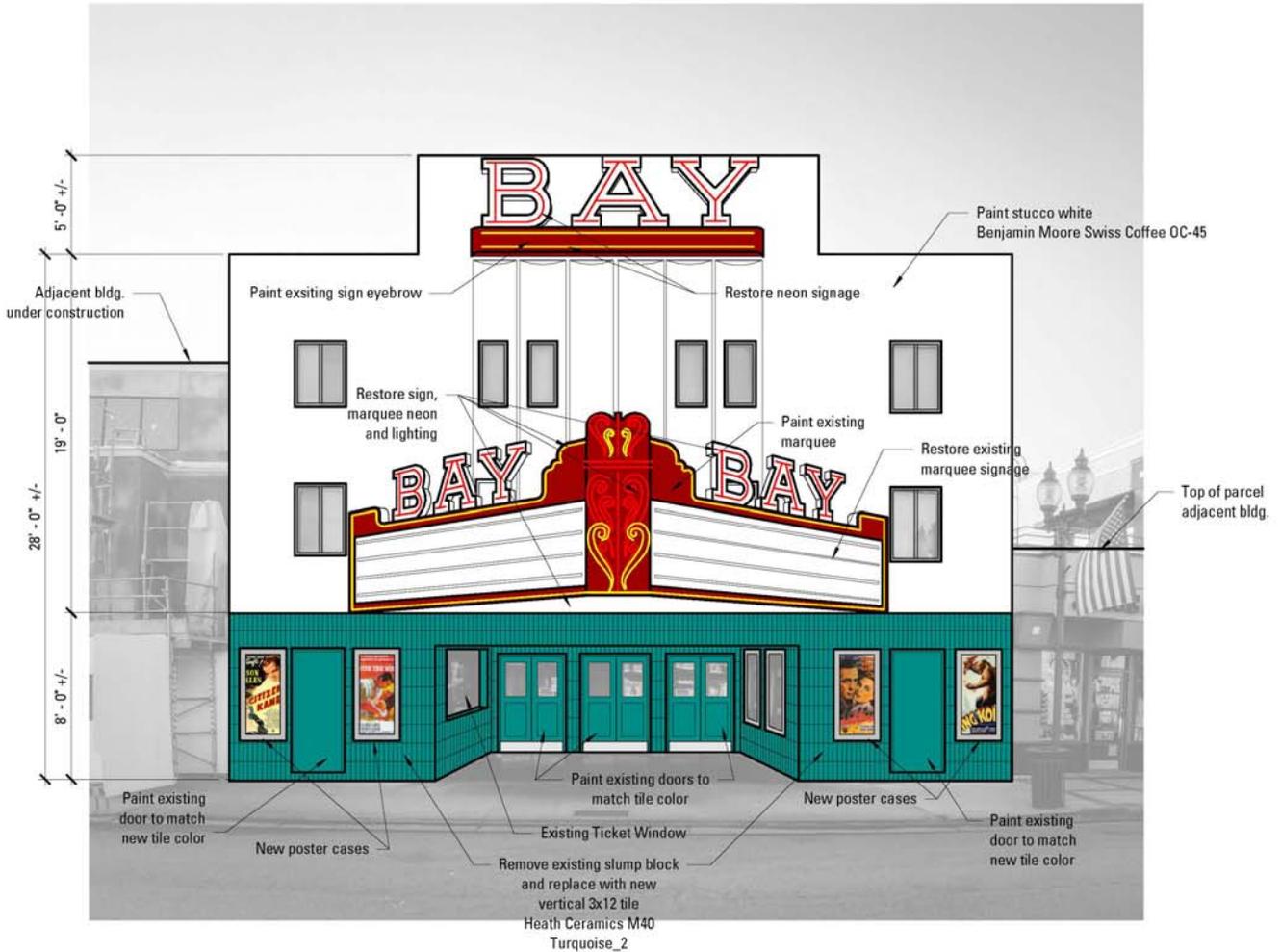


City of Seal Beach California



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

City of Seal Beach

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2018**



**Prepared by the Finance Department
Victoria L. Beatley
Director of Finance/City Treasurer**

The City of Seal Beach provides
excellent city services to enhance
the quality of life and to
preserve our small town character.



The City of Seal Beach Values:

Excellent Customer Service

Mutual Respect

Teamwork

Professionalism

Honest & Ethical Behavior

Cover photo used with permission by Stearns Architecture

City of Seal Beach
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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December 17, 2018

Honorable Mayor, Members of the City Council and Citizens of the City of Seal Beach:

City of Seal Beach staff is pleased to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Seal Beach (City) for the fiscal year ended June 30, 2018. Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation including all disclosures rests with the City. In our opinion, the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

The financial statements are prepared in accordance with Generally Accepted Accounting Principals (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these presentations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse, and to compile reliable information for the preparation of this report in conformity with GAAP. As Management, we assert to the best of our knowledge and belief, this financial report is complete and reliable in all material respects within the reasonable of internal control framework.

The City's financial statements have been audited by The Pun Group, a public accounting firm fully licensed and qualified to perform audits of the state and local governments within the State of California. The audit was designed to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Seal Beach's financial statements for the year ended June 30, 2018, are fairly presented in accordance with Generally Accepted Accounting Principles. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

PROFILE OF THE CITY

The City of Seal Beach is located on the coast of northwestern Orange County California, was incorporated on October 25, 1915. The City charter, which was adopted in 1964, established the form of government, states the powers and duties of the City Council, and establishes various City Offices.

The City is operated under the City Council/City Manager form of government, and is governed by a five-member city council elected by district serving four-year alternating terms and who, in turn elect the Mayor and Mayor Pro Tem from among themselves for a one year term. The governing council is responsible for policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing of all department heads. The City Clerk is an appointed position and is responsible for maintaining city records and overseeing elections.

The City provides a full range of services for the citizens utilizing a mix of contracts with other governmental entities or private companies. The City has its own Police Department and Marine Safety Department but contracts for fire and paramedic services through the Orange County Fire Authority (OCFA). The City also operates water and sewer utilities and contracts for refuse and sanitation treatment services.

The Successor Agency to the Seal Beach Redevelopment Agency (Agency) is a component unit of the City. Component units are legally separate entities for which the primary government is financially accountable. The Seal Beach City Council Members, in separate session, serve as the governing body of the Successor Agency and the City Manager serves as the Executive Director.

History of Seal Beach

The City has an area of 13.23 square miles and sits on the coast as the gateway to Orange County between the cities of Long Beach and Huntington Beach. In 1901 J.C. Ord, a Civil War veteran known as “the father of Seal Beach,” hired a 30–mule team to bring his small general store building from Los Alamitos to Bay City where he set it down at the southwest corner of crossroads now known as Main Street. J.C. Ord was the first Trustee, the first Mayor, Postmaster, and the first Judge. His store on Main Street was the Post Office and Court House and the jail house when it was necessary.

The population in 1915 was 250 persons, including children. Bay City was renamed Seal Beach in 1916. California Sea Lions, commonly called Seals, were a regular part of the scene along the coast and a perfect name for the new town.

On January 16, 1916, it was reported in the newspaper, the POST, that Frank Burt, who had managed the concessions at the recent Panama Pacific Exposition just closing in San Francisco, was coming to Seal Beach. His purpose was to establish an amusement zone for fun and frolic in this small beach village. The Jewel City Amusement Company was formed and a new 1,865 foot long pier was constructed in early summer 1916, and is the one of the longest wooden piers in California. The City became a popular recreation destination in the area, and featured a beach side amusement park before Disneyland was founded.

During World War II, the U.S. Navy purchased 5,256 acres of land and established the Naval Ammunition and Net Depot for storage and loading of ammunition for the Pacific Fleet. The Seal Beach National Wildlife Refuge was established in 1972.

In 1961, Leisure World was built on 541 acres of the Hellman Ranch property and was annexed in 1964.

The Rossmoor Business Center was remodeled and now called the Shops at Rossmoor and was annexed by the City in 1962.

In 1964-65, the College Park East and West construction took place.

In 1969, Surfside Colony was annexed into Seal Beach and the City population grew to 24,441 by 1970.

ECONOMIC CONDITIONS

Local economy. Although the focus of this Comprehensive Annual Financial Report is the financial condition of the City at June 30, 2018, it may be best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The City is the home of Boeing Company Integrated Defense System international headquarters, the U.S. Naval Weapons Station, the first Leisure World Retirement Community and the 1,000 acre Seal Beach National Wildlife Refuge. The City's one and a half miles of beaches and the public pier attracts more than 2,000,000 visitors each year making recreation an important factor in the local economy. Seal Beach has a variety of local beach front stores at Main Street which include several fine dining establishments. Throughout the year many exciting community events take place in which the residents, and visitors, enjoy and participate.

Long-term financial planning. The City of Seal Beach economy and tax base continue to stay the course and maintain the present package of core services for our residents, businesses, visitors, and protect all essential municipal services that contribute to the high quality of life within the City. However, with the FY 2018-2019 budget cycle some of the long-standing challenges which City staff has managed to keep at bay became significant. At the time the budget was adopted there was a structural deficit of approximately \$400,000.

Public Safety needs have grown over the last several years, as a result the City Council authorized the hiring of two additional Police Officers. Because of the budget constraints the City Council authorized staff to pay for the new officers with an advance from monies set aside for a community pool. This funding source was not to be used for quite some time in the future and a repayment requirement was included as part of the authorization.

In FY 2017-2018 the tax revenue increased overall, primarily due to an increase in property values. Property Tax and Franchise Tax revenues increased 2% and 4% respectively in the General Fund and Sales Tax decreased 2% compared with the prior fiscal year. The primary reason for the decrease in sales tax was the result of a system conversion at the California Department of Tax and Fee Administration which resulted in late and missing payments.

Notwithstanding the previous explanation, retail sales throughout the City have not been as robust in the past few years. One of the larger tenants, Toys R Us closed their Seal Beach location earlier in the year. This closure in addition to vacancies in the same shopping center have caused a decline in sales tax.

For the upcoming fiscal year, property taxes are expected to increase as the result of continued improvement in real estate values. On the other hand, sales tax is expected to increase as the result of the passing of a 1% Transactions and Use Tax measure. The collection of the new tax will begin April 1, 2019. The City should see the initial revenue from Measure BB in late July 2019.

The Southern California region continues to show signs of improved economic activity. According to local economic updates, Orange County's unemployment rate will continue to remain low and the housing market will continue to show improvement. Consumer spending is expected to increase slightly as well based upon the most recent consumer confidence reports.

Major initiatives. Over the last two years, the City has developed a Mission Statement (inside the front cover), a Values Statement, and Strategic Plan initiatives. The Strategic Plan goals are approved and/or affirmed by the City Council twice a year. The Strategic Plan goals and objectives are updated monthly at a City Council meeting.

The City of Seal Beach will continue to be a major participant in improving ocean water quality as mandated in the Clean Water Act. The City has a National Pollution Discharge Elimination System Program operated for this purpose.

The City has been aggressively seeking, and will continue to search for, funding sources from other governmental agencies or use non-recurring or future developmental revenues to maintain and improve its infrastructure. The City completed and formally accepted eleven (11) capital projects throughout the fiscal year totaling over \$2.2 million in value.

FINANCIAL POLICIES AND PROCEDURES

Internal control structure. Management of the City is responsible for establishing and maintaining an adequate internal control structure. Internal accounting controls are designed to ensure that the assets of the City are protected from loss, theft, or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance, that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgment by management.

Budgetary controls. The annual budget serves as the foundation for the City of Seal Beach's financial planning and control. The City Council adopts an annual budget and appropriates the funds necessary to provide the services and operations for the fiscal year. The City Manager may make appropriation transfers within and between departments which do not result in an increase in appropriations. The City of Seal Beach City Council must approve all appropriation changes that results in an increase in appropriations.

AWARDS

GFOA Award Program – Comprehensive Annual Financial Report

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seal Beach for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the nineteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. City staff believes that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA again this year for award.

ACKNOWLEDGEMENTS

This report was made possible by the highly dedicated Finance staff with their special efforts and the teamwork, special thanks to the staff in the Finance Department. Sincere appreciation is also expressed to the City Council and City Manager for their interest and support, which made this presentation possible; and finally to the City's auditing firm of The PUN Group for their professional assistance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Victoria L. Beatley". The signature is written in black ink and includes a long, sweeping horizontal line that extends to the right of the name.

Victoria L. Beatley
Director of Finance/City Treasurer



Government Finance Officers Association

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

Presented to

**City of Seal Beach
California**

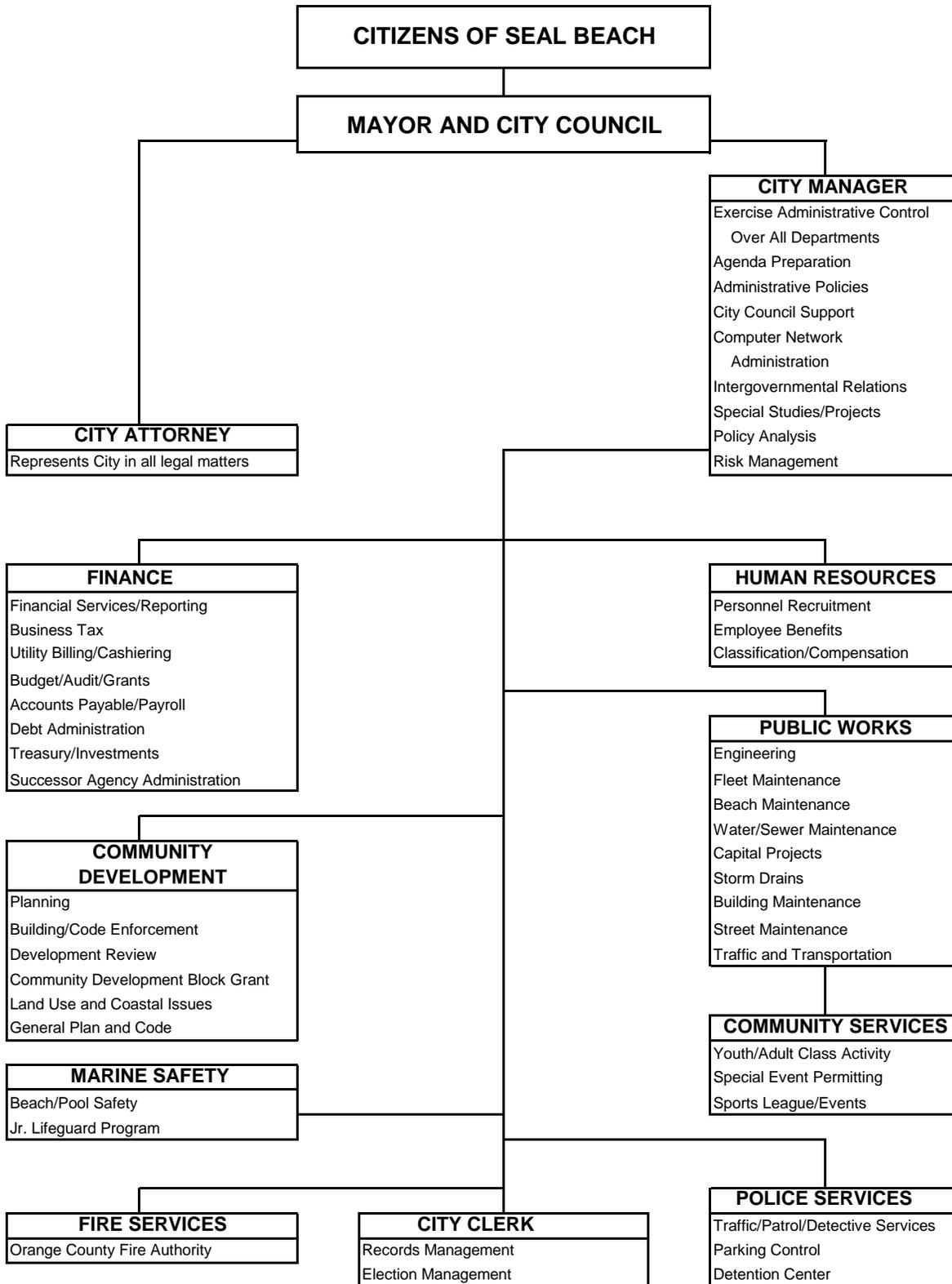
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

City of Seal Beach Organizational Chart



CITY OF SEAL BEACH CALIFORNIA

Principal Officers

City Council

Mike Varipapa, Mayor
Ellery Deaton, Mayor Pro Tem
Sandra Massa-Lavitt, Council Member
Thomas Moore, Council Member
Schelly Sustarsic, Council Member

Executive Officers

Jill R. Ingram, City Manager
Craig A. Steele, City Attorney

Administrative Personnel

Joe Bailey, Marine Safety Chief
Victoria L. Beatley, Director of Finance/City Treasurer
Patrick Gallegos, Assistant City Manager
Crystal Landavazo, Interim Director of Community Development
Joseph Miller IV, Interim Chief of Police
Robin L. Roberts, City Clerk



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seal Beach, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of GASB 75

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2017 as described in Note 14 to the basic financial statements. In addition, net OPEB liability is reported in the Statement of Net Position in the amount of \$6,866,482 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017, which is also the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of the City’s Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pension, Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedules of Contributions – Other Postemployment Benefits on pages 5 to 12 and 87 to 93, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Introductory Section, the Combining and Individual Nonmajor Fund Financial Statements, the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and the Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members of the City Council
of the City of Seal Beach
Seal Beach, California
Page 3

The Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 17, 2018

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City of Seal Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

Management of the City of Seal Beach is pleased to offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements.

FINANCIAL HIGHLIGHTS

- Assets included in the City's combined governmental and business-type activities exceeded liabilities by \$118.0 million for the fiscal year ended June 30, 2018, representing a decrease of 0.6% in net position from the prior fiscal year. Of this amount, a decrease of \$0.7 million was due to the GASB 75 restatement during the fiscal year. In addition, \$9.8 million (unrestricted net position) of the total net position may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's budget and fiscal policies. This amount includes City Council designations of fund balance.
- The City's change in net position was \$2.5 million more than last fiscal year. The major reason for the increase in the change in net position is attributable to the fact that the Net Position was restated to properly reflect the pension liabilities related to GASB 68 and GASB 75. In addition, there's an increase in revenues for property tax of \$0.2 million, other revenues of \$1.5 million, public works expenses increased by \$0.4 million, and interest expense and other charges expenses decreased by \$0.1 million for the fiscal year ended June 30, 2018.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29.9 million, representing a decrease of 4.2% from the prior fiscal year. This resulted in an unassigned fund balance of \$17.5 million, or 58.4% of the total fund balance, after recording all assigned fund balances.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$17.5 million or 51.8% of total general fund expenditures and transfers out.
- Revenues associated with the City's business-type activities were \$0.7 million more than the \$7.2 million in expenses recorded. During the fiscal year ended June 30, 2010, a water rate study was conducted and as a result of that study, water rates were reduced in fiscal year 2009-2010 but increased in fiscal year 2010-2011 and for the next three years. The final approved water rate increase occurred in the fiscal year ended June 30, 2014. A new water and sewer rate study is currently underway.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a view of the City's finances as a whole in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Seal Beach
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, development services, public works, and recreation. The business-type activities of the City include water and sewer operations.

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management established many other funds to help control and manage money for particular purposes or to verify that all legal requirements for using certain taxes, grants, and other resources are being satisfied. The City's three types of funds are governmental, proprietary, and fiduciary funds.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-wide financial statements are explained in a reconciliation following each of the Governmental Fund financial statements.

Proprietary funds – Customer charges for various City services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are comprised of the business-type activities reported in the government-wide statements but provide more detail and additional information such as a statement of cash flows.

Fiduciary funds – The City utilizes Fiduciary funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements – The financial statements also include the Notes to the Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to the Financial Statements is critical to a reader's full understanding of the Government-wide and Fund Financial Statements.

Supplementary Information – In addition to the required elements of the Basic Financial Statements, a Supplementary Information section is included which contains budgetary and combining schedules that provide additional details about the City's non-major Governmental Funds and Fiduciary Funds.

City of Seal Beach
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the City's net position and changes in net position resulting from the City's activities.

Net Position – Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position were \$118.4 million and \$119.1 million for the years ended June 30, 2018 and June 30, 2017, respectively, as shown in Table 1.

Table 1
Net Position
(in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	2017 (As Restated)	2018	2017 (As Restated)	2018	2017 (As Restated)	2018
Current and other assets	\$ 35,613	\$ 34,833	\$ 17,747	\$ 19,820	\$ 53,360	\$ 54,653
Capital assets	75,914	75,710	39,070	38,141	114,984	113,851
Total assets	<u>111,527</u>	<u>110,543</u>	<u>56,817</u>	<u>57,961</u>	<u>168,344</u>	<u>168,504</u>
Deferred Outflows of Resources	<u>8,067</u>	<u>9,951</u>	<u>885</u>	<u>1,206</u>	<u>8,952</u>	<u>11,157</u>
Long-term liabilities outstanding	41,664	44,385	10,480	11,297	52,144	55,682
Other liabilities	2,300	2,529	1,077	1,096	3,377	3,625
Total liabilities	<u>43,964</u>	<u>46,914</u>	<u>11,557</u>	<u>12,393</u>	<u>55,521</u>	<u>59,307</u>
Deferred Inflows of Resources	<u>2,304</u>	<u>1,616</u>	<u>410</u>	<u>375</u>	<u>2,714</u>	<u>1,991</u>
Net position						
Net investment in capital assets	72,400	72,667	33,109	31,664	105,509	104,331
Restricted	4,587	4,208	-	25	4,587	4,233
Unrestricted	<u>(3,661)</u>	<u>(4,911)</u>	<u>12,626</u>	<u>14,710</u>	<u>8,965</u>	<u>9,799</u>
Total net position	<u>\$ 73,326</u>	<u>\$ 71,964</u>	<u>\$ 45,735</u>	<u>\$ 46,399</u>	<u>\$ 119,061</u>	<u>\$ 118,363</u>

Investment in capital assets represents assets such as land, buildings, infrastructure, and equipment less any related outstanding debt used to acquire those assets. Investment in capital assets represents \$104.3 million, or 88.1%, of the total \$ 118.4 million net position, a decrease of 1.1% from the prior fiscal year. The City's capital assets do not represent a financial resource and consequently are not available for future spending.

