

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

May 10, 2005

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Refer the Comprehensive Annual Financial Report to the Budget Oversight Committee.

## DISCUSSION

The Comprehensive Annual Financial Report (CAFR), prepared by Financial Management Department staff, contains audited financial information on all City funds for the fiscal year ending September 30, 2004 (FY 04) in accordance with generally accepted accounting principles. The audit is conducted by KPMG, LLP, a certified public accounting firm, under the direction of the City Auditor. The FY 04 CAFR uses reporting methods reflected in the Governmental Accounting Standards Board Statement No. 34 (GASB 34), the reporting model for all state and local governments. The CAFR is divided into the following sections:

- The Introductory Section provides an overview of the City's financial and economic status.
- The Financial Section, prepared in accordance with the GASB 34 requirements, includes Management's Discussion and Analysis (MD&A) and the Basic Financial Statements. The MD&A provides a narrative overview of the City's financial activities. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's governmental funds and business-type activity funds (such as the Harbor, Water and Gas Funds). Also included in this section is the Independent Auditor's Report (KPMG and City Auditor) on the Basic Financial Statements.
- The Statistical Section includes tables containing historical financial data and non-financial information about the City.

In accordance with Section 302(e) of the City Charter, the CAFR is submitted annually to the City Council. It is important to note that CAFRs are designed to report historical financial information and are not designed to report financial projections.

The CAFR provides Basic Financial Statements where all City assets and liabilities are recorded in one consolidated statement. Total City net assets, as shown on page 23, were \$2.9 billion as of September 30, 2004, which included \$2.5 billion for enterprise operations such as the Harbor Fund, Water Fund and Tidelands Fund. Net assets are in the form of buildings, real property, bond proceeds, funds reserved for capital projects, debt service and grants-funded programs. The majority of these funds are generally restricted by federal or state law and are not available for discretionary use.

Long-term loans due from one fund to another are reported in the individual fund's financial statements. This results in the reporting of \$146.6 million in Redevelopment Agency (RDA) long-term advances due to various funds, including amounts due to the General Fund and Harbor Fund, in the RDA fund financial statements. As a result, the RDA fund shows a deficit fund balance of \$11.7 million. However, on a cash basis, there is no deficit given that the long-term loans will be repaid from future property tax increment that is not reflected in these financial statements.

As of September 30, 2004, the unreserved fund balance for the General Fund was \$47.5 million. This balance included designated General Fund emergency reserves of \$33.8 million, plus \$2.5 million set aside as a general purpose reserve account as required by the City Charter. The combined amount totaled a \$36.3 million "Emergency Reserve". Approximately \$347,000 of the unreserved fund balance is proceeds from the sale of the old police helicopters, set aside for lease payments for a new police helicopter. The remaining \$10.9 million was designated for fiscal year 2005 appropriations.

TIMING CONSIDERATIONS

Action on this item is not time critical.

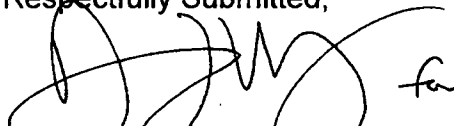
FISCAL IMPACT

There is no fiscal impact associated with this action.

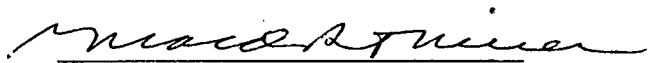
SUGGESTED ACTION:

Approve recommendation.

Respectfully Submitted,

  
MICHAEL A. KILLEBREW  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

  
GERALD R. MILLER  
CITY MANAGER

**City of Long Beach, California**



**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

**Prepared by the Department of Financial Management  
Michael A. Killebrew, Director**

City of Long Beach  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2004

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# CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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GERALD R. MILLER  
CITY MANAGER

March 21, 2005

Honorable Mayor and City Council  
City of Long Beach

In accordance with Section 302(e) of the City Charter, submitted herewith is the Comprehensive Annual Financial Report (CAFR) for the City of Long Beach (City) for the fiscal year ended September 30, 2004. This report has been prepared by the Department of Financial Management in accordance with generally accepted accounting principles (GAAP) and was audited in accordance with generally accepted auditing standards and government auditing standards by the City Auditors' Office and a firm of licensed certified public accountants.

This report contains management's representations concerning the finances of the City, and management assumes full responsibility for the completeness and reliability of all of the information presented. To provide a reasonable basis for making these representations, management of the City of Long Beach has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited jointly by the City Auditor and by KPMG LLP, an international public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended September 30, 2004 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the City's basic financial statements is part of a broader, federally-mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the City's fair presentation of the financial statements, but also

on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. The City's separately issued "Single Audit" report is available by contacting the City's Department of Financial Management.

The City prepared this CAFR using the financial reporting requirements outlined in the Governmental Accounting Standards Board (GASB) Statement No. 34. This statement requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the 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 accompanying financial section.

### **Profile of the Government**

The City of Long Beach, incorporated in 1897, is the fifth largest City in the State of California, located within Los Angeles County in Southern California. The City occupies a land area of approximately 52 square miles and services a population of approximately 487,100.

The City operates under a City Charter adopted in 1921 and last amended in 2002. The City Charter establishes the current Mayor-Council-City Manager form of government. The City is divided into nine councilmanic districts, with Council persons elected to represent their respective districts for up to two four-year terms. The citizens, as a whole, elect a Mayor to serve up to two four-year terms. The City Charter does provide for additional terms, as the current Mayor is serving, but only upon being elected as a "write-in" candidate. The citizens, as a whole, also elect a City Auditor, City Prosecutor and City Attorney to serve four-year terms; however, there are no term limits for these positions. The City Council appoints a City Manager who serves at their discretion. The City Council is a policy-setting body that is responsible, among other things, for passing ordinances, adopting the budget and appointing committees. The City Council appoints, among others, the members of the following advisory commissions and boards:

- Civil Service Commission
- Harbor Commission
- Parks and Recreation Commission
- Citizen Police Complaint Commission
- Water Commission
- Planning Commission

The City Council also either serves as or appoints the voting majority of the governing board for the Parking Authority, the Southeast Resource Recovery Facility (SERRF) Joint Powers Authority, Housing Authority of the City of Long Beach, Long Beach Housing Development Company, Redevelopment Agency of the City of Long Beach, Long Beach Financing Authority, Long Beach Bond Financing Authority, Long Beach Public Transportation Company and the Long Beach Capital Improvement Corporation.

The City Manager is responsible for directing and supervising the administration of all City Manager-directed departments of the City, to see that laws, ordinances, orders, resolutions, contracts, leases and franchises are enforced and executed, and for appointing

all City employees except for classified Civil Service employees, the City Clerk, Elected Officers, and their appointees.

The City provides a full range of municipal services, including police and fire, public health and environmental services, library, parks, recreation and related social services, engineering and public works, sanitation, general administration, planning and community development, public improvements, and gas, water, airport and towing services. The City operates and maintains a world-class international deep-water harbor, a nationally recognized convention center, several beaches and marinas. The City also administers oil extraction operations under a trust agreement with the State of California.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager must submit a proposed budget to the Mayor on or before August 1<sup>st</sup> and the Mayor must present that proposed budget along with recommendations to the City Council on or before August 15<sup>th</sup>. The City Council is required to hold one or more public hearings on the proposed budget and to adopt a final budget on or before September 30, the close of the City's fiscal year. The budget is prepared by fund and department. The City Council adopted the fiscal year 2004 budget prior to September 30, 2003 for all funds except for expendable trust funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

### **Long Beach Faces Current Challenges With the Promise of Future Success**

Despite ongoing financial challenges, the City of Long Beach is making significant strides toward ensuring a prosperous future and an enhanced way of life for all those residing within its environs. After facing a structural deficit of \$100 million just three years ago, careful planning and hard decisions have reduced the deficit to approximately \$30 million. The \$100 million deficit was reduced \$40.8 million in FY 04, and with the adoption of the FY 05 budget it was reduced another \$32.8 million. Although the final steps required to eliminate the deficit will be difficult, elected officials, City management and residents have all demonstrated the unshakeable will to face the problem directly.

In 2004, the population of Long Beach was estimated at over 487,100, making it the fifth largest city in California and one of the thirty-five largest cities in the nation. Long Beach has also been characterized as "America's Most Diverse City" which means that any consensus achieved on matters affecting the future of the City will only be achieved through trust, respect and mutual understanding on the part of City officials, residents and members of the business community. With optimism and determination, these stakeholders are prepared to face the remainder of the 21<sup>st</sup> century with expectations of financial stability and a continually improving quality of life.



### **Entering an Era of Revenue Growth**

Although an increase in commercial development and the completion of upscale housing stock has stimulated an increase in City tax revenues in recent years, net City General Fund revenue growth has been neutralized by the ongoing annual decrease in the Utility Users Tax (UUT) that was mandated by the voters in 2000. Beginning in FY 01, the rate was reduced 1% per year for five years, settling at 5% effective October 1, 2004. In October 2004, the final required reduction in the UUT took effect. Therefore, in future fiscal years there is the expectation that revenue growth will be sufficient to cover natural cost growth once the remainder of the structural deficit is eliminated.

The success of the City's Three-Year Financial Strategic Plan (Plan) in reducing the structural deficit to date is impressive, and the City Council has directed that the Plan be updated each year in order to provide a view of the fiscal challenges and opportunities that lay ahead. Because of the critical decisions that must be made to eliminate the remaining deficit, it is anticipated that the budget for fiscal year 2006 will be the most difficult to design. However, the City Council and residents of the City are keeping their collective eyes on our continued progress and the ultimate prize of a balanced budget.

### **Accelerating the Rebirth of the Community and its Economic Success**

No less a distinguished publication than the *New York Times* has validated the City's worthiness as a destination. In their Travel Section's ongoing "36 Hours" series, which describes ideal weekend trips to various destinations around the United States, the *Times* focused on Long Beach on December 24, 2004. Columnist Nick Madigan stated unequivocally, "Long Beach is cultivating a reputation as an appealing, modern city, with an impeccably clean downtown, cafes, restaurants and a growing arts district." By adding new businesses throughout the community, visitors and residents have more to do, and more reasons to be in Long Beach.

Many of the residential and commercial projects that were under construction in recent years have been completed and many new projects are underway. There is not yet an end in sight to the City's rehabilitation and rebirth.

### **Achievements**

Specific indications of the City's financial progress are illustrated by the following facts:

- The City's General Fund sales tax revenue continues to grow, expanding 58 percent since 1995. Having more people visiting Long Beach and spending their money was one of the City's primary goals established in the middle 1990s.
- Long Beach has led Los Angeles County and the Region in Retail Sales Growth in five of the past six years and retail store sales have improved by more than 85 percent since 1994.
- Long Beach has experienced an approximate 80 percent growth in transient occupancy tax revenue over the past decade.

- The City's investment pool has the highest possible rating for cities from Standard and Poor's Fund Services, affording protection from credit defaults and changing market conditions.
- No investment has been more attractive over the past ten years than Long Beach real estate. Assessed valuation has grown resulting in General Fund secured property tax revenue growth of approximately 32 percent over the last 10 years, with an approximate 5% growth in FY 04.
- CNN and Money Magazine recognized Long Beach's 90802 zip code as one of the "hottest" in the nation.
- The Long Beach Convention & Entertainment Center had 800 event days (multiple events on the same days) during the year attracting two million visitors, further validating the decision to expand the Convention Center in the early 1990s along with the focus on a tourism business sector.
- Overall crime is down more than 6 percent and during the year a Youth and Gang Violence Prevention Task Force was formed, comprised of community members and City staff.
- The Fire Department's Community Emergency Response Team (CERT) has trained over 2,200 citizens in preparing the City to handle major emergencies.
- In December 2004, there were two academy graduations – 65 new police recruits and 21 new fire fighters. The City now has more police on the streets than ever before.
- The 2005 budget was completed with the City's residents having over 60 public opportunities to comment. The City of Long Beach is recognized as having one of the most inclusive and transparent budget processes.
- The City's 12 Library Family Learning Centers continue to meet the needs of children and their parents, providing computer and homework assistance to 34,000 students annually.
- The Miller Health Education Center was opened to provide a vital learning environment dedicated to promoting better health through education and collaboration with the diverse community.

### **The Growth of Tourism**

Tourism, as much as global trade, is gaining in stature as one of the City's primary economic drivers. Through the efforts of the Convention and Visitors Bureau (CVB) and its partners, convention sales have grown each of the past five years. Available west coast exhibit space has expanded by 61 percent. Long Beach has, therefore, had to be more competitive with rival organizations interested in bringing shows and conventions to the west coast.

During 2004, the CVB topped all previous totals by confirming more than 218,000 hotel room nights for future events in Long Beach. That is a 600 percent increase over the room

nights that were booked in 1999. Convenient hotels, an outstanding Convention Center, restaurants, nightclubs, museums, the Aquarium of the Pacific and a growing arts district have brought a new dynamism to downtown.

Tourism was never more evident than during the summer of 2004 when the City hosted the Toyota Aquatics Grand Prix and the Olympic swimming trials. Large crowds saw six world records established, and the City was blessed with extensive free media coverage on NBC and in the *Wall Street Journal*, *Sports Illustrated* and the *New York Times*.

*"The U.S. Olympic Swim Trials were contested in a glorious setting, a temporary pool in Long Beach, constructed just a couple of hundred yards from the Pacific Ocean and ringed each night by close to 10,000 screaming fans sitting in bleachers that rose high above the water."*

- Quote from *New York Times* article

Prospective tourists are further encouraged to choose Long Beach as a destination by the presence of convenient, close-by Long Beach Airport with airlines such as Jet Blue offering direct flights to major cities throughout the nation. In calendar year 2004, Long Beach Airport served a record 2,926,873 passengers, an increase of almost 2 percent from the previous year. In addition, the Carnival Cruise Lines Terminal, which opened in 2003 adjacent to the Queen Mary, served 378,000 departing passengers in 2004; the Carnival operation in Long Beach consists of two ships which embark on 3 and 4 days cruises to Mexico Friday through Monday.

### **Global Trade**

One of the areas where job growth is continuing to accelerate is the City's Port. The Port continues to be a major provider of employment to the local and regional economy. This trend is expected to continue as Pacific Rim trade sustains its uncommon growth. The Port is recognized for its efficiencies, its innovative cargo-handling techniques and its on-dock rail system. The Port's major challenges will be to balance expansion with growing environmental concerns and a more involved, local and regional population that is expecting more attention be paid to mitigating impacts to health and the quality of life.

### **Balancing Continued Growth With Neighborhood Concerns**

Long Beach is continuing to move forward with several noteworthy instances of positive economic growth:

- Downtown Long Beach has benefited from private investment of more than a billion dollars, with more on the way.
- Several thousands of additional, permanent residents are moving in, plus additional hotels are being planned, all of which create a new dimension to our urban quality of life.
- Infrastructure improvements have not been limited to downtown. In the past 18 months, the City has completed the new Emergency Communications and Operations Center and the new North Police Station, rebuilt its Public Safety building and opened the new Cesar Chavez elementary school. In addition, Long Beach added six mini-parks in

underserved areas during 2004, opened the Houghton Skate and BMX Park, renovated the El Dorado Senior Center and began a near-total rebuild of its Marina facilities.

- Additional open space improvements will occur in the coming year with nearly \$7 million made possible by competitive grant funding for park and wetland development projects. Design work is also continuing for the new 16,000 square-foot state-of-the-art Mark Twain branch library, the first 21<sup>st</sup> century library to be built in Long Beach.
- The Long Beach Water Department continues to provide some of the cleanest and best-tasting water in the region at some of the lowest rates. To protect the community from future droughts, the nation's largest federally-authorized desalinating research and development project is being constructed.

### **Future Commercial Development**

- The City is hopeful that the federal government continues to order C-17 airlifters from the Boeing Company, which would extend production in Long Beach beyond 2010. The C-17 continues to prove its humanitarian worth in addition to its military objectives.
- A Boeing site, now called Douglas Park, will be developed into a commercial complex of 137 acres, plus a 100-acre residential component. The Environmental Impact Report has been completed and the City Council has approved the project. The development has the capability, according to Dr. Maggadino of Cal State Long Beach Economics Department, of creating more than 10,000 jobs while also addressing an urgent demand for new housing.

### **Meeting Future Challenges and Opportunities Head On**

The City and its residents have learned valuable lessons in dealing with the recent budget issues. Appropriate checks and balances are in place to ensure that the future includes a balanced budget while continuing to provide core services that residents expect, and doing so in an effective and responsive fashion.

The passage of Proposition 1A in the State's November 2004 election provides protection of City revenues from being diverted by the State. Proposition 1A was the result of intense discussions between the League of California Cities and Governor Schwarzenegger, and its overwhelming passage by voters fulfilled the Governor's pledge to the mayors of the State's ten largest cities to create a mechanism that would protect the future budgets of local communities.

Challenges facing Long Beach today include:

- The Budget
- Neighborhood Enhancement
- The Environment
- Public Safety and Homeland Security
- Transportation
- Training and Education
- Business Development
- Redevelopment
- Housing
- Infrastructure Needs
- Job Creation

It is these 11 areas that will continue to require the attention and dedication of the elected officials, City management, the business community and residents.

The citizens of Long Beach are continually demonstrating the depth of their concerns; they care about their community. They volunteer by the thousands to support the arts and local museums. They volunteer to clean up neighborhoods and beaches. They sweep alleys and join neighborhood watches. Thousands volunteer on innumerable projects to benefit the community.

Despite daunting challenges that must still be overcome, the future prospects of Long Beach remain bright. As Mayor Beverly O'Neill said in her recent State of the City address, "...the future belongs to those who believe in the beauty of their dreams. We have a wonderful opportunity to fulfill our dreams, to take our community, the Long Beach community, and make it indeed one of America's magnificent cities."

### **Cash Management Policies and Practices**

To maintain flexibility in cash management, the City employs a pooled cash system (see Notes 1 and 4 to the Basic Financial Statements in the Financial Section). Under the City's pooling concept, all available cash is invested daily in various securities, while maintaining reasonable liquidity to meet maturing obligations and maximizing return through the use of competitive rate comparisons from various investment sources.

The City's pooled investments for fiscal year 2004 averaged \$1,172,332,000 and earned an annual average return of 2.52%. The City's pooled investments averaged \$936,598,000 for fiscal year 2003 and earned an annual average return of 3.20%.

The rate of return demonstrates that the City maintained a reasonable and safe return on its investments during fiscal year 2004, while employing prudent investment policies to safeguard the City's cash assets and maintaining adequate levels of liquidity. The City's Department of Financial Management presents cash and investment reports to the City Manager, Mayor and City Council each fiscal quarter. The City Auditor also performs a quarterly independent audit of City cash accounts and investments for adherence to the City's Statement of Investment Policy. The City's general investment strategies are set forth in a formal Statement of Investment Policy, which has been written in accordance with State law and is reviewed and approved annually by the City Council.

### **Risk Management**

The City is self-insured for workers' compensation and tort liability. City management believes that sufficient funds have been accumulated in the City's Insurance Internal Service Fund to meet losses as they arise. Various risk control techniques are also in place, including safety training for employees and the inclusion of appropriate legal provisions in third party contracts and leases that are incorporated to minimize risk of loss. Additional information about the City's self-insurance programs is reported in Note 14 to the Basic Financial Statements in the accompanying Financial Section of this report.

## **Debt Administration**

During fiscal year 2004, the City and its agencies issued approximately \$275.2 million in debt as follows:

<b><u>Fund / Agency</u></b>	<b><u>Amount (millions)</u></b>	<b><u>Purpose</u></b>
General Fund	\$ 30.0	Tax Revenue Anticipation Notes
General Fund/Towne Center Site	11.6	Refinance Towne Center Property
Solid Waste Fund/Southeast Resource Recovery Facility (SERRF)	120.2	Refund SERRF 1995 Bonds
Harbor	113.4	Improvements to the Port of Long Beach
	<u>\$ 275.2</u>	

Tax Revenue Anticipation Notes were issued in October 2003 to meet cash flow needs of the City's General Fund. Funds from operations were accumulated prior to September 30, 2004 to pay off the notes.

