,224	7,971
\$ 6,486	\$ 29,345	\$ 2,575	\$ 4,563	\$ (35,654)

9.6% 9.7% 10.3% 8.9% 9.5%

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

Fiscal Year	Common Property	Public Utilities	Total Secured	Unsecured	Total Assessed Valuation	Total Direct Tax Rate
2001-2002	\$ 16,081,760	\$ 2,449	\$ 16,084,209	\$ 699,307	\$ 16,783,516	1.01902
2002-2003	17,949,445	2,428	17,951,873	820,219	18,772,092	1.02571
2003-2004	17,987,861	2,876	17,990,737	911,027	18,901,764	1.06575
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	1.06487
2006-2007	22,817,616	1,458	22,819,074	962,198	23,781,272	1.06487
2007-2008	24,294,404	305	24,294,709	1,066,668	25,361,377	1.07024
2008-2009	25,062,579	263	25,062,842	1,039,636	26,102,478	1.06855
2009-2010	25,324,857	263	25,325,120	1,086,770	26,411,890	1.08082
2010-2011	25,513,584	70	25,513,654	1,090,869	26,604,523	1.08252

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	Basic Levy	City	School Districts	Metro Water District	Others	Total	Total Direct Rate (1), (2)
2001-2002	1.00000	-	-	0.00770	-	1.00770	0.15300
2002-2003	1.00000	-	0.01232	0.00670	-	1.01902	0.15300
2003-2004	1.00000	0.00696	0.01214	0.00610	0.00051	1.02571	0.15300
2004-2005	1.00000	0.00696	0.02850	0.00520	0.02509	1.06575	0.15300
2005-2006	1.00000	0.00696	0.03814	0.00520	0.01545	1.06575	0.15300
2006-2007	1.00000	0.00700	0.03718	0.00470	0.01599	1.06487	0.15600
2007-2008	1.00000	0.00800	0.04273	0.00450	0.01501	1.07024	0.15600
2008-2009	1.00000	0.00900	0.04053	0.00430	0.01472	1.06855	0.15600
2009-2010	1.00000	0.01500	0.04479	0.00430	0.01673	1.08082	0.15600
2010-2011	1.00000	0.01500	0.04632	0.00370	0.01750	1.08252	0.15600