Unrestricted position represents the second largest portion of the City's net position. The City is required by Council Policy to maintain a minimum of 20% to 25% of operating expenditures to maintain the City's credit worthiness and to meet cash flow requirements. As of June 30, 2018, unrestricted net position increase by 9.3% to \$9.8 million from \$9.0 million in the prior fiscal year. Restricted net position represents resources that are legally restricted to specific uses. These restrictions are generally enforced by external agencies.

As of June 30, 2018, the City reported positive balances in all three categories of net position for both Governmental and Business-type Activities.

With the exception of contracting the City's fire services with the Orange County Fire Authority, the City is a full service city providing residents and visitors with the following functional services:

General Government is comprised of the City Council, City Clerk, City Manager, Human Resources, and Finance. These departments provide general governance, executive management, records management, risk management, finance, cash management, accounting, and information technology services. An outside firm appointed by the City Council provides legal services.

City of Seal Beach
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Public Safety is comprised of the Police, Fire, West Cities Police Communications and Marine Safety departments. The Police and Marine Safety departments provide general law enforcement, oversee animal control services, ocean lifeguard services, aquatic services, and parking control.

Public Works provides engineering, construction and maintenance of public streets, highways, buildings, beaches, parks and related infrastructure, as well as traffic engineering, and street lighting.

Development Services is comprised of the Planning and Building and Neighborhood services departments that provide planning and zoning services, economic development services, and building permits and plan check, and code enforcement services.

Community Services provides leisure classes, monitors use of community facilities, and sports programs.

Business Enterprise Operations include water and sewer operations and are administered by Public Works.

The following table provides a summary of the City's operations for the years ended June 30, 2018 and 2017.

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 6,991	\$ 7,399	\$ 7,567	\$ 8,027	\$ 14,558	\$ 15,426
Operating grants and capital contributions	1,721	2,334	-	-	1,721	2,334
Capital grants and contributions	175	79	-	-	175	79
General Revenues:						
Taxes						
Property taxes	11,012	11,180	-	-	11,012	11,180
Sales taxes	4,379	4,304	-	-	4,379	4,304
Transient occupancy taxes	1,694	1,667	-	-	1,694	1,667
Other taxes	5,396	5,422	-	-	5,396	5,422
Use of money and property	425	301	168	224	593	525
Other	214	1,762	-	-	214	1,762
Total revenues	<u>32,007</u>	<u>34,448</u>	<u>7,735</u>	<u>8,251</u>	<u>39,742</u>	<u>42,699</u>
Expenses:						
General government	5,895	6,161	-	-	5,895	6,161
Public safety	19,867	19,877	-	-	19,867	19,877
Community development	1,219	1,593	-	-	1,219	1,593
Community Services	995	964	-	-	995	964
Public works	6,993	7,368	-	-	6,993	7,368
Interest on long-term debt	343	226	-	-	343	226
Water	-	-	4,977	4,668	4,977	4,668
Sewer	-	-	2,639	2,540	2,639	2,540
Total expenses	<u>35,312</u>	<u>36,189</u>	<u>7,616</u>	<u>7,208</u>	<u>42,928</u>	<u>43,397</u>
Excess/(deficiency) before transfers	(3,305)	(1,741)	119	1,043	(3,186)	(698)
Transfers	<u>379</u>	<u>379</u>	<u>(379)</u>	<u>(379)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ (2,926)</u>	<u>\$ (1,362)</u>	<u>\$ (260)</u>	<u>\$ 664</u>	<u>\$ (3,186)</u>	<u>\$ (698)</u>

City of Seal Beach
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Analysis of the City's Operations – The City's Net Position decreased by \$0.7 million during Fiscal Year 2017-2018 or 0.6 %, over prior year results.

Governmental Activities experienced a decrease of \$1.4 million in net position as of June 30, 2018 compared to a decrease of \$2.9 million at June 30, 2017. The primary reason for the decrease in net position is attributable to a use of money and property of \$0.1 million and an increase in public works expense of \$0.4 million, general government expense of \$0.3 million, and community development expense of \$0.4 million.

The cost of all governmental activities during the current fiscal year was \$36.2 million, slightly higher than last year. As shown on the statement of activities, those who directly benefited from the programs paid \$7.4 million of the cost, and \$2.3 million was financed by contributions and grants received from other governmental organizations. The remainder of the costs of operations, \$26.4 million was subsidized through general City taxes and other revenue sources. The largest operating cost was comprised of Public Safety, representing 54.9% of total governmental expenditures compared to 56.3% of total governmental expenditures in fiscal year 2016-2017.

Business-type Activities' net position decreased \$0.7 million primarily due to the increase in pension and OPEB expenses.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The objective of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018 the City's governmental funds reported combined ending fund balances of \$29.9 million. Approximately \$17.5 million, or 58.4%, of this total amount constitutes unassigned fund balance. The remainder of the fund balance is restricted or assigned to indicate that it is not available for new spending because it has already been committed to pay for encumbrances, loans, prepaid expenses, or advances to other funds.

The General Fund ended the fiscal year with a fund balance of \$25.8 million, representing a net decrease of \$1.4 million in fund balance compared to the \$1.8 million decrease experienced during the prior fiscal year. The primary reason for the decrease in fund balance was due to a decline in sales tax, use of money and property, and other taxes. Additionally, public safety, general government, and community development expenditures increased by \$1.0 million.

Proprietary funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position totaled \$8.0 million and \$6.7 million for the Water and Sewer funds, respectively. The Water fund increased by \$0.2 million in net position, mainly due to increase in revenue collection. The increase of \$0.4 million in the Sewer fund net position resulted from revenue collection. Sewer operating fees represent 22% of customer water charges for both usage and capital costs.

General Fund Budgetary Highlights – There was no amendment of the original and final amended budgeted revenues.

The difference between the original and final amended budget in General Fund expenditures was an increase of \$1.2 million. This difference is due to a variety of budget amendments approved by the City Council during the

City of Seal Beach
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

fiscal year including 15 First St. beach facilities restaurant, Hazard Mitigation Plan, Genter tree replacement, pier improvement, and purchase order and CIP carryover from prior fiscal year.

General Fund revenues including transfer in came in less than projected in the final budget by approximately \$7.0 million.

General Fund expenditures were \$20.6 million less than appropriations. This difference is due to transfers out and budgeted capital projects that were either not started or completed during the fiscal year. These appropriations were carried forward to the FY 2018-2019 fiscal year.

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$113.9 million compared to \$115.0 million (net of accumulated depreciation) for FY 2016-2017. This investment in capital assets includes land, building, equipment, improvements, infrastructure, and construction in progress. Total capital assets for governmental activities for the current fiscal year decreased 0.3% and the City's investment in capital assets for business-type activities for the current fiscal year also decreased 2.4%.

Table 3
 Capital Assets At Year-End
 (Net of Depreciation, in Thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2018	2017	2018	2017	2018
Land and land easement	\$ 11,420	\$ 11,420	\$ -	\$ -	\$ 11,420	\$ 11,420
Buildings and Improvements	9,967	9,768	-	-	9,967	9,768
Machinery and Equipment	242	199	651	609	893	808
Vehicles	1,369	1,760	352	289	1,721	2,049
Infrastructure	50,752	48,498	36,715	35,840	87,467	84,338
Contruaction-in-progress	<u>2,164</u>	<u>4,065</u>	<u>1,352</u>	<u>1,403</u>	<u>3,516</u>	<u>5,468</u>
Totals	<u>\$ 75,914</u>	<u>\$ 75,710</u>	<u>\$ 39,070</u>	<u>\$ 38,141</u>	<u>\$ 114,984</u>	<u>\$ 113,851</u>

During FY 2017-2018, major capital projects formally completed include:

- Westminster Avenue Pavement Overlay and Median Rehabilitation, Project No. ST1509 & ST1610 – total cost: \$898,500. This project performed a pavement overlay from the County Line to Seal Beach Blvd. Work also included replanting of the street medians located within these limits.
- 7th Street Alley Water Line and Sewer Line Replacement, Project No. WT 1607 – total project cost: \$533,000.
- Annual Sidewalk/Concrete Repairs Project No. ST1704 – total cost \$51,600. Project replaced sidewalks, curb and gutters and ramps throughout the City.
- City Facilities Roof Repair, Project No. BG1801 – total cost \$500,000. Project repaired the roofing systems of various City facilities.
- Lifeguard Headquarters Building Renovation, Project No. BG1806 – total cost \$89,000
- Marina Community Center Renovation Project No. BG1803 – total cost \$23,700.
- Annual Tennis Court Rehabilitation Project No. PR 1701 & 1801 – total cost 53,500.

City of Seal Beach
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

- Annual Arterial Paving Project No. ST1703 – total cost \$63,100. This project performed major asphalt repairs on Old Ranch Road.
- Sewer Manhole Rehabilitation, Project No. SS1601 – total cost \$10,000.
- Adopted 2018 Sewer Master Plan Update, Project No. SS1301 – total cost \$66,000.
- West End Storm Pump Station Improvements, Project No. SD1801 – total cost: \$45,300. This project implemented upgrades to various pump station systems per the WEP Audit.

Additional information on the City's capital assets can be found in Note 5 in the Financial Section of this report.

DEBT ADMINISTRATION

As of June 30, 2018, the City had bonded debt, notes payable, compensated absences, claims payable, and capital leases totaling \$12.4 million compared to \$13.7 million at the end of FY 2016-2017. The City's governmental activities maintained \$5.8 million in bonds, capital leases, compensated absences, and claims payable versus \$7.6 million last year, representing a decrease of approximately \$1.8 million from the previous fiscal year. This decrease reflects interest and principal payments made during FY 2017-2018.

The City's business-type activities debt increased \$0.5 million from \$6.1 million to \$6.6 million. Debt in the business-type activities consists of Sewer Certificates of Participation Payable to provide funds for improvements to the City's sewer system, a State revolving loan for the sewer capital improvement project, and compensated absences.

Table 4
 Outstanding Debt, At Year-End
 (in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Compensated absences	\$ 1,224	\$ 1,132	\$ 140	\$ 132	\$ 1,364	\$ 1,264
Capital leases	673	603	-	-	673	603
Pension Obligation Bonds	2,414	1,263	-	-	2,414	1,263
Lease Revenue Bonds	2,835	2,415	-	-	2,835	2,415
Sewer Revenue Bonds	-	-	2,420	2,270	2,420	2,270
Loans payable	-	-	3,538	4,226	3,538	4,226
Self-insured claims payable	427	388	-	-	427	388
Total	\$ 7,573	\$ 5,801	\$ 6,098	\$ 6,628	\$ 13,671	\$ 12,429

Additional information on the City's long-term debt can be found in note 6 in the Financial Section of the report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Seal Beach economy and tax base continue to support the present package of core services for our residents, businesses, and visitors and protect all essential municipal services that contribute to the high quality of life within the City.

City of Seal Beach
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

In FY 2017-2018 the tax revenue increased overall. The increase was modest, primarily due to property taxes. Overall revenue increased by approximately \$1.0 million in the General Fund. The primary reason was the receipt of some one-time revenues.

For the upcoming fiscal year, property tax and sales tax are projected to increase slightly primarily due to the continued improvement in real estate values and retail sales throughout the City are expected to increase due to the passing of a 1% Transactions Use tax measure in November 2018.

The Southern California region, as well as the entire country, continues to show signs of strong economic activity. According to local economic updates, Orange County's unemployment rate will continue to decline and the housing market will continue to show improvement. Consumer spending is expected to increase slightly as well.

The City prepared an annual budget for FY 2017-2018. The one year budget represents a General Fund deficit of operating expenditures over operating revenues (excluding capital projects) in each fiscal year. Expenditures of the City were budgeted at the current level of service with capital improvement projects to be supported primarily by the City's General Fund reserves. The revenue projections for the FY 2017-2018 budget year were very conservative due to the unknown impacts from the Federal tax reform on the local economy. The City will continue to monitor revenue streams throughout the coming years and will adjust spending levels as deemed necessary.

The most significant issues facing the City are the aged condition of the City's infrastructure. The City has completed and adopted numerous infrastructure planning documents e.g. (Water Master Plan, Sewer Master Plan, Master Plan of Drainage, Facilities Master Plan, and Pavement Management Plan). These plans identify well over \$160 million in needed improvements throughout the City. The City annually adopts a 5 year Capital Improvement Program (CIP) that strategically plans construction of these needed improvements. The FY 2018-19 CIP recommends \$36.1 million in improvements over the next 5 years. The 5 Year Capital Improvement Program identifies needs in the following areas: Beach and Pier (\$2.6M), Buildings and Facilities (\$4.9M), Sewer System (\$2.0M), Storm Drain System (\$0.2M), Streets and Transportation (\$2.5M) and Water System (\$8.0M).

REQUEST FOR INFORMATION

This financial report is designed to provide the City's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 211 8th Street, Seal Beach, CA 90740-6379 or call (562) 431-2527.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Seal Beach
Statement of Net Position
June 30, 2018

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and investments	\$ 29,663,663	\$ 17,397,622	\$ 47,061,285
Receivables:			
Accounts	2,721,986	1,476,398	4,198,384
Taxes	1,561,853	-	1,561,853
Interest	92,243	-	92,243
Prepaid items	32,495	447,464	479,959
Due from other governments	14,444	-	14,444
Total Current Assets	34,086,684	19,321,484	53,408,168
Noncurrent Assets:			
Restricted cash with fiscal agent	746,253	25,082	771,335
Advance to Successor Agency	-	474,078	474,078
Capital assets:			
Capital assets, not being depreciated	15,485,327	1,402,775	16,888,102
Capital assets, being depreciated, net	60,224,607	36,738,010	96,962,617
Total capital assets, net	75,709,934	38,140,785	113,850,719
Total Noncurrent Assets	76,456,187	38,639,945	115,096,132
Total Assets	110,542,871	57,961,429	168,504,300
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	132,774	132,774
Pension related items	9,255,689	924,928	10,180,617
Other postemployment benefits related items	695,976	147,938	843,914
Total Deferred Outflows of Resources	9,951,665	1,205,640	11,157,305

City of Seal Beach
Statement of Net Position (Continued)
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	1,290,897	811,441	2,102,338
Accrued liabilities	639,926	71,944	711,870
Accrued interest	24,599	65,959	90,558
Unearned revenues	18,550	10,104	28,654
Deposits payable	531,142	22,585	553,727
Retention payable	24,160	113,828	137,988
Long-term liabilities, due within one year	2,178,701	485,991	2,664,692
Long-term liabilities:			
Long-term liabilities, due in more than one year	3,622,337	6,142,171	9,764,508
Aggregate net pension liabilities	32,921,231	3,465,606	36,386,837
Net other postemployment benefits liabilities	5,662,789	1,203,693	6,866,482
Total Liabilities	46,914,332	12,393,322	59,307,654
DEFERRED INFLOWS OF RESOURCES			
Pension related items	1,534,662	357,910	1,892,572
Other postemployment benefits related items	81,428	17,309	98,737
Total Deferred Inflows of Resources	1,616,090	375,219	1,991,309
NET POSITION			
Net investment in capital assets	72,667,466	31,663,486	104,330,952
Restricted for:			
Community development projects	954,921	-	954,921
Public safety	233,224	-	233,224
Community services	363,419	-	363,419
Public works	1,909,858	-	1,909,858
Debt service	740,987	25,082	766,069
Other	5,266	-	5,266
Total restricted	4,207,675	25,082	4,232,757
Unrestricted	(4,911,027)	14,709,960	9,798,933
Total Net Position	\$ 71,964,114	\$ 46,398,528	\$ 118,362,642

City of Seal Beach
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 6,161,230	\$ 2,062,987	\$ 3,053	\$ -	\$ 2,066,040
Public safety	19,877,068	1,903,530	387,791	-	2,291,321
Community development	1,593,008	300,640	575,222	-	875,862
Community services	964,634	733,456	-	-	733,456
Public works	7,367,882	2,398,039	1,368,414	79,175	3,845,628
Interest and fiscal charges	225,675	-	-	-	-
Total Governmental Activities	36,189,497	7,398,652	2,334,480	79,175	9,812,307
Business-Type Activities:					
Water Utility	4,668,618	5,097,807	-	-	5,097,807
Sewer Utility	2,539,783	2,928,885	-	-	2,928,885
Total Business-Type Activities	7,208,401	8,026,692	-	-	8,026,692
Total Primary Government	\$ 43,397,898	\$ 15,425,344	\$ 2,334,480	\$ 79,175	\$ 17,838,999

City of Seal Beach
Statement of Activities (Continued)
For the Year Ended June 30, 2018

	Net (Expense) Revenue and Changes in Net Positions		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs			
Governmental Activities:			
General government	\$ (4,095,190)	\$ -	\$ (4,095,190)
Public safety	(17,585,747)	-	(17,585,747)
Community development	(717,146)	-	(717,146)
Community services	(231,178)	-	(231,178)
Public works	(3,522,254)	-	(3,522,254)
Interest and fiscal charges	(225,675)	-	(225,675)
Total Governmental Activities	(26,377,190)	-	(26,377,190)
Business-Type Activities:			
Water Utility	-	429,189	429,189
Sewer Utility	-	389,102	389,102
Total Business-Type Activities	-	818,291	818,291
Total Primary Government	(26,377,190)	818,291	(25,558,899)
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	11,180,197	-	11,180,197
Sales taxes	4,303,618	-	4,303,618
Franchise taxes	1,059,581	-	1,059,581
Utility users tax	4,186,554	-	4,186,554
Transient occupancy taxes	1,666,996	-	1,666,996
Other taxes	163,277	-	163,277
Motor vehicle in lieu- unrestricted	13,102	-	13,102
Use of money and property	300,817	223,778	524,595
Other	1,762,390	-	1,762,390
Transfers	378,500	(378,500)	-
Total General Revenues and Transfers	25,015,032	(154,722)	24,860,310
Changes in Net Position	(1,362,158)	663,569	(698,589)
Net Position:			
Beginning of Year, as restated (Note 14)	73,326,272	45,734,959	119,061,231
End of Year	<u>\$ 71,964,114</u>	<u>\$ 46,398,528</u>	<u>\$ 118,362,642</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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City of Seal Beach
Balance Sheet
Governmental Funds
June 30, 2018

	General	Citywide Grants Special Revenue Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and investments	\$ 25,217,675	\$ 270,831	\$ 3,067,698	\$ 28,556,204
Receivables:				
Accounts	2,412,911	-	309,075	2,721,986
Taxes	1,561,271	-	582	1,561,853
Interest	91,504	-	739	92,243
Prepaid items	32,495	-	-	32,495
Due from other governments	-	-	14,444	14,444
Due from other funds	52,215	-	-	52,215
Restricted assets:				
Cash and investments with fiscal agents	5,266	-	740,987	746,253
Total assets	<u>\$ 29,373,337</u>	<u>\$ 270,831</u>	<u>\$ 4,133,525</u>	<u>\$ 33,777,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,010,905	\$ -	\$ 193,290	\$ 1,204,195
Accrued liabilities	614,628	-	25,298	639,926
Unearned revenues	-	-	18,550	18,550
Deposits payable	531,142	-	-	531,142
Due to other funds	-	-	52,215	52,215
Retentions payable	-	-	24,160	24,160
Total liabilities	<u>2,156,675</u>	<u>-</u>	<u>313,513</u>	<u>2,470,188</u>
Deferred Inflows of Resources:				
Unavailable revenues	1,398,128	-	14,444	1,412,572
Fund Balances:				
Nonspendable	32,495	-	-	32,495
Restricted	5,266	270,831	3,839,727	4,115,824
Assigned	8,289,150	-	-	8,289,150
Unassigned (deficit)	17,491,623	-	(34,159)	17,457,464
Total fund balances	<u>25,818,534</u>	<u>270,831</u>	<u>3,805,568</u>	<u>29,894,933</u>
Total liabilities and fund balances	<u>\$ 29,373,337</u>	<u>\$ 270,831</u>	<u>\$ 4,133,525</u>	<u>\$ 33,777,693</u>

City of Seal Beach
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds \$ 29,894,933

Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	\$ 15,485,327	
Depreciable, net of \$1,134,970 reported in Internal Service Fund	59,089,637	74,574,964

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

Bonds payable	\$ (3,678,000)	
Loans payable	(603,308)	
Claims and judgments	(387,471)	
Compensated absences	(1,132,259)	(5,801,038)

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds. (24,599)

Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	\$ 9,255,689	
Aggregate net pension liability	(32,921,231)	
Pension related deferred inflows of resources	(1,534,662)	(25,200,204)

Net other postemployment benefits liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	\$ 695,976	
Aggregate net pension liability	(5,662,789)	
Pension related deferred inflows of resources	(81,428)	(5,048,241)

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The Availability criteria does not apply to the government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned. 1,412,572

Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-Wide Statement of Net Position. 2,155,727

Net Position of Governmental Activities \$ 71,964,114

City of Seal Beach
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Citywide Grants Special Revenue Fund	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 22,573,324	\$ -	\$ 1,448,344	\$ 24,021,668
Licenses and permits	1,480,971	-	-	1,480,971
Intergovernmental	263,752	737,860	529,203	1,530,815
Charges for services	4,465,566	-	121,383	4,586,949
Use of money and property	300,750	-	46,367	347,117
Fines and forfeitures	1,089,515	-	-	1,089,515
Contributions	15,765	-	40,000	55,765
Miscellaneous	520,420	-	-	520,420
Total revenues	30,710,063	737,860	2,185,297	33,633,220
Expenditures:				
Current:				
General government	5,673,029	-	84,830	5,757,859
Public safety	17,711,226	-	437,645	18,148,871
Community development	1,162,448	-	326,473	1,488,921
Community services	954,018	-	-	954,018
Public works	4,702,117	-	264,949	4,967,066
Capital outlay	331,283	-	2,235,797	2,567,080
Debt service:				
Principal retirement	69,521	-	1,571,000	1,640,521
Interest and fiscal charges	22,290	-	209,489	231,779
Total expenditures	30,625,932	-	5,130,183	35,756,115
Revenues over (under) expenditures	84,131	737,860	(2,944,886)	(2,122,895)
Other Financing Sources (Uses):				
Transfers in	1,641,597	-	4,073,017	5,714,614
Transfers out	(3,170,831)	(328,120)	(1,407,766)	(4,906,717)
Total other financing sources (uses):	(1,529,234)	(328,120)	2,665,251	807,897
Net change in fund balances	(1,445,103)	409,740	(279,635)	(1,314,998)
Fund Balances:				
Beginning of Year	27,263,637	(138,909)	4,085,203	31,209,931
End of Year	<u>\$ 25,818,534</u>	<u>\$ 270,831</u>	<u>\$ 3,805,568</u>	<u>\$ 29,894,933</u>