More detailed information about the debt position of the City is reported in Notes 8 through 11 of the notes to the Basic Financial Statements in the accompanying Financial Section of this report, as well as in Exhibits 7 through 14 of the accompanying Statistical Section.

## **Pension and Other Post Employment Benefits**

The City provides full-time employees retirement and disability benefits, including annual cost-of-living adjustments and death benefits through the California Public Employees' Retirement System (CalPERS), agent multiple-employer public employee defined benefit pension plan. 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. The contribution requirements to the pension plan are established and amended by CalPERS. The City's funding policy is to make contributions as determined by CalPERS. Based on the latest actuarial valuations by CalPERS, as of June 30, 2003, the City was not required to make any contributions out of its budget in fiscal year 2004. The miscellaneous employee's pension plan was funded at 99.0 percent and the safety employee's plan at 103.7 percent, according to CalPERS, compared to 107.2 percent and 106.9 percent, respectively in fiscal year 2003.

The City provides Special Status Contractors, and Seasonal and Temporary employees retirement, death and disability benefits through a Public Agency Retirement System (PARS) defined benefit single employer retirement plan. The PARS plan is administered through a third-party administrator. The City's funding policy is to make the contribution as determined by the PARS plan's actuary. The PARS plan was funded at 282 percent as of June 30, 2004 and the City is not required to make any contributions according to the PARS plan's actuary.

The City also provides post-retirement health care benefits under the provisions of the City's Personnel Ordinance where upon retirement, the City allows retirees, their spouses and eligible dependents to use the cash value at retirement of the employee's accumulated unused sick leave to pay for health, dental and long-term care insurance under the City's Retired Employees Health Care Program. As of September 30, 2004, there were 844 participants in this program at a cost of \$5,858,000 during the fiscal year.

Additional information on the pension arrangements and post employment benefits can be found in Notes 12 and 13 in the accompanying Financial Section of this report.

### **Independent Audit**

Section 803 of the City Charter requires the City Auditor, at least once in each fiscal year, to audit the financial statements of the City. Immediately upon completion of such audit, the City Auditor shall make and file with the City Clerk a written report thereof. The City Auditor contracted with an independent certified public accounting firm to join with his staff in a joint audit of the City's Basic Financial Statements for the fiscal year ended September 30, 2004. The Independent Auditors' report has been included in this report.


### **Awards**

The California Society of Municipal Finance Officers (CSMFO) awards its Certificate of Award for Outstanding Financial Reporting to recognize those entities whose comprehensive annual financial reports are judged to conform substantially to the highest standards for preparation of state and local government financial reports. The Comprehensive Annual Financial Report (CAFR) of the City of Long Beach has been awarded this certificate by the CSMFO for the fiscal year ended September 30, 2003.

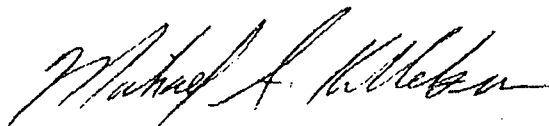
### **Acknowledgments**

We wish to acknowledge the excellent participation and professional contribution of Financial Management and other City departments' staff in the preparation of this document. The CAFR requires a considerable amount of effort and time, in addition to normal daily job duties. Their continued dedication is most appreciated.

Respectfully submitted,



GERALD R. MILLER  
City Manager



MICHAEL A. KILLEBREW  
Director of Financial Management

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2002-2003*

Presented to the

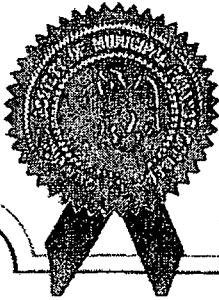
*City of Long Beach*

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*March 1, 2004*

*Bret M. Plumlee*

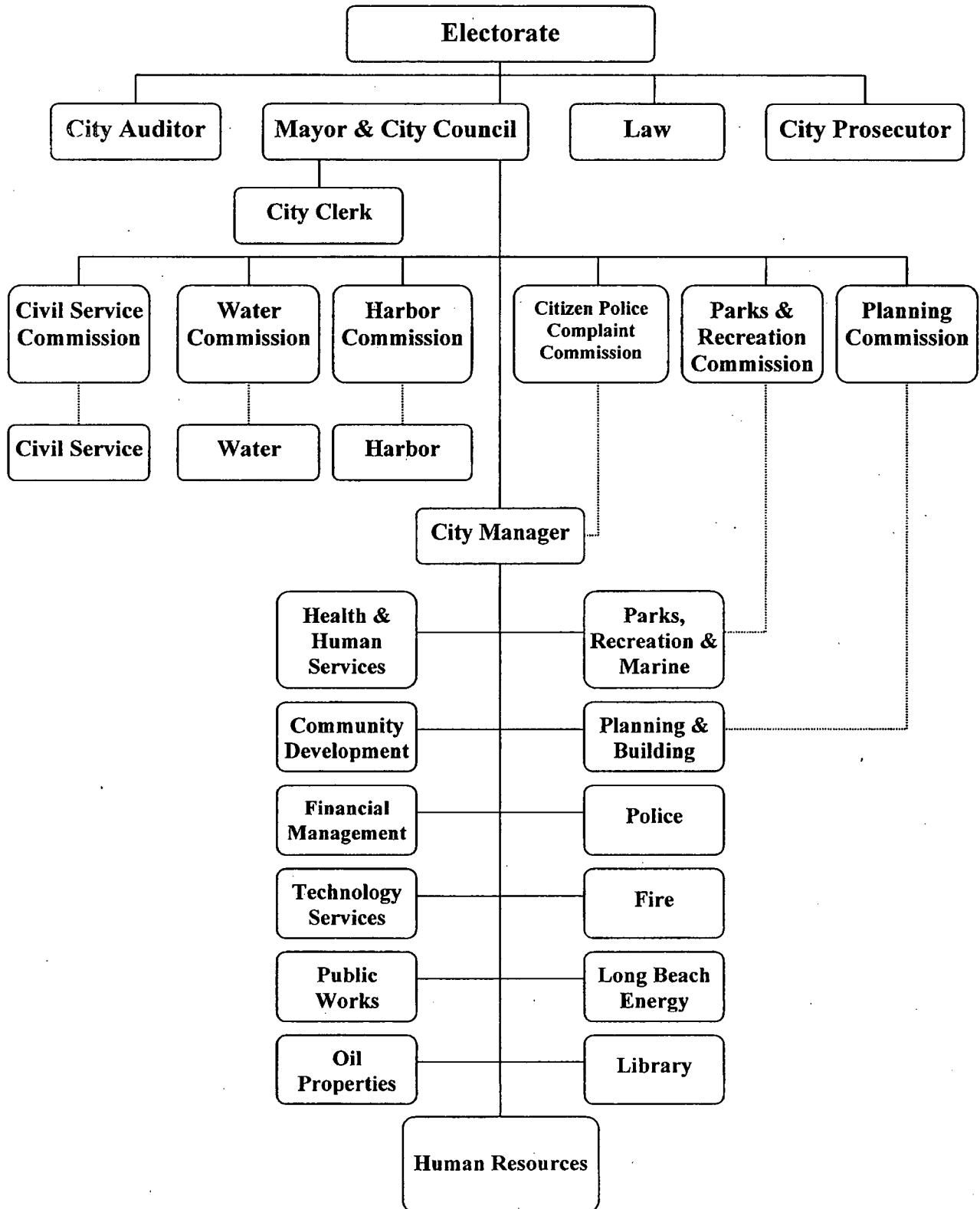
Chair, Professional & Technical Standards Committee



*Dedicated to Excellence in Municipal Financial Management*



**LONG BEACH CITY GOVERNMENT**  
**ORGANIZATION CHART**  
 As of September 30, 2004



Current  
Directory of City Officials \*

Beverly O'Neill  
Mayor

Jackie Kell  
Vice-Mayor  
5th District

Bonnie Lowenthal  
Councilmember  
1st District

Dan Baker  
Councilmember  
2nd District

Frank Colonna  
Councilmember  
3rd District

Patrick O'Donnell  
Councilmember  
4th District

Laura Richardson  
Councilwoman  
6th District

Tonia Reyes Uranga  
Councilmember  
7th District

Rae Gabelich  
Councilwoman  
8th District

Val Lerch  
Councilmember  
9th District

Elected Department Heads

City Attorney  
City Auditor  
City Prosecutor

Robert E. Shannon  
Gary L. Burroughs  
Thomas M. Reeves

Appointed by Council or Commission

City Clerk  
Executive Director - Civil Service  
Executive Director - Harbor  
General Manager - Water

Larry Herrera  
Mario R. Beas  
Richard D. Steinke  
Kevin L. Wattier

City Manager  
Gerald R. Miller

Assistant City Manager  
Christine F. Shippey

Deputy City Managers  
Reginald I. Harrison  
Suzanne R. Mason

Director of Community Development  
Director of Financial Management  
Director of Health and Human Services  
Director of Human Resources and Affirmative Action  
Director of Library Services  
Director of Oil Properties  
Director of Parks, Recreation and Marine  
Director of Planning and Building  
Director of Public Works  
Director of Technology Services  
Director of Long Beach Energy  
Fire Chief  
Chief of Police

Melanie Fallon  
Michael Killebrew  
Ronald Arias  
Kevin Boylan  
Eleanore Schmidt  
Christopher J. Garner  
Phil T. Hester  
Fady Mattar (Acting)  
Christine Andersen  
Curtis Tani  
Christopher J. Garner  
David W. Ellis  
Anthony W. Batts

\* City Officials as of date of printing

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OFFICE OF THE  
CITY AUDITOR

355 South Grand Avenue, Suite 2000  
Los Angeles, CA 90071

333 West Ocean Blvd.  
Long Beach, CA 90802

## Independent Auditors' Report

The Honorable Mayor and City Council  
City of Long Beach, California:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year's comparative information has been derived from the City's 2003 financial statements, and in our report dated January 30, 2004, we express our unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

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

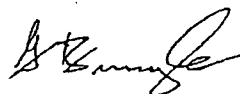
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, the Housing Development Fund, and the Community Development Grants Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 22 and the schedules of the City's pension plan funding progress on pages 123 and 124 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, California's basic financial statements. The accompanying information identified in the table of contents as the introductory section, combining and individual nonmajor fund statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not required parts of the basic financial statements. The accompanying combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financials taken as a whole. The accompanying introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP



Gary L. Burroughs, CPA  
City Auditor

March 17, 2005

## Management's Discussion and Analysis

As management of the City of Long Beach (the City), we present to readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

#### Government-wide:

- The restricted and unrestricted assets of the City exceeded its liabilities as of the close of the fiscal year by \$2.9 billion (*net assets*). Of this amount, \$368.7 million may be used to meet the government's ongoing General Fund, grant funds, capital project and business-type activity obligations to citizens and creditors. Specific expenditure restrictions apply to the grant funds and to much of the Business-type and capital project funds.
- The City's total net assets, including all funds, increased by \$153.6 million, of which \$145.3 million is attributed to the Business-type activity funds.
- The City's total net long-term liabilities, including such items as bonds payable, notes and leases payable and accrued self-insured claims, decreased by \$6.0 million or 0.2 percent during the fiscal year. The City issued revenue bonds for the Towne Center development, Southeast Resource Recovery Facility (SERRF), and the Harbor for \$11.6 million, \$120.2 million and \$113.4 million, respectively. These bond issues refunded prior debt of \$10.7 million of Towne Center Navy notes, \$125.1 million of SERRF bonds and \$127.5 million of Harbor bonds. The City also entered into capital leases of \$5.7 million for the procurement of ambulances, street sweepers and miscellaneous equipment. In addition, the City issued \$30 million of short-term debt in the form of Tax Revenue Anticipation Notes.

#### Fund Basis:

- As of September 30, 2004, unreserved fund balance for the General Fund was \$47.5 million, or 13.7 percent of total General Fund expenditures. This balance includes designated General Fund emergency reserves of \$33.8 million, and \$2.5 million set aside as a general purpose reserve account as allowed by the City Charter, combined totaling a \$36.3 million "Emergency Reserve". It also includes \$10.9 million for FY 05 appropriation and \$0.3 million designated for lease payments for a police helicopter.
- As of September 30, 2004, the City's governmental funds reported an unreserved fund balance deficit of \$43.5 million. The other governmental funds, excluding the General Fund positive unreserved fund balance of \$47.5 million, reported combined ending fund balances of \$91.0 million of net unreserved deficit fund balance. This deficit fund balance consists of a combined \$154.3 million deficit in the Redevelopment Capital Projects Fund, Housing Development Fund, and Housing Assistance Fund, a non-major governmental fund, for long-term advances due to other funds. The remaining positive balance of \$63.3 million in the special revenue grant and capital projects funds is available for spending in accordance with restrictions, where applicable.

## 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: government-wide financial statements, fund financial statements, and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements, including non-major fund financial statements and a statistical section.

### Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 future fiscal periods, such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused employee vacation and sick leave.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, such as grant revenue (*governmental activities*), and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities of the City include those related to legislative and legal, general government, public safety, public health, community and cultural, public works and City oil operations. Business-type activities include those related to gas, water and sewer utilities, airport and solid waste management operations, towing, tidelands, marina and Rainbow Harbor area operations, as well as tidelands oil revenue operations, and the Port of Long Beach.

The government-wide financial statements include not only the City of Long Beach itself (known as the *primary government*), but also a legally separate bus transportation company for which the City of Long Beach is the only shareholder and, therefore, has authority to affect the company. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. Also included in the governmental activities of the government-wide financial statements are the Housing Authority of the City of Long Beach, the Long Beach Housing Development Company, the Redevelopment Agency of the City of Long Beach, the Long Beach Financing Authority and a portion of the Long Beach Bond Finance Authority.

The business-type activities portion of the government-wide financial statements also include the Southeast Resource Recovery Facility, a portion of the Long Beach Bond

Finance Authority, the Long Beach Capital Improvement Corporation and the Parking Authority of the City of Long Beach. Although legally separate from the City, these component units are blended with the primary government because of their close governance by, or financial relationships with the City.

### **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the City are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, to facilitate a comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Housing Development Fund, Community Development Grants Fund, General Capital Projects Fund, and the Redevelopment Capital Projects Fund, each considered to be major funds in accordance with accounting standards. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*, located in the Additional Financial Information section of this report.

The City adopts an annual appropriated budget for its funds. A budgetary comparison is provided for each of the City's governmental funds to demonstrate compliance with this budget. The budgetary comparison statements for the major governmental funds are located in the basic financial statements, while the statements for the non-major governmental funds and capital projects are included in the Additional Financial Information section of this report.

**Proprietary funds** are generally used to account for operations that provide services to the general public on a continuing basis or to internal City departments. Proprietary funds provide the same type of information contained in the business-type activities portion of the



government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds, enterprise and internal service.

**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the gas and water utilities, solid waste management operations, tidelands operations, tideland oil revenue operations and the port, all of which are classified as major funds. The City also reports enterprise operations for the sewer utility, airport, towing operation and land subsidence fund as non-major enterprise funds shown in the Additional Financial Information section of this report.

**Internal Service funds** are accounts used to accumulate and allocate various support costs among the City's various functions. The City uses internal service funds to account for: the operation and financing relating to the Civic Center complex; general services such as information technology assets and services, lease-purchase of equipment, and reprographics equipment and services; operation, maintenance and replacement of the City's fleet of vehicles and related facilities; to fund and account for the City's risk management and self-insurance programs, including workers compensation and general liability; and, to fund and account for compensated absences, employer payroll taxes, health and retirement benefits.

Because these services predominantly benefit governmental rather than business-type functions, they are incorporated into *governmental activities* in the government-wide financial statements. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the Additional Financial Information section of this report.

**Fiduciary funds** are used to account for resources held for the benefit of specified parties and include Private Purpose Trust Funds such as the Miller Library Fund and the Mayor's Fund for the Homeless, and Agency Funds such as special parking and business assessment districts. Fiduciary funds are *not* reflected in the accompanying government-wide financial statements because the resources of those funds are *not* available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found in the Basic Financial Statements section of this report.

### Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information and narrative disclosures that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the Basic Financial Statements and accompanying Notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to above in connection with non-major governmental funds and internal service funds are presented immediately following the required

supplementary information on pensions. Lastly, information regarding capital assets is shown at the end of the Additional Financial Information Section of this report.

### Government-Wide Financial Analysis

Since fiscal year 2002, the City has presented its financial statements using the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for State and Local Governments. Two years of financial information in the GASB 34 format are presented.

#### Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of changes to a government’s financial position. In the case of the City, assets exceeded liabilities by almost \$2.9 billion at the close of fiscal year 2004, up \$153.6 million from fiscal year 2003.

Net Assets  
September 30, 2004 and 2003  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
<b>Assets:</b>						
Current and Other Assets	\$ 650,483	\$ 693,904	\$ 1,496,323	\$ 1,351,912	\$ 2,146,806	\$ 2,045,816
Capital Assets	617,348	595,058	3,062,054	3,024,712	3,679,402	3,619,770
<b>Total Assets</b>	<b>1,267,831</b>	<b>1,288,962</b>	<b>4,558,377</b>	<b>4,376,624</b>	<b>5,826,208</b>	<b>5,665,586</b>
<b>Liabilities:</b>						
Current Liabilities	175,644	189,883	186,162	158,687	361,806	348,570
Noncurrent Liabilities, Net	622,607	637,809	1,892,446	1,883,462	2,515,053	2,521,271
<b>Total Liabilities</b>	<b>798,251</b>	<b>827,692</b>	<b>2,078,608</b>	<b>2,042,149</b>	<b>2,876,859</b>	<b>2,869,841</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	261,014	233,912	1,534,595	1,484,399	1,795,609	1,718,311
Restricted	286,745	313,047	498,341	453,919	785,086	766,966
Unrestricted (Deficit)	(78,179)	(85,689)	446,833	396,157	368,654	310,468
<b>Total Net Assets</b>	<b>\$ 469,580</b>	<b>\$ 461,270</b>	<b>\$ 2,479,769</b>	<b>\$ 2,334,475</b>	<b>\$ 2,949,349</b>	<b>\$ 2,795,745</b>

The largest portion of the City’s net assets (60.1 percent) reflects its investment of \$1.8 billion in capital assets (for example, land, buildings, infrastructure, machinery and equipment), net of related debt used to acquire those assets and that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from other sources, since the capital assets themselves would not be used to liquidate these liabilities.

An additional portion of the City’s net assets, \$785.1 million (26.6 percent) represent resources that are subject to external restrictions on how they may be used. The restricted assets consist of 22.1 percent for debt repayment, 20.1 percent for capital projects, and 16.5 percent of grant funds with the balance related to various City special revenue and permanent funds, and a commitment by the Port of Long Beach’s Harbor Fund for the Alameda Corridor. The remaining balance of *unrestricted net assets* in all City funds of

\$368.7 million may be used to meet the government's ongoing obligations to citizens and creditors. Specific expenditure restrictions apply to the grant funds, and to much of the business-type and capital project funds.

At September 30, 2004, the City reported positive balances in all three categories of net assets, for the government as a whole and for business-type activities. The governmental activities unrestricted net assets deficit in the amount of \$78.2 million is mainly due to deficits in the Internal Service Funds (Note 15) and the old Police and Fire Annuity Obligation Program (Note 10). The deficit decreased from fiscal year 2003 by \$7.5 million from the comparable deficit amount of \$85.7 million mainly due to a decrease in estimated workers' compensation claims and general liability.