Note: Rates are per \$100 of assessed valuation

Source: County of Orange Auditor Controller

(1) Excludes rates associated with Mello-Roos Districts

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

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

Fiscal Year	Collected within the Fiscal Year of the Levy				Total Collections				
	Total Levy	Amount	Percentage of Levy	Delinquent Tax Collections*	Amount	Percentage of Levy	Delinquent Taxes Receivable	Delinquency Percent	
Secured Taxes									
2001-2002	\$ 24,581	\$ 24,238	98.6%	\$ -	\$ 24,238	98.6%	\$ 343	1.4%	
2002-2003	27,634	26,765	96.9%	-	26,765	96.9%	507	1.8%	
2003-2004	31,024	30,033	96.8%	-	30,033	96.8%	441	1.4%	
2004-2005	34,403	33,423	97.2%	434	33,857	98.4%	570	1.7%	
2005-2006	36,556	35,318	96.6%	498	35,816	98.0%	795	2.2%	
2006-2007	39,174	37,194	94.9%	622	37,816	96.5%	1,278	3.3%	
2007-2008	42,269	40,001	94.6%	1,113	41,114	97.3%	1,734	4.1%	
2008-2009	42,569	40,298	94.7%	1,789	42,087	98.9%	1,582	3.7%	
2009-2010	43,892	36,992	84.3%	1,880	38,872	88.6%	1,038	2.4%	
2010-2011	44,014	42,233	96.0%	1,339	43,572	99.0%	746	1.7%	
Unsecured Taxes									
2001-2002	1,419	1,366	96.3%	-	1,366	96.3%	53	3.7%	
2002-2003	1,467	1,343	91.5%	-	1,343	91.5%	42	2.9%	
2003-2004	1,507	1,382	91.7%	-	1,382	91.7%	34	2.3%	
2004-2005	1,606	1,474	91.8%	24	1,498	93.3%	40	2.5%	
2005-2006	1,590	1,434	90.2%	23	1,457	91.6%	42	2.6%	
2006-2007	1,842	1,600	86.9%	37	1,637	88.9%	150	8.1%	
2007-2008	1,718	1,618	94.2%	60	1,678	97.7%	34	2.0%	
2008-2009	1,783	1,606	90.1%	90	1,696	95.1%	49	2.7%	
2009-2010	1,882	1,677	89.1%	44	1,721	91.4%	65	3.5%	
2010-2011	1,940	1,739	89.6%	22	1,761	90.8%	75	3.9%	
Reservoir Hill									
2001-2002	188	184	97.9%	-	184	97.9%	4	2.1%	
2002-2003	192	189	98.4%	-	189	98.4%	3	1.6%	
2003-2004	191	190	99.5%	-	190	99.5%	1	0.5%	
2004-2005	-	-	0.0%	-	-	0.0%	-	0.0%	
2005-2006	-	-	0.0%	-	-	0.0%	-	0.0%	
2006-2007	-	-	0.0%	-	-	0.0%	-	0.0%	
2007-2008	-	-	0.0%	-	-	0.0%	-	0.0%	
2008-2009	-	-	0.0%	-	-	0.0%	-	0.0%	
2009-2010	-	-	0.0%	-	-	0.0%	-	0.0%	
2010-2011	-	-	0.0%	-	-	0.0%	-	0.0%	
Community Facilities Districts									
2001-2002	264	258	97.7%	-	258	97.7%	6	2.3%	
2002-2003	538	534	99.3%	-	534	99.3%	1	0.2%	
2003-2004	1,797	1,789	99.6%	-	1,789	99.6%	2	0.1%	
2004-2005	1,731	1,719	99.3%	4	1,723	99.5%	7	0.4%	
2005-2006	4,085	4,069	99.6%	12	4,081	99.9%	11	0.3%	
2006-2007	4,061	4,041	99.5%	22	4,063	100.0%	7	0.2%	
2007-2008	4,106	4,085	99.5%	21	4,106	100.0%	9	0.2%	
2008-2009	4,053	4,034	99.5%	12	4,046	99.8%	7	0.2%	
2009-2010	3,937	3,925	99.7%	11	3,936	100.0%	-	0.0%	
2010-2011	3,850	3,838	99.7%	-	3,838	99.7%	1	0.0%	