City of Seal Beach
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (1,314,998)

Governmental activities in the Statement of Activities were reported differently because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Capital outlay, net of \$174,736 reported in Internal Service Fund	\$ 2,567,080	
Depreciation, net of \$189,588 reported in Internal Service Fund	(2,735,783)	
Net effect on disposal of capital assets	<u>5,549</u>	(163,154)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,640,521

Interest expense on long-term debt is reported in the Statement of Activities, but do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in governmental funds. This amount represents the change in accrued interest from the prior year. 6,104

Claims and judgment changes 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. 40,124

Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds. 91,755

Certain pension income (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, net of contribution made during the measurement period in the amount of \$2,781,394. (2,031,354)

Certain other postemployment benefits income (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, net of contribution made during the measurement period in the amount of \$695,976. 110,495

Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities. 815,619

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities. (557,270)

Change in Net Position of Governmental Activities \$ (1,362,158)

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Seal Beach
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities			Governmental Activities
	Enterprise Funds			Vehicle Replacement Internal Service Fund
	Water Utility	Sewer Utility	Total	
ASSETS				
Current Assets:				
Cash and investments	\$ 9,657,598	\$ 7,740,024	\$ 17,397,622	\$ 1,107,459
Accounts receivable	1,035,403	440,995	1,476,398	-
Prepaid items	447,464	-	447,464	-
Total Current Assets	11,140,465	8,181,019	19,321,484	1,107,459
Noncurrent Assets:				
Restricted cash	25,082	-	25,082	-
Advance to Successor Agency	-	474,078	474,078	-
Capital assets, not being depreciated	1,095,639	307,136	1,402,775	-
Capital assets, net of accumulated depreciation	14,766,758	21,971,252	36,738,010	1,134,970
Total capital assets	15,862,397	22,278,388	38,140,785	1,134,970
Total Noncurrent Assets	15,887,479	22,752,466	38,639,945	1,134,970
Total Assets	27,027,944	30,933,485	57,961,429	2,242,429
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	132,774	132,774	-
Pension related items	503,973	420,955	924,928	-
Other postemployment benefits related items	86,417	61,521	147,938	-
Total Deferred Outflows of Resources	590,390	615,250	1,205,640	-

(Continued)

City of Seal Beach
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Business-Type Activities			Governmental Activities
	Enterprise Funds			Vehicle Replacement Internal Service Fund
	Water Utility	Sewer Utility	Total	
LIABILITIES				
Current Liabilities:				
Accounts payable	795,588	15,853	811,441	86,702
Accrued liabilities	40,347	31,597	71,944	-
Accrued interest	1,050	64,909	65,959	-
Deposits payable	20,435	2,150	22,585	-
Retention Payable	56,723	57,105	113,828	-
Unearned revenue	8,165	1,939	10,104	-
Compensated absences, due within one year	30,364	16,827	47,191	-
Long-term debt, due within one year	89,493	349,307	438,800	-
Total Current Liabilities	1,042,165	539,687	1,581,852	86,702
Noncurrent Liabilities:				
Compensated absences, due in more than one year	43,781	40,945	84,726	-
Long-term debt, due in more than one year	783,062	5,274,383	6,057,445	-
Aggregate net pension liabilities	1,888,319	1,577,287	3,465,606	-
Net other postemployment benefits liabilities	703,127	500,566	1,203,693	-
Total Noncurrent Liabilities	3,418,289	7,393,181	10,811,470	-
Total Liabilities	4,460,454	7,932,868	12,393,322	86,702
DEFERRED INFLOW OF RESOURCES				
Pension related items	195,016	162,894	357,910	-
Other postemployment benefits related items	10,111	7,198	17,309	-
Total Deferred Inflows of Resources	205,127	170,092	375,219	-
NET POSITION				
Net investment in capital assets	14,933,119	16,730,367	31,663,486	1,134,970
Restricted	25,082	-	25,082	-
Unrestricted	7,994,552	6,715,408	14,709,960	1,020,757
Total Net Position	\$ 22,952,753	\$ 23,445,775	\$ 46,398,528	\$ 2,155,727

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City of Seal Beach
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities
	Enterprise Funds			Vehicle Replacement Internal Service
	Water Utility	Sewer Utility	Total	
OPERATING REVENUES:				
Sales and service charges	\$ 5,058,968	\$ 2,928,655	\$ 7,987,623	\$ -
Miscellaneous	38,839	230	39,069	1,228
Total Operating Revenues	<u>5,097,807</u>	<u>2,928,885</u>	<u>8,026,692</u>	<u>1,228</u>
OPERATING EXPENSES:				
Personnel expenses	1,145,032	1,067,501	2,212,533	-
Operating expenses	2,939,853	186,589	3,126,442	6,507
Amortization and depreciation expenses	567,602	1,082,967	1,650,569	189,588
Total Operating Expenses	<u>4,652,487</u>	<u>2,337,057</u>	<u>6,989,544</u>	<u>196,095</u>
OPERATING INCOME (LOSS)	<u>445,320</u>	<u>591,828</u>	<u>1,037,148</u>	<u>(194,867)</u>
NONOPERATING INCOME (LOSS):				
Interest revenues	122,294	101,484	223,778	-
Interest expenses	(3,511)	(202,726)	(206,237)	-
Gain (loss) on sale of assets	(12,620)	-	(12,620)	66,994
Total Nonoperating Income (Loss)	<u>106,163</u>	<u>(101,242)</u>	<u>4,921</u>	<u>66,994</u>
(LOSS) BEFORE TRANSFERS	<u>551,483</u>	<u>490,586</u>	<u>1,042,069</u>	<u>(127,873)</u>
TRANSFERS:				
Transfers out	(324,500)	(54,000)	(378,500)	(429,397)
Total Transfers	<u>(324,500)</u>	<u>(54,000)</u>	<u>(378,500)</u>	<u>(429,397)</u>
CHANGES IN NET POSITION	<u>226,983</u>	<u>436,586</u>	<u>663,569</u>	<u>(557,270)</u>
NET POSITION:				
Beginning of the Year, as restated (Note 14)	22,725,770	23,009,189	45,734,959	2,712,997
End of the Year	<u>\$ 22,952,753</u>	<u>\$ 23,445,775</u>	<u>\$ 46,398,528</u>	<u>\$ 2,155,727</u>

City of Seal Beach
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities
	Enterprise Funds			Vehicle Replacement Internal Service
	Water Utility	Sewer Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 4,792,531	\$ 2,921,636	\$ 7,714,167	\$ -
Cash paid to suppliers for goods and services	(2,889,448)	(210,249)	(3,099,697)	(2,844)
Cash paid to employees for services	(1,312,827)	(978,949)	(2,291,776)	-
Cash received from others	38,839	230	39,069	1,228
Net cash provided by (used in) operating activities	<u>629,095</u>	<u>1,732,668</u>	<u>2,361,763</u>	<u>(1,616)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transfers out	(324,500)	(54,000)	(378,500)	(429,397)
Net cash used in noncapital financing activities	<u>(324,500)</u>	<u>(54,000)</u>	<u>(378,500)</u>	<u>(429,397)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(154,544)	(153,454)	(307,998)	(174,736)
Proceeds from disposal of assets	-	-	-	92,497
Principal paid on capital debt	(22,373)	(334,510)	(356,883)	-
Interest paid on debt	(2,461)	(206,352)	(208,813)	-
Net cash used in capital and related financing activities	<u>(179,378)</u>	<u>(694,316)</u>	<u>(873,694)</u>	<u>(82,239)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	122,294	101,484	223,778	-
Receipt from collection of advances	-	240,032	240,032	-
Net cash provided by investing activities	<u>122,294</u>	<u>341,516</u>	<u>463,810</u>	<u>-</u>
Net change in cash and cash equivalents	247,511	1,325,868	1,573,379	(513,252)
CASH AND CASH EQUIVALENTS:				
Beginning of year	9,435,169	6,414,156	15,849,325	1,620,711
End of year	<u>\$ 9,682,680</u>	<u>\$ 7,740,024</u>	<u>\$ 17,422,704</u>	<u>\$ 1,107,459</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:				
Cash and investments	\$ 9,657,598	\$ 7,740,024	\$ 17,397,622	\$ 1,107,459
Restricted cash	25,082	-	25,082	-
Total cash and cash equivalents	<u>\$ 9,682,680</u>	<u>\$ 7,740,024</u>	<u>\$ 17,422,704</u>	<u>\$ 1,107,459</u>

(Continued)

City of Seal Beach
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities
	Enterprise Funds		Total	Vehicle Replacement Internal Service
	Water Utility	Sewer Utility		
Reconciliation of Operating Income (Loss) to to Net Cash Provided by (Used in)				
Operating Activities:				
Operating income (loss)	\$ 445,320	\$ 591,828	1,037,148	\$ (194,867)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Amortization and depreciation expenses	567,602	1,082,967	1,650,569	189,588
Changes in assets and liabilities:				
(Increase)/decrease in accounts receivables	(283,102)	(9,508)	(292,610)	-
(Increase)/decrease in deferred outflows of resources related to pension	(142,874)	(161,409)	(304,283)	-
(Increase)/decrease in deferred outflows of resources related to OPEB	(16,562)	(11,790)	(28,352)	-
Increase/(decrease) in accounts payable	50,405	(23,660)	26,745	3,663
Increase/(decrease) in accrued liabilities	529	8,364	8,893	-
Increase/(decrease) in deposits payable	8,500	550	9,050	-
Increase/(decrease) in unearned revenue	8,165	1,939	10,104	-
Increase/(decrease) in compensated absences	(14,611)	6,546	(8,065)	-
Increase/(decrease) in net pension liabilities	46,206	253,236	299,442	-
Increase/(decrease) in net OPEB liabilities	(7,269)	(5,175)	(12,444)	-
Increase/(decrease) in deferred inflows of resources related to pension	(43,325)	(8,418)	(51,743)	-
Increase/(decrease) in deferred inflows of resources related to OPEB	10,111	7,198	17,309	-
Net cash provided by (used in) operating activities	<u>\$ 629,095</u>	<u>\$ 1,732,668</u>	<u>\$ 2,361,763</u>	<u>\$ (1,616)</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

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City of Seal Beach
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds	Successor Agency Private-purpose Trust Fund
ASSETS		
Cash and investments	\$ 312,992	\$ 966,433
Restricted Assets:		
Investments with fiscal agent	957,167	751,248
Depreciable capital assets, net of accumulated depreciation	-	50,121
Total Assets	\$ 1,270,159	1,767,802
LIABILITIES		
Current liabilities:		
Accrued interest	\$ -	\$ 33,478
Deposit payable	60,596	-
Due to bondholders	1,209,563	-
Advances from the City's Sewer Fund, due within one year	-	240,912
Bonds payable, due within one year	-	635,000
Total current liabilities	\$ 1,270,159	909,390
Noncurrent liabilities:		
Advances from the City's Sewer Fund, due in more than one year		233,166
Bonds payable, due in more than one year		1,290,000
Total noncurrent liabilities		1,523,166
Total liabilities		2,432,556
NET POSITION		
Held in trust for Successor Agency		(664,754)
Net position held in trust for Successor Agency		\$ (664,754)

City of Seal Beach
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Successor Agency Private-purpose Trust Fund
ADDITIONS:	
Redevelopment property tax trust fund	\$ 1,125,053
Investment income	8,522
Total Additions	1,133,575
DEDUCTIONS:	
Administrative expenses	212,625
Interest expense	103,923
Depreciation expenses	3,580
Total Deductions	320,128
Change in Net Position	813,447
NET POSITION:	
Beginning of Year	(1,478,201)
End of Year	\$ (664,754)

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Seal Beach
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For the Year Ended June 30, 2018

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City of Seal Beach
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For the Year Ended June 30, 2018

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City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Seal Beach, California, (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies:

A. *Financial Reporting Entity*

The City was incorporated on October 27, 1915, under the laws of the State of California and enjoys all the rights and privileges applicable to a charter city. It is governed by an elected five-member council. As required by U.S. GAAP these financial statements present the City (the primary government) and its component units. The component unit discussed below is included in the reporting entity because of its operational or financial relationships with the City.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units:

Management determined that the following entities should be reported as blended component units based on the criteria above. Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The Seal Beach Public Financing Authority (the “Authority”) was formed May 8, 2000, pursuant to Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code, to create a joint exercise of powers authority between the City and the former Seal Beach Redevelopment Agency. The City Council of the City is the governing board. Management of the primary government has operational responsibility for the blended component unit. The Authority was formed to undertake the financing of public capital improvements. On June 12, 2017, the City Council adopted Resolution No. 6741, to create the Parking Authority, and the Parking Authority became a new member to the Authority. On the same date, the Successor Agency Board of Directors adopted Resolution No. SA 17-3, approving the Successor Agency’s withdrawal of its Authority membership. On June 28, 2017, the Oversight Board to the Successor Agency adopted Resolution No. OB17-03, approving such withdrawal. Resolution No. OB17-03 became effective upon the State of California Department of Finance’s approval, received by the Successor Agency on August 18, 2017.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Unit (Continued):

The Seal Beach Parking Authority (“the Parking Authority”) was formed on June 12, 2017, pursuant to the Part 2 of Division 18 of the California Streets and Highway Code. The Parking Authority is governed by the Board of Director which is the City Council of the City of Seal Beach.

The Seal Beach Cable Communications Foundation (the “Foundation”) was organized under the laws of the State of California on August 27, 1984, to foster and promote civic advancement through activities related to cable communications, community promotion, and other public services deemed appropriate by the foundation. The Foundation is governed by a board of directors consisting of seven members, all appointed by the City Council of the City of Seal Beach.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. In the statement of activities, internal service fund transactions have been included in the governmental activities. The following interfund activities have been eliminated:

- Due from and to other funds, which are short-term loans within the primary government
- Transfers in and out, which are flows of assets between funds without the requirement for repayment

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. 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 those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, intergovernmental revenues and other taxes. Business license fees are recorded as received, except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes business license revenue collected within 60 days as revenue at June 30. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

The City reports the following major Governmental Fund:

General Fund – The General Fund is the City’s principal operating fund. It accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government except those required to be accounted for in another fund.

Citywide Grants Special Revenue Fund – The Citywide Grants Special Revenue Fund is used to account for various Federal and State grants that are restricted to expenditures for specific projects or purposes.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

The City reports the following major Proprietary Funds:

Water Utility Enterprise Fund – This fund accounts for the operation and maintenance of the City’s water distribution system.

Sewer Utility Enterprise Fund – This fund accounts for the financial transactions of the City’s waste water collection system.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City has Vehicle Replacement Internal Service Fund that provides services directly to other City funds.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City’s fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary funds:

Agency Funds – These funds account for resources held by the City in a trustee capacity as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-purpose Trust Fund – This fund accounts for the assets and liabilities of the former redevelopment agency and its allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

C. Cash and Investments

The City’s cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. All cash and investments of proprietary funds are held in the City’s investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for statement of cash flows purposes.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fair Value Measurement

Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

E. Property Taxes Receivable

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 11 Second Installment - April 11

F. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using purchase method.

G. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans).

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

In the government-wide financial statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are valued at the estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include street network, street appurtenances, and storm drains.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes are as follows:

Assets	Years
Building and Improvements	20-99
Machinery and Equipment	5-50
Vehicles	4-10
Infrastructure	20-60

I. Unearned and Unavailable Revenue

In the government-wide and fund financial statements, unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are cell phone site license lease payments received in advance, prepaid charges for services, facility rentals paid in advance, and quarterly encroachment fees, and advance registration for recreation classes.

In the governmental fund financial statements, unavailable revenue is reported when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City reports unavailable revenue when an asset is reported in governmental fund financial statements but the revenue is not available.

J. Compensated Absences Payable

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. The long-term amount is included as a liability in the governmental activities of the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All of the liability for compensated absences applicable to proprietary funds is reported in those funds.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" ("IBNR") claims. There is no fixed payment schedule to pay these liabilities.

L. Pensions

For purposes of measuring the aggregate net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

M. Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

N. *Deferred Outflows/Inflows of Resources*

The Statement of Net Position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

O. *Long-Term Liabilities*

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

P. *Net Position*

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, capital related debt and deferred charges, and retention payable.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Q. *Fund Balances*

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as unrestricted loans receivable or prepaid items, or because resources legally or contractually must remain intact.

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. City Council adoption of a resolution is required to commit resources or to rescind the commitment.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Fund Balances (Continued)

Assigned – Assigned fund balances are limitations imposed by management based on the intended use of the funds. Modifications or rescissions of the constraints can be removed by the same type of action that limited the use of the funds. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Finance Director for that purpose.

Unassigned – Unassigned fund balances represent the residual net resources in excess of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

R. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's practice is to apply the restricted component of net position first, then use the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's practice is to apply restricted fund balances first, then use unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

- Committed
- Assigned
- Unassigned

S. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. Tax Abatement

Tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. City policy has set the threshold for reporting tax abatement with abatement agreements more than \$25,000.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Accounting Changes

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB has issued Statement No. 85, *Omnibus 2017* (GASB 85). This Statement establishes accounting and financing reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds.

The City had the following cash and investments at June 30, 2018:

	Government-Wide Statement of Net Position	Statement of Fiduciary Net Position	Total
Cash and investments	\$ 47,061,285	\$ 1,279,425	\$ 48,340,710
Restricted cash and investment with fiscal agent	771,335	1,708,415	2,479,750
Total cash and investments	<u>\$ 47,832,620</u>	<u>\$ 2,987,840</u>	<u>\$ 50,820,460</u>

The City's cash and investments at June 30, 2018 in more detail:

Cash and Investments:	
Petty cash	\$ 8,851
Demand deposits	1,987,140
Restricted cash	30,348
Investments	48,794,121
Total cash investments	<u>\$ 50,820,460</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City’s demand deposits were \$1,987,140 at June 30, 2018. Bank balances at that date were \$2,632,477, the total amount of which was insured or collateralized with accounts held by the pledging financial institutions in the City’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City’s name.

The market value of pledged securities must equal at least 110% of the City’s cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The City, however, has not waived the collateralization requirements.

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

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maturity	Maximum Portfolio*	Maximum One Issuer*
U.S. Treasury securities	5 years	100%	None
U.S. agency and U.S. government sponsored enterprise securities	5 years	20%	None
Obligation of the State of California or any local agency	5 years	100%	None
Registered treasury notes or bonds of any of the 49 states in addition to California	5 years	100%	None
Bankers' acceptance	180 days	40%	5%
Commercial paper	270 days	25%	10%
Nonnegotiable certificate of deposit	5 years	100%	None
Negotiable certificate of deposit	5 years	30%	None
Medium term notes	5 years	30%	10%
Money market mutual funds	89 days	15%	None
Local Agency Investment Fund (LAIF)	None	100%	50 Million/account

*The table is based on state law requirements or investment policy requirements, whichever is more restrictive.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
U.S. treasury securities	None	None	None
U.S. agency and U.S. government sponsored enterprise securities	None	None	None
Bankers' acceptance	180 days	None	30%
Commercial paper	270 days	None	None
Money market mutual funds	89 days	None	None
Investment contracts	30 years	None	None
Local Agency Investment Fund (LAIF)	None	None	None

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 on the following page identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

D. Fair Value Measurement

At June 30, 2018, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

Investment Type	Value	Fair Value Measurement		Uncategorized
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Investments:				
US Treasury bonds/notes	\$ 10,566,229	\$ 10,566,229	\$ -	\$ -
Municipal bonds/notes	312,861	-	312,861	-
US government sponsored enterprise securities	3,788,144	-	3,788,144	-
Corporate note	6,280,192	-	6,280,192	-
Negotiable certificates of deposit	5,277,987	-	5,277,987	-
LAIF	20,119,306	-	-	20,119,306
Investments with Fiscal Agent:				
Money Market Mutual Funds	2,449,402	-	-	2,449,402
Total investments	\$ 48,794,121	\$ 10,566,229	\$ 15,659,184	\$ 22,568,708

Investments in municipal bonds/notes, U.S. government sponsored enterprise securities, and corporate note are valued based on institutional bond quotes. Investments in negotiable certificates of deposits are valued based on certificate of deposits pricing.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Investments:						
US Treasury bonds/notes	\$ 10,566,229	\$ -	\$ 1,405,985	\$ 2,963,559	\$ 4,282,788	\$ 1,913,897
Municipal bonds/notes	312,861	312,861	-	-	-	-
US government sponsored enterprise securities	3,788,144	-	959,002	766,899	2,062,243	-
Corporate note	6,280,192	144,093	2,125,754	1,823,311	1,439,129	747,905
Negotiable certificates of deposit	5,277,987	1,918,153	2,840,901	518,933	-	-
LAIF	20,119,306	20,119,306	-	-	-	-
Investments with Fiscal Agent:						
Money Market Mutual Funds	2,449,402	2,449,402	-	-	-	-
Total investments	\$ 48,794,121	\$ 24,943,815	\$ 7,331,642	\$ 6,072,702	\$ 7,784,160	\$ 2,661,802

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk

Investment Type	Minimum Legal Rating	Total	AAA	AA- to AA+	A to A+	A-	Unrated
Investments:							
US Treasury bonds/notes	N/A	\$ 10,566,229	\$ 10,566,229	\$ -	\$ -	\$ -	\$ -
Municipal bonds/notes	N/A	312,861	-	-	312,861	-	-
US government sponsored enterprise securities	A	3,788,144	-	3,788,144	-	-	-
Corporate note		6,280,192	306,039	1,666,635	2,543,279	1,262,568	501,671
Negotiable certificates of deposit	N/A	5,277,987	-	1,374,411	3,903,576	-	-
LAIF		20,119,306	-	-	-	-	20,119,306
Investments with Fiscal Agent:	N/A						
Money Market Mutual Funds	N/A	2,449,402	-	-	-	-	2,449,402
Total investments		<u>\$ 48,794,121</u>	<u>\$ 10,872,268</u>	<u>\$ 6,829,190</u>	<u>\$ 6,759,716</u>	<u>\$ 1,262,568</u>	<u>\$ 23,070,379</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City's investment in Fannie Mae Agency Note in amount of \$3,332,809 represented 7.2% of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2018, the City deposits (bank balances were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

F. Investment in Local Agency Investment Fund (“LAIF”)

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2018 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities, which included the following:

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

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, collateralized mortgage obligations), or credit card receivables.