### Analysis of Changes in Net Assets

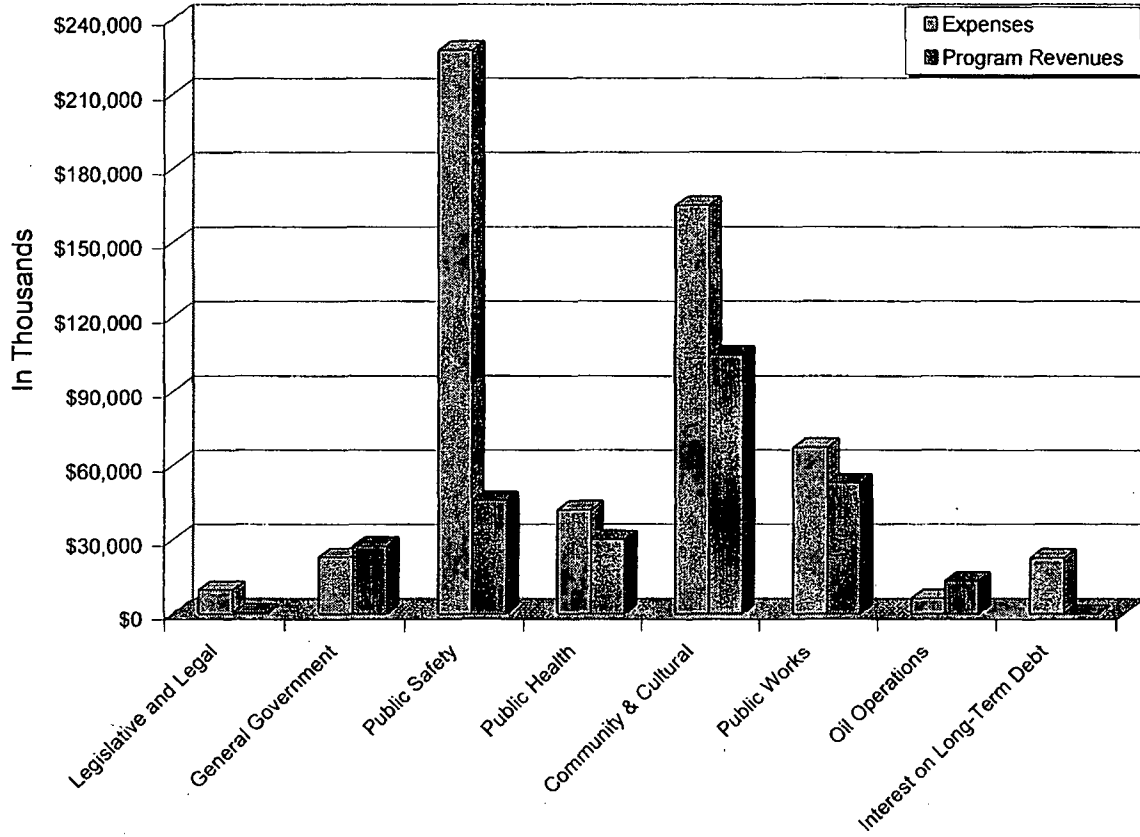
The City's net assets increased \$153.6 million during the current fiscal year. The increase is mainly due to operations in the business-type funds including the Harbor Fund for \$95.0 million and other changes explained in the governmental and business-type activities discussions below.

Changes in Net Assets  
September 30, 2004 and 2003  
( In Thousands)

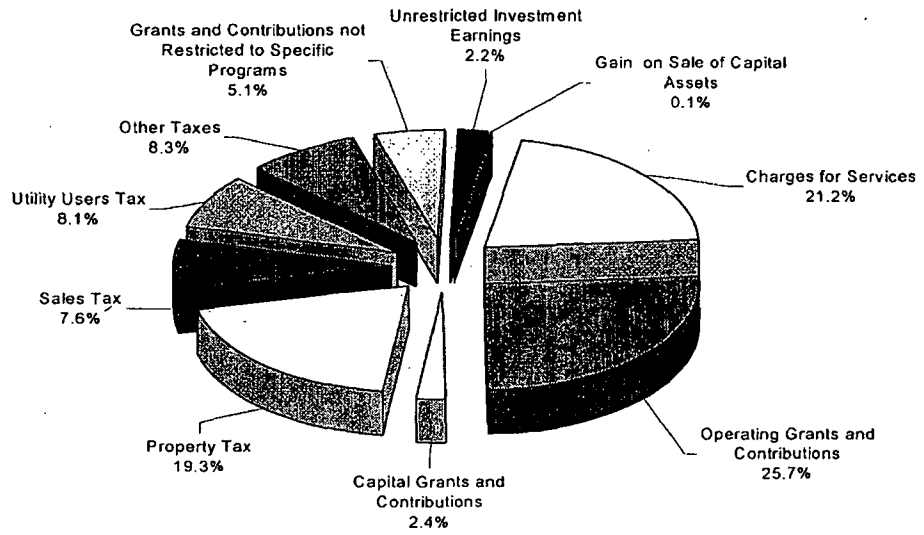
	Governmental Activities		Business-type Activities	
	2004	2003	2004	2003
<b>Revenues:</b>				
Program Revenues				
Charges for Services	\$ 118,187	\$ 110,928	\$ 734,561	\$ 629,735
Operating Grants and Contributions	143,818	135,837	1,066	886
Capital Grants and Contributions	13,285	14,456	23,500	9,625
General Revenues				
Taxes:				
Property	107,796	87,285	-	-
Sales	42,383	44,863	-	-
Utility Users	45,339	50,883	-	-
Other	46,616	42,841	-	-
Grants and Contributions Not Restricted to Specific Programs	28,693	27,917	-	-
Unrestricted Investment Earnings	12,325	13,369	25,280	24,378
Gain (Loss) on Sale of Capital Assets	317	977	(2,539)	(12,036)
<b>Total Revenues</b>	<b>558,759</b>	<b>529,356</b>	<b>781,868</b>	<b>652,588</b>
<b>Expenses</b>				
Legislative and Legal	9,721	9,457	-	-
General Government	23,179	24,635	-	-
Public Safety	227,601	231,514	-	-
Public Health	42,184	39,515	-	-
Community & Cultural	164,982	159,765	-	-
Public Works	67,425	54,310	-	-
Oil Operations	6,215	5,516	-	-
Interest on Long-Term Debt	22,652	24,761	-	-
Gas	-	-	76,408	68,728
Water	-	-	57,849	55,756
Sewer	-	-	7,787	8,748
Airport	-	-	19,476	18,747
Solid Waste Management	-	-	70,658	71,027
Towing	-	-	6,762	5,427
Tidelands	-	-	83,501	80,880
Tideland Oil Revenue	-	-	102,098	70,376
Subsidence	-	-	441	2,401
Harbor	-	-	198,084	175,821
<b>Total Expenses</b>	<b>563,959</b>	<b>549,473</b>	<b>623,064</b>	<b>557,911</b>
Increase (Decrease) in Net Assets before Transfers	(5,200)	(20,117)	158,804	94,677
Capital Assets Transfers	926	-	(926)	-
Transfers	12,584	21,790	(12,584)	(21,790)
<b>Change in Net Assets</b>	<b>8,310</b>	<b>1,673</b>	<b>145,294</b>	<b>72,887</b>
Net Assets - October 1, as restated	461,270	459,597	2,334,475	2,261,588
<b>Net Assets - September 30</b>	<b>\$ 469,580</b>	<b>\$ 461,270</b>	<b>\$ 2,479,769</b>	<b>\$ 2,334,475</b>

## Governmental Activities Year Ended September 30, 2004

### Program Expenses and Revenues -Governmental Activities



### Revenues By Source - Governmental Activities Year Ended September 30, 2004



The governmental activities charts on the previous page illustrate program expenses and revenues by function, and revenues by source. Public Safety is the largest function at 40.4 percent of total governmental expense, followed by Community and Cultural at 29.3 percent, Public Works at 12.0 percent and Public Health at 7.5 percent. Property, sales and other taxes are general revenues used to support overall government functions; therefore, these are not shown as program revenues. Operating grants and contributions make up 25.7 percent, charges for services 21.2 percent and property tax 19.3 percent of total revenues.

Governmental activities increased the City's net assets by \$8.3 million. Key factors of this change for governmental activities include the following and are based on the government-wide statement of activities:

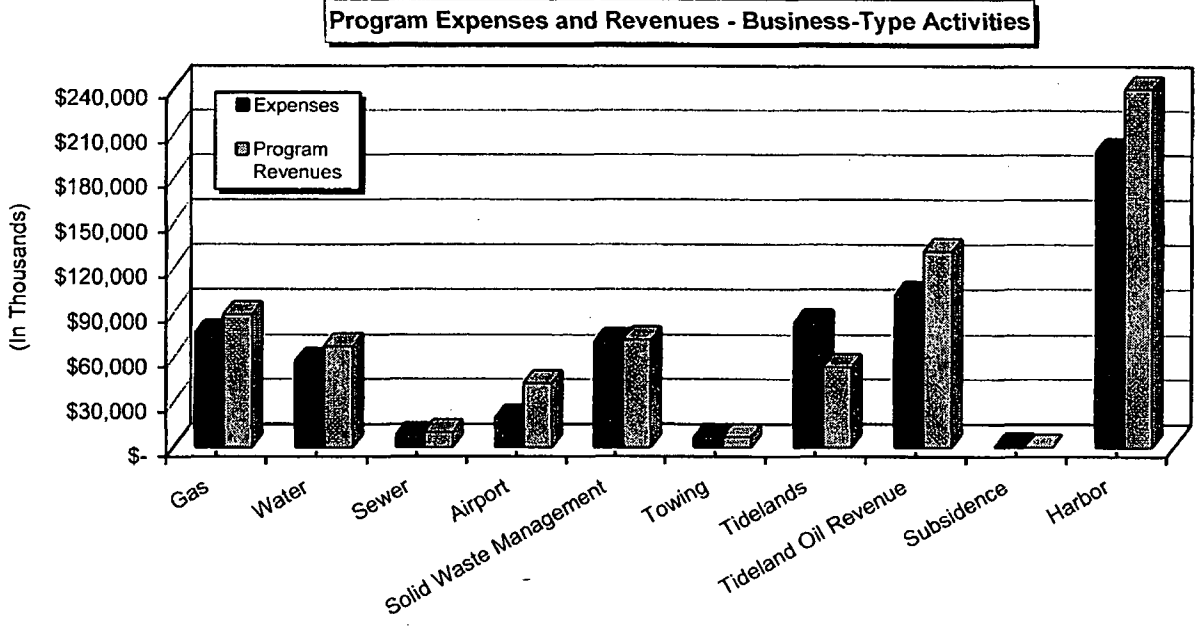
- Property tax, including Redevelopment Property Tax Increment, increased \$20.5 million or 23.5 percent primarily due to property assessed value increases fueled by an extended real estate boom and continued low mortgage interest rates. The redevelopment project areas growth in assessed property values, coupled with an increase in supplemental tax revenue, gave rise to a 53.7 percent increase in property tax increment revenue, or \$18.2 million. The majority of this increase occurred in North Long Beach and Central Long Beach. In addition, General Fund property tax revenue increased \$2.3 million, or 4.4 percent.
- Sales tax revenue decreased \$2.5 million or 5.5 percent due to the State of California's "triple flip" (Proposition 57), which became effective July 1, 2004.
- Utility users tax decreased \$5.5 million or 10.9 percent and is attributed to a State electric power rebate and the voter mandated decrease in the tax rate. The rate decreased from 10 percent at October 1, 2000 down to 6 percent by September 30, 2004. The decrease was 1 percent per year (each October) until the rate settled at 5 percent on October 1, 2004.
- Other tax revenue increased \$3.8 million or 8.8 percent and is primarily composed of pipeline fees, transient occupancy taxes, business license taxes and real estate property transfer tax revenue. Transient occupancy taxes increased due to increased hotel occupancy in fiscal year 2004, business license taxes increased partially due to the discontinuation of a 15 percent business license discount early-pay incentive program which ended early in fiscal year 2003 and increased real estate property transfer taxes attributed to an extended real estate boom.
- Program revenue charges for services increased \$7.3 million in fiscal year 2004. Details include:
  - Increase of \$2.1 million in general government charges for services due to increased revenue from charges for financial and administrative service charges to more fully recoup cost of service and increased planning and building permit fees due to favorable economic conditions.
  - Public safety charges for services increased \$2.6 million, or 7.5 percent. Of this increase, \$2.0 million is attributed to Police Department services. Charges for

special services increased \$1.1 million mainly due to a full year of security services provided to Long Beach City College in fiscal year 2004, as compared to only 1.5 months of service in fiscal year 2003. Vehicle code fines and parking citations also increased as a result of increased rates and enforcement.

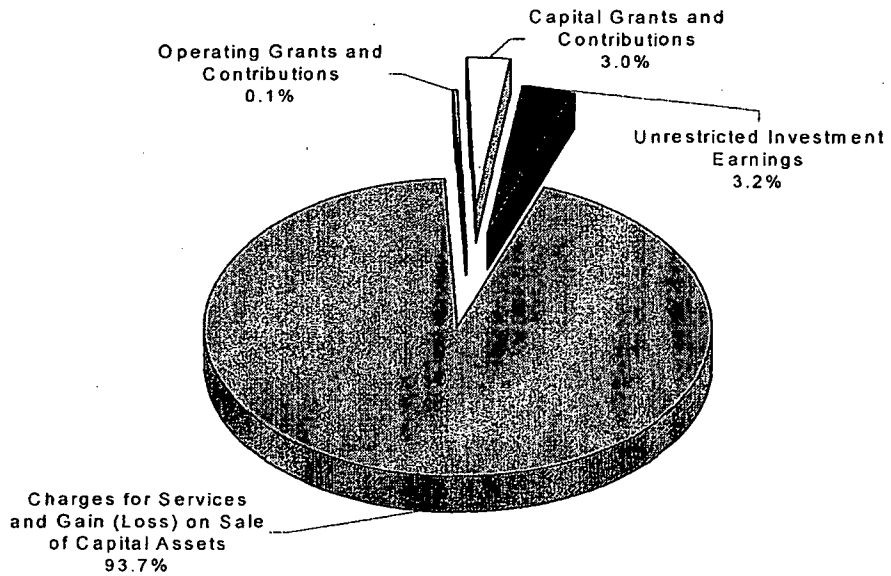
- Oil operation revenue in the City's Uplands oil extraction area increased \$1.7 million as a result of increased oil prices
- The remaining increase is mainly due to increased revenue from health services provided for Police medical services, and various community and cultural revenues.
- Operating grants and contributions increased \$8.0 million due to the following details in fiscal year 2004:
  - Public safety operating grants and contributions decreased \$3.6 million comprised of a decrease of \$5.6 million for Police functions, offset by a \$2 million increase for Fire. The Cops Universal Hiring Grant, designed to put more police officers on the streets, decreased by \$1.6 million. This grant had a term of three years with 2003 being the final year of the old grant, which funded 40 officers for the entire year. Fiscal year 2004 was the first year of the new program, funding 16 officers for 10 months. The police department is phasing in the remaining 20 officers from the grant program over the next two years. In addition, the Police department received a \$973,000 one-time reimbursement for its Emergency Communications and Operations Center mapping system in 2003. The remaining decrease for Police grants related to special equipment, police overtime, and one-time funding for homeland security. Fire grants increased \$473,000 for reimbursements of costs incurred to respond to the 2004 California wild fires. Funding also increased for planning, equipment, training and personnel costs associated with the protection of critical infrastructure and specialized equipment to enhance the capability to respond to weapons of mass destruction and other potential terrorist incidents.
  - Public health operating grants increased \$2.5 million due to increased grant funding for various public health services, including the nursing medical administrative activities program.
  - Community and cultural operating grants and contributions increased \$9.7 million primarily due to rising rental costs and subsequent U.S. Department of Housing and Urban Development (HUD) Section 8 program reimbursements for low-income housing assistance.
- Governmental activities expenses, as restated, increased \$14.5 million in fiscal year 2004. Details include:
  - Community and cultural costs increased \$5.2 million, which included the following changes:
    - Housing assistance costs increased \$11.7 million related to HUD Section 8 programs that provide low-income housing assistance. This increase is attributed to rising rental rates.

- Loss on land held for resale decreased \$3.1 million due to land sold in fiscal year 2003 in the Redevelopment West Long Beach and Downtown Project areas.
  - A decrease of \$3.8 million in direct expenditures for job training for displaced workers as a result of decreased funding.
  - The remaining increase in community and cultural expenditures is primarily attributed to site improvements for the North Long Beach Police Station and a neighborhood resource center.
- Public safety costs decreased \$3.9 million mainly due to allocations of internal service fund costs resulting from decreased workers compensation accruals for self-insured claims.
  - Public works expenses increased \$13.1 million on the full accrual basis mainly due to infrastructure projects expensed that were previously set up as capital infrastructure during the conversion to GASB 34.
  - Public health costs grew by \$2.7 million, primarily due to an increase in grant-funded expenses such as Nursing Medical Administrative Activities (MAA), bioterrorism prevention initiatives, and lead-based paint mitigation programs. The Nursing MAA program provides nursing services to welfare recipients, and the bioterrorism prevention program is one component of an overall disaster preparedness plan. The lead-based paint mitigation plan includes testing, removal and prevention activities.
  - The decrease of \$2.1 million in interest on long-term debt is the result of normal debt service payments and refundings at lower interest rates.
- Operating transfers for business-type funds decreased \$9.2 million. The Gas Fund transfer in fiscal year 2004 was \$3.8 million less than the transfer in fiscal year 2003. In addition, the Solid Waste Management Fund transfer from the Southeast Resource Recovery Facility operating surplus, according to an agreement between the City and the Los Angeles County Sanitation District No. 2, decreased by \$5.3 million.

**Business-Type Activities  
Year Ended September 30, 2004**



**Revenue by Source - Business-type Activities  
Year Ended September 30, 2004**





The business-type activities charts on the previous page illustrate program expenses and revenues, and revenues by source. The Port of Long Beach is the largest business-type operation, followed by the tidelands and utilities. The utilities and the Port of Long Beach are mainly funded by fees for services provided, while the Tidelands is funded by fees along with approved transfers from the Port of Long Beach's Harbor Fund, Tideland Oil Revenue Fund, and the Redevelopment Agency Funds transient occupancy tax.

Business-type activities increased the City's overall net assets by \$145.3 million, accounting for 94.6 percent of the total growth in net assets. The fiscal year 2004 increase in business-type net assets was \$72.4 million more than the increase in fiscal year 2003. Key elements of the increase in fiscal year 2004 are:

- The Port of Long Beach's net assets, which are included in the City's Harbor Fund, increased by \$95.0 million due to income from operations of \$143.7 million, and capital grant revenue of \$5.8 million. This is offset by a non-operating loss of \$47.6 million, including \$60.6 million of interest expense, and an operating transfer out of \$6.9 million. The Port's operating income increased \$13 million, or 10.0 percent from last year, and is attributed to a substantial increase in containerized cargo volume. Grant revenue increased \$5.3 million from Federal and State grants designated for port security capital projects.
- Water Fund net assets increased \$10.0 million from net income of \$7.4 million and \$2.6 million of capital contributions. Operating revenue increased \$4.2 million, or 7.2 percent, from an increase in demand and a rate adjustment including a \$1.2 million increase of Water Replenishment District pass-through charges for potable water injections. Operating expenses also increased by \$3.3 million, and is reflective of a 6.2 percent increase in water purchases, reflecting higher rates and increased demand, and a \$1.3 million pipeline fee increase. Federal and State grants decreased in accordance with a decrease in expenditures for reclaimed water and desalination capital projects.
- Gas Fund net assets increased \$929,000 due to \$7.6 million from operating income, \$4.9 million in non-operating income, less \$11.6 million in operating transfers to the General Fund. The increase of \$4.7 million in non-operating income from last year is primarily due to a lawsuit settlement.
- Tidelands Oil Revenue Fund net assets increased \$19.8 million due to revenue from higher oil prices. The Tidelands Fund net assets decreased \$6.8 million due to operation, maintenance, depreciation, and non-operating costs of the beaches and other facilities that exceeded facility income.
- The change in non-major business-type activities include the Airport Fund net assets increase of \$23.5 million. A Federal Aviation Administration approved passenger facility charge collected for twelve months in fiscal year 2004, as compared to two months in 2003, resulted in higher operating revenue. In addition, runway and security projects resulted in \$14.7 million in capital grants. The other enterprise funds reflected minimal changes in operations.

## Government Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental funds**

The focus 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.

At September 30, 2004, the City's governmental funds reported a combined ending fund balance of \$267.1 million, a decrease of \$21.5 million in comparison with the prior year. This change is primarily the result of a decrease in General Capital Projects of \$30.6 million, offset by an increase of Community Development Grants and Redevelopment Capital Projects of \$2.4 million and \$7.8 million, respectively. Of the total fund balance of \$267.1 million, the net unreserved fund balance is a \$43.5 million deficit. Advances from other funds not payable from current available resources and related to Special Revenue and Capital Projects Funds amount to a \$154.3 million deficit.