Source: County of Orange Auditor Controller's Office

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

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

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

	Fiscal Year Ended September 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Long-Term Indebtedness										
Governmental Activities:										
Judgement Obligation Bonds	\$ 5,179	\$ 5,989	\$ 6,774	\$ 10,050	\$ 10,795	\$ 11,525	\$ 12,245	\$ 12,500	\$ -	\$ -
Public Financing Authority:										
1997 Leasehold Revenue Bond	-	-	2,860	2,945	3,025	3,690	4,330	4,940	5,515	6,070
2000 Lease Revenue Bond	-	-	12,785	13,515	14,215	14,885	15,525	16,140	16,730	17,295
2001-a Lease Revenue Bond	-	25,650	26,375	27,075	27,750	28,400	29,030	29,635	30,220	30,780
2001-b Lease Revenue Bond	-	15,915	17,795	19,595	21,340	23,030	24,670	26,265	27,800	29,275
2010-a Lease Revenue Bond	13,200	13,820	-	-	-	-	-	-	-	-
2011-a Lease Revenue Bond	36,275	-	-	-	-	-	-	-	-	-
Total Public Financing Authority	49,475	55,385	59,815	63,130	66,330	70,005	73,555	76,980	80,265	83,420
Civic Improvement Corporation:										
Reservoir Hill Assessment Bonds	-	-	-	-	-	-	-	-	360	415
Total Civic Improvement Corporation	-	-	-	-	-	-	-	-	360	415
Redevelopment Agency:										
1999 Tax Allocation Refunding Bonds	6,180	6,610	7,020	7,410	7,790	8,155	8,505	8,840	9,160	9,470
2002 Tax Allocation Refunding Bonds	13,525	14,470	15,380	16,250	17,095	17,910	18,700	19,465	20,215	20,900
Mayer Disposition and Development Agreement	5,803	6,153	6,503	6,810	7,101	8,197	10,083	10,730	10,549	11,280
Bella Terra OPA (Parking)	13,922	14,076	14,227	14,532	14,855	15,000	-	-	-	-
CIM DDA (Parking & Infrastructure)	7,288	7,444	7,768	-	-	-	-	-	-	-
CIM DDA (Additional Parking)	435	440	421	-	-	-	-	-	-	-
Section 108 Loan RDA/Bowen Court	3,997	5,725	6,140	6,530	6,895	7,235	7,550	7,850	7,630	7,890
Total Redevelopment Agency	51,150	54,918	57,459	51,532	53,736	56,497	44,838	46,885	47,554	49,540
Other Long-Term Obligations:										
Notes Payable	-	-	-	-	-	-	116	337	545	293
Energy Financing Loan	-	-	-	-	-	-	-	-	-	742
Capital Leases Payable	572	857	1,161	1,681	2,281	2,975	3,461	4,885	6,420	4,107
Property Tax Claims	-	-	-	-	-	-	-	-	22,138	-
PARS Payable	5,868	7,149	-	-	-	-	-	-	-	-
Section 108 Loan City	1,425	-	-	-	-	-	-	-	-	-
Total Other Long-Term Obligations	7,865	8,006	1,161	1,681	2,281	2,975	3,577	5,222	29,103	5,142
Total Long-Term Obligations - Governmental Activities	\$ 113,669	\$ 124,298	\$ 125,209	\$ 126,393	\$ 133,142	\$ 141,002	\$ 134,215	\$ 141,587	\$ 157,282	\$ 138,517
Long-Term Obligations - Business Activities:										
Leases Payable	\$ -	\$ 3	\$ 6	\$ 9	\$ 12	\$ 40	\$ 112	\$ 183	\$ 250	\$ 595
Total Long Term Obligations - Governmental Activities and Business Activities	\$ 113,669	\$ 124,301	\$ 125,215	\$ 126,402	\$ 133,154	\$ 141,042	\$ 134,327	\$ 141,770	\$ 157,532	\$ 139,112
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Population*	190,377	203,484	202,480	201,993	202,250	201,000	200,023	198,996	197,263	194,889
Debt Per-Capita	\$ 597	\$ 611	\$ 578	\$ 712	\$ 619	\$ 623	\$ 705	\$ 675	\$ 719	\$ 695
Total Personal Income (In Thousands)**	\$ 7,356,548	\$ 8,440,720	\$ 8,207,324	\$ 8,000,943	\$ 7,626,443	\$ 7,436,799	\$ 7,284,238	\$ 7,246,837	\$ 7,456,541	
Per - Capita Personal Income**	\$ 38,642	\$ 41,481	\$ 40,534	\$ 39,610	\$ 37,708	\$ 36,999	\$ 36,417	\$ 36,417	\$ 37,800	
Unemployment Rate***	7.40%	7.80%	7.90%	4.70%	3.40%	2.70%	3.00%	3.20%	3.80%	4.00%
Total Employment***	110,600	112,100	114,100	119,300	121,100	121,400	119,600	117,200	114,400	112,600

Source:

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

** 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 TEN YEARS AGO**

2010-2011		
	Revenue (In Thousands)	Percent of Total
Bella Terra Associates LLC	\$ 2,656	3.09%
CIM Huntington LLC	1,936	2.25%
Mayer Financial LP	1,810	2.11%
Mc Donnell Douglas	614	0.72%
NF Huntington Plaza	536	0.62%
Waterfront Construction	440	0.51%
Essex Huntington Breakers	324	0.38%
Pierside Pavilion LLC	301	0.35%
Atlanta Huntington Beach LLC	300	0.35%
BTDJM Phase II	234	0.27%
Total Top Ten	9,151	10.66%
All Other Properties	76,718	89.34%
City Total	\$ 85,869	100.00%

2001-2002		
	Revenue (In Thousands)	Percent of Total
Duke Solutions Huntington	\$ 627	1.89%
Huntington Center	346	1.04%
Waterfront Construction	328	0.99%
Essex Huntington Breakers	253	0.76%
Kyray LLC	206	0.62%
Atlanta HB, LLC	206	0.62%
LIU Corporation	170	0.51%
AES Huntington Beach LLC	158	0.48%
McDonnell Douglas Corporation	143	0.43%
Bentall US Partners	104	0.31%
Total Top Ten	2,541	7.65%
All Other Properties	30,663	92.35%
City Total	\$ 33,204	100.00%

Source: HdL Coren & Cone

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

**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
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
2007-2008	25,361,377	3,043,365	-	3,043,365
2008-2009	26,102,478	3,132,297	-	3,132,297
2009-2010	26,411,890	3,169,427	-	3,169,427
2010-2011	26,604,523	3,192,543	-	3,192,543