As of June 30, 2018, the City had \$20,119,306 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes, Medium-term Asset-Backed Securities, and Short-term Asset Backed Commercial Paper.

Note 3 – Interfund Transactions

A. Due From/To Other Funds

At June 30, 2018, the City had the following due from/to other funds:

	Due From Other Funds	
Due To Other Funds	General Fund	
Nonmajor Governmental funds	\$	52,215
	\$	52,215

The above amounts resulted from deficit in the pooled cash account. Short-term loans were made to the Community Development Block Grant Special Revenue Fund and Police Grant Special Revenue Fund to address these deficits.

B. Transfers

During the year ended June 30, 2018, the City had the following transfers:

	Transfers in		
Transfers out	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 3,170,831	\$ 3,170,831
Citywide Grants Special Revenue Fund	-	328,120	328,120
Nonmajor Governmental Funds	833,700	574,066	1,407,766
Water Utility	324,500	-	324,500
Sewer Utility	54,000	-	54,000
Internal Service funds	429,397	-	429,397
Total	\$ 1,641,597	\$ 4,073,017	\$ 5,714,614

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Interfund Transactions (Continued)

B. Transfers (Continued)

In general, transfers are used to 1) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 2) to transfer to the General Fund to fund administration services.

Transfers totaling \$1,212,200 from Water Utility, Sewer Utility, and Nonmajor Governmental Funds, were made to the General Fund to provide funding for certain administrative costs and Internal Services Fund transferred \$429,397 to General Fund to fund operation of tidelands.

General Fund transferred \$1,782,469 to City Debt Service Debt Service Fund to pay for debt service obligations.

General Fund, Citywide Grants Special Revenue Fund, and nonmajor governmental funds transferred \$2,231,645 to the Capital Projects and Equipment Capital Projects Fund.

Note 4 – Advance to Successor Agency

In 2012, the Sewer Fund advanced \$1,200,000 to the former redevelopment agency, but was subsequently denied by the Department of Finance (DOF). The City appealed the DOF decision and, in 2014, this advance was approved. Interest on the advance is consistent with the Local Agency Investment Fund (“LAIF”) interest rate at the time the Oversight Board made the finding that the advance was for legitimate redevelopment purposes, which was at 0.00367%. The balance of the advance at June 30, 2018, was \$474,078.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets

The summary of changes in governmental activities capital assets for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Capital assets not being depreciated:</i>				
Land	\$ 10,519,847	\$ -	\$ -	\$ 10,519,847
Intangible asset-land easement	900,000	-	-	900,000
Construction in progress	2,164,125	1,901,355	-	4,065,480
Total capital assets not being depreciated	<u>13,583,972</u>	<u>1,901,355</u>	<u>-</u>	<u>15,485,327</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	15,699,917	193,533	-	15,893,450
Machinery and equipment	2,104,579	33,573	(27,186)	2,110,966
Vehicles	2,744,274	613,355	(249,572)	3,108,057
Infrastructure	82,797,513	-	-	82,797,513
Total capital assets being depreciated	<u>103,346,283</u>	<u>840,461</u>	<u>(276,758)</u>	<u>103,909,986</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(5,733,373)	(392,158)	-	(6,125,531)
Machinery and equipment	(1,862,606)	(76,857)	27,186	(1,912,277)
Vehicles	(1,374,797)	(203,054)	229,618	(1,348,233)
Infrastructure	(32,046,036)	(2,253,302)	-	(34,299,338)
Total accumulated depreciation	<u>(41,016,812)</u>	<u>(2,925,371)</u>	<u>256,804</u>	<u>(43,685,379)</u>
Total capital assets being depreciated, net	<u>62,329,471</u>	<u>(2,084,910)</u>	<u>(19,954)</u>	<u>60,224,607</u>
Total governmental activities	<u>\$ 75,913,443</u>	<u>\$ (183,555)</u>	<u>\$ (19,954)</u>	<u>\$ 75,709,934</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2018 as follows:

General government	\$ 271,418
Public safety	179,611
Community development	21,877
Public works	2,262,877
Internal service funds	189,588
Total depreciation expense	<u>\$ 2,925,371</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets (Continued)

The summary of changes in business-type activities capital assets for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Reclassifications	Balance June 30, 2018
<i>Capital assets not being depreciated:</i>					
Construction in progress-water	\$ 850,743	\$ 481,308	\$ -	\$ (236,412)	\$ 1,095,639
Construction in progress-sewer	500,832	34,664	-	(228,360)	307,136
Total capital assets not being depreciated	<u>1,351,575</u>	<u>515,972</u>	<u>-</u>	<u>(464,772)</u>	<u>1,402,775</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements - water	73,284	-	-	-	73,284
Machinery and equipment - water	605,151	-	(18,036)	-	587,115
Machinery and equipment - sewer	785,802	-	-	-	785,802
Vehicles - water	289,513	1,910	(18,362)	-	273,061
Vehicles - sewer	420,651	-	(17,524)	-	403,127
Infrastructure - water	31,811,659	102,103	-	236,412	32,150,174
Infrastructure - sewer	38,077,381	102,103	-	228,360	38,407,844
Total capital assets being depreciated	<u>72,063,441</u>	<u>206,116</u>	<u>(53,922)</u>	<u>464,772</u>	<u>72,680,407</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements - water	(72,943)	(341)	-	-	(73,284)
Machinery and equipment - water	(503,845)	(14,688)	5,416	-	(513,117)
Machinery and equipment - sewer	(236,084)	(14,928)	-	-	(251,012)
Vehicles - water	(158,478)	(20,992)	18,362	-	(161,108)
Vehicles - sewer	(199,642)	(43,668)	17,524	-	(225,786)
Infrastructure - water	(17,037,786)	(531,581)	-	-	(17,569,367)
Infrastructure - sewer	(16,136,422)	(1,012,301)	-	-	(17,148,723)
Total accumulated depreciation	<u>(34,345,200)</u>	<u>(1,638,499)</u>	<u>41,302</u>	<u>-</u>	<u>(35,942,397)</u>
Total capital assets being depreciated, net	<u>37,718,241</u>	<u>(1,432,383)</u>	<u>(12,620)</u>	<u>464,772</u>	<u>36,738,010</u>
Total business-type activities	<u>\$ 39,069,816</u>	<u>\$ (916,411)</u>	<u>\$ (12,620)</u>	<u>\$ -</u>	<u>\$ 38,140,785</u>

Depreciation expense was charged to functions/programs of business-type activities for the year ended June 30, 2018 as follows:

Water Utility	\$ 567,602
Sewer Utility	<u>1,070,897</u>
Total depreciation expense	<u>\$ 1,638,499</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets (Continued)

The summary of changes in fiduciary activities capital assets for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 370,804	\$ -	\$ -	\$ 370,804
Machinery and equipment	64,784	-	-	64,784
Total capital assets being depreciated	435,588	-	-	435,588
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(317,103)	(3,580)	-	(320,683)
Machinery and equipment	(64,784)	-	-	(64,784)
Total accumulated depreciation	(381,887)	(3,580)	-	(385,467)
Total capital assets being depreciated, net	\$ 53,701	\$ (3,580)	\$ -	\$ 50,121

Note 6 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Classification	
					Due within One Year	Due in more than One Year
2008 Taxable Pension Obligation						
Bonds, Series A-2	\$ 2,414,000	\$ -	\$ (1,151,000)	\$ 1,263,000	\$ 1,263,000	\$ -
2009 Lease Revenue Bonds	2,835,000	-	(420,000)	2,415,000	420,000	1,995,000
Municipal Finance Corporation	672,829	-	(69,521)	603,308	71,904	531,404
Claims payable	427,595	-	(40,124)	387,471	96,868	290,603
Compensated absences	1,224,014	583,220	(674,975)	1,132,259	326,929	805,330
Total	\$ 7,573,438	\$ 583,220	\$ (2,355,620)	\$ 5,801,038	\$ 2,178,701	\$ 3,622,337

The General Fund has been used to liquidate the majority of the liability for compensated absences and net pension liabilities.

2008 Taxable Pension Obligation Bonds

On June 1, 2008, the City issued Taxable Pension Obligation Bonds for the purpose of refunding the City's obligations to the California Public Employees' Retirement System for pension benefits accruing for its members in the amounts of \$2,170,000 and \$8,775,000 for Series 2008A-1 and 2008A-2, respectively. Interest rate on the bonds varies from 4.9% to 5.66%. Payments have been presented as expenditures in the fund financial statements and as prepaid assets in the government-wide financial statements. The balance in the Series 2008A-1 was paid off during the year ended June 30, 2016. The balance in the 2008A-2 bonds at June 30, 2018 was \$1,263,000.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2008 Taxable Pension Obligation Bonds (Continued)

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 1,263,000	\$ 39,129	\$ 1,302,129

2009 Series Lease Revenue Bonds

On January 14, 2009, the City issued 2009 Series Lease Revenue Bonds for the purpose of financing the construction of a new fire station in the City in the amount of \$6,300,000. Interest rate on the bonds is 3.71%. The total balance of the 2009 Series Lease Revenue bonds at June 30, 2018 was \$2,415,000.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 420,000	\$ 83,753	\$ 503,753
2020	420,000	68,171	488,171
2021	420,000	52,589	472,589
2022	420,000	37,007	457,007
2023	420,000	21,425	441,425
2024	315,000	5,844	320,844
Total	\$ 2,415,000	\$ 268,789	\$ 2,683,789

Municipal Finance Corporation Loan

On May 8, 2014, the City entered into a Lease with Option to Purchase agreement with Municipal Finance Corporation relating to a capital project to be performed by Climatec LLC in the amount of \$1,546,931. Interest rate on the loan is 3.40%. The balance of the Municipal Finance Corporation Loan at June 30, 2018 was \$603,308.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 71,904	\$ 19,906	\$ 91,810
2020	74,370	17,441	91,811
2021	76,920	14,891	91,811
2022	79,558	12,253	91,811
2023	82,286	9,525	91,811
2024-2026	218,270	11,257	229,527
Total	\$ 603,308	\$ 85,273	\$ 688,581

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities

Summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2018 is as follows:

	Balance			Balance June 30, 2018	Classification	
	July 1, 2017	Additions	Deletions		Due within One Year	Due in more than One Year
2011 Sewer Revenue Refunding Bonds	\$ 2,420,000	\$ -	\$ (150,000)	\$ 2,270,000	\$ 160,000	\$ 2,110,000
Sewer Capital Improvement Project #1	2,086,731	-	(115,525)	1,971,206	118,529	1,852,677
Sewer Capital Improvement Project #2	1,451,469	-	(68,985)	1,382,484	70,778	1,311,706
West Orange County Water Board Loan	-	894,928	(22,373)	872,555	89,493	783,062
Compensated absences	139,982	142,879	(150,944)	131,917	47,191	84,726
Total	\$ 6,098,182	\$ 1,037,807	\$ (507,827)	\$ 6,628,162	\$ 485,991	\$ 6,142,171

The Water Utility Fund and Sewer Utility Fund have been used to liquidate the liability for compensated absences and net pension liabilities.

2011 Sewer System Revenue Refunding Bonds

On March 2, 2011, the City issued 2011 Sewer System Revenue Refunding Bonds in the amount of \$3,310,000 to pay off the 2000 Sewer System Certificates of Participation. The 2000 Sewer System Certificates of Participation were issued to provide for improvements to the City's sewer system.

Interest rate on the 2011 Sewer System Revenue Refunding Bonds is 4.8%, and the balance of the 2011 Sewer System Revenue Refunding Bonds at June 30, 2018 was \$2,270,000.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 160,000	\$ 107,040	\$ 267,040
2020	170,000	99,240	269,240
2021	175,000	91,080	266,080
2022	185,000	82,560	267,560
2023	195,000	73,560	268,560
2024-2028	1,125,000	216,000	1,341,000
2029	260,000	9,360	269,360
Total	\$ 2,270,000	\$ 678,840	\$ 2,948,840

Sewer Capital Improvement Project Loan #1

On April 6, 2011, the City entered into an agreement with the Clean Water State Revolving Fund Control Board for construction of the Sewer Capital Improvement project. The City may borrow up to \$2,644,356 or the eligible costs of the project, whichever is less. At June 30, 2018, the City had drawn down the entire loan fund. The loan has an interest rate of 2.6% with maturities through 2031. The outstanding balance at June 30, 2018 was \$1,971,206.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Sewer Capital Improvement Project Loan #1 (Continued)

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 118,529	\$ 51,251	\$ 169,780
2020	121,610	48,170	169,780
2021	124,772	45,008	169,780
2022	128,017	41,764	169,781
2023	131,345	38,425	169,770
2024-2028	709,760	139,141	848,901
2029-2032	637,173	41,948	679,121
Total	<u>\$ 1,971,206</u>	<u>\$ 405,707</u>	<u>\$ 2,376,913</u>

Sewer Capital Improvement Project Loan #2

On April 6, 2011, the City entered into an agreement with the Clean Water State Revolving Fund Control Board for construction of the Sewer Capital Improvement project. The City may borrow up to \$2,125,112 or the eligible costs of the project, whichever is less. At June 30, 2018, the State Water Resources Control Board had disbursed \$1,652,742. The loan has an interest rate of 2.6% with maturities through 2031. The outstanding balance at June 30, 2018 was \$1,382,484.

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 70,778	\$ 35,945	\$ 106,723
2020	72,618	34,104	106,722
2021	74,506	32,216	106,722
2022	76,444	30,279	106,723
2023	78,431	28,292	106,723
2024-2028	423,826	109,788	533,614
2029-2033	481,863	51,751	533,614
2034	104,018	2,704	106,722
Total	<u>\$ 1,382,484</u>	<u>\$ 325,079</u>	<u>\$ 1,707,563</u>

West Orange County Water Board Loan

On December 11, 2017, the City entered into financial participation agreement with the West Orange County Water Board (the “WOCWB”) for relocation of the City’s allocated 14.3% ownership in the waterline. The City’s portion of project costs was in the amount of \$894,928. The repayments are due quarterly on the first of the month commencing June 1, 2018. The interest rate ranges from 1.414% to 5.314% with maturity date on March 1, 2028. The outstanding balance at June 30, 2018 was \$872,555.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

West Orange County Water Board Loan (Continued)

The annual debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 89,493	\$ 13,932	\$ 103,425
2020	89,493	15,484	104,977
2021	89,493	16,234	105,727
2022	89,493	16,311	105,804
2023	89,493	15,673	105,166
2024-2028	425,090	43,764	468,854
Total	<u>\$ 872,555</u>	<u>\$ 121,398</u>	<u>\$ 993,953</u>

C. Fiduciary Activities

	Balance		Balance		Classification	
	July 1, 2017	Additions	Deletions	June 30, 2018	Due within One Year	Due in more than One Year
2000 Tax Allocation Bonds Series A	\$ 2,410,000	\$ -	\$ (545,000)	\$ 1,865,000	\$ 575,000	\$ 1,290,000
2000 Tax Allocation Bonds Series B	115,000	-	(55,000)	60,000	60,000	-
Advance from Sewer Fund (Note 4)	714,110	-	(240,032)	474,078	240,912	233,166
Total	<u>\$ 3,239,110</u>	<u>\$ -</u>	<u>\$ (840,032)</u>	<u>\$ 2,399,078</u>	<u>\$ 875,912</u>	<u>\$ 1,523,166</u>

2000 Tax Allocation Refunding Bonds

On December 20, 2000, the Agency issued 2000 Tax Allocation Refunding Bonds, Series A and B for the Riverfront Redevelopment Project in the amounts of \$8,520,000 and \$685,000, respectively. Interest rate on the bonds varies from 4% to 5.375%. The Agency used the proceeds of Series A Bonds to finance the refunding and defeasance of \$1,380,000 of 1986 Tax Allocation Bonds and \$3,715,000 of 1991 Tax Allocation Bonds. Series B Bonds were used to pay bond issuance costs and finance certain redevelopment activities of the Agency. The Series A Bonds are payable exclusively from Tax Revenues and certain funds and accounts held under the indenture. Series B Bonds are to be paid exclusively from Surplus Tax Revenues and certain funds and accounts held under the indenture. The total balance in the Series A and B bonds outstanding at June 30, 2018 was \$1,925,000. This liability was transferred to the Successor Agency upon dissolution of the redevelopment agency.

The annual debt service requirements are as follows:

Year ending June 30,	Series A		Series B	
	Principal	Interest	Principal	Interest
2019	\$ 575,000	\$ 84,288	\$ 60,000	\$ 1,725
2020	605,000	53,078	-	-
2021	160,000	32,519	-	-
2022	165,000	23,784	-	-
2023	175,000	14,647	-	-
2024	185,000	4,972	-	-
Total	<u>\$ 1,865,000</u>	<u>\$ 213,288</u>	<u>\$ 60,000</u>	<u>\$ 1,725</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Non-City Obligations

A. *Heron Pointe Community Facilities District No. 2002-01*

The Heron Pointe Community Facilities District No. 2002-01 was formed to finance public facilities improvements within Heron Pointe. The debt service payments on the bonds will be included on property tax bills within community facilities district and will be collected by the City and then forwarded to the paying agent. A Reserve Fund was established in which the City may make withdrawals enough to cover any delinquent payments on the reassessments. The City has no liability for the bonds beyond the amount held in the Reserve Fund. The bonds are not secured by the general taxing power of the City, county, state, or any political subdivision of the state nor have the City, county, state, or any political subdivision thereof pledged its full faith and credit for the repayment thereof. Since the City has no liability for these bonds, the reserve fund and debt service monies are stored in the Agency Fund and the debt is not included in the financial statements. The outstanding balance at June 30, 2018, was \$3,230,000.

B. *Pacific Gateway Business Center Community Facilities District No 2005-01*

The Pacific Gateway Business Center Community Facilities District No. 2005-01 was formed to finance public facilities within the Pacific Gateway. The debt service payments on the bonds will be included on property tax bills within the community facilities district and will be collected by the City and then forwarded to the paying agent. A Reserve Fund was established in which the City may make withdrawals enough to cover any delinquent payments on the reassessments. The City has no liability for the bonds beyond the amount held in the Reserve Fund. The bonds are not secured by the general taxing power of the City, county, state, or any political subdivision of the state nor have the City, county, state, or any political subdivision thereof pledged its full faith and credit for the repayment thereof. Since the City has no liability for these bonds, the reserve fund and debt service monies are stored in the Agency Fund and the debt is not included in the financial statements. The outstanding balance at June 30, 2018, was \$8,050,000.

Note 8 – Risk Management and Self Insurance Program

A. *Description of Self-Insurance Pool Pursuant to Joint Powers Agreement*

The City is a member of the California Joint Powers Insurance Authority (the “Authority”). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. *Primary Self-Insurance Programs of the Authority*

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Risk Management and Self Insurance Program (Continued)

B. Self-Insurance Programs of the Authority (Continued)

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Risk Management and Self Insurance Program (Continued)

C. Purchased Insurance (Continued)

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Seal Beach property is currently insured according to a schedule of covered property submitted by the City of Seal Beach to the Authority. City of Seal Beach property currently has all-risk property insurance protection in the amount of \$48,199,440. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City's property currently has earthquake protection in the amount of \$48,078,735. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000

Crime Insurance

The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

E. Claims Activity

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were workers' compensation claims that remained outstanding for claims occurred prior to joining the Authority. At June 30, 2018, the amount of these liabilities was \$387,471 and was the City's best estimate based on available information.

A summary of the changes in claims liabilities for the past three fiscal years is as follows:

Workers' Compensation	Balance July 1, 2017	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, 2018
2015-2016	314,825	165,768	(102,695)	377,898
2016-2017	377,898	152,708	(103,011)	427,595
2017-2018	427,595	-	(40,124)	387,471

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plans

The following is a summary of net pension liabilities and related deferred outflows and inflows of resources as of June 30, 2018 and pension expenses for the year then ended June 30, 2018:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution made after measurement date:			
Miscellaneous	\$ 654,314	\$ 256,854	\$ 911,168
Safety	2,127,080	-	2,127,080
Changes of assumptions:			
Miscellaneous	1,367,118	536,681	1,903,799
Safety	3,375,736	-	3,375,736
Difference between expected and actual experience:			
Safety	186,378	-	186,378
Difference in projected and actual earnings on pension investments:			
Miscellaneous	334,707	131,393	466,100
Safety	797,207	-	797,207
Adjustment due to differences in proportions:			
Safety	413,149	-	413,149
Total deferred outflows of resources	\$ 9,255,689	\$ 924,928	\$ 10,180,617
Aggregate net pension liabilities:			
Aggregate net pension liabilities			
Miscellaneous	8,828,135	3,465,606	\$ 12,293,741
Safety	24,093,096	-	24,093,096
Total net pension liabilities	\$ 32,921,231	\$ 3,465,606	\$ 36,386,837
Deferred inflows of resources:			
Difference between expected and actual experience:			
Miscellaneous	\$ 158,961	\$ 62,402	\$ 221,363
Adjustment due to differences in proportions:			
Miscellaneous	139,750	54,861	194,611
Difference between City's contributions and proportionated share of contributions:			
Miscellaneous	613,012	240,647	853,659
Safety	622,939	-	622,939
Total deferred inflows of Resources	\$ 1,534,662	\$ 357,910	\$ 1,892,572
Pension expenses:			
Miscellaneous	\$ 1,185,129	\$ 200,270	\$ 1,385,399
Safety	3,627,619	-	3,627,619
Total pension expense	\$ 4,812,748	\$ 200,270	\$ 5,013,018

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer 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 the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from <https://www.calpers.ca.gov/page/forms-publications>.