The unrestricted portion of the unreserved governmental funds ending fund balance at September 30, 2004 totaled \$111 million. Of this amount, the General Fund unrestricted fund balance of \$47.5 million is designated for Emergency Reserve in the amount of \$33.8 million, general purpose reserve in the amount of \$2.5 million, \$0.3 million for police helicopter lease payments, and \$10.9 million of undesignated for subsequent year's appropriations. The other governmental funds reported an aggregate unreserved deficit of \$91.1 million.

The *reserved* fund balance classification indicates funds committed for: (a) long-term advances to other funds (\$133.5 million) that are not available to spend; (b) reserves for land held for resale (\$49.0 million) that are not available to spend; (c) asset seizure funds restricted by law (\$2.6 million); (d) commitments for contracts and purchase orders (\$23.0 million); (e) City Charter requirements to maintain \$1.486 million cash balance reserve; (f) future capital projects and special programs (\$57.0 million); (g) required bond reserves to pay debt service (\$41.4 million); and (h) other restricted purposes including reserve for estimated oil field abandonment costs (\$2.7 million).

Since the implementation of GASB 34 in 2002, long-term advances due from other funds have been recorded as fund balance reserved for non-current receivables. The long-term advances due from other funds (e.g. loan to the Redevelopment Agency) have no specified repayment date; therefore, the reserved fund balance in the amount of \$100.5 million is not available. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The total unreserved fund balance of \$47.5 million, including emergency reserves of \$36.3 million, represents 13.7 percent of total General Fund expenditures of \$346.3 million.

The fund balance of the General Fund increased by \$286,000 during the current fiscal year. This compares to a \$5.4 million decrease in fiscal year 2003. Factors affecting the fiscal year 2004 increase include the following:

- Public safety costs decreased \$11.6 million primarily due to a decline of capital expenditures offset by an increase in personnel and operating expenses. In fiscal year 2003, two helicopters with a cost of \$5.7 million, software and equipment for the Emergency Communications and Operations Center in the amount of \$8.8 million, and Police crime lab construction costs of \$1.6 million were expended. This is compared to fiscal year 2004 capital expenditures for 10 paramedic units and miscellaneous equipment in the amount of \$993,000 and \$334,000, respectively.
- General government costs decreased \$1.2 million due to a hiring freeze and reduced spending, while legislative and legal costs increased \$771,000 due to an election held in fiscal year 2004 and none held in fiscal year 2003.
- Public works expenditures decreased \$605,000, offset by an increase in Community and Cultural of \$352,000. In fiscal year 2004, landscape maintenance for street medians was transferred from Public Works to Parks and Recreation. This shift, coupled with a decrease in operations due to reduced spending reduced Public Works expenditures by \$3.5 million. This was offset by the purchase of 20 street sweepers, funded by \$2.9 million of lease proceeds, netting to a total reduction of \$605,000. Community and Cultural increased \$352,000 and is comprised of a \$1.4 million increase in Parks and Recreation, offset by reductions in library services and community development due to reduced spending.
- Debt service expenditures increased \$1.5 million, mainly due to new leases for street sweepers, ambulances and software. Proceeds from long-term debt increased from \$3.6 million to \$15.9 million. Debt issued in fiscal year 2004 included \$4.3 million in capital leases mentioned above, and \$11.6 million of bonds that refinanced \$10.7 million of promissory notes for the Long Beach Towne Center.

### ***Enterprise Funds***

The Enterprise Funds unrestricted net assets at September 30, 2004 amounted to \$456.9 million, before the Internal Service Fund activities allocation. The total growth in net assets was \$134.6 million after the Internal Service Fund activities allocation to Governmental Funds. Other factors affecting the finances of these funds are addressed in the discussion of the City's business-type activities.

The Gas, Water and Solid Waste Management funds reported unrestricted net assets of \$16.4 million, \$11.2 million and \$51.1 million, respectively. The Solid Waste Management Fund reported a deficit investment in Capital Assets net of Related Debt due to the 1995 refunding bond issue that extended the original repayment terms for the debt. The 1995 Series was refunded again in 2004 without extending debt service payments from that of the 1995 bond issue. The Tidelands, Tideland Oil Revenue and Harbor Funds reported unrestricted net assets of \$14.1 million, \$50.5 million and \$298.2 million, respectively. Other business-type funds reported unrestricted net assets of \$15.4 million.

### ***Internal Service Funds***

The Internal Service funds, which are used to finance and account for goods and services provided internally among City departments, had a deficit in unrestricted net assets of \$94.3 million. This deficit is in the Insurance and Employee Benefit Internal Service funds, which are not fully funded for long-term liabilities. City management believes the cash position of each fund is sufficient to cover the current costs related to health insurance, worker's compensation, and general liability claims and operating costs. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained.

### ***Fiduciary Funds***

The City maintains fiduciary funds for the assets of private purpose trust funds which include the Miller Trust Fund and the Mayor's Fund for the Homeless. These funds are held in trust for the benefit of the Main Library Miller room staffing and books, and for homeless program expenditures. Net assets are \$841,000 and \$126,000 for the Miller Trust and Mayor's Fund for the Homeless, respectively.

### **Budgetary Highlights**

The City adopts an annual budget for the governmental funds that includes the General Fund and Special Revenue Funds. The City Council adopts budget adjustments during the year for supplemental appropriations that are generally contingent upon new or additional revenue sources.

### **General Fund**

General Fund net appropriation adjustments increased \$16.4 million. The general government increase of \$566,000 was mainly to cover cost of issuance associated with the Towne Center Refunding bond issue. Public Safety increased \$510,000 due to an increase of \$993,000 for ambulance purchases; less budget transferred to the General Grant Fund, a non-major governmental fund, for grant related expenditures. Public Works appropriations increased \$2.2 million mainly for the lease-purchase of street sweepers; Legislative and Legal increased \$275,000 to partially cover a \$400,000 purchase of a legislative information management system. Other financing sources and uses advance refunding appropriation and proceeds from long-term debt revenue were increased by \$10.7 million and \$15.8 million, respectively, for the refunding of the Long Beach Towne Center Notes and proceeds from the Towne Center refunding bond and capital lease revenue for procurement of street sweepers, ambulances and miscellaneous equipment.

The General Fund reflects a net positive ending fund balance variance of \$9.1 million on the budgetary basis, which consists of an unfavorable revenue variance of \$3.2 million, a positive other financing sources variance of \$1.1 million and a favorable total expenditure variance of \$11.2 million.

General fund actual revenues were under budget by \$3.2 million on the budgetary basis. Sales tax actual revenue was \$1.4 million less than the adopted projection of \$41.3 million, a 3.4 percent difference, due to a \$1.5 million decline in revenue from the State's Proposition 57 "triple flip". Property tax was \$1.1 million less than budgeted due to an unanticipated decline in prior year tax collections. License and permit revenue exceeded

budget by \$2.7 million and is due to an increase in building permits and plan check fees fueled by high construction activity. Revenue from other agencies is \$7.6 million less than the projected amount of \$39.0 million, due to the timing delay caused by the State's motor vehicle license fee for property tax swap, and a decrease in grant reimbursable expenditures. Other tax revenue of \$37.7 million was \$2.9 million over the anticipated revenue of \$34.8 million. This favorable variance is primarily due to real property transfer tax exceeding budget as a result of the extended real estate boom and increased pipeline fee revenue.

General fund expenditures were \$9.4 million below budget due to overall savings by the departments. The unfavorable variance in general government is due to city-wide optimization savings, based on the Three-year Strategic Plan, budgeted in general government only even though the savings relate to all departments.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$3.7 billion (net of accumulated depreciation). This is an increase of \$59.6 million over fiscal year 2003. This investment in capital assets includes land, buildings and related systems, improvements, machinery and equipment, park facilities, right-of-ways, roads, highways, curbs, gutters, sidewalks, alleys and bridges.

Major capital projects in progress during the year are as follows:

- The Harbor Fund capital assets increased \$27.3 million due to the purchase of a new cargo bulk loader, port security projects, and continuation of the port terminal expansion, including land site preparation.
- The Airport Fund increase of \$17.7 million in capital assets is primarily due to project expenditures for rehabilitation of the main runway, as well as improvements to the taxiways.
- The Tidelands Fund capital assets decreased by \$9.9 million, primarily due to depreciation expense, including a full year of depreciation for the Pike parking facility and Belmont Pier parking lot and bike path improvements, offset by additional project expenditures such as rainbow harbor area infrastructure site improvements.
- The Water Fund capital assets increased \$8.0 million due to improvements in the distribution and collection system. In addition, the \$4.6 million Reclaimed Water System phase one project was completed in fiscal year 2004.
- Governmental fund buildings increased \$32.8 million due to the completion of the Emergency Communications and Operations Center (ECOC), the North Police Substation and CityPlace garage renovations. The \$13.3 million increase in machinery and equipment is mainly due to equipment and software for the ECOC.
- Infrastructure increased by the addition of streets, curbs, gutters and sidewalks of \$18.9 million and increases in storm drains and traffic signals of \$1.8 million and \$1.6 million, respectively. This increase was offset by depreciation expense of \$10.4 million.

Construction in progress decreased \$40.6 million due to the completion of various infrastructure and building projects, including the ECOC.

Additional information on the City's capital assets can be found in Note 7 to the basic financial statements.

Capital Assets, Net of Depreciation  
September 30, 2004 and 2003  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$ 113,887	\$ 113,812	\$ 876,943	\$ 872,708	\$ 990,830	\$ 986,520
Right-a-way	2,806	1,321	207,823	207,832	210,629	209,153
Construction In Progress	116,502	157,122	220,754	284,088	337,256	441,210
Building	131,318	98,523	1,216,310	1,132,604	1,347,628	1,231,127
Improvements other than Buildings	28,287	25,525	97,016	91,701	125,303	117,226
Infrastructure	160,861	149,100	431,794	424,026	592,655	573,126
Machinery and Equipment	22,899	9,577	5,427	5,889	28,326	15,466
Automotive	33,689	31,560	5,987	5,864	39,676	37,424
Other Assets	7,099	8,518	-	-	7,099	8,518
Total Net Capital Assets (net)	<u>\$ 617,348</u>	<u>\$ 595,058</u>	<u>\$ 3,062,054</u>	<u>\$ 3,024,712</u>	<u>\$ 3,679,402</u>	<u>\$ 3,619,770</u>

### Long-Term Indebtedness

At the end of fiscal year 2004, the City had total net long-term obligations outstanding of \$2.6 billion. Of this amount, \$1.9 billion relates to revenue bonds, certificates of participation, notes payable, capital leases, accrued oil field abandonment costs and other obligations of the City's business enterprises. The remaining balance relates to revenue bonds, tax allocation bonds, notes payable, capital leases, self-insurance and employee benefit obligations for the City's governmental activities.

The City's net debt outstanding decreased by \$6.0 million during the current fiscal year (Note 8). The City issued revenue bonds in the amount of \$11.6 million to refund the Towne Center promissory note debt of \$10.7 million, plus accrued interest. In addition, the City entered into capital lease arrangements for the procurement of street sweepers, ambulances, software and computer equipment for \$2.9 million, \$997,000, \$400,000, and \$350,000 respectively. The Redevelopment Agency entered into a promissory note of \$1.45 million for the purchase of real property.

Additional information on the City of Long Beach's long-term debt can be found in Notes 8 through 11 of the basic financial statements.

### Economic Factors and Next Year's Budget and Rates

Based on current available data, the annual unemployment rate as of September 2004 in the City of Long Beach was 5.9 percent. This compares to the State of California's unemployment rate of 6.1 percent, and the Los Angeles County rate of 6.4 percent.

During the fiscal year, unreserved fund balance in the general fund increased from \$45.6 million to \$47.5 million. The City has appropriated approximately \$11.2 million of the

\$47.5 million for spending in the 2005 fiscal year budget, leaving a balance of \$36.3 million, which is designated as emergency reserves per City Charter or Council action.

In an environment of continued cost growth, ongoing revenue constrictions and resource vulnerability from the State, the City Council adopted a set of financial policies to govern the City's complex budgetary and fiscal decision making on a go-forward basis. These policies address such key issues as the use of one-time resources, debt guidelines, structurally balanced budgets, financial reporting and reserve designations.

In March 2003, the City Council formally endorsed its first Three-Year Financial Strategic Plan (Plan) to address the City's General Fund deficit, while minimizing to the extent possible, negative impacts on core municipal services. The Plan was designed to be a fluid document that reflects constantly shifting economic conditions, community needs, legal requirements and fiscal challenges of the City. In June 2004, a proposed updated plan, reflective of extensive community and employee input and multi-departmental efforts was presented to the City Council. This updated Plan was necessary to address an additional \$15 million in workers compensation, health care and general liability insurance costs that were not known at the time of the original Plan endorsement. Plan revisions called for employee contributions, and benefit and work practice cost reductions. The development of the fiscal year 2005 budget continued the focus on cost and one-time resource reliance reductions, as well as sustaining and enhancing optimization of City services, increased returns on City assets and evaluation of fees to more adequately cover costs.

Fiscal year 2005 budgeted General Fund revenues, before transfers, are expected to show a net increase of \$13.1 million from the ending fiscal year 2004 budget as a result of:

- An \$8.3 million increase in revenue from other agencies, primarily due to a one-time \$8.6 million state repayment to cover the State's shifting of vehicle license fees (VLF) to property tax and the voter approved Proposition 57 "triple flip", in which the state promised to backfill diverted sales tax revenue through a reallocation of property taxes. A transfer of Federal and State grant revenue to the General Grant Fund, a non-major governmental fund, offsets this netting a budgeted growth of 21.2 percent.
- A \$9.0 million decrease in sales tax revenue is comprised of a 25 percent loss of revenue due to the 'triple flip', offset by anticipated growth in taxable sales in Long Beach.
- Fiscal year 2005 projects a \$4.7 million growth in property tax revenue, or approximately an 8 percent increase, mainly due to continued low interest rates and the regions increasing property values.
- An increase of \$4.4 million in other taxes, including pipeline franchise, transient occupancy taxes and business license taxes.
- Utility users taxes decreased \$4.1 million due to the additional one percent reduction in the tax rate from 6 percent to 5 percent.

- License and permits increased \$2.4 million and fines and forfeitures increased \$1 million. These are attributed to increases in emergency ambulance fees and parking citations.
- A \$2.4 million increase in estimated use of money and property is due to a combination of average cash balances and an anticipated increase in interest rates.

The fiscal year 2005 budgeted General Fund operating budget increased by a net \$11.2 million from the final fiscal year 2004 budget, excluding transfers. This difference is the result of re-instituted California Public Employee Retirement System contributions and higher health benefits and general liability costs, less \$21.5 million in budget cuts needed to reduce the structural budget gap. The following, which include related funds that affect the General Fund, details key fiscal 2005 reductions:

- A \$3.9 million reduction in general administrative and management functions, including the elimination of 31 positions of which 8 positions are management.
- A \$5.1 million targeted reduction in employee benefits and work practices, primarily focused on the area of health benefits.
- Contracting opportunities and optimizing facility maintenance for a savings of approximately \$1.7 million.
- A \$4.7 million reduction through operational and organizational changes.
- A \$2.2 million decrease in capital projects and infrastructure, including the deferral of non-critical projects and identifying alternative funding sources for projects.
- A \$1.6 million maintenance reduction through improved central planning and the implementation of a new maintenance strategy that will rely less on specialized positions.
- A \$1.7 million material, supplies and equipment reduction, primarily from downsizing and/or elimination of certain vehicles and a reduction in technology equipment.
- A \$3.2 million reduction to Police and fire non-emergency support staff, non-personnel cost, elimination of non-core programs and operation optimization.
- Recreation programs and library service reductions of \$600,000 and \$400,000, respectively.

Changes to the General Fund's expenditure budget also include proposed enhancements in critical service areas, most of which are revenue offset. The following provides examples of some of the more significant enhancements:

- A \$229,000 General Fund match for ten new police officers, funded through federal COPS grants.
- A \$109,000 increase in disaster preparedness support costs.



- A gang intervention and prevention administrative staffing increase of \$15,000.
- A \$200,000 increase in disadvantaged community assistance program costs in Community Development.
- A \$340,000 increase for additional staffing in Planning and Building's Construction Regulation Division.
- A \$67,000 increase for a new Planning Aide position in Historical Preservation.
- A \$142,000 increase in necessary General Fund support of 3 percent of Workforce Development formula grants.

Fiscal year 2005 is year two of the Three-Year Financial Strategic Plan (Plan) implemented to address the City's structural deficit, while maintaining a full-range of municipal services. The Plan was designed to be a fluid document to access targeted accomplishments, add new ideas reflective of shifting economic conditions, confirm validity of proposed reductions and make appropriate adjustments to ensure the Plan reflects input from the City Council and the community. In the development process of the fiscal year 2005 budget, the City reached out to the community for ideas and input through a series of community meetings, including the July 10, 2004 budget summit, and dozens of neighborhood association, board, committee and commission meetings. In addition, departments reached out to employees, soliciting ideas and options on how to reduce costs and enhance revenue. The fiscal year 2005 adopted budget is the most heavily contemplated budget in recent history and demonstrative of the City's ongoing commitment to inclusiveness and transparency in the annual budget process.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Long Beach's finances. Questions concerning any of the information should be addressed to the Department of Financial Management, 333 West Ocean Boulevard, 6<sup>th</sup> Floor, Long Beach, California 90802.

**City of Long Beach**  
**Statement of Net Assets**  
September 30, 2004  
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Long Beach Public Transportation Company
<b>ASSETS</b>				
<b>Current Assets:</b>				
Pooled Cash and Cash Equivalents	\$ 272,693	\$ 478,989	\$ 751,682	\$ -
Non-Pooled Cash and Cash Equivalents	95,250	21,786	117,036	11,616
Non-Pooled Investments	-	603	603	-
Interest Receivable	330	303	633	-
Property Tax Receivable, Net	6,000	-	6,000	-
Accounts and Loans Receivables, Net	12,284	100,354	112,638	1,081
Due from Other Governments	36,141	28,114	64,255	-
Internal Balances	(6,635)	6,635	-	-
Inventory	1,601	4,110	5,711	801
Other Assets	8,142	-	8,142	190
Land Held for Resale	48,963	-	48,963	-
<b>Restricted Assets:</b>				
Pooled Cash and Cash Equivalents	14,852	427,340	442,192	-
Non-Pooled Cash and Cash Equivalents	11,754	22,976	34,730	17,489
Non-Pooled Investments	-	33,840	33,840	-
Accounts and Loans Receivables, Net	7	-	7	5,838
Interest Receivable	-	715	715	-
<b>Noncurrent Assets:</b>				
Non-Pooled Investments	10,000	-	10,000	-
Other Noncurrent Receivables	55,231	14,084	69,315	-
Land and Other Capital Assets not being Depreciated	233,195	1,305,520	1,538,715	8,235
Capital Assets, net of Accumulated Depreciation	384,153	1,756,534	2,140,687	63,826
Other Assets	83,870	356,474	440,344	-
Total Assets	1,267,831	4,558,377	5,826,208	109,076
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	30,286	39,168	69,454	1,009
Accrued Wages and Benefits Payable	38,288	4,857	43,145	1,178
Accrued Interest Payable	2,688	486	3,174	1,831
Tax and Revenue Anticipation Notes Payable	30,000	-	30,000	-
Deferred Revenue, Credits and Other Payables	21,332	45,926	67,258	8,082
Employee Benefits and Accrued Self-Insurance Claims	28,200	-	28,200	4,388
Bonds, Loans, Capital Leases and Other Long-Term Obligations	19,560	18,892	38,452	-
<b>Liabilities Payable From Restricted Assets:</b>				
Accounts Payable	146	1,300	1,446	-
Accrued Interest Payable	5,144	27,448	32,592	-
Deferred Revenue, Credits and Other Payables	-	-	-	16,199
Customers Deposits	-	2,728	2,728	-
Bonds and Other Long-Term Obligations	-	45,357	45,357	-
<b>Noncurrent Liabilities:</b>				
Deferred Revenue, Credits and Other Payables	8,046	39,790	47,836	-
Employee Benefits and Accrued Long-Term Obligations	175,569	316,100	491,669	723
Bonds, Loans, Capital Leases and Other Long-Term Obligations	438,992	1,536,556	1,975,548	-
Total Liabilities	798,251	2,078,608	2,876,859	33,410
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	261,014	1,534,595	1,795,609	72,061
<b>Restricted for:</b>				
Asset Seizure Money	2,607	-	2,607	-
Debt Service	46,469	126,704	173,173	-
Capital Projects	93,171	70,269	163,440	-
Public Health	5,064	-	5,064	-
Community and Cultural	124,319	-	124,319	-
Health Care Insurance	9,976	-	9,976	-
Alameda Corridor Transportation Authority Commitment	-	147,294	147,294	-
Other Purposes	5,139	154,074	159,213	-
Unrestricted	(78,179)	446,833	368,654	3,605
Total Net Assets	\$ 469,580	\$ 2,479,769	\$ 2,949,349	\$ 75,666

The notes to the basic financial statements are an integral part of this statement.