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

	2011	% of total
Boeing	4,609	4.17%
Quiksilver	1,230	1.11%
Cambro MFG Co.	951	0.86%
Hyatt Regency Huntington Beach	641	0.58%
C & D Aerospace	555	0.50%
Huntington Beach Hospital	503	0.45%
Rainbow Disposal	408	0.37%
Huntington Beach Healthcare	381	0.34%
Waterfront Hilton Beach Resort	343	0.31%
Cleveland Golf / Srixon	280	0.25%
Total of top 10	9,901	8.95%
all others	100,699	91.05%
Total employment (public and private)	110,600	100.00%

	2005	% of total
Boeing	4,282	3.58%
Quiksilver	1,550	1.30%
Cambro 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 ACTUAL AND BUDGETED CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	Actual		Budgeted							
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government:										
City Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Administrator	7.00	6.00	9.00	9.00	8.00	7.00	8.00	8.00	34.00	35.00
City Treasurer	1.50	10.00	10.00	10.00	10.00	10.00	16.00	16.00	16.00	16.00
City Attorney	11.00	17.00	18.00	18.00	18.00	17.00	17.00	15.00	15.00	15.00
City Clerk	4.00	8.00	8.00	8.00	7.50	7.50	7.50	7.50	7.50	7.50
Finance	29.50	32.00	33.00	33.00	33.00	31.00	22.00	18.00	20.00	20.00
Human Resources	15.00	20.50	20.50	20.50	20.00	22.00	21.00	22.00	-	-
Planning	43.75	26.00	28.00	28.00	28.00	28.00	26.50	25.00	26.00	26.00
Building *		25.75	30.50	31.50	31.50	31.50	29.50	27.50	27.50	27.50
Information Systems	29.50	39.00	40.00	39.00	38.00	37.00	36.00	37.00	18.50	17.25
Economic Development	11.50	14.00	14.00	14.00	13.00	13.00	14.00	14.00	15.00	15.00
Library Services	29.75	32.25	37.25	37.25	37.25	37.25	37.25	37.25	37.25	37.25
Fire	176.50	176.00	185.00	185.00	184.00	157.00	156.00	155.00	156.00	156.00
Police	367.00	355.00	381.00	381.00	376.00	371.50	371.00	367.00	369.00	369.00
Community Services	61.00	65.75	69.75	69.75	69.75	66.50	62.25	63.25	63.25	63.25
Public Works	203.00	227.00	258.00	258.00	255.00	247.00	239.00	235.00	231.00	231.00
	991.00	1,055.25	1,143.00	1,143.00	1,130.00	1,084.25	1,064.00	1,048.50	1,037.00	1,036.75

Source: Finance Department, City of Huntington Beach

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

Budgeted full-time employees provided for remaining years.

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

CITY OF HUNTINGTON BEACH

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

Function/Program	2011	2010	2009	2008	2007	2006	2005
Finance:							
Water Bills Processed	630,268	640,351	641,602	642,883	630,228	626,903	586,000
Business Licenses Issued	21,903	21,045	20,841	21,129	20,670	19,746	20,184
Accounts Receivable Billings Processed	42,968	37,146	31,894	26,263	21,352	22,453	22,768
City Clerk:							
Passports Issued	3,082	3,251	3,186	4,386	5,687	3,416	3,672
Planning:							
Entitlements Processed	195	353	465	674	504	566	523
Plan Reviews	1,524	2,216	1,447	1,941	1,456	2,105	2,296
Field Inspection Complaints	6,064	8,187	9,345	7,932	5,273	5,926	5,550
Code Violation Cases	2,521	3,315	3,876	3,385	2,231	3,580	3,906
Building:							
# of Permits Issued	8,413	8,037	8,114	9,254	4,355	11,210	12,082
# of Inspections Completed	29,905	29,792	33,734	40,510	42,181	43,905	49,737
Value of Construction Permits (Thousands of Dollars)	104,238	91,049	72,727	123,843	141,277	196,453	169,570
Processed # of Certificate of Occupancies	765	796	484	540	590	307	683
Automated Information Requests	n/a	n/a	n/a	n/a	78,243	77,006	78,868
Counter Visits	20,288	20,272	19,149	18,775	n/a	n/a	n/a
Fire:							
Inspections	7,858	7,450	6,375	6,203	4,900	4,300	4,100
Responses	15,940	15,629	14,130	13,879	12,400	12,100	12,100
Police:							
Physical Arrests	6,457	5,695	6,380	6,930	5,576	6,368	5,282
Parking Violations	77,261	74,115	55,840	67,270	123,096	68,712	112,698
Traffic Violations	16,770	22,660	19,433	18,882	19,859	22,755	25,902
Community Services:							
Acreage of Parks	998	1,003	999	1,001	999	999	998
Estimated Beach Visitors	7,840,968	8,208,477	9,922,165	10,452,461	10,363,719	10,085,358	8,727,369
Enrollment in Recreation Classes	32,565	31,743	32,906	35,537	34,932	25,447	22,346
Ocean Recues	3,845	2,822	6,047	n/a	n/a	n/a	n/a
Public Works:							
Water Sold (Acre Feet)	26,868	27,268	30,537	30,518	31,128	29,246	29,730
Gallons of Sewage Pumped Per Day	22 million	22 million	23 million				
Library:							
Items in Collection	427,707	437,603	440,578	438,467	431,304	437,472	441,523
Items Borrowed	943,695	1,009,634	944,492	879,225	826,921	823,116	931,347