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

	Miscellaneous	Misc PEPRAs	Safety	Safety Fire	Safety Police PEPRA
Active employees	44	9	34	-	1
Transferred and terminated employees	42	1	6	-	-
Separated	24	3	3	1	-
Retired Employees and Beneficiaries	145	-	93	41	-
Total	255	13	136	42	1

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

	Cost-sharing Rate Plans			
	Miscellaneous Rate Plan*	PEPRA Miscellaneous Rate Plan	Safety Rate Plan*	PEPRA Safety Rate Plan
Hire date	Prior to January 1, 2013	January 1, 2013 and after	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 52 yrs	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively	3.000%, 50+ yrs	2.000%-2.7000%, 50 yrs - 57+ yrs, respectively

* Closed to new entrants

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Participants are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by either the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the contribution rates were as follows:

	Cost-sharing Rate Plans			
	PEPRA		PEPRA Safety Rate	
	Miscellaneous Rate Plan*	Miscellaneous Rate Plan	Safety Rate Plan*	Plan
Required employee contribution rates	6.891%	6.500%	8.986%	12.250%
Required employer contribution rates	9.558%	6.930%	21.230%	12.821%

* Closed to new entrants

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plans (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine June 30, 2017 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website at www.calpers.ca.gov under Forms and Publications.

Change of Assumption

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund ("PERF"). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plans (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Discount Rate (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement F asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	- 1% (6.15%)	Rate (7.15%)	+ 1% (8.15%)
Miscellaneous	\$ 19,164,139	\$ 12,293,741	\$ 6,603,554
Safety	\$ 36,022,371	\$ 24,093,096	\$ 14,341,508

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/16 (Valuation date)	\$ 45,443,807	\$ 34,935,462	\$ 10,508,345
Balance at: 6/30/17 (Measurement date)	49,390,227	37,096,486	12,293,741
Net Changes during 2016-2017	3,946,420	2,161,024	1,785,396
Safety			
Balance at: 6/30/16 (Valuation date)	\$ 79,167,112	\$ 58,139,603	\$ 21,027,509
Balance at: 6/30/17 (Measurement date)	86,327,879	62,234,783	24,093,096
Net Changes during 2016-2017	7,160,767	4,095,180	3,065,587

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-2017).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

(5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City’s share of contributions during measurement period.

The City’s proportionate share of the net pension liability was as follows:

	Miscellaneous	Safety
June 30, 2016	0.12144%	0.24301%
June 30, 2017	0.12396%	0.24294%
Change - Increase (Decrease)	0.00252%	-0.00007%

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2016-2017 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired).

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

	Miscellaneous		Safety	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 911,168	\$ -	\$ 2,127,080	\$ -
Difference between expected and actual experience	-	(221,363)	186,378	-
Changes of assumptions	1,903,799	-	3,375,736	-
Difference between projected and actual earning on pension plan investments	466,100	-	797,207	-
Adjustment due to differences in proportions	-	(194,611)	413,149	-
Difference between City contributions and proportionate share of contributions	-	(853,659)	-	(622,939)
Total	\$ 3,281,067	\$ (1,269,633)	\$ 6,899,550	\$ (622,939)

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2018	\$ (164,231)	\$ 1,228,885
2019	981,137	2,107,587
2020	560,093	1,279,531
2021	(276,733)	(466,472)
2022	-	-
Thereafter	-	-
	\$ 1,100,266	\$ 4,149,531

Note 10 – Other Postemployment Benefits (“OPEB”) Plan

The following is a summary of net other postemployment benefits (“OPEB”) liabilities and related deferred outflows and inflows of resources as of June 30, 2018 and pension expenses for the year then ended June 30, 2018:

	Governmental Activities	Business-type Activities	Total
Deferred outflows of resources:			
OPEB contribution made after measurement date	\$ 695,976	\$ 147,938	\$ 843,914
Aggregate Net OPEB liabilities	\$ 5,662,789	\$ 1,203,693	\$ 6,866,482
Deferred inflows of Resources:			
Difference in projected and actual earnings on OPEB investments	\$ 81,428	\$ 17,309	\$ 98,737
OPEB expenses	\$ 585,481	\$ 124,451	\$ 709,932

General Information about the OPEB Plan

Plan Description

The City provides postretirement medical benefits to employees who retire directly from the City under CalPERS under a single-employer defined benefit post-employment benefits plan. Eligible retirees can continue participation in the City medical plans (“PEMHCA”). For miscellaneous retirees, the City contributes up to a capped dollar amount which varies by bargaining unit, medical coverage, and years of service. For police safety retirees, the City contribution rate varies by date of hire and date of retirement.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Other Postemployment Benefits (“OPEB”) Plan (Continued)

General Information about the OPEB Plan (Continued)

Benefits Provided

Future Retirees are eligible for PEMCHA minimum medical benefits (\$128 per month in 2017) if they retire at Age 50 and above. For legacy hires, reimbursements are generally subject to a maximum, which varies by bargaining group and service years. Dependents are eligible to enroll subject to service year requirements.

Employees Covered by Benefit Term

Active employees	87
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	106
Inactive employees entitled to but not yet receiving benefit payments	-
Total	193

Contributions

The City makes contributions based on an actuarially determined rate.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal level percentage of salary
Actuarial Assumptions:	
Inflation	2.75%
Salary increases	Base salary increases in year one: 2.875%
	Base salary increases in subsequent years: 2.875%
	Additional merit-based increases based on CalPERS.
Investment rate of return	7.00%
Healthcare cost trend rates	7.00% in the first year, trending down to 3.84% over 58 years.
Mortality rate	Derived using CalPERS' Membership Data for all Funds.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Other Postemployment Benefits (“OPEB”) Plan (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balances as of June 30, 2016	\$ 10,770,030	\$ 3,832,565	\$ 6,937,465
Changes during the measurement period:			
Normal cost	267,961	-	267,961
Interest	752,721	-	752,721
Differences between expected and actual experience	-	-	-
Contributions:			
Employer - City's contribution	-	567,185	(567,185)
Employer - implicit subsidy	-	114,993	(114,993)
Employee	-	-	-
Net investment income	-	411,482	(411,482)
Benefit payments, including refunds of employee			
Contributions	(454,685)	(454,685)	-
Implicit rate subsidy fulfilled	(114,993)	(114,993)	-
Administrative expenses	-	(1,995)	1,995
Net changes during measurement period 2016-2017	451,004	521,987	(70,983)
Balances as of June 30, 2017 (Measurement Date)	\$ 11,221,034	\$ 4,354,552	\$ 6,866,482

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

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) follows:

Net OPEB Liability/(Asset)		
Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
\$ 8,783,964	\$ 6,866,482	\$ 6,158,159

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

Net OPEB Liability/(Asset)		
Healthcare		
1% Decrease (6.00% to 2.84%)	Cost Trend Rate (7.00% to 3.84%)	1% Increase (8.00% to 4.84%)
\$ 6,246,486	\$ 6,866,482	\$ 8,705,120

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Other Postemployment Benefits (“OPEB”) Plan (Continued)

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

For the year ended June 30, 2018, the City recognized an OPEB expense of \$709,932. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
OPEB contribution after measurement date	\$ 843,914	\$ -
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Difference between projected and actual earning on OPEB plan investments	-	(98,737)
Total	<u>\$ 843,914</u>	<u>\$ (98,737)</u>

Deferred outflows of resources related to OPEB resulting from City’s contributions subsequent to the measurement date in the amount of \$843,914 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Measurement Period Ending June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2018	\$ (24,684)
2019	(24,684)
2020	(24,684)
2021	(24,685)
2022	-
Thereafter	-
	<u>\$ (98,737)</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Classification of Fund Balances

At June 30, 2018, fund balances are classified in the governmental funds as follows:

	General Fund	Citywide Grants Special Revenue Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaid items	\$ 32,495	\$ -	\$ -	\$ 32,495
Restricted:				
Employee benefits	5,266	-	-	5,266
Citywide Grants	-	270,831	-	270,831
Supplemental Law Enforcement	-	-	64,969	64,969
Detention Center	-	-	17,944	17,944
Police Asset Forfeiture	-	-	127,418	127,418
Air Quality Improvement Projects	-	-	8,220	8,220
Parks Improvement	-	-	16,660	16,660
Traffic Impact	-	-	165,002	165,002
State Gasoline Tax	-	-	490,166	490,166
Measure M2	-	-	1,039,214	1,039,214
Community Development Block Grant	-	-	10,241	10,241
Landscape District	-	-	458,581	458,581
Heron Pointe	-	-	69,749	69,749
Pacific Gateway	-	-	145,519	145,519
Seal Beach Cable	-	-	363,419	363,419
SB 1	-	-	121,638	121,638
City Debt Service	-	-	740,987	740,987
Total restricted	<u>5,266</u>	<u>270,831</u>	<u>3,839,727</u>	<u>4,115,824</u>
Assigned:				
College Park East	477,000	-	-	477,000
Swimming Pool	4,712,441	-	-	4,712,441
Economic Contingency	1,750,000	-	-	1,750,000
Street Improvement	117,167	-	-	117,167
Buildings	57,450	-	-	57,450
Community Services	1,175,092	-	-	1,175,092
Total assigned	<u>8,289,150</u>	<u>-</u>	<u>-</u>	<u>8,289,150</u>
Unassigned (deficit)	<u>17,491,623</u>	<u>-</u>	<u>(34,159)</u>	<u>17,457,464</u>
Total fund balances	<u>\$ 25,818,534</u>	<u>\$ 270,831</u>	<u>\$ 3,805,568</u>	<u>\$ 29,894,933</u>

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Commitments and Contingencies

A. Commitments

The City had several outstanding or planned construction and other projects as of June 30, 2018. These projects are evidenced by contractual commitments with contractors and include:

Project Name	Contract Amount	Expenditures to date as of June 30, 2018	Remaining Commitments
New swimming pool	\$ 238,930	\$ 79,614	\$ 159,316
Pier improvement project	7,537,581	-	7,537,581
	<u>\$ 7,776,511</u>	<u>\$ 79,614</u>	<u>\$ 7,696,897</u>

B. Contingencies

The City is a defendant in a number of lawsuits, which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty.

C. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

Note 13 – Individual Fund Disclosure

A. Expenditures in Excess of Appropriation

The following funds report expenditures in excess of appropriations for the year ended June 30, 2018.

	Expenditure	Appropriation	Expenditure in Excess of Appropriation
Nonmajor Special Revenue Funds:			
Supplemental law Enforcement			
Public safety	\$ 137,881	\$ 116,200	\$ (21,681)
Air Quality Improvement			
Public works	31,538	30,600	(938)
Seal Beach cable			
General government	84,830	75,000	(9,830)
Nonmajor Debt Service Fund:			
City Debt Service Fund			
Interest and fiscal charges	206,489	201,000	(5,489)

City of Seal Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Individual Fund Disclosure (Continued)

B. Deficit Net Positions and Fund Balances

Funds with deficit fund balances at June 30, 2018 are as follows:

	Deficit
Police Grants Special Revenue Funds	\$ (30,903)
Capital Projects and Equipments	
Capital Projects Fund	(3,256)

The City plans to eliminate the deficit fund balances with future grant revenues.

Note 14 – Restatement of Beginning Net Position

Net position as of July 1, 2017 was restated due to implementation of GASB Statement No. 75.

	Governmental Activities	Business-type Activities	Enterprise Funds	
			Water Utility	Sewer Utility
Beginning net position, as previously reported	\$ 79,210,232	\$ 46,831,510	\$ 23,366,311	\$ 23,465,199
Net OPEB assets	(725,223)	-	-	-
Deferred outflows of resources	562,592	119,586	69,855	49,731
Net other postemployment benefits liabilities	(5,721,328)	(1,216,137)	(710,396)	(505,741)
Beginning net position, as restated	\$ 73,326,273	\$ 45,734,959	\$ 22,725,770	\$ 23,009,189

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of Seal Beach
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 22,544,600	\$ 22,544,600	\$ 22,573,324	\$ 28,724
Licenses and permits	1,306,700	1,306,700	1,480,971	174,271
Intergovernmental	130,300	202,300	263,752	61,452
Charges for services	4,746,000	4,761,000	4,465,566	(295,434)
Use of money and property	752,500	752,500	300,750	(451,750)
Fines and forfeitures	1,119,500	1,119,500	1,089,515	(29,985)
Contributions	5,000	5,000	15,765	10,765
Miscellaneous	422,800	422,800	520,420	97,620
Total revenues	31,027,400	31,114,400	30,710,063	(404,337)
Expenditures:				
Current:				
General government	5,731,600	5,819,700	5,673,029	146,671
Public safety	17,524,200	18,101,000	17,711,226	389,774
Community development	1,067,500	1,391,200	1,162,448	228,752
Community services	1,057,000	1,098,100	954,018	144,082
Public works	4,936,300	5,134,800	4,702,117	432,683
Debt service:				
Principal retirement	69,600	69,600	69,521	79
Interest and fiscal charges	22,300	22,300	22,290	10
Total expenditures	30,408,500	31,636,700	30,625,932	1,010,768
Revenues over (under) expenditures	618,900	(522,300)	84,131	606,431
Other Financing Sources (Uses):				
Transfers in	4,594,100	8,208,100	1,641,597	(6,566,503)
Transfers out	(14,690,000)	(22,732,900)	(3,170,831)	19,562,069
Total other financing sources (uses)	(10,095,900)	(14,524,800)	(1,529,234)	12,995,566
Net change in fund balance	\$ (9,477,000)	\$ (15,047,100)	(1,445,103)	\$ 13,601,997
Fund Balance:				
Beginning of year			27,263,637	
End of year			<u>\$ 25,818,534</u>	

City of Seal Beach
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Citywide Grants Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 550,000	\$ 670,600	\$ 737,860	\$ 67,260
Other Financing Uses:				
Transfers out	(780,000)	(903,400)	(328,120)	575,280
Net change in fund balances	<u>\$ (230,000)</u>	<u>\$ (232,800)</u>	409,740	<u>\$ 642,540</u>
Fund Balance:				
Beginning of Year			(138,909)	
End of Year			<u>\$ 270,831</u>	

City of Seal Beach
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Budgetary Control and Accounting Policy

The City prepares its budgets on the basis of estimated revenues and expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis substantially consistent with generally accepted accounting principles. Encumbrance accounting is utilized during the fiscal year, whereby purchase orders, contracts and other commitments are recorded in order to control appropriations. However, at fiscal year end, all appropriations lapse. Accordingly, encumbrances are cancelled and generally are re-appropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.

Annual budgets are adopted for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, except for Parks Improvement Special Revenue Fund and SB1 Special Revenue Fund. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year.

The budgetary level of control for all governmental fund types is the fund level. The City Manager has the discretion to transfer appropriations between departments within a fund, but transfers between funds must be approved by the City Council.

City of Seal Beach
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.12396%	0.12144%	0.11333%	0.11644%
City's Proportionate Share of the Net Pension Liability	\$ 12,293,741	\$ 10,508,345	\$ 7,778,736	\$ 7,245,313
City's Covered Payroll	\$ 4,723,816	\$ 4,226,024	\$ 4,710,212	\$ 4,503,370
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	<u>260.25%</u>	<u>248.66%</u>	<u>165.15%</u>	<u>160.89%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>75.11%</u>	<u>76.88%</u>	<u>82.15%</u>	<u>83.18%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plan

Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.24294%	0.24301%	0.23685%	0.19002%
City's Proportionate Share of the Net Pension Liability	\$ 24,093,096	\$ 21,027,509	\$ 16,257,122	\$ 11,823,793
City's Covered Payroll	\$ 4,551,250	\$ 4,454,998	\$ 4,734,950	\$ 4,290,168
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	<u>529.37%</u>	<u>472.00%</u>	<u>343.34%</u>	<u>275.60%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.09%</u>	<u>73.44%</u>	<u>78.58%</u>	<u>81.42%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

City of Seal Beach
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year end	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially Determined Contribution	\$ 437,498	\$ 415,323	\$ 399,656	\$ 614,667	\$ 452,594
Contribution in Relation to the Actuarially Determined Contribution	(911,168)	(791,754)	(709,945)	(734,255)	(614,667)
Contribution Deficiency (Excess)	<u>\$ (473,670)</u>	<u>\$ (376,431)</u>	<u>\$ (310,289)</u>	<u>\$ (119,588)</u>	<u>\$ (162,073)</u>
Covered Payroll ²	<u>\$ 4,865,530</u>	<u>\$ 4,723,816</u>	<u>\$ 4,226,024</u>	<u>\$ 4,710,212</u>	<u>\$ 4,597,510</u>
Contributions as a Percentage of Covered Payroll	<u>18.73%</u>	<u>16.76%</u>	<u>16.80%</u>	<u>15.59%</u>	<u>13.37%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially Determined Contribution	\$ 993,433	\$ 920,480	\$ 916,387	\$ 1,342,325	\$ 1,196,592
Contribution in Relation to the Actuarially Determined Contribution	(2,127,080)	(1,748,129)	(1,608,716)	(1,476,452)	(2,157,763)
Contribution Deficiency (Excess)	<u>\$ (1,133,647)</u>	<u>\$ (827,649)</u>	<u>\$ (692,329)</u>	<u>\$ (134,127)</u>	<u>\$ (961,171)</u>
Covered Payroll ²	<u>\$ 4,687,788</u>	<u>\$ 4,551,250</u>	<u>\$ 4,454,998</u>	<u>\$ 4,734,950</u>	<u>\$ 3,995,001</u>
Contributions as a Percentage of Covered Payroll	<u>45.37%</u>	<u>38.41%</u>	<u>36.11%</u>	<u>31.18%</u>	<u>54.01%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

² Includes one year's payroll growth using 3.00 percent payroll assumption from fiscal year 2016-17.

Notes to Schedule:

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Seal Beach
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

	June 30, 2017 ¹
Measurement period	
Total OPEB liability	
Service cost	\$ 267,961
Interest	752,721
Differences between expected and actual experience	-
Changes of assumption	-
Benefit payments	(454,685)
Implicit rate subsidy fulfilled	(114,993)
Net change in total OPEB liability	451,004
Total OPEB liability, beginning	10,770,030
Total OPEB liability, ending (a)	\$ 11,221,034
OPEB fiduciary net position	
Contributions:	
Employer - City's contribution	\$ 567,185
Employer - Implicit subsidy	114,993
Net investment income	411,482
Benefit payments	(454,685)
Implicit rate subsidy fulfilled	(114,993)
Administrative expense	(1,995)
Net change in plan fiduciary net position	521,987
Plan fiduciary net position, beginning	3,832,565
Plan fiduciary net position, ending (b)	4,354,552
Plan net OPEB liability - ending (a) - (b)	\$ 6,866,482
Plan's fiduciary net position as a percentage of the total OPEB liability	38.81%
Covered payroll	\$ 8,807,230
Net OPEB liability as a percentage of covered payroll	77.96%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

City of Seal Beach
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits
For the Years Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2017-18	2016-17 ¹
Actuarially determined contribution ²	\$ 833,241	\$ 812,317
Contribution in relation to the actuarially determined contribution ²	(843,914)	(682,178)
Contribution deficiency/(excess)	\$ (10,673)	\$ 130,139
 Covered payroll ³	 \$ 9,060,438	 \$ 8,807,230
 Contributions as a percentage of covered payroll	 9.31%	 7.75%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

² The June 30, 2017 actuarial valuation provided the actuarially determined contributions for fiscal year ended June 30, 2018.

³ Includes one year's payroll growth using 2.875 percent payroll assumption from fiscal year 2016-17.

Notes to Schedule:

Valuation date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method:	Entry age normal, level percent of pay
Amortization method:	Closed period, level percent of pay
Amortization period:	20 years
Inflation:	2.75% per year
Assumed payroll growth:	2.875% year one and thereafter
Healthcare cost trend:	7.00%, trending down to 3.84%
Rate of return on assets:	7.00%
Mortality:	CalPERS rates (Miscellaneous-Mort and Disb Rates_PA Misc) CalPERS rates (Police Employees-Mort and Disb Rates_PA Police)
Retirement rates:	CalPERS rates (Miscellaneous Rx PA Misc 2.0% at 55) CalPERS rates (Miscellaneous Rx PA Misc 2.0% at 60) CalPERS rates (Miscellaneous Rx PA Misc 2.0% at 62) CalPERS rates (Safety Rx Safety Police 2.0% at 50) CalPERS rates (Safety Rx Safety Police 2.0% at 55) CalPERS rates (Safety Rx Safety Police 2.7% at 57) CalPERS rates (Safety Rx Safety Police 3.0% at 50)

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Street Lighting Special Revenue Fund : To account for special assessments that are restricted for the maintenance of streetlights and to finance the electricity used by the streetlights.

Supplemental Law Enforcement Special Revenue Fund : To account for funds received from the State under the State Citizens Option for Public Safety Program. Certain procedures are required to be implemented prior to the use of the funds, and the funds cannot be used to supplant existing funding for law enforcement.

Detention Center Special Revenue Fund : To account for funds initially funded by monies seeded the previous jail services vendor. The revenues also derived from sales of commissary items to the prisoners for their benefit.

Police Asset Forfeiture Special Revenue Fund : To accounts for revenues derived from monies and property seized in drug-related incidents.

Air Quality Improvement Special Revenue Fund : To accounts for supplemental vehicle license fee revenue distributed to Cities by the South Coast Air Quality Management District pursuant to Assembly Bill 2766. Expenditures are restricted for programs that will reduce air pollution by reducing, directly or indirectly, mobile source emission pollutants.

Park Improvement Special Revenue Fund : To account for the Quimby Act Fees received by developers that are restricted for the improvement of parks and recreation facilities.

Traffic Impact Special Revenue Fund : To account for fair-share based fees that will serve to offset, or mitigate, the traffic impacts caused by new development.

State Gasoline Tax Special Revenue Fund : To accounts for locally shared gas tax monies collected by the State. Expenditures are restricted for repair, construction, maintenance and right-of-way acquisitions relating to streets and highways.

Measure M2 Special Revenue Fund : To account for funds for transportation improvements through the Measure M Transportation Investment Plan (M2) such as major improvement plans target Orange County freeways, streets and roads, transit and environmental

Community Development Block Grant (CDBG) Special Revenue Fund : To account for resources that are restricted for a wide variety of unique community development needs.