**City of Long Beach**  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Legislative and Legal	\$ 9,721	\$ 415	\$ -	\$ -
General Government	23,179	26,952	648	-
Public Safety	227,601	36,678	9,270	-
Public Health	42,184	7,397	22,775	-
Community and Cultural	164,982	18,292	85,933	577
Public Works	67,425	15,179	25,192	12,708
Oil Operations	6,215	13,274	-	-
Interest on Long-Term Debt	22,652	-	-	-
Total Governmental Activities	563,959	118,187	143,818	13,285
Business-Type activities:				
Gas	76,408	88,717	-	-
Water	57,849	64,984	-	2,649
Sewer	7,787	9,283	-	380
Airport	19,476	27,905	194	14,719
Solid Waste Management	70,658	71,198	872	-
Towing	6,762	6,770	-	-
Tidelands	83,501	53,887	-	-
Tideland Oil Revenue	102,098	131,035	-	-
Subsidence	441	-	-	-
Harbor	198,084	280,782	-	5,752
Total Business-Type Activities	623,064	734,561	1,066	23,500
<b>Total Primary Government</b>	<b>\$ 1,187,023</b>	<b>\$ 852,748</b>	<b>\$ 144,884</b>	<b>\$ 36,785</b>
<b>Component Unit:</b>				
Long Beach Public Transportation Company	\$ 68,358	\$ 13,706	\$ 40,616	\$ 7,765

**General Revenues**

Taxes:
Property
Sales
Utility Users
Other
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Gain (Loss) on Sale of Capital Assets
Capital Asset Transfers
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - October 1, as restated
Net Assets - September 30

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
\$ (9,306)	\$ -	\$ (9,306)	\$ -
4,421	-	4,421	-
(181,653)	-	(181,653)	-
(12,012)	-	(12,012)	-
(60,180)	-	(60,180)	-
(14,346)	-	(14,346)	-
7,059	-	7,059	-
(22,652)	-	(22,652)	-
(288,669)	-	(288,669)	-
-	12,309	12,309	-
-	9,784	9,784	-
-	1,876	1,876	-
-	23,342	23,342	-
-	1,412	1,412	-
-	8	8	-
-	(29,614)	(29,614)	-
-	28,937	28,937	-
-	(441)	(441)	-
-	88,450	88,450	-
-	136,063	136,063	-
(288,669)	136,063	(152,606)	-
-	-	-	(6,271)
107,796	-	107,796	-
42,383	-	42,383	-
45,339	-	45,339	-
46,616	-	46,616	-
28,693	-	28,693	-
12,325	25,280	37,605	364
317	(2,539)	(2,222)	-
926	(926)	-	-
12,584	(12,584)	-	-
296,979	9,231	306,210	364
8,310	145,294	153,604	(5,907)
461,270	2,334,475	2,795,745	81,573
\$ 469,580	\$ 2,479,769	\$ 2,949,349	\$ 75,666

**City of Long Beach**  
**Governmental Funds**  
**Balance Sheet**  
**September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	General	Housing Development	Community Development Grants
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 33,547	\$ 14,111	\$ 4,436
Non-Pooled Cash and Cash Equivalents	35,611	2,394	2
Non-Pooled Investments	-	-	-
Receivables:			
Interest Receivable	21	3	-
Property Taxes	7,903	-	-
Accounts Receivable	16,998	2	400
Notes and Loans Receivable	2,413	-	-
Due from Other Governments	15,854	450	2,157
Due from Other Funds	20,284	-	-
Allowance for Receivables	(14,554)	-	-
Inventory	62	-	-
Other Assets	6	1	618
Advances to Other Funds	100,531	20,621	7,774
Land Held for Resale	-	1,228	1,332
Other Noncurrent Receivables	-	17,836	33,220
<b>Total Assets</b>	<b>\$ 218,676</b>	<b>\$ 56,646</b>	<b>\$ 49,939</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 6,454	\$ 243	\$ 638
Accrued Wages Payable	6,943	27	153
Accrued Interest Payable	437	-	-
Tax and Revenue Anticipation Notes Payable	30,000	-	-
Due to Other Funds	2,898	12	2,959
Deferred Revenues	8,191	17,836	33,991
Deposits and Collections Held in Trust	2,231	46	31
Advances from Other Funds	-	4,874	-
<b>Total Liabilities</b>	<b>57,154</b>	<b>23,038</b>	<b>37,772</b>
<b>Fund Balances (Deficit):</b>			
<b>Reserved for:</b>			
Other Noncurrent Receivables	100,531	20,621	7,774
Asset Seizure Money	2,607	-	-
Encumbrances	2,762	-	32
Future Advances to Other Funds	1,486	-	-
Future Capital Projects and Special Programs	948	-	-
Housing Development	-	943	-
Land Held for Resale	-	1,228	1,332
Estimated Oil Field Abandonment Costs	-	-	-
Debt Service	5,672	-	-
<b>Unreserved, Designated for:</b>			
Subsequent Years' Appropriations	11,260	15,690	3,029
Emergency	33,756	-	-
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	2,500	-	-
Special Revenue Funds	-	(4,874)	-
Capital Projects Funds	-	-	-
<b>Total Fund Balance (Deficit)</b>	<b>161,522</b>	<b>33,608</b>	<b>12,167</b>
<b>Total Liabilities and     Fund Balances (Deficit)</b>	<b>\$ 218,676</b>	<b>\$ 56,646</b>	<b>\$ 49,939</b>

The notes to the basic financial statements are an integral part of this statement.

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2004	September 30, 2003
\$ 24,676	\$ 43,114	\$ 44,215	\$ 164,099	\$ 159,066
12,894	44,317	32	95,250	143,182
-	10,000	-	10,000	-
-	306	-	330	325
-	-	-	7,903	7,949
1,300	463	2,918	22,081	16,591
-	-	-	2,413	2,413
3,894	-	13,695	36,050	46,366
129	407	-	20,820	4,686
-	-	(490)	(15,044)	(12,638)
-	-	-	62	61
-	8,091	37	8,753	3,914
1,812	7,691	-	138,429	133,158
-	46,403	-	48,963	41,885
-	1,270	2,905	55,231	53,824
<u>\$ 44,705</u>	<u>\$ 162,062</u>	<u>\$ 63,312</u>	<u>\$ 595,340</u>	<u>\$ 600,782</u>
\$ 7,810	\$ 2,739	\$ 9,188	\$ 27,072	\$ 27,743
86	55	731	7,995	6,129
-	-	-	437	826
-	-	-	30,000	33,000
39	15,318	2,931	24,157	6,305
1,501	8,295	5,706	75,520	78,493
1	762	3,689	6,760	6,682
-	146,566	4,900	156,340	153,019
<u>9,437</u>	<u>173,735</u>	<u>27,145</u>	<u>328,281</u>	<u>312,197</u>
1,812	2,714	-	133,452	131,204
-	-	-	2,607	2,828
16,199	492	3,530	23,015	24,025
-	-	-	1,486	1,486
5,785	23,965	25,357	56,055	95,253
-	-	-	943	1,115
-	46,402	-	48,962	41,885
-	-	2,698	2,698	2,123
-	35,518	200	41,390	42,776
11,472	25,802	7,282	74,535	61,463
-	-	-	33,756	32,946
-	-	-	2,500	2,500
-	-	(2,900)	(7,774)	(4,874)
-	(146,566)	-	(146,566)	(146,145)
<u>35,268</u>	<u>(11,673)</u>	<u>36,167</u>	<u>267,059</u>	<u>288,585</u>
<u>\$ 44,705</u>	<u>\$ 162,062</u>	<u>\$ 63,312</u>	<u>\$ 595,340</u>	<u>\$ 600,782</u>

**City Of Long Beach**  
 Reconciliation of Total Governmental Fund Balances to Net Assets  
 of Governmental Activities in the Statement of Net Assets  
 September 30, 2004  
 (in Thousands)

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

Total governmental fund balances	\$ 267,059
Capital assets used in the governmental activities, that are not included in the internal service funds, are not financial resources and, therefore, are not reported in the funds.	524,312
Certain property taxes receivable are not available to pay current-period expenditures and, therefore, are deferred in the funds.	1,407
Because the focus of governmental funds is short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	51,643
Governmental long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period, therefore, are not reported in the funds. (Note 3)	(343,976)
Internal service funds are used by management to charge the cost of operations and financing related to the Civic Center complex; operations, maintenance, financing, and timely replacement of information technology assets and vehicles; reprographics equipment and services; and to account for the City's risk management, self-insurance and employee benefits programs to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(30,865)</u>
 Net assets of governmental activities	 <u><u>\$ 469,580</u></u>

The notes to the basic financial statements are an integral part of this statement.

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**City of Long Beach**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances (Deficit)**  
**For the Fiscal Year Ended September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	General	Housing Development	Community Development Grants
<b>Revenues:</b>			
<b>Taxes:</b>			
Property	\$ 55,677	\$ 10,430	\$ -
Sales	39,898	-	-
Utility Users	45,339	-	-
Other Taxes	37,680	-	-
Licenses and Permits	17,161	732	50
Fines and Forfeitures	13,570	-	-
Use of Money and Property	15,416	644	867
From Other Agencies	31,403	490	22,327
Charges for Services	43,854	-	-
Other	3,182	3,123	5,194
<b>Total Revenues</b>	<b>303,180</b>	<b>15,419</b>	<b>28,438</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Legislative and Legal	10,359	-	-
General Government	22,848	66	299
Public Safety	223,891	-	-
Public Health	4,749	-	-
Community and Cultural	42,665	4,901	25,127
Public Works	30,105	-	-
Oil Operations	-	-	-
<b>Total Current Expenditures</b>	<b>334,617</b>	<b>4,967</b>	<b>25,426</b>
Capital Improvements	-	-	-
Loss on Disposition of Land Held for Resale	-	-	-
<b>Debt Service:</b>			
Principal	5,575	363	-
Interest	6,088	-	-
Debt Administration Fees	-	14	-
<b>Total Expenditures</b>	<b>346,280</b>	<b>5,344</b>	<b>25,426</b>
<b>Excess of Revenues Over</b>			
<b>(Under) Expenditures</b>	<b>(43,100)</b>	<b>10,075</b>	<b>3,012</b>
<b>Other Financing Sources (Uses):</b>			
Other Deferred Payments	-	-	-
Proceeds from Other Long-Term Obligations	15,910	-	-
Payment to Refunded Bond Escrow Agent	(10,729)	-	-
Reconveyance of Land	-	13	-
Advances-Capitalized Interest	1,663	104	-
Transfers In	46,865	8	1,421
Transfers Out	(10,323)	(10,752)	(2,001)
<b>Total Other Financing Sources (Uses)</b>	<b>43,386</b>	<b>(10,627)</b>	<b>(580)</b>
<b>Excess of Revenues and Other Sources Over</b>			
<b>(Under) Expenditures and Other Uses</b>	<b>286</b>	<b>(552)</b>	<b>2,432</b>
<b>Fund Balances (Deficit) - October 1</b>	<b>161,236</b>	<b>34,160</b>	<b>9,735</b>
<b>Fund Balances (Deficit) - September 30</b>	<b>\$ 161,522</b>	<b>\$ 33,608</b>	<b>\$ 12,167</b>

The notes to the basic financial statements are an integral part of this statement.

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2004	September 30, 2003
\$ -	\$ 41,718	\$ -	\$ 107,825	\$ 87,264
-	-	2,485	42,383	44,863
-	-	-	45,339	50,883
-	2,899	6,037	46,616	42,842
762	-	4,173	22,878	23,103
-	-	11	13,581	11,017
1,082	3,959	14,888	36,856	40,135
13,142	-	119,064	186,426	178,275
-	-	2,094	45,948	44,282
-	746	861	13,106	13,922
<u>14,986</u>	<u>49,322</u>	<u>149,613</u>	<u>560,958</u>	<u>536,586</u>
-	-	-	10,359	9,588
-	194	-	23,407	24,655
-	-	3,285	227,176	236,341
-	-	37,178	41,927	38,146
-	30,489	73,932	177,114	158,190
-	-	13,484	43,589	42,751
-	-	5,512	5,512	5,517
-	30,683	133,391	529,084	515,188
50,467	-	5,098	55,565	39,148
-	12	-	12	3,134
-	4,803	260	11,001	9,169
-	10,097	97	16,282	17,327
-	163	70	247	152
<u>50,467</u>	<u>45,758</u>	<u>138,916</u>	<u>612,191</u>	<u>584,118</u>
<u>(35,481)</u>	<u>3,564</u>	<u>10,697</u>	<u>(51,233)</u>	<u>(47,532)</u>
-	229	-	229	159
-	1,450	-	17,360	58,756
-	-	-	(10,729)	(38,295)
-	-	-	13	512
-	(1,767)	-	-	-
10,438	11,361	3,470	73,563	74,534
(5,528)	(7,006)	(15,119)	(50,729)	(41,703)
<u>4,910</u>	<u>4,267</u>	<u>(11,649)</u>	<u>29,707</u>	<u>53,963</u>
(30,571)	7,831	(952)	(21,526)	6,431
<u>65,839</u>	<u>(19,504)</u>	<u>37,119</u>	<u>288,585</u>	<u>282,154</u>
<u>\$ 35,268</u>	<u>\$ (11,673)</u>	<u>\$ 36,167</u>	<u>\$ 267,059</u>	<u>\$ 288,585</u>

**City Of Long Beach**  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended September 30, 2004  
 (in Thousands)

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

Excess of expenditures and other uses over revenues and other sources - total governmental funds	\$ (21,526)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.</p>	50,512
<p>Net effect of miscellaneous transactions involving capital assets (for example, sales, trade-ins and donations) is a decrease to net assets.</p>	(1,334)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	199
<p>Governmental funds report expenditures pertaining to the establishment of certain long-term loans made. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding net expense is not reported on the statement of activities.</p>	273
<p>The issuance of long-term debt (for example, bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is reflected herein.</p>	9,977
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.</p>	(2,759)
<p>Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of of certain activities of internal service funds is reported as governmental activities.</p>	<u>(27,032)</u>
Change in net assets of governmental activities	<u>\$ 8,310</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Long Beach**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2004**  
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 56,735	\$ 56,735	\$ 55,677	\$ (1,058)
Sales Taxes	41,287	41,287	39,898	(1,389)
Utility Users Taxes	44,511	44,511	45,339	828
Other Taxes	34,773	34,773	37,680	2,907
Licenses and Permits	14,503	14,503	17,161	2,658
Fines and Forfeitures	12,503	12,519	13,570	1,051
Use of Money and Property	14,215	14,264	15,416	1,152
From Other Agencies	39,268	39,023	31,403	(7,620)
Charges for Services	43,935	44,134	43,854	(280)
Other	4,563	4,659	3,182	(1,477)
Total Revenues	306,293	306,408	303,180	(3,228)
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative and Legal	10,905	11,180	10,460	720
General Government	20,910	21,476	23,380	(1,904)
Public Safety	227,796	228,306	225,086	3,220
Public Health	4,842	4,842	4,761	81
Community and Cultural	45,868	45,759	43,435	2,324
Public Works	33,072	35,228	30,257	4,971
Total Current Expenditures	343,393	346,791	337,379	9,412
<b>Debt Service:</b>				
Principal	5,366	6,036	5,575	461
Interest	6,744	7,377	6,088	1,289
Total Expenditures	355,503	360,204	349,042	11,162
Excess of Revenues Over (Under) Expenditures	(49,210)	(53,796)	(45,862)	7,934
<b>Other Financing Sources (Uses):</b>				
<b>Proceeds from Other</b>				
Long-Term Obligations	-	15,785	15,910	125
Payments to Refunded Bond Escrow Agent	-	(10,729)	(10,729)	-
Advances change in Principal	-	-	1,663	1,663
Transfers In	44,528	44,528	46,865	2,337
Transfers Out	(6,337)	(7,330)	(10,323)	(2,993)
Total Other Financing Sources	38,191	42,254	43,386	1,132
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(11,019)	(11,542)	(2,476)	9,066
Fund Balances - October 1, Budgetary Basis	159,957	159,957	159,957	-
Encumbrances, Beginning of the Year	1,279	1,279	1,279	-
Fund Balances - September 30, Budgetary Basis	\$ 150,217	\$ 149,694	\$ 158,760	\$ 9,066

The notes to the basic financial statements are an integral part of this statement.

**City of Long Beach**  
Housing Development  
Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$ 6,544	\$ 6,544	\$ 10,430	\$ 3,886
Licenses and Permits	13	13	732	719
Use of Money and Property	395	395	644	249
From Other Agencies	5,553	5,553	490	(5,063)
Other	997	997	3,123	2,126
Total Revenues	<u>13,502</u>	<u>13,502</u>	<u>15,419</u>	<u>1,917</u>
<b>Expenditures:</b>				
General Government	72	72	66	6
Community and Cultural	19,392	14,437	4,901	9,536
Total Current Expenditures	<u>19,464</u>	<u>14,509</u>	<u>4,967</u>	<u>9,542</u>
<b>Debt Service:</b>				
Principal	470	833	363	470
Debt Administration Fees	-	-	14	(14)
Total Expenditures	<u>19,934</u>	<u>15,342</u>	<u>5,344</u>	<u>9,998</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,432)</u>	<u>(1,840)</u>	<u>10,075</u>	<u>11,915</u>
<b>Other Financing Sources (Uses):</b>				
Reconveyance of Land	-	-	13	13
Advances-Capitalized Interest	-	-	104	104
Transfers In	4,556	5,644	8	(5,636)
Transfers Out	(43)	(10,085)	(10,752)	(667)
Total Other Financing Sources (Uses)	<u>4,513</u>	<u>(4,441)</u>	<u>(10,627)</u>	<u>(6,186)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,919)</u>	<u>(6,281)</u>	<u>(552)</u>	<u>5,729</u>
Fund Balances - October 1, Budgetary Basis	32,833	32,833	32,833	-
Encumbrances - Beginning of the Year	99	99	99	-
Fund Balances - September 30, Budgetary Basis	<u>\$ 31,013</u>	<u>\$ 26,651</u>	<u>\$ 32,380</u>	<u>\$ 5,729</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Long Beach**  
**Community Development Grants**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2004**  
**(In Thousands)**

	<u>Budgeted Amounts</u>		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and Permits	\$ -	\$ -	\$ 50	\$ 50
Use of Money and Property	528	528	867	339
From Other Agencies	56,484	57,738	22,327	(35,411)
Other	<u>2,506</u>	<u>2,557</u>	<u>5,194</u>	<u>2,637</u>
<b>Total Revenues</b>	<u>59,518</u>	<u>60,823</u>	<u>28,438</u>	<u>(32,385)</u>
<b>Expenditures:</b>				
General Government	789	789	299	490
Community and Cultural	<u>61,117</u>	<u>62,422</u>	<u>25,159</u>	<u>37,263</u>
<b>Total Current Expenditures</b>	<u>61,906</u>	<u>63,211</u>	<u>25,458</u>	<u>37,753</u>
<b>Total Expenditures</b>	<u>61,906</u>	<u>63,211</u>	<u>25,458</u>	<u>37,753</u>
<b>Excess of Revenues Over</b>				
<b>(Under) Expenditures</b>	<u>(2,388)</u>	<u>(2,388)</u>	<u>2,980</u>	<u>5,368</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	1,421	1,421
Transfers Out	<u>(600)</u>	<u>(600)</u>	<u>(2,001)</u>	<u>(1,401)</u>
<b>Total Other Financing</b>				
<b>Sources (Uses)</b>	<u>(600)</u>	<u>(600)</u>	<u>(580)</u>	<u>20</u>
<b>Excess of Revenues and Other</b>				
<b>Sources Over (Under) Expenditures</b>				
<b>and Other Uses</b>	<u>(2,988)</u>	<u>(2,988)</u>	<u>2,400</u>	<u>5,388</u>
<b>Fund Balances - October 1, Budgetary Basis</b>	8,338	8,338	8,338	-
<b>Encumbrances - Beginning of the Year</b>	<u>65</u>	<u>65</u>	<u>65</u>	<u>-</u>
<b>Fund Balances - September 30, Budgetary Basis</b>	<u>\$ 5,415</u>	<u>\$ 5,415</u>	<u>\$ 10,803</u>	<u>\$ 5,388</u>

The notes to the basic financial statements are an integral part of this statement.