Source: Various departments of the City of Huntington Beach

**CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
SEPTEMBER 30, 2011**

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	998
Community Centers	6
Miles of Beach Maintained	3.5
Public Works:	
Centerline Square Miles of Streets Maintained	443
Miles of Storm Drains Maintained	118
Miles of Sewer Maintained	360

Source: Various departments of the City of Huntington Beach

**CITY OF HUNTINGTON BEACH
STATEMENT OF DIRECT AND
OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2011**

2010-11 Assessed Valuation \$26,675,158,861 (after deducting \$1,769,142,738 of incremental redevelopment valuation)

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

Overlapping Tax and Assessment Debt	Percent Applicable (1)	Debt Applicable to City
Metropolitan Water District	1.4920%	\$ 3,359,745
Coast Community College District	30.1890%	95,941,809
Huntington Beach Union High School District	77.6450%	175,928,039
Huntington Beach City School District	97.1950%	24,458,113
Westminster School District	41.6320%	14,044,839
Los Alamitos Unified School District School Facilities District No. 1	1.2680%	871,384
Los Alamitos Unified School District Comm Facilities Dist. 1990-1	1.1470%	82,699
City of Huntington Beach Community Facilities Districts	100.0000%	41,920,000
Total Overlapping Tax and Assessment Debt		\$ 356,606,628

Ratios to 2010-2011 Assessed Valuation

Total Overlapping Tax and Assessment Debt 1.25%

Direct and Overlapping General Fund Debt

Orange County General Fund Obligations	\$ 18,782,115
Orange County Pension Obligations	3,393,785
Orange County Board of Education Certificates of Participation	1,356,790
MWDOC Facilities Corporation	1,022,730
North Orange County Regional Occupation Program Certificates of Participation	12,243
Coast Community College District Certificates of Participation	6,196,292
Huntington Beach Union High School District Certificates of Participation	46,327,736
Los Alamitos Unified School District Certificates of Participation	231,310
Fountain Valley School Districts Certificates of Participation	3,107,052
Huntington Beach City School District Certificates of Participation	16,581,467
Ocean View School District Certificates of Participation	6,377,683
Westminster School District Certificates of Participation	10,054,128
City of Huntington Judgement Obligation Bonds	5,179,000
City of Huntington Reporting Entity Beach General Fund Obligations:	49,475,000
Total Gross Direct and Overlapping General Fund Debt	168,097,331
Less Self Supporting Debt of MWDOC Water Facilities Corporation	(1,022,730)
Total Net Direct and Overlapping General Fund Debt	\$ 167,074,601

Total Direct Debt	\$ 54,654,000
Total Gross Overlapping Debt	470,049,959
Total Net Overlapping Debt	469,027,229

Gross Combined Total Debt	\$ 524,703,959 (2)
Net Combined Total Debt	523,681,229

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

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

Ratios to Adjusted Assessed Valuations

Combined Direct Debt (\$54,654,000)	0.20%
Gross Combined Total Debt	1.97%
Net Combined Total Debt	1.96%

State School Building Aid Repayable \$ -

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

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