Police Grants Special Revenue Fund : To account for various grants include the Urban Area Security Initiative (UASI), the Office of Traffic Safety (OTS) DUI grant reimburses funds advanced by the City for DUI enforcement, the Bullet Proof Vest Protection (BVP) grant which provides matching funds that are restricted for the purchase of bullet-resistant vests, the Alcoholic Beverage Control (ABC) grant and the Justice Assistance Grant (JAG).

Landscape District Special Revenue Fund : To account for special assessment that are restricted for costs related to the maintenance of parks, parkways and open space within the Community Facility District 2002-02 (Landscape Maintenance).

Heron Pointe Special Revenue Fund : To account for the construction and acquisition of certain public street improvements, water and sanitary sewer improvements, dry utility improvements, park and landscaping improvements.

Pacific Gateway Special Revenue Fund : To account for special assessment that are restricted for costs related to the maintenance of parks, parkways and open space within the District (Landscape Maintenance).

Seal Beach Cable Special Revenue Fund : To account for revenues derived from PEGS fees which provide for channel capacity to be designated for public, education, or government use.

SB 1 Special Revenue Fund : To account for revenue restricted for a wide range of transportation improvement projects.

City Debt Service Debt Service Fund : To accounts for resources that are restricted for the payments of long-term debt.

Capital Projects and Equipment : To account for major capital projects with various revenues sources but excludes the Water and Sewer Capital Fund. These sources get transferred into the Capital Improvement Project Fund.

**City of Seal Beach
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Special Revenue			
	Street Lighting	Supplemental Law Enforcement	Detention Center	Police Asset Forfeiture
ASSETS				
Cash and investments	\$ 13,879	\$ 85,693	\$ 17,999	\$ 36,462
Receivables:				
Accounts	-	-	7	101,687
Taxes	582	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 14,461	\$ 85,693	\$ 18,006	\$ 138,149
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 14,461	\$ 11,417	\$ 62	\$ -
Accrued wages and benefits payable	-	9,307	-	10,731
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Total Liabilities	14,461	20,724	62	10,731
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted	-	64,969	17,944	127,418
Unassigned (deficit)	-	-	-	-
Total Fund Balances	-	64,969	17,944	127,418
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,461	\$ 85,693	\$ 18,006	\$ 138,149

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue			
	Air Quality Improvement	Parks Improvement	Traffic Impact	State Gasoline Tax
ASSETS				
Cash and investments	\$ 26	\$ 16,660	\$ 165,002	\$ 447,096
Receivables:				
Accounts	8,194	-	-	45,950
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 8,220	\$ 16,660	\$ 165,002	\$ 493,046
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 2,880
Accrued wages and benefits payable	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Total Liabilities	-	-	-	2,880
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted	8,220	16,660	165,002	490,166
Unassigned (deficit)	-	-	-	-
Total Fund Balances	8,220	16,660	165,002	490,166
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,220	\$ 16,660	\$ 165,002	\$ 493,046

(Continued)

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue			
	Measure M2	Community Development Block Grant	Police Grants	Landscape District
ASSETS				
Cash and investments	\$ 969,789	\$ -	\$ -	\$ 463,328
Receivables:				
Accounts	69,425	29,611	23,608	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	14,444	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 1,039,214	\$ 29,611	\$ 38,052	\$ 463,328
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 2,061	\$ -	\$ 2,644
Accrued wages and benefits payable	-	-	1,055	2,103
Unearned revenues	-	-	18,550	-
Due to other funds	-	17,309	34,906	-
Retentions payable	-	-	-	-
Total Liabilities	-	19,370	54,511	4,747
Deferred Inflows of Resources:				
Unavailable revenues	-	-	14,444	-
Total Deferred Inflows of Resources	-	-	14,444	-
Fund Balances:				
Restricted	1,039,214	10,241	-	458,581
Unassigned (deficit)	-	-	(30,903)	-
Total Fund Balances	1,039,214	10,241	(30,903)	458,581
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,039,214	\$ 29,611	\$ 38,052	\$ 463,328

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue			
	Heron Pointe	Pacific Gateway	Seal Beach Cable	SB 1
ASSETS				
Cash and investments	\$ 69,749	\$ 147,986	\$ 332,087	\$ 121,638
Receivables:				
Accounts	-	-	30,593	-
Taxes	-	-	-	-
Interest	-	-	739	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 69,749	\$ 147,986	\$ 363,419	\$ 121,638
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 365	\$ -	\$ -
Accrued wages and benefits payable	-	2,102	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Retentions payable	-	-	-	-
Total Liabilities	-	2,467	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted	69,749	145,519	363,419	121,638
Unassigned (deficit)	-	-	-	-
Total Fund Balances	69,749	145,519	363,419	121,638
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 69,749	\$ 147,986	\$ 363,419	\$ 121,638

(Continued)

City of Seal Beach
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	<u>Debt Service</u>	<u>Capital Projects</u>	
	City Debt Service	Capital Projects and Equipment	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ -	\$ 180,304	\$ 3,067,698
Receivables:			
Accounts	-	-	309,075
Taxes	-	-	582
Interest	-	-	739
Due from other governments	-	-	14,444
Restricted assets:			
Cash and investments with fiscal agents	740,987	-	740,987
Total Assets	<u>\$ 740,987</u>	<u>\$ 180,304</u>	<u>\$ 4,133,525</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 159,400	\$ 193,290
Accrued wages and benefits payable	-	-	25,298
Unearned revenues	-	-	18,550
Due to other funds	-	-	52,215
Retentions payable	-	24,160	24,160
Total Liabilities	<u>-</u>	<u>183,560</u>	<u>313,513</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	-	14,444
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>14,444</u>
Fund Balances:			
Restricted	740,987	-	3,839,727
Unassigned (deficit)	-	(3,256)	(34,159)
Total Fund Balances	<u>740,987</u>	<u>(3,256)</u>	<u>3,805,568</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 740,987</u>	<u>\$ 180,304</u>	<u>\$ 4,133,525</u>

(Concluded)

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Street Lighting	Supplemental Law Enforcement	Detention Center	Police Asset Forfeiture
Revenues:				
Taxes	\$ 142,875	\$ -	\$ -	\$ -
Intergovernmental	-	139,416	-	114,469
Charges for services	-	-	37	-
Use of money and property	-	1,432	3,668	1,891
Contributions	-	-	-	-
Total revenues	<u>142,875</u>	<u>140,848</u>	<u>3,705</u>	<u>116,360</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	137,881	6,738	244,203
Community development	-	-	-	-
Public works	186,615	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>186,615</u>	<u>137,881</u>	<u>6,738</u>	<u>244,203</u>
Revenues over (under) expenditures	<u>(43,740)</u>	<u>2,967</u>	<u>(3,033)</u>	<u>(127,843)</u>
Other Financing Sources (Uses):				
Transfers in	53,909	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>53,909</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>10,169</u>	<u>2,967</u>	<u>(3,033)</u>	<u>(127,843)</u>
Fund Balance:				
Beginning of Year	(10,169)	62,002	20,977	255,261
End of Year	<u>\$ -</u>	<u>\$ 64,969</u>	<u>\$ 17,944</u>	<u>\$ 127,418</u>

(Continued)

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Air Quality Improvement	Parks Improvement	Traffic Impact	State Gasoline Tax
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 552,206
Intergovernmental	31,567	10,000	-	-
Charges for services	-	-	1,465	-
Use of money and property	44	217	1,804	4,863
Contributions	-	-	-	-
Total revenues	<u>31,611</u>	<u>10,217</u>	<u>3,269</u>	<u>557,069</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	31,538	-	-	28,210
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>31,538</u>	<u>-</u>	<u>-</u>	<u>28,210</u>
Revenues over (under) expenditures	<u>73</u>	<u>10,217</u>	<u>3,269</u>	<u>528,859</u>
Other Financing Sources (Uses):				
Transfers in	-	-	4,994	-
Transfers out	-	-	-	(778,059)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,994</u>	<u>(778,059)</u>
Net change in fund balances	<u>73</u>	<u>10,217</u>	<u>8,263</u>	<u>(249,200)</u>
Fund Balance:				
Beginning of Year	8,147	6,443	156,739	739,366
End of Year	<u>\$ 8,220</u>	<u>\$ 16,660</u>	<u>\$ 165,002</u>	<u>\$ 490,166</u>

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Measure M2	Community Development Block Grant	Police Grants	Landscape District
Revenues:				
Taxes	\$ 401,885	\$ -	\$ -	\$ 168,819
Intergovernmental	-	180,000	53,751	-
Charges for services	-	-	-	-
Use of money and property	13,140	-	-	5,442
Contributions	-	-	-	-
Total revenues	415,025	180,000	53,751	174,261
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	48,823	-
Community development	-	180,000	-	78,955
Public works	18,586	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	18,586	180,000	48,823	78,955
Revenues over (under) expenditures	396,439	-	4,928	95,306
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(588,307)	-	-	(13,000)
Total other financing sources (uses)	(588,307)	-	-	(13,000)
Net change in fund balances	(191,868)	-	4,928	82,306
Fund Balance:				
Beginning of Year	1,231,082	10,241	(35,831)	376,275
End of Year	<u>\$ 1,039,214</u>	<u>\$ 10,241</u>	<u>\$ (30,903)</u>	<u>\$ 458,581</u>

(Continued)

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Heron Pointe	Pacific Gateway	Seal Beach Cable	SB1
Revenues:				
Taxes	\$ -	\$ 61,173	\$ -	\$ 121,386
Intergovernmental	-	-	-	-
Charges for services	-	-	119,881	-
Use of money and property	-	-	4,150	252
Contributions	15,000	25,000	-	-
Total Revenues	<u>15,000</u>	<u>86,173</u>	<u>124,031</u>	<u>121,638</u>
Expenditures:				
Current:				
General government	-	-	84,830	-
Public safety	-	-	-	-
Community development	7,509	60,009	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>7,509</u>	<u>60,009</u>	<u>84,830</u>	<u>-</u>
Revenues over (under) expenditures	<u>7,491</u>	<u>26,164</u>	<u>39,201</u>	<u>121,638</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(11,000)	(17,400)	-	-
Total other financing sources (uses)	<u>(11,000)</u>	<u>(17,400)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(3,509)</u>	<u>8,764</u>	<u>39,201</u>	<u>121,638</u>
Fund Balance:				
Beginning of Year	73,258	136,755	324,218	-
End of Year	<u>\$ 69,749</u>	<u>\$ 145,519</u>	<u>\$ 363,419</u>	<u>\$ 121,638</u>

(Continued)

City of Seal Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	<u>Debt Service</u>	<u>Capital Projects</u>	
	City Debt Service	Capital Projects and Equipment	Total Other Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ 1,448,344
Intergovernmental	-	-	529,203
Charges for services	-	-	121,383
Use of money and property	9,464	-	46,367
Contributions	-	-	40,000
Total revenues	<u>9,464</u>	<u>-</u>	<u>2,185,297</u>
Expenditures:			
Current:			
General government	-	-	84,830
Public safety	-	-	437,645
Community development	-	-	326,473
Public works	-	-	264,949
Capital outlay	-	2,235,797	2,235,797
Debt service:			
Principal	1,571,000	-	1,571,000
Interest and fiscal charges	209,489	-	209,489
Total expenditures	<u>1,780,489</u>	<u>2,235,797</u>	<u>5,130,183</u>
Revenues over (under) expenditures	<u>(1,771,025)</u>	<u>(2,235,797)</u>	<u>(2,944,886)</u>
Other Financing Sources (Uses):			
Transfers in	1,782,469	2,231,645	4,073,017
Transfers out	-	-	(1,407,766)
Total other financing sources (uses)	<u>1,782,469</u>	<u>2,231,645</u>	<u>2,665,251</u>
Net change in fund balances	11,444	(4,152)	(279,635)
Fund Balance:			
Beginning of Year	729,543	896	4,085,203
End of Year	<u>\$ 740,987</u>	<u>\$ (3,256)</u>	<u>\$ 3,805,568</u>

(Concluded)

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Lighting Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 141,700	\$ 141,700	\$ 142,875	\$ 1,175
Expenditures:				
Current:				
Public works	196,400	196,400	186,615	9,785
Revenues over (under) expenditures	<u>(54,700)</u>	<u>(54,700)</u>	<u>(43,740)</u>	<u>10,960</u>
Other Financing Sources:				
Transfers in	54,700	54,700	53,909	(791)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	10,169	<u>\$ 10,169</u>
Fund Balance:				
Beginning of Year			<u>(10,169)</u>	
End of Year			<u>\$ -</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 139,416	\$ 9,416
Use of money and property	500	500	1,432	932
Total revenues	<u>130,500</u>	<u>130,500</u>	<u>140,848</u>	<u>10,348</u>
Expenditures:				
Current:				
Public safety	116,200	116,200	137,881	(21,681)
Revenues over (under) expenditures	<u>14,300</u>	<u>14,300</u>	<u>2,967</u>	<u>(11,333)</u>
Net change in fund balances	<u>\$ 14,300</u>	<u>\$ 14,300</u>	<u>2,967</u>	<u>\$ (11,333)</u>
Fund Balance:				
Beginning of Year			<u>62,002</u>	
End of Year			<u>\$ 64,969</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Detention Center Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 37	\$ 37
Use of money or property	10,000	10,000	3,668	(6,332)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>3,705</u>	<u>(6,295)</u>
Expenditures:				
Current:				
Public safety	18,000	18,000	6,738	11,262
Revenues over (under) expenditures	<u>(8,000)</u>	<u>(8,000)</u>	<u>(3,033)</u>	<u>4,967</u>
Net change in fund balances	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	<u>(3,033)</u>	<u>\$ 4,967</u>
Fund Balance:				
Beginning of Year			<u>20,977</u>	
End of Year			<u>\$ 17,944</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 250,000	\$ 250,000	\$ 114,469	\$ (135,531)
Use of money and property	500	500	1,891	1,391
Total revenues	<u>250,500</u>	<u>250,500</u>	<u>116,360</u>	<u>(134,140)</u>
Expenditures:				
Current:				
Public safety	<u>334,300</u>	<u>334,300</u>	<u>244,203</u>	<u>90,097</u>
Revenues over (under) expenditures	<u>(83,800)</u>	<u>(83,800)</u>	<u>(127,843)</u>	<u>(44,043)</u>
Net change in fund balances	<u>\$ (83,800)</u>	<u>\$ (83,800)</u>	<u>(127,843)</u>	<u>\$ (44,043)</u>
Fund Balance:				
Beginning of Year			<u>255,261</u>	
End of Year			<u>\$ 127,418</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Air Quality Improvement Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 31,567	\$ 1,567
Use of money and property	-	-	44	44
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>31,611</u>	<u>1,611</u>
Expenditures:				
Current:				
Public works	30,600	30,600	31,538	(938)
Revenues over (under) expenditures	<u>(600)</u>	<u>(600)</u>	<u>73</u>	<u>673</u>
Net change in fund balances	<u>\$ (600)</u>	<u>\$ (600)</u>	<u>73</u>	<u>\$ 673</u>
Fund Balance:				
Beginning of Year			<u>8,147</u>	
End of Year			<u>\$ 8,220</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Impact AB 1600 Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 20,000	\$ 20,000	\$ 1,465	\$ (18,535)
Use of money and property	5,000	5,000	1,804	(3,196)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>3,269</u>	<u>(21,731)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	4,994	4,994
Transfers out	(35,000)	(35,000)	-	35,000
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>4,994</u>	<u>39,994</u>
Net change in fund balances	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>8,263</u>	<u>\$ 18,263</u>
Fund Balance:				
Beginning of Year			<u>156,739</u>	
End of Year			<u>\$ 165,002</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Gasoline Tax Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 706,600	\$ 706,600	\$ 552,206	\$ (154,394)
Use of money and property	6,000	6,000	4,863	(1,137)
Total revenues	<u>712,600</u>	<u>712,600</u>	<u>557,069</u>	<u>(155,531)</u>
Expenditures:				
Current:				
Public works	77,000	77,000	28,210	48,790
Revenues over (under) expenditures	<u>635,600</u>	<u>635,600</u>	<u>528,859</u>	<u>(106,741)</u>
Other Financing Uses:				
Transfers out	(1,466,800)	(1,495,000)	(778,059)	716,941
Net change in fund balances	<u>\$ (831,200)</u>	<u>\$ (859,400)</u>	<u>(249,200)</u>	<u>\$ 610,200</u>
Fund Balance:				
Beginning of Year			<u>739,366</u>	
End of Year			<u>\$ 490,166</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure M2 Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 400,000	\$ 400,000	\$ 401,885	\$ 1,885
Use of money and property	8,000	8,000	13,140	5,140
Total revenues	<u>408,000</u>	<u>408,000</u>	<u>415,025</u>	<u>7,025</u>
Expenditures:				
Current:				
Public works	60,600	60,600	18,586	42,014
Revenues over (under) expenditures	<u>347,400</u>	<u>347,400</u>	<u>396,439</u>	<u>49,039</u>
Other Financing Sources:				
Transfers out	(1,541,000)	(1,542,700)	(588,307)	954,393
Net change in fund balances	<u>\$ (1,193,600)</u>	<u>\$ (1,195,300)</u>	<u>(191,868)</u>	<u>\$ 1,003,432</u>
Fund Balance:				
Beginning of Year			<u>1,231,082</u>	
End of Year			<u>\$ 1,039,214</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 180,000	\$ -
Expenditures:				
Current:				
Community development	180,000	180,000	180,000	-
Revenues over (under) expenditures	-	-	-	-
Net change in fund balances	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of Year			10,241	
End of Year			\$ 10,241	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Grant Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 149,700	\$ 195,100	\$ 53,751	\$ (141,349)
Expenditures:				
Current:				
Public safety	119,400	164,800	48,823	115,977
Revenues over (under) expenditures	30,300	30,300	4,928	(25,372)
Net change in fund balances	\$ 30,300	\$ 30,300	4,928	\$ (25,372)
Fund Balance:				
Beginning of Year			(35,831)	
End of Year			\$ (30,903)	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Landscape District Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 166,700	\$ 166,700	\$ 168,819	\$ 2,119
Use of money and property	2,000	2,000	5,442	3,442
Total revenues	<u>168,700</u>	<u>168,700</u>	<u>174,261</u>	<u>5,561</u>
Expenditures:				
Current:				
Community development	156,800	156,800	78,955	77,845
Revenues over (under) expenditures	<u>11,900</u>	<u>11,900</u>	<u>95,306</u>	<u>83,406</u>
Other Financing Uses:				
Transfers out	(13,000)	(13,000)	(13,000)	-
Net change in fund balances	<u>\$ (1,100)</u>	<u>\$ (1,100)</u>	82,306	<u>\$ 83,406</u>
Fund Balance:				
Beginning of Year			<u>376,275</u>	
End of Year			<u>\$ 458,581</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Heron Pointe Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Contributions	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Expenditures:				
Current:				
Community development	8,000	8,000	7,509	491
Revenues over (under) expenditures	<u>7,000</u>	<u>7,000</u>	<u>7,491</u>	<u>491</u>
Other Financing Uses:				
Transfers out	(11,000)	(11,000)	(11,000)	-
Net change in fund balances	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	<u>(3,509)</u>	<u>\$ 491</u>
Fund Balance:				
Beginning of Year			<u>73,258</u>	
End of Year			<u>\$ 69,749</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Pacific Gateway Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 58,000	\$ 58,000	\$ 61,173	\$ 3,173
Contributions	25,000	25,000	25,000	-
Total revenues	<u>83,000</u>	<u>83,000</u>	<u>86,173</u>	<u>3,173</u>
Expenditures:				
Current:				
Community development	101,300	101,300	60,009	41,291
Revenues over (under) expenditures	<u>(18,300)</u>	<u>(18,300)</u>	<u>26,164</u>	<u>44,464</u>
Other Financing Uses:				
Transfers out	(148,000)	(148,000)	(17,400)	130,600
Net change in fund balances	<u>\$ (166,300)</u>	<u>\$ (166,300)</u>	8,764	<u>\$ 175,064</u>
Fund Balance:				
Beginning of Year			<u>136,755</u>	
End of Year			<u>\$ 145,519</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Seal Beach Cable Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 90,000	\$ 90,000	\$ 119,881	\$ 29,881
Use of money and property	2,000	2,000	4,150	2,150
Total revenues	<u>92,000</u>	<u>92,000</u>	<u>124,031</u>	<u>32,031</u>
Expenditures:				
Current:				
General government	75,000	75,000	84,830	(9,830)
Revenues over (under) expenditures	<u>17,000</u>	<u>17,000</u>	<u>39,201</u>	<u>22,201</u>
Other Financing Uses:				
Transfers out	(30,000)	(30,000)	-	30,000
Net change in fund balances	<u>\$ (13,000)</u>	<u>\$ (13,000)</u>	39,201	<u>\$ 52,201</u>
Fund Balance:				
Beginning of Year			<u>324,218</u>	
End of Year			<u>\$ 363,419</u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Debt Service Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 9,464	\$ 9,464
Expenditures:				
Debt service:				
Principal retirement	1,580,000	1,580,000	1,571,000	9,000
Interest and fiscal charges	207,000	207,000	209,489	(2,489)
Total Expenditures	<u>1,787,000</u>	<u>1,787,000</u>	<u>1,780,489</u>	<u>6,511</u>
Revenues over (under) expenditures	<u>(1,787,000)</u>	<u>(1,787,000)</u>	<u>(1,771,025)</u>	<u>15,975</u>
Other Financing Sources:				
Transfers in	<u>1,787,000</u>	<u>1,787,000</u>	<u>1,782,469</u>	<u>(4,531)</u>
Net change in fund balances	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>11,444</u>	<u><u>\$ 11,444</u></u>
Fund Balance:				
Beginning of Year			<u>729,543</u>	
End of Year			<u><u>\$ 740,987</u></u>	

City of Seal Beach
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects and Equipment Capital Projects Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Capital outlay	\$ 12,737,500	\$ 17,952,900	\$ 2,235,797	\$ 15,717,103
Other Financing Sources:				
Transfers in	12,737,500	17,952,900	2,231,645	(15,721,255)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(4,152)	<u>\$ (4,152)</u>
Fund Balance:				
Beginning of Year			896	
End of Year			<u>\$ (3,256)</u>	