**City of Long Beach**  
**Proprietary Funds**  
**Statement of Net Assets (Deficit)**  
**September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tidelands Oil Revenue</u>
<b>ASSETS</b>					
<b>Current Assets:</b>					
Pooled Cash and Cash Equivalents	\$ 10,282	\$ 10,382	\$ 47,292	\$ 11,075	\$ 101,194
Non-Pooled Cash and Cash Equivalents	-	-	-	-	-
Non-Pooled Investments	-	603	-	-	-
<b>Receivables:</b>					
Interest Receivable	-	-	-	103	-
Accounts Receivable	2,754	5,376	8,765	5,232	35,438
Due from Other Governments	-	-	553	479	-
Due from Other Funds	633	-	-	6,851	-
Capital Leases Receivable-Current	-	-	-	319	-
Other Receivables	-	-	-	-	-
Allowance for Receivables	(383)	(210)	(279)	(2,710)	-
Inventory	1,191	1,916	-	97	-
Other Assets-Current	-	-	-	-	-
Total Current Asset	<u>14,477</u>	<u>18,067</u>	<u>56,331</u>	<u>21,446</u>	<u>136,632</u>
<b>Restricted Assets:</b>					
Pooled Cash and Cash Equivalents	3,277	2,054	-	16,843	-
Non-Pooled Cash and Cash Equivalents	-	-	3,350	19,626	-
Non-Pooled Investments	1,068	2,996	11,467	-	-
Interest Receivable	-	-	-	247	-
Accounts Receivable	-	-	-	-	-
Deposits	-	-	-	-	-
Total Restricted Assets	<u>4,345</u>	<u>5,050</u>	<u>14,817</u>	<u>36,716</u>	<u>-</u>
<b>Noncurrent Assets:</b>					
<b>Noncurrent Receivables:</b>					
Capital Lease Receivable	-	-	-	1,264	-
Other Noncurrent Receivables (net)	-	-	6,639	-	638
Advances to Other Funds	6,308	-	-	-	-
<b>Capital Assets:</b>					
Land and Other Capital Assets not being Depreciated	2,329	23,002	6,961	52,278	-
Capital Assets net of Accumulated Depreciation	53,772	208,333	52,273	323,927	-
Other Assets-Long-Term	-	556	-	7,691	235,272
Total Noncurrent Assets	<u>62,409</u>	<u>231,891</u>	<u>65,873</u>	<u>385,160</u>	<u>235,910</u>
Total Assets	<u>81,231</u>	<u>255,008</u>	<u>137,021</u>	<u>443,322</u>	<u>372,542</u>

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2004	September 30, 2003
		September 30, 2004	September 30, 2003		
\$ 282,943	\$ 15,821	\$ 478,989	\$ 440,314	\$ 108,594	\$ 118,938
21,786	-	21,786	22,161	-	-
-	-	603	-	-	-
200	-	303	416	-	-
43,760	3,457	104,782	90,873	1,167	1,128
23,221	3,861	28,114	11,114	91	91
-	-	7,484	9,661	4,893	2,407
-	-	319	290	-	-
-	59	59	-	-	-
(938)	(286)	(4,806)	(2,257)	(236)	(169)
844	62	4,110	4,346	1,539	1,616
-	-	-	-	-	-
<u>371,816</u>	<u>22,974</u>	<u>641,743</u>	<u>576,918</u>	<u>116,048</u>	<u>124,011</u>
262,752	142,414	427,340	369,766	14,852	12,122
-	-	22,976	28,610	11,754	13,663
11,460	6,849	33,840	37,594	-	-
-	468	715	754	-	-
-	-	-	-	7	2,498
-	-	-	-	-	2,293
<u>274,212</u>	<u>149,731</u>	<u>484,871</u>	<u>436,724</u>	<u>26,613</u>	<u>30,576</u>
-	-	1,264	1,583	-	-
4,943	600	12,820	13,519	-	-
27,435	-	33,743	34,376	-	-
1,191,216	29,734	1,305,520	1,389,480	9,754	35,434
1,048,796	69,433	1,756,534	1,635,230	83,282	84,488
112,955	-	356,474	324,305	83,259	87,311
<u>2,385,345</u>	<u>99,767</u>	<u>3,466,355</u>	<u>3,398,493</u>	<u>176,295</u>	<u>207,233</u>
<u>3,031,373</u>	<u>272,472</u>	<u>4,592,969</u>	<u>4,412,135</u>	<u>318,956</u>	<u>361,820</u>

(continued)



**City of Long Beach**  
**Proprietary Funds**  
**Statement of Net Assets (Deficit)**  
**September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**  
**(continued)**

Business-type Activities - Enterprise Funds

	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
<b>LIABILITIES</b>					
<b>Current Liabilities Payable from Current Assets:</b>					
Accounts Payable	\$ 4,398	\$ 6,914	\$ 2,731	\$ 1,990	\$ 3,602
Accrued Wages	299	290	193	336	113
Accrued Interest Payable	-	-	7	205	-
Due to Other Funds	133	205	86	783	51
Deferred Revenues	191	-	-	2,160	-
Collections Held in Trust	-	-	545	142	4,636
Advances from Developers	-	13	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-	-
Due to State of California	-	-	-	-	13,815
Obligations Under Capital Leases-Current	-	-	-	1,912	-
Bonds Payable Due Within One Year	-	-	-	1,455	-
Other Long-Term Obligations-Current	-	-	-	946	-
Total Current Liabilities	<u>5,021</u>	<u>7,422</u>	<u>3,562</u>	<u>9,929</u>	<u>22,217</u>
<b>Current Liabilities Payable from Restricted Assets:</b>					
Accounts Payable	-	-	1,300	-	-
Accrued Interest Payable	171	790	1,682	3,857	-
Customers Deposits\Deferred Revenue	1,951	752	-	25	-
Other Long-Term Obligations	-	132	-	-	-
Bonds Payable Due Within One Year	655	1,110	6,185	3,060	-
Total Liabilities Payable from Restricted Assets	<u>2,777</u>	<u>2,784</u>	<u>9,167</u>	<u>6,942</u>	<u>-</u>
<b>Noncurrent Liabilities:</b>					
Advances from Other Funds	-	-	-	13,999	-
Deferred Revenues	-	-	6,639	-	-
Deferred Credits and Other Deferred Liabilities	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims	-	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	-	299,100
Due to State of California	-	-	-	-	744
Obligations Under Capital Leases	-	-	-	7,572	-
Other Long-Term Obligations	-	6,368	-	11,799	-
Unamortized Discount/Deferred cost	-	(134)	-	(232)	-
Bonds Payable	7,560	35,830	114,050	185,595	-
Unamortized Discount/Deferred cost	(187)	(3,829)	1,479	(16,871)	-
Total Noncurrent Liabilities	<u>7,373</u>	<u>38,235</u>	<u>122,168</u>	<u>201,862</u>	<u>299,844</u>
Total Liabilities	<u>15,171</u>	<u>48,441</u>	<u>134,897</u>	<u>218,733</u>	<u>322,061</u>
<b>NET ASSETS (DEFECIT)</b>					
Investment in Capital Assets, Net of Related Debt	48,073	191,067	(62,480)	180,969	-
<b>Restricted for:</b>					
Debt Service	1,568	4,298	11,467	22,906	-
Capital Projects	-	-	2,050	1,134	-
Health Care Insurance	-	-	-	-	-
Alameda Corridor Transportation Authority Commitment	-	-	-	-	-
Aquarium	-	-	-	5,485	-
Subsidence	-	-	-	-	-
Unrestricted	16,419	11,202	51,087	14,095	50,481
Total Net Assets (Deficit)	<u>\$ 66,060</u>	<u>\$ 206,567</u>	<u>\$ 2,124</u>	<u>\$ 224,589</u>	<u>\$ 50,481</u>

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds

Net Assets of Business - Type Activities

The notes to the basic financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2004	September 30, 2003
		September 30, 2004	September 30, 2003		
\$ 16,526	\$ 3,007	\$ 39,168	\$ 51,087	\$ 3,214	\$ 5,513
3,348	278	4,857	4,537	30,293	27,859
81	193	486	508	2,251	2,545
7,319	151	8,728	10,279	312	170
38,111	9	40,471	10,373	18	142
8	108	5,439	4,951	131	4,265
-	3	16	55	-	-
-	-	-	-	7,300	5,371
-	-	-	-	20,900	23,775
-	-	13,815	9,194	-	-
-	-	1,912	1,739	1,762	2,174
-	-	1,455	90	6,635	6,140
54	710	1,710	1,640	-	-
<u>65,447</u>	<u>4,459</u>	<u>118,057</u>	<u>94,453</u>	<u>72,816</u>	<u>77,954</u>
-	-	1,300	1,834	146	1,252
20,948	-	27,448	27,641	-	-
-	-	2,728	2,636	-	-
-	-	132	127	-	-
34,215	-	45,225	42,275	-	-
<u>55,163</u>	<u>-</u>	<u>76,833</u>	<u>74,513</u>	<u>146</u>	<u>1,252</u>
-	1,833	15,832	14,515	-	-
-	2,628	9,267	9,006	-	-
30,523	-	30,523	24,853	-	-
-	-	-	-	58,134	58,944
-	-	-	-	75,035	79,170
17,000	-	316,100	270,376	-	-
-	-	744	744	-	-
-	-	7,572	9,484	2,282	2,946
60,288	10,710	89,165	91,008	-	-
-	(1,209)	(1,575)	(1,781)	-	-
1,102,215	-	1,445,250	1,500,435	167,885	174,520
14,808	-	(4,600)	(20,664)	(16,445)	(18,415)
<u>1,224,834</u>	<u>13,962</u>	<u>1,908,278</u>	<u>1,897,976</u>	<u>286,891</u>	<u>297,165</u>
<u>1,345,444</u>	<u>18,421</u>	<u>2,103,168</u>	<u>2,066,942</u>	<u>359,853</u>	<u>376,371</u>
1,088,010	88,956	1,534,595	1,484,399	26,952	53,413
85,323	1,142	126,704	126,029	10,223	10,165
67,085	-	70,269	110,527	6,268	7,129
-	-	-	-	9,976	12,030
147,294	-	147,294	69,406	-	-
-	-	5,485	2,803	-	-
-	148,589	148,589	145,154	-	-
298,217	15,364	456,865	406,875	(94,316)	(97,288)
<u>\$ 1,685,929</u>	<u>\$ 254,051</u>	<u>2,489,801</u>	<u>2,345,193</u>	<u>\$ (40,897)</u>	<u>\$ (14,551)</u>
		(10,032)	(10,718)		
		<u>\$ 2,479,769</u>	<u>\$ 2,334,475</u>		

**City of Long Beach**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)**  
**For the Fiscal Year Ended September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
<b>Operating Revenues:</b>					
Licenses and Permits	\$ -	\$ -	\$ -	\$ 300	\$ -
Fees, Concessions and Rentals	-	-	-	26,717	125,994
From Other Agencies	-	-	-	792	-
Charges for Services	83,752	63,185	71,198	25,666	4,931
Other	-	-	-	-	79
<b>Total Revenues</b>	<u>83,752</u>	<u>63,185</u>	<u>71,198</u>	<u>53,475</u>	<u>131,004</u>
<b>Operating Expenses:</b>					
Personal Services	10,456	11,572	8,211	14,580	4,075
Purchases of Gas and Water	51,541	18,581	-	-	-
Maintenance and Other Operations	10,878	17,539	47,704	39,258	5,001
Insurance Premiums	-	-	-	-	-
Self-Insured Losses	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Payments to Other Entities	-	-	-	-	92,979
Bad Debt	184	60	254	-	-
Amortization	-	-	-	58	-
Depreciation	3,107	7,852	4,416	16,364	-
<b>Total Operating Expenses</b>	<u>76,166</u>	<u>55,604</u>	<u>60,585</u>	<u>70,260</u>	<u>102,055</u>
<b>Operating Income (Loss)</b>	<u>7,586</u>	<u>7,581</u>	<u>10,613</u>	<u>(16,785)</u>	<u>28,949</u>
<b>Non-Operating Income (Expense):</b>					
Interest Income	491	541	1,890	4,595	-
Interest Expense	(433)	(2,243)	(5,081)	(13,184)	-
Gain (Loss) on Disposition of Capital Assets	(96)	(285)	176	(2,241)	-
Oil Field Abandonment Costs	-	-	-	-	-
Operating Grants	-	-	872	-	-
Other Income (Expense)	4,965	1,799	(5,362)	173	31
<b>Total Non-Operating Income (Expense)</b>	<u>4,927</u>	<u>(188)</u>	<u>(7,505)</u>	<u>(10,657)</u>	<u>31</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>12,513</u>	<u>7,393</u>	<u>3,108</u>	<u>(27,442)</u>	<u>28,980</u>
Capital Grants and Contributions	-	2,649	-	923	-
<b>Transfers:</b>					
Transfers In	-	-	-	19,732	-
Transfers Out	(11,584)	-	(4,702)	-	(9,180)
<b>Change in Net Assets (Deficit)</b>	<u>929</u>	<u>10,042</u>	<u>(1,594)</u>	<u>(6,787)</u>	<u>19,800</u>
<b>Net Assets (Deficit) - October 1</b>	<u>65,131</u>	<u>196,525</u>	<u>3,718</u>	<u>231,376</u>	<u>30,681</u>
<b>Net Assets (Deficit)- September 30</b>	<u>\$ 66,060</u>	<u>\$ 206,567</u>	<u>\$ 2,124</u>	<u>\$ 224,589</u>	<u>\$ 50,481</u>

Change in Net Assets of Business - Enterprise Funds

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds

Change in Net Assets of Business - Type Activities

The notes to the basic financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2004	September 30, 2003
		September 30, 2004	September 30, 2003		
\$ -	\$ -	\$ 300	\$ 208	\$ -	\$ -
277,620	27,893	458,224	374,844	-	-
-	-	792	2,252	-	-
-	16,050	264,782	246,823	204,227	195,487
3,162	-	3,241	3,899	4,912	4,765
<u>280,782</u>	<u>43,943</u>	<u>727,339</u>	<u>628,026</u>	<u>209,139</u>	<u>200,252</u>
26,190	9,929	85,013	79,321	26,493	25,929
-	-	70,122	62,276	-	-
28,018	20,151	168,549	155,851	38,889	36,022
-	-	-	-	3,010	3,017
-	-	-	-	9,020	37,751
-	-	-	-	42,050	40,876
-	-	-	-	67,720	69,825
-	-	92,979	45,660	-	-
-	-	498	360	-	-
5,547	-	5,605	6,097	5,909	5,589
77,373	3,225	112,337	101,067	10,585	11,285
<u>137,128</u>	<u>33,305</u>	<u>535,103</u>	<u>450,632</u>	<u>203,676</u>	<u>230,294</u>
<u>143,654</u>	<u>10,638</u>	<u>192,236</u>	<u>177,394</u>	<u>5,463</u>	<u>(30,042)</u>
13,450	4,313	25,280	24,378	1,668	2,127
(60,545)	(751)	(82,237)	(69,864)	(6,705)	(7,893)
(93)	-	(2,539)	(12,036)	715	(175)
-	-	-	(14,912)	-	-
-	194	1,066	886	-	-
(370)	(423)	813	(14,733)	3,974	9,253
<u>(47,558)</u>	<u>3,333</u>	<u>(57,617)</u>	<u>(86,281)</u>	<u>(348)</u>	<u>3,312</u>
96,096	13,971	134,619	91,113	5,115	(26,730)
5,752	13,250	22,574	9,625	(21,212)	(1,228)
-	-	19,732	19,616	324	-
(6,851)	-	(32,317)	(41,407)	(10,573)	(11,040)
94,997	27,221	144,608	78,947	(26,346)	(38,998)
<u>1,590,932</u>	<u>226,830</u>	<u>2,345,193</u>	<u>2,266,246</u>	<u>(14,551)</u>	<u>24,447</u>
<u>\$ 1,685,929</u>	<u>\$ 254,051</u>	<u>\$ 2,489,801</u>	<u>\$ 2,345,193</u>	<u>\$ (40,897)</u>	<u>\$ (14,551)</u>
		144,608	78,947		
		(10,032)	(10,718)		
		<u>\$ 134,576</u>	<u>\$ 68,229</u>		

**City of Long Beach**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the Fiscal Year Ended September 30, 2004  
With Comparative Totals for 2003  
(In Thousands)

Business-Type Activities - Enterprise Funds

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers	\$ 84,045	\$ 63,162	\$ 70,539	\$ 52,462	\$ -
Receipts from Oil Companies	-	-	-	-	120,120
Receipts from Other Governments	-	-	-	2,003	-
Receipts from Other Funds	-	-	-	-	-
Payments for Employee Salaries	(10,250)	(11,403)	(8,124)	(14,488)	(4,042)
Payments for Goods and Services	(64,002)	(31,716)	(47,386)	(42,612)	(5,827)
Payments for Compensated Absences	-	-	-	-	-
Payments for Employee Benefits	-	-	-	-	-
Payments for Liability Claims	-	-	-	-	-
Payments to Other Entities	-	-	-	-	(88,358)
Payments in Lieu of Taxes	-	(3,175)	-	-	-
Other Income (Expense)	4,965	1,882	(4,047)	173	31
<b>Net Cash Provided by (Used for)</b>					
<b>Operating Activities</b>	<u>14,758</u>	<u>18,750</u>	<u>10,982</u>	<u>(2,462)</u>	<u>21,924</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Repayment under Agency Agreement	-	-	-	-	-
Operating Grants Received from Other Governments	-	-	952	-	-
Transfers In	-	-	-	21,939	-
Receipts for Oil Well Abandonment Reserve	-	-	-	-	-
Transfers Out	(11,584)	-	(4,702)	-	(9,180)
<b>Net Cash Provided by (Used for)</b>					
<b>Non-Capital Financing Activities</b>	<u>(11,584)</u>	<u>-</u>	<u>(3,750)</u>	<u>21,939</u>	<u>(9,180)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Receipt of Capital Grants	-	4,677	-	(106)	-
Proceeds from the Sale of Capital Assets	-	18	695	-	-
Proceeds from Issuance of Long-Term Obligations	-	-	-	-	-
Proceeds from Issuance of Bonds	-	-	5,000	-	-
Receipts of Contributed Capital	-	-	-	-	-
Principal Received on Capital Leases	-	-	-	290	-
Principal Received on Capital Leases from other funds	603	-	-	-	-
Payments for Capital Acquisitions	(3,631)	(17,142)	(344)	(7,796)	-
Payments of Principal on Bonds Payable	(625)	(1,645)	-	(3,243)	-
Payments of Principal on Other Long- Term Obligations	-	(127)	-	(2,975)	-
Payments of Interest	(425)	(2,064)	(3,263)	(11,961)	-
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>(4,078)</u>	<u>(16,283)</u>	<u>2,088</u>	<u>(25,791)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>					
Proceeds from the Sale of Investments	-	-	-	-	-
Payment for Investments	-	-	(4,898)	-	-
Payments to Other Government Entities	-	-	-	-	-
Harbor Oil Operations Providing Cash	-	-	-	-	-
Receipts of Interest	490	540	1,984	4,599	-
<b>Net Cash Provided by (Used for)</b>					
<b>Investing Activities</b>	<u>490</u>	<u>540</u>	<u>(2,914)</u>	<u>4,599</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(414)	3,007	6,406	(1,715)	12,744
<b>Cash and Cash Equivalents - October 1</b>	13,973	9,429	44,236	49,259	88,450
<b>Cash and Cash Equivalents - September 30</b>	<u>\$ 13,559</u>	<u>\$ 12,436</u>	<u>\$ 50,642</u>	<u>\$ 47,544</u>	<u>\$ 101,194</u>

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2004	September 30, 2003
		September 30, 2004	September 30, 2003		
\$ 280,075	\$ 43,072	\$ 593,355	\$ 543,847	\$ 4,903	\$ 4,746
-	-	120,120	88,974	-	-
-	-	2,003	1,520	-	-
-	-	-	-	201,647	195,129
(21,631)	(9,841)	(79,779)	(74,730)	(26,202)	(25,883)
(28,666)	(14,114)	(234,323)	(237,444)	(45,122)	(39,260)
-	-	-	-	(54,696)	(56,374)
-	-	-	-	(66,547)	(65,149)
-	-	-	-	(3,090)	(5,249)
-	-	(88,358)	(49,025)	-	-
-	(6,541)	(9,716)	(6,277)	-	-
-	20	3,024	(21,852)	3,974	9,232
<u>229,778</u>	<u>12,596</u>	<u>306,326</u>	<u>245,013</u>	<u>14,867</u>	<u>17,192</u>
-	-	-	12,170	-	-
-	194	1,146	774	-	-
-	-	21,939	19,235	-	-
-	-	-	14,912	-	-
(9,058)	-	(34,524)	(41,026)	(10,250)	(11,040)
(9,058)	194	(11,439)	6,065	(10,250)	(11,040)
5,752	-	10,323	2,641	-	-
12,918	-	13,631	21,840	845	542
410,472	-	410,472	7,489	1,347	-
-	-	5,000	-	-	-
-	11,541	11,541	3,530	153	-
-	-	290	264	-	-
-	-	603	578	-	-
(115,321)	(21,084)	(165,318)	(239,384)	(5,192)	(17,128)
(442,620)	(680)	(448,813)	(40,260)	-	-
(55)	-	(3,157)	(3,001)	(8,563)	(4,240)
(51,260)	(614)	(69,587)	(80,151)	(4,398)	(11,020)
(180,114)	(10,837)	(235,015)	(326,454)	(15,808)	(31,846)
3,500	767	4,267	4,531	-	-
-	-	(4,898)	-	-	-
-	(2,214)	(2,214)	(2,900)	-	-
7,506	-	7,506	2,026	-	-
13,900	4,194	25,707	26,808	1,668	2,127
<u>24,906</u>	<u>2,747</u>	<u>30,368</u>	<u>30,465</u>	<u>1,668</u>	<u>2,127</u>
65,512	4,700	90,240	(44,911)	(9,523)	(23,567)
501,969	153,535	860,851	905,762	144,723	168,290
<u>\$ 567,481</u>	<u>\$ 158,235</u>	<u>\$ 951,091</u>	<u>\$ 860,851</u>	<u>\$ 135,200</u>	<u>\$ 144,723</u>

(continued)

**City of Long Beach**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the Fiscal Year Ended September 30, 2004  
With Comparative Totals for 2003  
(In Thousands)  
(Continued)

Business-Type Activities - Enterprise Funds

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
Operating Income (Loss)	\$ 7,586	\$ 7,581	\$ 10,613	\$ (16,785)	\$ 28,949
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)					
Operating Activities:					
Depreciation and Amortization Expense	3,107	7,852	4,416	16,422	-
Other Income (Expense)	4,965	1,882	(2,303)	173	31
(Increase) Decrease in Accounts Receivable, Net	358	-	(376)	(235)	(11,962)
(Increase) Decrease in Amounts Due from Other Governments	-	-	(20)	1,211	5,008
(Increase) Decrease in Amounts Due from Other Funds	-	1,143	-	-	-
(Increase) Decrease in Inventory	31	162	-	(1)	-
Decrease in Other Operating Assets	-	-	-	-	-
Increase in Other Non-Operating Assets	-	-	-	-	-
Increase (Decrease) in Accounts Payable	(1,549)	(76)	(1,941)	(3,401)	(854)
Increase (Decrease) in Accrued Wages Payable	73	169	44	92	34
Increase (Decrease) in Amounts Due to Other Funds	68	-	44	47	28
Increase (Decrease) in Accrued Claims Payable	-	-	-	-	-
Increase (Decrease) in Deferred Revenues	64	-	-	18	-
Increase (Decrease) in Deferred Credits	-	-	515	-	-
Increase (Decrease) in Collections Held in Trust	55	37	(10)	(3)	690
Total Adjustments	7,172	11,169	369	14,323	(7,025)
Net Cash Provided by (Used for) Operating Activities	\$ 14,758	\$ 18,750	\$ 10,982	\$ (2,462)	\$ 21,924
<u>SCHEDULE OF NON-CASH ACTIVITIES:</u>					
SERRF 2003 Refunding Bond Issue	\$ -	\$ -	\$ 120,235	\$ -	\$ -
SERRF Defeasement of 1995 Bond Issue	-	-	(125,100)	-	-
	-	-	-	-	-

The notes to the basic financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2004	September 30, 2003
		September 30, 2004	September 30, 2003		
<u>\$ 143,654</u>	<u>\$ 10,638</u>	<u>\$ 192,236</u>	<u>\$ 177,394</u>	<u>\$ 5,463</u>	<u>\$ (30,042)</u>
82,920	3,225	117,942	107,164	16,494	16,874
-	20	4,768	(21,852)	6,267	8,728
1,970	(1,368)	(11,613)	(13,717)	(103)	(7)
-	-	6,199	(4,250)	-	(25)
-	-	1,143	1,275	(2,458)	(352)
42	2	236	167	76	33
844	-	844	2,228	-	-
-	-	-	(1,354)	-	-
495	223	(7,103)	(1,564)	(3,403)	(269)
-	75	487	104	3,550	9,918
-	(730)	(543)	171	116	7
-	-	-	-	(7,010)	17,104
(147)	702	637	(560)	-	-
-	-	515	(41)	-	-
-	(191)	578	(152)	(4,125)	(4,777)
<u>86,124</u>	<u>1,958</u>	<u>114,090</u>	<u>67,619</u>	<u>9,404</u>	<u>47,234</u>
<u>\$ 229,778</u>	<u>\$ 12,596</u>	<u>\$ 306,326</u>	<u>\$ 245,013</u>	<u>\$ 14,867</u>	<u>\$ 17,192</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>(125,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>



**City of Long Beach**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	Private Purpose Trust	Agency Funds
<b>ASSETS:</b>		
Pooled Cash and Cash Equivalents	\$ -	\$ 9,306
Non-Pooled Cash and Cash Equivalents	-	6,442
Restricted Pooled Cash and Cash Equivalents	967	-
Total Assets	967	15,748
<b>LIABILITIES:</b>		
Accounts Payable	-	89
Due to Special Assessment Bondholders	-	2,860
Collections Held in Trust	-	12,799
Total Liabilities	-	15,748
<b>NET ASSETS:</b>		
Held in Trust for Private Purpose Trust Funds	\$ 967	\$ -

**City of Long Beach**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	Private Purpose Trust
<b>ADDITIONS:</b>	
Interest Income	\$ 25
Contributions from Citizens	19
Total Additions	44
<b>DEDUCTIONS:</b>	
Community and Cultural	94
Total Deductions	94
Change in Net Assets	(50)
Net Assets, October 1	1,017
Net Assets, September 30	\$ 967

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**NOTE 1 – REPORTING ENTITY**

**Organization**

The City of Long Beach, California (the City), operates under a City Charter originally adopted in 1921 and last amended in 2002. The City Charter establishes the current Mayor-Council-City Manager form of government, sets forth the powers and duties of the Mayor and City Council and defines the roles, duties, and form of organization of the City's various boards, commissions, and other offices. The City is divided into nine councilmanic districts, with Council persons elected to serve within their respective districts. The citizens, as a whole, elect a Mayor, City Auditor, City Attorney and City Prosecutor. The City Council appoints a City Manager who serves at the discretion of the Council.

**Financial Reporting Entity**

The City provides a full range of municipal services including police and fire, health and environmental, library, recreation and related social services, public works, parks, sanitation, planning and community development, public improvements, gas, water, airport and towing services. The City operates its international harbor facility and its Tidelands area (consisting of the beaches, Convention Center, Queen Mary, Rainbow Harbor, the Aquarium of the Pacific, marinas and oil extraction administrative operations) under a trust agreement with the State of California. It is the City's policy to establish activity fees and charges designed to recover the cost of providing services, including capital costs such as depreciation and debt service. Accordingly, the financial operations of these operations are accounted for as enterprise funds.

The accompanying basic financial statements present the financial activity of the City of Long Beach and its component units, entities for which the primary government is considered to be financially accountable. Blended component units, although separate legal entities, are, in substance, part of the government's operations. The City's discretely presented component unit represents a legally separate organization for which the nature and significance of its relationship to the primary government are such that exclusion would cause the City's reporting entity to be misleading or incomplete. Brief descriptions of these related blended and discretely presented component financial reporting units/entities and the method of incorporating their financial information in the accompanying basic financial statements are as follows:

**Blended Component Entities**

Housing Authority of the City of Long Beach (the Authority) is a public agency created by action of the City Council in 1969 to administer housing assistance programs for qualified residents. The Authority is governed by an eleven-member Board of Commissioners, comprised of the nine City Council members and two representatives elected by housing assistance benefit recipients. The Authority's administrative functions are directed and performed by City employees. The financial activity of the Authority is included in the Housing Assistance Fund, a non-major governmental fund.

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

Redevelopment Agency of the City of Long Beach (the Agency) was established by action of the City Council in 1961 under provisions of State law. The Agency is administered by a five-member governing board whose members are appointed by, and serve at the will of, the City Council. The City Council approves the Agency's annual budget and changes thereto. Additionally, the City Council approves decisions that impact the Agency's fiscal operations, such as determination of redevelopment project areas, bonding decisions and sales of property. Further, the City provides all staffing, treasury management and investment analysis, facilities and administrative services to conduct the Agency's day to day operations. Accordingly, the financial activities of the Agency are blended with those of the City in the accompanying basic financial statements and are reported as the Redevelopment Capital Projects Fund.

To accomplish its stated purpose, the Agency assists the City by acquiring land and makes such sites suitable for resale to contracted commercial developers. Agency parcels are often sold below the cost of acquisition, with the expectation that the proposed development will meet the objectives of removing blight, increasing local revenues, and expanding the City's economic base and employment opportunities. Such acquisitions are recorded as investments in land at cost, and are adjusted for estimated declines in fair value, upon negotiation of a development disposition agreement.

Long Beach Housing Development Company (the Company) is a non-profit corporation formed by action of the City Council in 1987 to plan, direct, perform and assist the City in meeting its statutorily mandated responsibility to provide adequate housing to low-and moderate-income residents, senior citizens and disabled persons. Under California law, the Redevelopment Agency of the City of Long Beach is required to set aside 20% of its incremental property tax revenues to meet these needs. It is the Company's responsibility to assist the City and the Redevelopment Agency in assessing such needs. The City Council appoints the Company's Board of Directors, approves the Company's bylaws and changes thereto, approves the Company's budget and has ultimate authority over the Company's activities. In addition, the City provides all staffing, facilities and funding for the Company's operations. The financial activities are blended with those of the City in the accompanying basic financial statements and are accounted for in the Housing Development Fund. By electing to form a non-profit corporation to carry out functions that would ordinarily revert to the City, it is the City Council's intention that a greater potential for public/private partnerships be created.

Southeast Resource Recovery Facility (SERRF) Authority is a joint powers authority between the City of Long Beach and the Los Angeles County Sanitation District Number 2. The Authority was created to finance the construction of a waste-to-energy facility through the issuance of lease revenue bonds. Payments under the lease are intended to service bonded debt issued to finance construction of the project. For financial reporting purposes, the capital lease between the SERRF Authority and the City has been eliminated, and the financial activities of the SERRF Authority are included in the Solid Waste Management Enterprise Fund. (See Note 18).

**CITY OF LONG BEACH  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2004**

**Non-profit Financing Corporations and Authorities:**

The financial operations of several non-profit financing corporations and authorities organized for the purpose of financing various capital improvements or debt refinancings within the City are also included as blended component units in the accompanying basic financial statements. The activities of the organizations listed below are generally restricted to financing City related capital improvements. In this regard, the City Council either serves as the governing board or appoints the voting majority of the governing board, and otherwise exercises significant oversight and direct operational and financial control over these entities. Therefore, such entities meet established criteria for inclusion in the accompanying basic financial statements.

For the most part, these non-profit corporations enter into capitalizable leases with the City (See Note 11). However, for financial reporting purposes, such lease transactions are eliminated, and the related financing obligations and related capital assets are carried at cost in the accompanying basic financial statements.

The non-profit financing corporations established by the City are:

<u>Entity</u>	<u>Affected Fund Type</u>	<u>Affected Funds</u>
Long Beach Financing Authority	Governmental	Redevelopment Capital Projects Fund
Long Beach Bond Finance Authority	Governmental and Business-Type	Internal Service Funds and Tidelands Fund
Long Beach Capital Improvement Corporation	Business-Type	Other Proprietary Enterprise Fund
Parking Authority of the City of Long Beach	Business-Type	Tidelands Enterprise Fund

Separately issued financial statements are required for the Redevelopment Agency, the Housing Development Company and some separate financing authorities due to financing or legal requirements. These separately issued financial statements may be obtained at City Hall. There is no requirement to separately issue financial statements for the remaining component financial reporting units; consequently, none are issued.

**Discretely Presented Component Unit**

The Long Beach Public Transportation Company (LBT) is a nonprofit corporation, formed in 1963 to purchase the local public transit system from a private carrier. The City is the LBT's sole shareholder.

LBT is governed by a seven-member Board of Directors (Board) which provides broad policy and financial decisions, setting direction for management. The Mayor, with the approval of the City Council, appoints residents of the community to the Board to serve

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

overlapping four-year terms. In addition, two designees of the City Manager's Office serve as ex-officio Board members but do not have voting authority. LBT's mission is "to provide public transit services that enhance and improve the quality of life for the people in our community."

LBT's governing body does not share common membership with that of the City and its service area overlaps other communities. The financial operations of the LBT are reported as a separate column in the basic financial statements to emphasize that it is legally and operationally separate from the City. Separate financial statements can be obtained from the Executive Director of Financial Services, Long Beach Transit, P.O. Box 731, Long Beach, CA 90801.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the accompanying government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the accompanying fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The City's government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, and except for reimbursement basis government revenues, which are recognized when earned, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.), net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City.

**Major Governmental Funds**

The General Fund is used to account for financial resources applicable to the general governmental operations of the City of Long Beach which are not required to be accounted for in another fund.

The Housing Development Fund is used to account for the portion of property tax increment monies which is required under California Redevelopment Law, Section 33334, to be set aside for the development of low-and moderate-income housing. The operations of the Long Beach Housing Development Company is accounted for in the Housing Development Fund.

The Community Development Grants Fund is used to account for Federal grants providing job training and employment opportunities for economically disadvantaged, unemployed, and under-employed persons. This fund is also used to account for Federal grants received from the U.S. Department of Housing and Urban Development (HUD). HUD grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low-and moderate-income.

The General Capital Projects Fund was established to account for the acquisition, construction, and improvement of capital facilities financed by grants and operating transfers from the General Fund and certain special revenue funds.

The Redevelopment Capital Projects Fund was established to account for the acquisition, relocation, demolition and sale of properties for those portions of the City of Long Beach which have been earmarked for redevelopment. Redevelopment projects are financed with property tax increment funds, operating transfers from the Community Development Grants Special Revenue Fund and bond proceeds. This fund is also used to account for the accumulation of resources for, and the payment

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

of principal and interest on the Redevelopment Agency's bonded debt and other long-term obligations.

**Major Enterprise Funds**

The Gas Fund is used to account for the activities associated with the transmission and distribution of natural gas to the City's customers.

The Water Fund is used to account for the activities associated with the pumping, purchasing, treatment, transmission and distribution of potable and reclaimed water by the City to its customers.

The Solid Waste Management Fund is used to account for the City's refuse collection and resource recovery operations. The Southeast Resource Recovery Facility (SERRF) Authority is combined with the City's Solid Waste Management Fund for purpose of financial statement presentation.

The Tidelands Fund is used to account for operations, maintenance and development of the beaches, Convention Center, the Queen Mary, the Aquarium of the Pacific, as well as the City's marinas. For purpose of financial statement presentation, the Parking Authority of the City of Long Beach is combined with the Tidelands Fund.

The Tideland Oil Revenue Fund is used to account for the proceeds from oil operations within the City's Tidelands area.

The Harbor Fund is used to account for the operations and development of the Tidelands area port district.

Additionally, the City reports the following fund types:

Internal Service Funds account for a variety of services provided to other departments or agencies of the City on a cost reimbursement basis. These services include information technology, fleet services, civic center and related maintenance and financing, liability insurance, workers' compensation insurance, unemployment insurance and employee benefits.

Fiduciary Funds include private trust and agency funds. Private trust funds account for assets and activities restricted to a specific purpose in accordance with a trust agreement. These include the Miller Library and Mayor's Fund for the Homeless, from which both principal and interest may be spent for the purposes of the trusts. Agency funds account for assets held by the City as an agent for individuals, private organizations and other governmental units.

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by generally accepted accounting principles, the City has also elected to apply those Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989 that may apply to the accounting and reporting practices of the City's enterprise and business-type activities, except those that

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

may conflict with GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1.) charges to customers or applicants for goods, services, or privileges provided, 2.) operating grants and contributions, and 3.) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a business-type activity's principal ongoing operations. The principal operating revenues of the City's business-type activities are charges for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Pooled Cash and Cash Equivalents**

In order to maximize investment return, the City pools its available cash for investment purposes. The cash management pool is used essentially as a demand deposit account by the various funds; accordingly, the City has defined Cash and Cash Equivalents as demand deposits plus all investments maintained in the cash management pool, regardless of maturity period. In addition, several individual funds maintain specific investments over and above any pooled cash balances.

Interest income arising from pooled cash and investments is apportioned to the participating funds based on the relationship of their respective daily cash balances to the total of pooled cash and investments. Investments are stated at fair value at September 30, 2004. (See Note 4).

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., current portion of interfund loans) or "advances to/from other funds" (e.g., non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Trade and property tax receivables are shown net of any provisions for uncollectible accounts.



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Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the applicable governmental or business-type activities columns in the accompanying government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the constructed asset.

Capital assets of the primary government are depreciated on a straight-line basis, over the estimated useful lives of the assets, as follows:

Land Improvements	15-35 years
Buildings and Utility Plant	20-50 years
Structures and Facilities	10-35 years
Infrastructure	20-50 years
Automobiles	2-6 years
Automotive Equipment	10-20 years
Machinery and Equipment	5-20 years
Office Furniture, Fixtures and Equipment	3-20 years

Land parcels held for resale are recorded at cost, and are adjusted for estimated declines in fair value, upon negotiation of a development disposition agreement.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs and deferred amounts on refunding are generally included in interest expense unless otherwise noted.

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In the accompanying fund financial statements, the City's governmental fund types recognize bond premiums, discounts and issuance costs during the period issued. The face amount of debt issued has been reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Net Assets and Fund Equity**

In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and, unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as investors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. Nonexpendable portions of the private purpose trust funds are reported as held in trust. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not readily available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent City Council actions or policies that are subject to change.