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AGENCY FUNDS FINANCIAL STATEMENTS

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City of Seal Beach
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018

	<u>Deposits</u>	<u>Community Facilities District Heron Pointe</u>	<u>Community Facilities District - Heron Pacific Gateway</u>	<u>Total</u>
Assets:				
Cash and investments	\$ 60,596	\$ 96,712	\$ 155,684	\$ 312,992
Restricted assets:				
Cash and investments with fiscal agents	-	256,832	700,335	957,167
Total Assets	<u>\$ 60,596</u>	<u>\$ 353,544</u>	<u>\$ 856,019</u>	<u>\$ 1,270,159</u>
Liabilities:				
Deposits payable	\$ 60,596	\$ -	\$ -	\$ 60,596
Due to bondholders	-	353,544	856,019	1,209,563
Total Liabilities	<u>\$ 60,596</u>	<u>\$ 353,544</u>	<u>\$ 856,019</u>	<u>\$ 1,270,159</u>

City of Seal Beach
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Deposits</u>				
Assets:				
Cash and investments	\$ 44,836	\$ 15,880	\$ (120)	\$ 60,596
Total Assets	<u>\$ 44,836</u>	<u>\$ 15,880</u>	<u>\$ (120)</u>	<u>\$ 60,596</u>
Liabilities:				
Deposits payable	\$ 44,836	\$ 15,880	\$ (120)	\$ 60,596
Total Liabilities	<u>\$ 44,836</u>	<u>\$ 15,880</u>	<u>\$ (120)</u>	<u>\$ 60,596</u>
<u>Community Facilities District</u>				
<u>Heron Pointe</u>				
Assets:				
Cash and investments	\$ 81,686	\$ 276,934	\$ (261,908)	\$ 96,712
Restricted assets:				
Cash and investments with fiscal agents	255,307	2,910	(1,385)	256,832
Taxes receivable	5,056	-	(5,056)	-
Total Assets	<u>\$ 342,049</u>	<u>\$ 279,844</u>	<u>\$ (268,349)</u>	<u>\$ 353,544</u>
Liabilities:				
Due to bondholders	\$ 342,049	\$ 279,844	\$ (268,349)	\$ 353,544
Total Liabilities	<u>\$ 342,049</u>	<u>\$ 279,844</u>	<u>\$ (268,349)</u>	<u>\$ 353,544</u>
<u>Community Facilities District</u>				
<u>Pacific Gateway</u>				
Assets:				
Cash and investments	\$ 145,031	\$ 508,357	\$ (497,704)	\$ 155,684
Restricted assets:				
Cash and investments with fiscal agents	696,178	7,903	(3,746)	700,335
Taxes receivable	1,785	-	(1,785)	-
Total Assets	<u>\$ 842,994</u>	<u>\$ 516,260</u>	<u>\$ (503,235)</u>	<u>\$ 856,019</u>
Liabilities:				
Due to bondholders	\$ 842,994	\$ 516,260	\$ (503,235)	\$ 856,019
Total Liabilities	<u>\$ 842,994</u>	<u>\$ 516,260</u>	<u>\$ (503,235)</u>	<u>\$ 856,019</u>

City of Seal Beach
Combining Statement of Changes in Assets and Liabilities (Continued)
Agency Fund
For the Year Ended June 30, 2018

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Total</u>				
Assets:				
Cash and investments	\$ 271,553	\$ 801,171	\$ (759,732)	\$ 312,992
Restricted assets:				
Cash and investments with fiscal agents	951,485	10,813	(5,131)	957,167
Taxes receivable	6,841	-	(6,841)	-
Total Assets	<u>\$ 1,229,879</u>	<u>\$ 811,984</u>	<u>\$ (771,704)</u>	<u>\$ 1,270,159</u>
Liabilities:				
Deposits payable	\$ 44,836	\$ 15,880	\$ (120)	\$ 60,596
Due to bondholders	1,185,043	796,104	(771,584)	1,209,563
Total Liabilities	<u>\$ 1,229,879</u>	<u>\$ 811,984</u>	<u>\$ (771,704)</u>	<u>\$ 1,270,159</u>

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STATISTICAL SECTION

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City of Seal Beach
Statistical Section
Description of Statistical Section Contents
For the Year Ended June 30, 2018

This part of the City of Seal Beach comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	134 - 143
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate it's property and sales taxes.	144 - 147
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	148 - 154
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	155 - 156
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	157 - 160

City of Seal Beach
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013
Governmental activities:					
Net investment in capital assets,	\$ 64,630,230	\$ 64,607,970	\$ 68,117,517	\$ 70,801,667	\$ 73,693,829
Restricted	5,004,891	6,190,852	5,179,337	2,662,285	3,271,671
Unrestricted	32,204,164	30,050,739	27,557,417	29,666,427	23,570,750
Total governmental activities net position	<u>\$ 101,839,285</u>	<u>\$ 100,849,561</u>	<u>\$ 100,854,271</u>	<u>\$ 103,130,379</u>	<u>\$ 100,536,250</u>
Business-type activities:					
Net investment in capital assets,	\$ 27,007,845	\$ 27,416,082	\$ 29,552,934	\$ 32,020,831	\$ 32,645,747
Restricted	396,321	294,407	-	-	-
Unrestricted	12,314,589	14,376,270	13,633,764	11,318,443	12,593,950
Total business-type activities net position	<u>\$ 39,718,755</u>	<u>\$ 42,086,759</u>	<u>\$ 43,186,698</u>	<u>\$ 43,339,274</u>	<u>\$ 45,239,697</u>
Primary government:					
Net investment in capital assets,	\$ 91,638,075	\$ 92,024,052	\$ 97,670,451	\$ 102,822,498	\$ 106,339,576
Restricted	5,401,212	6,485,259	5,179,337	2,662,285	3,271,671
Unrestricted	44,518,753	44,427,009	41,191,181	40,984,870	36,164,700
Total primary government net position	<u>\$ 141,558,040</u>	<u>\$ 142,936,320</u>	<u>\$ 144,040,969</u>	<u>\$ 146,469,653</u>	<u>\$ 145,775,947</u>

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017 (As Restated)	2018
Governmental activities:					
Net investment in capital assets,	\$ 72,498,068	\$ 74,296,935	\$ 73,939,948	\$ 72,399,752	\$ 72,667,466
Restricted	4,426,990	3,842,792	3,866,679	4,587,081	4,207,675
Unrestricted	25,953,129	4,097,282	4,713,193	(3,660,561)	(4,911,027)
Total governmental activities net position	<u>\$ 102,878,187</u>	<u>\$ 82,237,009</u>	<u>\$ 82,519,820</u>	<u>\$ 73,326,272</u>	<u>\$ 71,964,114</u>
Business-type activities:					
Net investment in capital assets,	\$ 32,360,440	\$ 34,451,074	\$ 34,145,069	\$ 33,109,258	\$ 31,663,486
Restricted	-	-	-	-	25,082
Unrestricted	15,532,304	12,470,553	13,544,158	12,625,701	14,709,960
Total business-type activities net position	<u>\$ 47,892,744</u>	<u>\$ 46,921,627</u>	<u>\$ 47,689,227</u>	<u>\$ 45,734,959</u>	<u>\$ 46,398,528</u>
Primary government:					
Net investment in capital assets,	\$ 104,858,508	\$ 108,748,009	\$ 108,085,017	\$ 105,509,010	\$ 104,330,952
Restricted	4,426,990	3,842,792	3,866,679	4,587,081	4,232,757
Unrestricted	41,485,433	16,567,835	18,257,351	8,965,140	9,798,933
Total primary government net position	<u>\$ 150,770,931</u>	<u>\$ 129,158,636</u>	<u>\$ 130,209,047</u>	<u>\$ 119,061,231</u>	<u>\$ 118,362,642</u>

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses:					
Governmental activities:					
General government	\$ 5,713,338	\$ 6,462,182	\$ 8,135,200	\$ 6,477,795	\$ 5,373,180
Public safety	13,191,707	14,322,026	13,493,413	14,152,774	15,005,590
Community development	1,979,889	3,332,329	1,654,009	1,372,334	1,781,188
Community services	978,504	1,109,303	1,040,723	940,754	1,272,680
Public works	5,307,470	7,745,817	6,304,343	6,577,233	6,212,516
Interest on long-term debt	1,083,063	889,721	1,012,516	693,065	574,763
Total governmental activities expenses	<u>28,253,971</u>	<u>33,861,378</u>	<u>31,640,204</u>	<u>30,213,955</u>	<u>30,219,917</u>
Business-type activities:					
Water utility	3,815,798	4,063,497	4,005,747	4,165,575	4,267,840
Sewer utility	1,331,610	1,452,748	1,412,326	1,402,249	1,520,478
Total business-type activities expenses	<u>5,147,408</u>	<u>5,516,245</u>	<u>5,418,073</u>	<u>5,567,824</u>	<u>5,788,318</u>
Total primary government expenses	<u>33,401,379</u>	<u>39,377,623</u>	<u>37,058,277</u>	<u>35,781,779</u>	<u>36,008,235</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	2,506,070	2,190,386	1,770,024	1,462,840	450,911
Public safety	1,424,996	1,725,519	1,515,727	1,667,184	1,565,527
Community development	95,824	92,163	92,131	130,118	111,008
Community services	619,334	737,470	815,779	930,501	981,440
Public works	1,909,011	1,817,794	1,738,965	1,869,575	1,980,116
Operating contributions and grants	1,604,904	1,999,260	1,775,825	5,890,556	5,837,093
Capital grants and contributions	224,264	422,645	23,967	44,405	-
Total governmental activities program revenues	<u>8,384,403</u>	<u>8,985,237</u>	<u>7,732,418</u>	<u>11,995,179</u>	<u>10,926,095</u>
Business-type activities:					
Charges for services:					
Water utility	5,818,135	5,655,433	4,190,824	4,376,906	4,924,109
Sewer utility	2,075,431	2,184,287	2,212,559	2,442,608	2,675,201
Total business-type activities program revenues	<u>7,893,566</u>	<u>7,839,720</u>	<u>6,403,383</u>	<u>6,819,514</u>	<u>7,599,310</u>
Total primary government program revenues	<u>16,277,969</u>	<u>16,824,957</u>	<u>14,135,801</u>	<u>18,814,693</u>	<u>18,525,405</u>
Net revenues (expenses):					
Governmental activities	(19,869,568)	(24,876,141)	(23,907,786)	(18,218,776)	(19,293,822)
Business-type activities	2,746,158	2,323,475	985,310	1,251,690	1,810,992
Total net revenues (expenses)	<u>\$ (17,123,410)</u>	<u>\$ (22,552,666)</u>	<u>\$ (22,922,476)</u>	<u>\$ (16,967,086)</u>	<u>\$ (17,482,830)</u>

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property taxes	\$ 11,054,451	\$ 10,738,530	\$ 10,794,375	\$ 10,337,486	\$ 9,958,198
Transient occupancy taxes	1,198,376	1,108,785	1,221,491	970,275	1,289,007
Sales tax	3,974,341	4,680,846	4,160,359	4,930,037	5,408,756
Franchise taxes	980,148	941,785	1,030,736	1,008,031	1,126,398
Utility users taxes	5,326,486	5,056,233	5,310,666	5,484,256	4,732,597
Other taxes	393,570	151,724	228,449	338,176	328,743
Motor vehicle in lieu, unrestricted	88,304	76,234	119,022	12,868	13,333
Use of money and property	892,341	752,771	735,082	714,342	372,693
Other	43,881	319,134	312,316	230,997	331,175
Transfers	-	60,375	-	-	-
Extraordinary Gain(loss)	-	-	-	(3,531,584)	-
Total governmental activities	<u>23,951,898</u>	<u>23,886,417</u>	<u>23,912,496</u>	<u>20,494,884</u>	<u>23,560,900</u>
Business-type activities:					
Use of money and property	278,754	92,259	109,160	96,774	84,371
Other	800	12,645	5,469	4,112	5,060
Transfers	-	(60,375)	-	-	-
Extraordinary Gain(loss)	-	-	-	(1,200,000)	-
Total business-type activities	<u>279,554</u>	<u>44,529</u>	<u>114,629</u>	<u>(1,099,114)</u>	<u>89,431</u>
Total primary government	<u>24,231,452</u>	<u>23,930,946</u>	<u>24,027,125</u>	<u>19,395,770</u>	<u>23,650,331</u>
Changes in net position:					
Governmental activities	4,082,330	(989,724)	4,710	2,276,108	4,267,078
Business-type activities	3,025,712	2,368,004	1,099,939	152,576	1,900,423
Total primary government	<u>\$ 7,108,042</u>	<u>\$ 1,378,280</u>	<u>\$ 1,104,649</u>	<u>\$ 2,428,684</u>	<u>\$ 6,167,501</u>

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses:					
Governmental activities:					
General government	\$ 5,040,070	\$ 6,551,584	\$ 6,264,368	\$ 5,894,947	\$ 6,161,230
Public safety	15,999,900	16,022,465	16,972,880	19,867,060	19,877,068
Community development	1,306,898	1,393,712	1,100,110	1,218,902	1,593,008
Community services	1,079,006	1,129,300	1,036,627	995,468	964,634
Public works	6,902,521	7,862,892	6,956,443	6,992,604	7,367,882
Interest on long-term debt	487,221	444,132	349,652	342,951	225,675
Total governmental activities expenses	<u>30,815,616</u>	<u>33,404,085</u>	<u>32,680,080</u>	<u>35,311,932</u>	<u>36,189,497</u>
Business-type activities:					
Water utility	4,439,797	4,037,798	4,102,228	4,977,160	4,668,618
Sewer utility	1,730,940	1,661,225	1,676,651	2,639,043	2,539,783
Total business-type activities expenses	<u>6,170,737</u>	<u>5,699,023</u>	<u>5,778,879</u>	<u>7,616,203</u>	<u>7,208,401</u>
Total primary government expenses	<u>36,986,353</u>	<u>39,103,108</u>	<u>38,458,959</u>	<u>42,928,135</u>	<u>43,397,898</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	1,632,975	1,820,019	2,074,448	1,913,909	2,062,987
Public safety	1,384,701	2,132,176	1,521,220	2,045,589	1,903,530
Community development	182,021	186,858	192,878	217,486	300,640
Community services	1,062,796	1,020,316	1,015,517	707,813	733,456
Public works	1,962,242	1,937,305	1,832,289	2,105,747	2,398,039
Operating contributions and grants	2,402,490	2,768,435	2,122,139	1,721,167	2,334,480
Capital grants and contributions	10,000	20,000	10,000	174,685	79,175
Total governmental activities program revenues	<u>8,637,225</u>	<u>9,885,109</u>	<u>8,768,491</u>	<u>8,886,396</u>	<u>9,812,307</u>
Business-type activities:					
Charges for services:					
Water utility	5,092,152	4,556,001	4,261,566	4,782,468	5,097,807
Sewer utility	2,775,332	2,765,357	2,466,869	2,784,942	2,928,885
Total business-type activities program revenues	<u>7,867,484</u>	<u>7,321,358</u>	<u>6,728,435</u>	<u>7,567,410</u>	<u>8,026,692</u>
Total primary government program revenues	16,504,709	17,206,467	15,496,926	16,453,806	17,838,999
Net revenues (expenses):					
Governmental activities	(22,178,391)	(23,518,976)	(23,911,589)	(26,425,536)	(26,377,190)
Business-type activities	1,696,747	1,622,335	949,556	(48,793)	818,291
Total net revenues (expenses)	<u>\$ (20,481,644)</u>	<u>\$ (21,896,641)</u>	<u>\$ (22,962,033)</u>	<u>\$ (26,474,329)</u>	<u>\$ (25,558,899)</u>

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property taxes	\$ 9,498,277	\$ 10,050,815	\$ 10,408,505	\$ 11,012,246	\$ 11,180,197
Transient occupancy taxes	1,509,095	1,525,723	1,655,376	1,693,515	1,666,996
Sales tax	4,742,859	4,246,080	4,228,730	4,379,341	4,303,618
Franchise taxes	1,324,860	1,163,595	955,922	1,016,938	1,059,581
Utility users taxes	4,644,218	4,646,434	4,445,180	4,177,713	4,186,554
Other taxes	555,804	344,789	197,166	190,510	163,277
Motor vehicle in lieu, unrestricted	11,035	10,659	9,960	11,235	13,102
Use of money and property	674,875	725,720	1,004,572	425,014	300,817
Other	544,406	356,749	536,175	214,219	1,762,390
Transfers	378,500	378,500	378,500	378,500	378,500
Extraordinary Gain(loss)	-	694,585	-	-	-
Total governmental activities	<u>23,883,929</u>	<u>24,143,649</u>	<u>23,820,086</u>	<u>23,499,231</u>	<u>25,015,032</u>
Business-type activities:					
Use of money and property	133,995	109,575	176,437	167,661	223,778
Other	805	3,698	20,107	-	-
Transfers	(378,500)	(378,500)	(378,500)	(378,500)	(378,500)
Extraordinary Gain(loss)	1,200,000	-	-	-	-
Total business-type activities	<u>956,300</u>	<u>(265,227)</u>	<u>(181,956)</u>	<u>(210,839)</u>	<u>(154,722)</u>
Total primary government	<u>24,840,229</u>	<u>23,878,422</u>	<u>23,638,130</u>	<u>23,288,392</u>	<u>24,860,310</u>
Changes in net position:					
Governmental activities	1,705,538	624,673	(91,503)	23,499,231	(1,362,158)
Business-type activities	2,653,047	1,357,108	767,600	(210,839)	663,569
Total primary government	<u>\$ 4,358,585</u>	<u>\$ 1,981,781</u>	<u>\$ 676,097</u>	<u>\$ 23,288,392</u>	<u>\$ (698,589)</u>

Source: Finance Department, City of Seal Beach.

City of Seal Beach
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011 ⁽¹⁾	2012	2013
General fund:					
Reserved	\$ 211,000	\$ 30,300	\$ -	\$ -	\$ -
Unreserved	36,254,127	29,988,551	-	-	-
Total general fund	<u>\$ 36,465,127</u>	<u>\$ 30,018,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:					
Reserved	\$ 1,888,229	\$ 1,880,130	\$ -	\$ -	\$ -
Unreserved, reported in:					
Low and moderate housing	1,699,688	1,268,309	-	-	-
Special revenue funds	2,397,828	2,264,014	-	-	-
Debt service funds	2,108,727	1,922,685	-	-	-
Capital project funds	4,202,108	4,126,432	-	-	-
Total all other governmental funds	<u>\$ 12,296,580</u>	<u>\$ 11,461,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund:					
Nonspendable	\$ -	\$ -	\$ 100	\$ -	\$ -
Restricted	-	-	-	-	-
Assigned	-	-	9,371,679	9,106,458	8,301,699
Unassigned	-	-	16,952,806	19,263,118	21,149,350
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,324,585</u>	<u>\$ 28,369,576</u>	<u>\$ 29,451,049</u>
All Other government funds:					
Nonspendable	\$ -	\$ -	\$ 1,957,603	\$ -	\$ -
Restricted	-	-	5,179,337	2,662,285	3,271,671
Assigned	-	-	2,825,953	87,375	89,004
Unassigned	-	-	(134,079)	(470,485)	(56,810)
Total all Other government funds:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,828,814</u>	<u>\$ 2,279,175</u>	<u>\$ 3,303,865</u>

⁽¹⁾ Fund balances classification was changed in fiscal year 2011 due to implementation of GASB 54.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
General fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Total general fund	<u>\$ -</u>				
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Low and moderate housing	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>				
General Fund:					
Nonspendable	\$ 1,549,735	\$ 666,102	\$ 682,859	\$ 2,877	\$ 32,495
Restricted	-	-	-	12,277	5,266
Assigned	8,227,258	7,623,994	7,610,286	7,478,281	8,289,150
Unassigned	<u>22,314,838</u>	<u>21,711,517</u>	<u>20,811,037</u>	<u>19,770,202</u>	<u>17,491,623</u>
Total general fund	<u>\$ 32,091,831</u>	<u>\$ 30,001,613</u>	<u>\$ 29,104,182</u>	<u>\$ 27,263,637</u>	<u>\$ 25,818,534</u>
All Other government funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,426,990	3,842,792	3,866,679	4,131,203	4,110,558
Assigned	71,993	-	-	-	-
Unassigned	<u>(368,629)</u>	<u>(525,408)</u>	<u>(51,254)</u>	<u>(184,908)</u>	<u>(34,159)</u>
Total all Other government funds:	<u>\$ 4,130,354</u>	<u>\$ 3,317,384</u>	<u>\$ 3,815,425</u>	<u>\$ 3,946,295</u>	<u>\$ 4,076,399</u>

Source: Finance Department, City of Seal Beach

City of Seal Beach
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues:					
Taxes	\$ 23,399,203	\$ 22,689,660	\$ 23,624,925	\$ 24,165,883	\$ 23,831,431
Licenses and permits	1,527,024	1,586,337	1,179,759	926,761	1,247,750
Intergovernmental	1,572,675	1,644,511	949,294	5,058,175	3,002,321
Charges for services	4,183,018	4,150,239	3,769,165	4,044,566	4,117,034
Use of money and property	893,879	626,019	735,082	714,342	372,693
Fines and forfeitures	944,950	1,029,510	983,702	1,085,291	1,063,172
Contributions from other governments	-	-	-	-	10,209
Miscellaneous	76,510	337,986	312,316	234,597	301,771
Total revenues	32,597,259	32,064,262	31,554,243	36,229,615	33,946,381
Expenditures					
Current:					
General government	5,611,104	6,280,260	7,211,870	5,169,799	5,062,467
Public safety	12,485,796	13,377,245	13,297,057	13,948,663	14,460,833
Community development	1,949,425	3,346,961	1,649,921	1,353,068	1,420,065
Community services	908,708	1,036,376	965,222	880,983	1,182,716
Public works	3,557,704	2,817,379	4,059,001	4,047,013	4,156,616
Capital outlay	4,725,348	9,438,315	6,622,692	5,530,575	3,316,684
Debt service:					
Principal retirement	1,418,230	1,942,476	2,066,373	2,195,014	1,734,446
Interest and fiscal charges	1,048,026	903,286	1,027,743	790,581	562,184
Bond issuance costs	1,316	-	-	-	-
Total expenditures	31,705,657	39,142,298	36,899,879	33,915,696	31,896,011
Excess (deficiency) of revenue over (under) expenditures	891,602	(7,078,036)	(5,345,636)	2,313,919	2,050,370
Other financing sources (uses):					
Transfers in	11,180,500	12,577,549	9,370,333	8,209,025	5,825,432
Transfers out	(13,180,500)	(12,780,799)	(9,370,333)	(8,209,025)	(6,135,432)
Debt issuance	6,300,000	-	-	-	-
Proceeds on sale of assets	-	-	18,614	-	-
Total other financing sources (uses)	4,300,000	(203,250)	18,614	-	(310,000)
Extraordinary gain/(loss) on dissolution of redevelopment agency	-	-	-	(7,818,567)	-
Net change in fund balances	\$ 5,191,602	\$ (7,281,286)	\$ (5,327,022)	\$ (5,504,648)	\$ 1,740,370
Debt service as a percentage of noncapital expenditures	9.1%	9.6%	10.2%	10.5%	8.0%

Note: On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues:					
Taxes	\$ 23,476,034	\$ 23,114,876	\$ 22,828,144	\$ 23,368,371	\$ 24,021,668
Licenses and permits	1,369,275	1,377,131	1,304,924	1,234,590	1,480,971
Intergovernmental	869,294	1,725,127	1,388,056	744,904	1,530,815
Charges for services	3,895,371	3,961,691	4,214,690	5,349,083	4,586,949
Use of money and property	674,875	725,720	1,004,572	426,418	347,117
Fines and forfeitures	1,013,695	1,146,509	1,110,606	152,845	1,089,515
Contributions from other governments	341,698	330,885	283,222	180,511	55,765
Miscellaneous	579,125	375,588	537,777	492,245	520,420
Total revenues	<u>32,219,367</u>	<u>32,757,527</u>	<u>32,671,991</u>	<u>31,948,967</u>	<u>33,633,220</u>
Expenditures					
Current:					
General government	4,493,594	5,462,668	5,351,130	5,673,309	5,757,859
Public safety	15,439,757	15,811,773	16,378,416	17,395,965	18,148,871
Community development	1,298,071	1,362,308	1,175,339	1,186,081	1,488,921
Community services	1,048,427	1,129,497	1,075,282	1,004,690	954,018
Public works	4,871,887	5,631,015	4,862,058	4,586,373	4,967,066
Capital outlay	2,094,120	4,578,308	2,645,823	1,506,476	2,567,080
Debt service:					
Principal retirement	1,265,135	1,337,573	1,490,150	2,162,379	1,640,521
Interest and fiscal charges	492,935	441,040	355,819	353,322	231,779
Bond issuance costs					
	<u>31,003,926</u>	<u>35,754,182</u>	<u>33,334,017</u>	<u>33,868,595</u>	<u>35,756,115</u>
Excess (deficiency) of revenue over (under) expenditures	<u>1,215,441</u>	<u>(2,996,655)</u>	<u>(662,026)</u>	<u>(1,919,628)</u>	<u>(2,122,895)</u>
Other financing sources (uses):					
Transfers in	4,363,955	7,012,848	5,602,944	4,472,129	5,714,614
Transfers out	(4,295,455)	(6,919,381)	(5,340,308)	(4,262,176)	(4,906,717)
Debt issuance	1,546,931	-	-	-	-
Proceeds on sale of assets	-	-	-	-	-
Total other financing sources (uses)	<u>1,615,431</u>	<u>93,467</u>	<u>262,636</u>	<u>209,953</u>	<u>807,897</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency	-	-	-	-	-
Net change in fund balances	<u>\$ 2,830,872</u>	<u>\$ (2,903,188)</u>	<u>\$ (399,390)</u>	<u>\$ (1,709,675)</u>	<u>\$ (1,314,998)</u>
Debt service as a percentage of noncapital expenditures	6.1%	5.7%	6.0%	7.8%	5.6%

City of Seal Beach
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2009	\$4,031,469,067	\$225,415,156	\$4,256,884,223	\$427,188,898	\$5,536,607	\$432,725,505	1.00%
2010	4,067,713,475	173,507,894	4,241,221,369	434,606,835	9,702,557	444,309,392	1.00%
2011	4,114,053,573	167,978,268	4,282,031,841	408,349,567	10,330,287	418,679,854	1.00%
2012	4,219,133,372	215,211,254	4,434,344,626	410,499,845	6,813,130	417,312,975	1.00%
2013	4,304,310,243	176,246,398	4,480,556,641	424,660,008	7,294,003	431,954,011	1.00%
2014	4,408,299,607	172,172,784	4,580,472,391	453,448,325	8,270,821	461,719,146	1.00%
2015	4,706,609,532	184,449,987	4,891,059,519	556,548,983	3,863,246	560,412,229	1.00%
2016	4,794,299,125	287,392,225	5,081,691,350	530,597,248	32,693,247	563,290,495	1.00%
2017	4,978,010,106	189,618,406	5,167,628,512	300,533,393	2,090,757	302,624,150	1.00%
2018	5,233,421,188	194,765,328	5,428,186,516	309,374,617	2,150,646	311,525,263	1.00%

¹ Beginning with the fiscal year ended June 30, 2003, exemptions are netted directly against the individual property categories.

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County of Orange, Auditor - Controller Assessed Valuations Detail

City of Seal Beach
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Direct Rates:										
City Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:										
Orange County Bonds	0.01472	0.01673	0.01750	0.01754	0.01881	0.03015	0.03015	0.03092	0.03092	0.03116
Metropolitan Water District	0.00430	0.00430	0.03347	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Other Districts	0.00000	0.01995	0.00370	0.03603	0.04124	0.04830	0.04821	0.05219	0.05219	0.04833
Total Direct Rate	<u>1.01951</u>	<u>1.01902</u>	<u>1.04098</u>	<u>1.05467</u>	<u>1.05727</u>	<u>1.06355</u>	<u>1.08195</u>	<u>1.08661</u>	<u>1.08661</u>	<u>1.08299</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

Source: County of Orange, Auditor-Controller's Office

City of Seal Beach
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018		2009	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Seal Beach Mutual	\$ 914,668,738	17.05%	\$ 656,751,714	15.42%
Rossmoor Shops LLC			142,839,149	3.35%
Bixbybit-Bixby Office Park LLC			127,500,000	2.99%
CPT Shops at Rossmoor LLC	124,331,977	2.32%		
ASN Long Beach LLC	119,697,477	2.23%		
Boeing North American	119,397,863	2.23%	119,666,567	2.81%
Terra Funding-Bixby Ranch LLC	90,490,380	1.69%		
ASN Long Beach LLC			81,964,792	1.92%
AI United States Seal Beach Senior Housing	51,215,709	0.95%		
OXY Long Beach Inc	50,791,103	0.95%		
Ranch Town Center LLC	45,923,783	0.86%		
AI United States Seal Beach Senior Housing			44,906,682	1.05%
DCOR LLC			40,981,013	0.96%
Ranch Town Center LLC			40,086,501	0.94%
OXY Long Beach Inc			38,000,000	0.89%
Columbia Regency Retail Partners LLC			37,422,519	0.88%
Columbia Regency Retail Partners LLC	24,983,179	0.47%		
Old Ranch Country Club LLC	22,693,175	0.42%		
	<u>\$ 1,564,193,384</u>	<u>29.17%</u>	<u>\$ 1,330,118,937</u>	<u>31.21%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: HDL Coren & Cone

City of Seal Beach
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2009	\$ 8,567,293	\$ 8,285,120	96.71%	\$ 107,589	\$ 8,392,709	97.96%
2010	8,362,560	7,314,382	87.47%	257,026	7,571,408	90.54%
2011	8,385,415	8,190,860	97.68%	178,283	8,369,142	99.81%
2012	8,608,773	8,404,621	97.63%	125,019	8,529,640	99.08%
2013	8,814,252	8,629,271	97.90%	118,645	8,747,916	99.25%
2014	9,407,263	9,240,201	98.22%	103,007	9,343,208	99.32%
2015	10,438,079	10,222,017	97.93%	73,362	10,295,379	98.63%
2016	10,472,603	10,196,356	97.36%	81,860	10,278,216	98.14%
2017	10,945,834	10,710,665	97.85%	65,706	10,776,371	98.45%
2018	11,415,167	11,226,591	98.35%	66,149	11,292,740	98.93%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012.

Source: Orange County Tax Ledger

City of Seal Beach
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities

Fiscal Year Ended June 30	Capital Lease	Countrywide Financing Authority Lease	Tax Allocation Bonds	Pension Obligation Bonds	Fire Station Bonds	Climatec	Total Governmental Activities
2009	\$ 534,444	\$ 335,000	\$ 6,410,000	\$ 10,219,000	\$ 6,195,000	\$ -	\$ 23,693,444
2010	433,968	230,000	6,005,000	9,307,000	5,775,000	-	21,750,968
2011	323,595	120,000	5,575,000	8,311,000	5,355,000	-	19,684,595
2012	202,581	-	-	7,227,000	4,935,000	-	12,364,581
2013	70,135	-	-	6,045,000	4,515,000	-	10,630,135
2014	-	-	-	5,270,000	4,095,000	1,562,400	10,927,400
2015	-	-	-	4,411,000	3,675,000	1,488,358	9,574,358
2016	-	-	-	3,461,000	3,255,000	1,368,208	8,084,208
2017	-	-	-	2,414,000	2,835,000	672,829	5,921,829
2018	-	-	-	1,263,000	2,415,000	603,308	4,281,308

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. In addition on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012. The debt was transferred to the Successor Agency to the Seal Beach Redevelopment Agency.

¹See the schedule of Demographic and Economic Statistics on page 155 for personal income and population data.

*Data not readily available.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Business-type Activities							
	Economic Development Administration Loan	Sewer Certificates of Participation	Sewer 2011 Installment Agreement	Sewer State Revolving Agreement	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
2009	\$ 121,962	\$ 3,555,000	\$ -	\$ -	\$ 3,676,962	\$ 27,370,406	*	1,058
2010	111,016	3,460,000	-	-	3,571,016	25,321,984	*	974
2011	99,521	-	3,200,000	-	3,299,521	24,184,116	*	930
2012	87,453	-	3,085,000	-	3,172,453	16,737,034	*	687
2013	74,780	-	2,965,000	4,645,401	7,685,181	19,515,316	*	750
2014	-	-	2,835,000	4,068,778	6,903,778	19,031,178	*	732
2015	-	-	2,705,000	3,893,311	6,598,311	17,125,013	*	697
2016	-	-	2,565,000	3,718,034	6,283,034	15,081,352	*	613
2017	-	-	2,420,000	3,538,201	5,958,201	5,958,201	*	483
2018	-	-	2,270,000	3,353,690	5,623,690	9,904,998	*	398

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. In addition on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012. The debt was transferred to the Successor Agency to the Seal Beach Redevelopment Agency.

¹See the schedule of Demographic and Economic Statistics on page 155 for personal income and population data.

*Data not readily available.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Bonds	Private Placement Bonds	Total Bonds	Percent of Assessed Value ¹	Per Capita
2009	\$ 6,410,000	\$ 16,414,000	\$ 22,824,000	0.47%	\$ 882
2010	6,005,000	15,082,000	21,087,000	0.43%	811
2011	5,575,000	13,666,000	19,241,000	0.38%	790
2012	-	12,162,000	12,162,000	0.24%	497
2013	-	10,560,000	10,560,000	0.21%	406
2014	-	9,365,000	9,365,000	0.19%	360
2015	-	8,086,000	8,086,000	0.15%	329
2016	-	6,716,000	6,716,000	0.12%	273
2017	-	4,507,180	5,249,000	0.10%	213
2018	-	2,937,013	2,937,013	0.05%	118

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Note:

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. The Redevelopment Agency was dissolved on February 1, 2012. The debt was transferred to the Successor Agency to the Seal Beach Redevelopment Agency

Source: Finance Department, City of Seal Beach

City of Seal Beach
Schedule of Direct and Overlapping Debt
June 30, 2018

<u>2017-18 Assessed Valuation:</u>	\$5,428,186,516		Total Debt		City's Share of
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable ⁽¹⁾</u>	<u>6/30/2018</u>	<u>Debt 6/30/18</u>		
Metropolitan Water District	0.198%	\$ 60,600,000	\$ 119,988		
Coast Community College District	2.926%	781,334,504	22,861,848		
North Orange Jt. Community College District	1.245%	206,054,001	2,565,372		
Los Alamitos Unified School District School Facilities Imp District No.1	49.737%	103,895,227	51,674,369		
Huntington Beach Union High School District	0.0001%	187,014,998	187		
Ocean View School District	0.0003%	45,000,000	135		
City of Seal Beach Community Facilities District No. 2002-1	100.000%	3,230,000	3,230,000		
City of Seal Beach Community Facilities District No. 2005-1	100.000%	8,050,000	<u>8,050,000</u>		
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT					<u>\$ 88,501,899</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>					
Orange County General Fund Obligations	0.973%	\$ 210,347,000	\$ 2,046,676		
Orange County Pension Obligations	0.973%	383,564,389	3,732,082		
Orange County Board of Education Certificates of Participation	0.973%	13,990,000	136,123		
North Orange County Regional Occupation Program Certificates of Participation	4.495%	9,610,000	431,970		
Coast Community College District Certificates of Participation	2.926%	3,285,000	96,119		
Los Alamitos Unified School District Certificates of Participation	54.682%	41,431,230	22,655,425		
Other School District General Fund Obligations	0.0001-0.0003%	86,101,090	132		
City of Seal Beach Fire Station Lease Revenue Bonds	100%	2,415,000	2,415,000		
City of Seal Beach Taxable Pension Obligations	100%	1,263,000	1,263,000		
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT					<u>\$ 32,776,527</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100%	\$ 1,925,000	\$ 1,925,000		
TOTAL DIRECT DEBT					<u>\$ 5,249,000</u>
TOTAL OVERLAPPING DEBT					<u>\$ 117,954,426</u>
COMBINED TOTAL DEBT					<u>\$ 123,203,426</u> ⁽²⁾

⁽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 Valuation:

Total Overlapping Tax and Assessment Debt	1.63%
Total Direct Debt (\$3,378,000)	0.07%
Combined Total Debt	2.27%

Ratios to Redevelopment Incremental Valuation (\$310,198,060):

Total Overlapping Tax Increment Debt	0.62%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

City of Seal Beach
Legal Debt Margin Information
Last Ten Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Debit limit	\$ 703,441,459	\$ 702,829,614	\$ 705,106,754	\$ 760,030,328	\$ 736,876,598
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 703,441,459</u>	<u>\$ 702,829,614</u>	<u>\$ 705,106,754</u>	<u>\$ 760,030,328</u>	<u>\$ 736,876,598</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

Note: ¹Under state finance law, the City of Seal Beach's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Orange County Tax Assessor's Office

City of Seal Beach
Legal Debt Margin Information (Continued)
Last Ten Years

	Fiscal Year				
	2014	2015	2016	2017	2018
Debit limit	\$ 756,328,731	\$ 817,720,762	\$ 846,747,277	\$ 820,537,899	\$ 860,757,686
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 756,328,731</u>	<u>\$ 817,720,762</u>	<u>\$ 846,747,277</u>	<u>\$ 820,537,899</u>	<u>\$ 860,757,686</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Valuation	\$ 5,738,384,576
Debt percentage ¹	<u>15%</u>
Debt limit	\$ 860,757,686
Debt applicable to limit	-
Legal debt margin	<u>\$ 860,757,686</u>

Note: ¹Under state finance law, the City of Seal Beach's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Orange County Tax Assessor's Office

City of Seal Beach
Pledged-Revenue Coverage
Last Ten Fiscal Years

2000 Tax Allocation Refunding Bonds				
Fiscal Year Ended June 30	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2009	\$ 1,930,719	\$ 390,000	\$ 338,879	2.65
2010	1,768,919	405,000	318,054	2.45
2011	1,784,964	430,000	296,183	2.46
2012	1,034,695	450,000	396,408	1.22
2013	1,790,960	470,000	330,684	2.24
2014	1,222,425	495,000	229,406	1.69
2015	1,084,135	515,000	204,269	1.51
2016	1,329,344	545,000	177,413	1.84
2017	1,218,363	575,000	148,759	1.68
2018	1,125,053	600,000	118,302	1.57

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Finance Department, City of Seal Beach

City of Seal Beach
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2008	25,851	1,236,921	47,848	3.8%
2009	25,881	1,194,776	46,164	6.6%
2010	26,010	1,045,654	40,202	7.1%
2011	24,354	1,035,313	42,511	6.4%
2012	24,487	1,065,674	43,520	4.1%
2013	24,591	1,082,963	44,039	3.7%
2014	24,586	1,074,777	43,715	4.8%
2015	25,078	1,141,053	45,500	3.9%
2016	24,890	1,164,182	46,773	3.5%
2017	24,890	1,199,969	48,210	3.2%

Sources: HDL Coren & Cone

**City of Seal Beach
Top 25 Sales Tax Producers
Current Year and Nine Years Ago**

Business Name	2017-18	2008-09	Business Category
76	X	X	Service Stations
AT&T Mobility	X	X	Electronics/Appliance Store
Bed Bath & Beyond	X	X	Home Furnishings
Chevron	X	X	Service Stations
Chevron & Auto Repair	X	X	Service Stations
Chick Fil A	X		Quick-Service Restaurants
Circuit City		X	Electronics/Appliance Store
CVS Pharmacy	X	X	Drug Stores
Energy Tubulars	X	X	Petroleum Prod/Equip
Home Goods	X	X	Home Furnishings
In N Out Burgers	X		Quick-Service Restaurants
Islands		X	Casual Dining
Kohls	X	X	Department Stores
Leisure World Automotive 76		X	Service Stations
Mahe		X	Casual Dining
Marshalls	X		Family Apparel
Mobil	X	X	Service Stations
Old Ranch Country Club	X	X	Leisure/Entertainment
Original Parts Group	X	X	Automotive Supply Stores
Pavillions	X		Grocery Stores Liquor
Pinnacle Petroleum		X	Petroleum Prod/Equip
Ralphs	X	X	Grocery Stores Liquor
Roger Dunn Golf Shop	X	X	Sporting Goods/Bike Stores
Seal Beach Chevron	X	X	Service Stations
Seal Beach Chevron		X	Service Stations
Smog Pros		X	Service Stations
Spaghettini	X	X	Fine Dining
Sprouts Farmers Market	X		Grocery Stores Beer/Wine
Target	X	X	Discount Dept Stores
Toys R Us	X		Specialty Stores
Ulta Beauty	X		Specialty Stores
Walts Wharf	X	X	Fine Dining
2017-18 Percent of Fiscal Year Total Paid by Top 25 Accounts = 60.26%			
2008-09 Percent of Fiscal Year Total Paid by Top 25 Accounts = 78.62%			

Firms Listed Alphabetically: Period April Thru March

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

City of Seal Beach
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years

Function	Full-Time and Part-Time Employees as of June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	13.12	14.52	14.52	13.83	10.97	10.56	14.64	14.34	15.92	13.00
Public safety	59.07	65.88	65.88	64.77	63.91	76.78	79.13	74.12	77.19	78.50
Public works	14.76	15.40	15.40	8.36	11.49	11.03	10.94	4.97	3.98	6.00
Community development	13.70	10.18	10.18	8.80	10.60	12.01	18.16	17.25	16.53	13.60
Water	13.00	12.55	12.68	12.48	12.29	12.60	13.80	13.82	12.60	12.90
Sewer	3.95	3.42	3.75	3.95	3.95	5.28	5.91	7.11	7.69	6.71
Total	117.60	121.95	122.41	112.19	113.21	128.26	142.58	131.61	133.91	130.71

Source: Finance Department, City of Seal Beach

City of Seal Beach
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Police:					
Arrests	851	1,151	834	705	819
Parking citations issued	18,464	18,824	17,377	18,528	18,451
Public works:					
Street centerline miles resurfaced	-	4	3	2	2
Number of public right of way permits issued	208	420	141	127	96
Number of street related service requests	282	25	124	121	134
Parks and recreation:					
Number of recreation classes	423	799	457	456	2,156
Number of facility rentals	342	402	308	562	3,182
Water:					
Number of water meters replaced	172	148	158	112	128
Acre feet of water used	3,900	3,680	3,498	3,534	3,818
Sewer:					
Number of feet of sewer cleaned	158,400	239,209	184,047	203,584	245,986
Number of catch basins cleaned	400	388	350	417	417

Source: City of Seal Beach

City of Seal Beach
Operating Indicators by Function (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2014	2015	2016	2017	2018
Police:					
Arrests	758	798	790	781	854
Parking citations issued	18,931	21,043	19,264	18,319	19,929
Public works:					
Street centerline miles resurfaced	1	2	1	-	1
Number of public right of way permits issued	140	151	184	259	231
Number of street related service requests	35	45	40	68	109
Parks and recreation:					
Number of recreation classes	678	781	680	710	1,070
Number of facility rentals	1,763	2,633	557	585	1,030
Water:					
Number of water meters replaced	85	57	76	56	49
Acre feet of water used	3,878	3,540	3,208	3,259	3,208
Sewer:					
Number of feet of sewer cleaned	253,099	253,099	217,619	-	217,619
Number of catch basins cleaned	401	434	458	216	216

Source: City of Seal Beach

City of Seal Beach
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	35	36	36	34	34	34	34	34	34	34
Public works:										
Streets (center line miles)	43	43	43	43	43	43	43	43	43	43
Sidewalk (miles)	86	86	86	86	86	86	86	86	86	86
Signalized intersections	23	23	23	23	23	23	23	23	23	23
Parks and recreation:										
Parks	10	10	10	10	10	10	10	10	10	10
Community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water pipe (miles)	72	72	72	72	72	72	72	72	72	72
Reservoirs	2	2	2	2	2	2	2	2	2	2
Sewer										
Sanitary sewers (miles)	37	37	37	37	37	37	37	37	37	37
Storm sewers (miles)	4	4	4	4	4	4	4	4	4	4
Sewer lift/pump stations	7	7	7	7	7	7	7	7	7	7

Source: City of Seal Beach