**Property Tax Calendar**

Under the State Constitution, the property tax rate is limited to 1% of assessed value, but may be adjusted for specific voter-approved indebtedness. Property taxes are levied by the Los Angeles County (County) Tax Assessor and shared among all other local taxing authorities within the City. Accordingly, the County collects property taxes and distributes such taxes on the basis of the taxing authorities' tax rate percentages, allowing for such adjustments as may be authorized for voter-approved debt. Secured property taxes are levied during September of every year and become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1<sup>st</sup> and delinquent with penalties after December 10<sup>th</sup>; the second is due February 1<sup>st</sup> and delinquent with penalties after April 10<sup>th</sup>.

**Revenue Recognition for Utility Funds**

Utility revenues are recorded as billed to customers on a cyclical monthly basis. Unbilled amounts at year-end are not considered material and are not recognized as revenue.

**Employee Benefits and Compensated Absences**

Benefits for City employees are paid from the City's Employee Benefits Internal Service Fund, except for the residual balance of a City-administered Police and Fire Annuity Benefit Program that was terminated in 1945. The Employee Benefits Internal Service Fund is reimbursed through payroll charges to other funds based on estimates of benefits earned. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates.

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Accumulated sick leave becomes vested only when an employee meets the City's minimum requirements for retirement. At the time of retirement, employees have the option of using the cash value equivalent of accumulated sick leave to continue in the City's health insurance plan or to purchase additional pension benefits from the State of California Public Employees' Retirement System (CalPERS). Accumulated sick leave is forfeited upon termination for reasons other than retirement. Through fiscal year 2003, the City also contributed up to 32 hours of accumulated sick leave each year to deferred compensation plans for active safety employees who have accumulated in excess of 40 days of sick leave as of January 1 of each calendar year. These deferred compensation contributions were funded and remitted to the City's deferred compensation third-party administrators.

The City makes annual contributions in varying amounts to deferred compensation plans for certain employee groups who serve in sensitive, confidential capacities (e.g., police and fire sworn personnel receive \$600 per year). Effective January 1, 2005 this benefit ceased for safety employees. All other City employees receive no such benefit. Contributions are made as of January 1 each year.

Through fiscal year 2003, the City had established an Integral Part Trust (Post Employment Medical Benefits) for police officers. This third-party administered trust provides reimbursements for post retirement medical expenses. For eligible employees, the value of thirty-two hours of accumulated sick leave and excess, unused vacation, using the employees current wage rate, was deposited, pre-tax into a trust account maintained in the employees name. This benefit to deposit the value of thirty-two hours of sick leave and excess leave is not effective for fiscal year 2004. The excess vacation is effective for fiscal year 2004.

Vacation and holiday benefits are recognized when earned. Sick leave benefits are recognized on a pro-rata basis using an actuarially determined method. (See Note 13).

Budgetary Principles

The City Council adopted the fiscal year 2004 budget prior to September 30, 2003 for all funds except for agency funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Budget information is presented in the accompanying basic financial statements for the General, Housing Development, Community Development grant funds on a non-GAAP budgetary basis, since appropriations represent budgeted amounts to be expended or encumbered during the year.

Budgeted revenue and expenditure amounts represent the originally budgeted amounts as well as budgeted amounts as modified by adjustments authorized during the year. Total

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expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations.

Accounting for Encumbrances

Encumbrances outstanding at year-end are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The City records an encumbrance as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received as required by generally accepted accounting principles. (Adjustments necessary to convert actual expenditures from the modified accrual basis to the budgetary basis are reflected in Note 16).

Estimates

The preparation of the City's basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Government-wide

The impact of GASB 34 on the City's accounting and financial reporting practices was to report all long-term capital assets in the statement of net assets. In fiscal year 2002, the City initially reported certain infrastructure in the government-wide statements. In fiscal year 2004, the City capitalized traffic signal infrastructure. This resulted in a restatement of beginning net assets as follows (in thousands):

	<u>Governmental Activities</u>
Net Assets:	
Government-wide total net asset at September 30, 2003, as previously reported	\$ 453,370
To include additional infrastructure as of September 30, 2003 per GASB 34	
Add Traffic Signals	18,338
Less Accumulated Depreciation, Traffic Signals	<u>(10,438)</u>
Government-wide total net asset at September 30, 2003, as restated	<u>\$ 461,270</u>
	 <u>Governmental Activities</u>
Capital Assets:	
Capital assets at September 30, 2003, as previously reported	\$ 587,158
To include additional infrastructure as of September 30, 2003 per GASB 34	
Add Traffic Signals	18,338
Less Accumulated Depreciation, Traffic Signals	<u>(10,438)</u>
Capital assets at September 30, 2003, as restated	<u>\$ 595,058</u>

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**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows (in thousands):

Bonds Payable (Note 9)	\$ 250,062
Plus: issuance premium (to be amortized as a reduction of interest expense)	5,859
Less: issuance discount (to be amortized as an increase of interest expense)	(129)
Notes, certificates of participation, commercial paper and other long-term obligations	51,669
Capital lease payable	36,638
Accrued interest payable	5,146
Less: deferred charge for issuance costs (to be amortized over life of debt)	<u>(5,269)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 343,976</u>

**Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. Various elements of this reconciliation are explained below. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows (in thousands):

Capital outlay	\$ 74,504
Depreciation expense	<u>(23,992)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 50,512</u>

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The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the long-term debt principal consumes current financial resources. Neither transaction, however, has a net effect on net assets. Also, governmental funds report the effect of issuance costs, premiums/discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows (in thousands):

Debt issued or incurred:	
Issuance of revenue bonds	\$ 11,595
Less discounts	(90)
Less Issuance costs	(239)
Issuance of notes, certificates of participation, commercial paper and other long-term obligations	1,450
Increase of notes, certificates of participation, commercial paper and other long-term obligations due to deferral of charges	229
Capital leases	4,315
Principal repayments:	
Revenue bond debt	(5,312)
Notes, certificates of participation, commercial paper and other long-term obligations	(484)
Police and fire annuities paid (closed plan)	(5,507)
Capital leases	(5,205)
Payment to escrow agent for refunding	<u>(10,729)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 9,977</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows (in thousands):

Increase in liability for police and fire annuities	\$ (2,159)
Accrued interest	51
Amortization of premium	292
Amortization of discount	(5)
Amortization of issuance cost	(238)
Change in estimated liability for future oil field abandonment costs	<u>(700)</u>
Net difference	<u>\$ (2,759)</u>

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The net revenues of certain activities of internal service funds are reported with governmental activities. The details of this difference are as follows (in thousands):

Change in net assets as reported in the internal service funds	\$ (26,346)
Activities of internal service funds related to enterprise funds are allocated to business-type activities, resulting in a negative internal balance in governmental activities	<u>(686)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (27,032)</u>

**NOTE 4 – CASH AND INVESTMENTS**

The City maintains a general cash and investment pool for the purpose of maximizing investment returns for most funds except those required to be held by outside fiscal agents. The City's cash and investment pool operates essentially as a demand deposit account for the various funds, and interest income earned on pooled cash and investments is allocated monthly to the funds based on their average daily cash balance. The portion of this pool for each fund type is displayed in the accompanying Statement of Net Assets under the caption entitled "Pooled Cash and Cash Equivalents".

In addition, several of the City's funds are required to maintain separate monies and investments that are held by independent trustees or fiscal agents. These funds are listed as non-pooled cash and investments and are generally pledged to the payment of project costs or security of certain outstanding bonds and certificates of participation. Monies held by these parties, unless otherwise required by statute, may be invested in accordance with the provisions of the enabling ordinances, resolutions or indentures specifying the types of investments the City's trustees or fiscal agents may make. Such ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. The City's trustees invest in specified Federally backed securities, but money may also be temporarily invested in money-market securities. Trustees are not permitted to make investments that are prohibited by the City's general investment policy. Such investments are generally scheduled to mature as cash is needed to fulfill the purposes of the underlying trust agreements. At September 30, 2004, cash with fiscal agents totaled \$166,292,000.

The City's bank reported \$26,707,000 in deposits at September 30, 2004. Deposits at the bank are covered by appropriate Federal insurance, or are collateralized in conformance with the California Government Code, which requires California financial institutions to secure a city's deposits by pledging as collateral government securities with a fair value of at least 110% of the city's deposits. At September 30, 2004, the City reported deposits at a fair value of \$17,566,000, net of outstanding checks of \$14,115,000 and deposits in transit of \$4,974,000.

The City is authorized to invest in obligations issued or guaranteed by the Federal Government, its agencies and instrumentalities, as well as in commercial paper rated A-1 or

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better by Standard & Poor's Corporation or P-1 or better by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, bank certificates of deposit, the State Treasurer's Local Agency Investment Fund and shares of beneficial interest (mutual funds) issued by diversified management companies.

The City's cash deposits and investments at September 30, 2004 are categorized by maturity date and by the level of custodial credit risk assumed by the City. The risk categories are defined as follows:

Category 1: includes cash deposits which are insured or collateralized with securities held by the City or by its agent in the City's name, and investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2: includes cash deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name and uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3: includes cash deposits that are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name) and uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. At September 30, 2004, the City held no category 3 type investments.

Not required to be categorized: Investments in pools managed by other governments, mutual funds, or in guaranteed investment contracts.

At September 30, 2004, the City had \$82,160,000 deposited in the California State Treasurer's Local Agency Investment Fund (LAIF), a non-SEC registered, government-sponsored external investment pool. LAIF is a voluntary program established under Section 16429.1-3 of the California Government Code.

LAIF is part of the State of California Pooled Money Investment Account (PMIA) and has oversight provided by the Pooled Money Investment Board (PMIB) and an internal Investment Committee. The PMIB Board members are the State's Treasurer, Director of Finance and Controller. Additionally, LAIF is subjected to oversight by the Local Investment Advisory Board (LIAB), which consists of five members, as designated by statute. The LIAB's Chairman is the State Treasurer, who appoints the other four members to two-year terms.

Component Unit

The Long Beach Transportation Company (LBT) bank deposits are either entirely covered by appropriate Federal insurance or are collateralized in accordance with provisions of the California Government Code, which requires California financial institutions to secure a public agency's deposits by pledging as collateral government securities with a fair value of at least 110% of the LBT's deposits.



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The LBT's bank reported \$2,137,000 in deposits at June 30, 2004. The LBT reports cash and cash deposits of \$658,000, with the difference representing outstanding checks.

The LBT is authorized to participate in investments in obligations issued or guaranteed by the Federal government and its agencies and instrumentalities, high-quality commercial paper with a rating of A1 or better by Standard and Poor's Corporation or P1 or better by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, bank certificates of deposit, the State Treasurer's Local Agency Investment Fund and shares of beneficial interest (mutual funds) issued by diversified management companies.

LBT management has determined that the differences between fair value and the amortized cost basis of the LBT investments at June 30, 2004 are immaterial.

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In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB 31), the accompanying basic financial statements reflect the fair value of the City's investments. The fair value of the City's investments is determined annually and is based upon current market prices. Fair value may also be affected by other external factors such as changing interest rates. For example, increasing interest rates could cause fair value to decline below original cost. The fair value of the City's cash deposits and investments at September 30, 2004 are categorized by maturity date and by level of risk in the following table (in thousands):

	Primary Government					Component	
	Maturity Period					Unit	
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Indeterminate	Fair Value	
<b>Risk Category 1:</b>							
Cash In Bank	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 658
U.S. Government Securities	47,923	45,755	-	-	-	93,678	-
U.S. Government Agency Securities	275,010	530,626	81,964	-	-	887,600	-
Negotiable Certificates of Deposit	25,000	-	-	-	-	25,000	-
Medium Term Corporate Notes	7,664	90,108	4,997	-	-	102,769	-
Assessment Bonds	-	-	-	4,388	-	4,388	-
Municipal Bonds	-	-	575	1,885	-	2,460	-
<b>Total Risk Category 1</b>	<b>355,797</b>	<b>666,489</b>	<b>87,536</b>	<b>6,273</b>	<b>-</b>	<b>1,116,095</b>	<b>658</b>
<b>Risk Category 2:</b>							
Cash In Bank - Collateralized	17,366	-	-	-	-	17,366	-
Repurchase Agreement	-	-	-	-	-	-	500
Funds Held by Fiscal Agents, Consisting Primarily of Federally Backed Securities	-	-	-	-	166,292	166,292	-
<b>Total Risk Category 2</b>	<b>17,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,292</b>	<b>183,658</b>	<b>500</b>
<b>Investments Not Required to Be Categorized:</b>							
State and Local Agency Investment Pool	82,160	-	-	-	-	82,160	27,947
Guaranteed Investment Contracts	-	-	-	16,127	-	16,127	-
<b>Total Investments Not Required to Be Categorized</b>	<b>82,160</b>	<b>-</b>	<b>-</b>	<b>16,127</b>	<b>-</b>	<b>98,287</b>	<b>27,947</b>
<b>Total Cash and Investments</b>	<b>\$ 455,323</b>	<b>\$ 666,489</b>	<b>\$ 87,536</b>	<b>\$ 22,400</b>	<b>\$ 166,292</b>	<b>\$ 1,398,040</b>	<b>\$ 29,105</b>

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A reconciliation of the cash, cash equivalents and investments between the basic financial statements and the fair value of the investment portfolio at September 30, 2004 is as follows (in thousands):

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Pooled Cash and Cash Equivalents	\$ 272,693	\$ 478,989	\$ 9,306	\$ 760,988	\$ -
Non-Pooled Cash and Cash Equivalents	95,250	21,786	6,442	123,478	11,616
Non-Pooled Investments	-	603	-	603	-
Restricted Assets:					
Pooled Cash and Cash Equivalents	14,852	427,340	-	442,192	-
Non-Pooled Cash and Cash Equivalents	11,754	22,976	967	35,697	17,489
Non-Pooled Investment	10,000	33,840	-	43,840	-
Total Deposits and Investments	<u>\$ 404,549</u>	<u>\$ 985,534</u>	<u>\$ 16,715</u>	1,406,798	29,105
Imprest Cash on Hand in Pooled Cash and Cash Equivalents				(641)	-
Adjustment for Accrued Interest Receivable included above				(8,117)	-
Total Cash and Cash Equivalents				<u>\$ 1,398,040</u>	<u>\$ 29,105</u>

**GASB 31**

GASB 31 requires that certain investments and external investment pools be reported at fair value. At September 30, 2004 and 2003, the effect of valuating the City's investments at fair value did not have a material impact on its financial position.

**Securities Lending**

The City did not engage in any securities lending programs for the fiscal year ended September 30, 2004. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreements with the City's contract bank. These agreements limit the nature and amount of the transactions, and provide for full collateralization of each transaction.

**Interest Rate Swaps**

On March 16, 2004 the Long Beach Bond Finance Authority (Authority) terminated an existing 7-year fixed-receiver/3-year reversal (fixed-payer) Bond Market Association (BMA) swap with a banking institution (Bank). The Authority entered into the swap on February 19, 2002. On February 19, 2002 the Authority also 1) sold a swaption (which gave the Bank the right but not the obligation to put the Authority into a fixed-to-floating BMA swap at a rate of 5.0%) and 2) entered into a forward starting floating-to-floating (basis) swap (effective April 15, 2005.) Under the basis swap the Authority received 74.2% of LIBOR and paid the BMA Index. The Authority entered into these swap transactions to generate immediate and future debt service savings. The Swap paid the Authority fixed cash payments of \$238,000 every April 15<sup>th</sup> and October 15<sup>th</sup> until April 15, 2005. After April 15, 2005 the Authority would receive a fixed rate of 3.705% and pay the BMA Index.

Interest rates had declined over 80 basis points since the Authority entered into the swap allowing the Authority to extinguish its obligations under the swap and realize a gain.

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In exchange for terminating the transaction, the bank agreed to make a net unwind payment of \$2,537,000.

The Swaption and the basis swap remain outstanding. The terms of the liquidated swap are listed below:

Fixed-to-Floating Swap

Notional Amount:	\$64,760,000
Effective Date:	February 21, 2002
Maturity Date:	April 15, 2009
Authority Receives:	Effective Date to April 15, 2005: 0.736% April 15, 2005 to Maturity: 3.705% (Semiannual, 30/360)
Authority Pays:	BMA index (Semiannual, Actual/Actual)
Method of Averaging:	Weighted
Counterparty:	Citibank, N.A. (Aa1 / AA rated)
Termination Payment:	\$2,536,700

The positive swap termination value resulted from the decline in BMA swap rates since the original trade was executed on February 19, 2002. The market *forward* fixed rate for the Authority's fixed receiver swap versus BMA declined to approximately 2.90% from 3.705% at that time. The \$2,537,000 gain on the swap equals the present value (PV) of 1) the fixed semiannual payments of \$239,000 until April 15, 2005 *plus* 2) the present value difference between the existing swap rate and the current market *forward* fixed rate, or 80.5 basis points (3.705 – 2.90) per annum for the remaining five year term.

By terminating the Swap, the Authority potentially foregoes the opportunity to earn higher PV savings over time if short-term rates were to remain at today's levels. The Authority is also now effectively "unhedged" with respect to the basis swap. The Swaption remains outstanding.

If the BMA index rises 100 bps per semi-annual period and tops out at 2.94% (the 10-year average) then the total PV savings under the swap equal \$2.69 million. Conversely, under an assumed worse case scenario, if BMA rises each year capping out at its long-term average plus 100 bps (3.94%), the swap would generate approximately \$0.936 million.

The Authority may enter into another 7-year BMA fixed receiver swap when interest rates rise. Executing a new 7-year BMA fixed-receiver swap (in a higher rate environment) would 1) hedge the outstanding basis swap and 2) allow the Authority to generate debt service savings. At the time of the swap termination the 7-year fixed receiver BMA rate equaled 2.80%. The swap value is based on a broker interest rate swap confirmations and on swap market conditions prevailing on the September 30, 2004 valuation date. The estimated fair value for the swap is \$812,000.

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**NOTE 5 – RECEIVABLES**

Receivables at September 30, 2004 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands). All receivables are expected to be collected within one year, except for delinquent property taxes.

	General	Housing Development	Community Development Grants	General Capital Projects	Redevelopment Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
<b>Governmental Activities:</b>								
<b>Receivables:</b>								
Interest	\$ 21	\$ 3	\$ -	\$ -	\$ 306	\$ -	\$ -	\$ 330
Taxes	7,903	-	-	-	-	-	-	7,903
Accounts, Unrestricted	16,998	2	400	1,300	463	2,918	1,167	23,248
Accounts, Restricted	-	-	-	-	-	-	7	7
Notes and Loans	2,413	-	-	-	-	-	-	2,413
Due from Other								
Governments	15,854	450	2,157	3,894	-	13,695	91	36,141
<b>Total Receivables</b>	<b>43,189</b>	<b>455</b>	<b>2,557</b>	<b>5,194</b>	<b>769</b>	<b>16,613</b>	<b>1,265</b>	<b>70,042</b>
Less Allowance for Uncollectibles	(14,554)	-	-	-	-	(490)	(236)	(15,280)
<b>Net Receivables</b>	<b>\$ 28,635</b>	<b>\$ 455</b>	<b>\$ 2,557</b>	<b>\$ 5,194</b>	<b>\$ 769</b>	<b>\$ 16,123</b>	<b>\$ 1,029</b>	<b>\$ 54,762</b>
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue	Harbor	Nonmajor Proprietary Funds	Total
<b>Business-Type Activities:</b>								
<b>Receivables:</b>								
Interest, Unrestricted	\$ -	\$ -	\$ -	\$ 103	\$ -	\$ 200	\$ -	\$ 303
Interest, Restricted	-	-	-	247	-	-	468	715
Accounts, Unrestricted	2,754	5,376	8,765	5,232	35,438	43,760	3,457	104,782
Capital Lease-current	-	-	-	319	-	-	-	319
Other Receivables	-	-	-	-	-	-	59	59
Due from Other								
Governments	-	-	553	479	-	23,221	3,861	28,114
<b>Total Receivables</b>	<b>2,754</b>	<b>5,376</b>	<b>9,318</b>	<b>6,380</b>	<b>35,438</b>	<b>67,181</b>	<b>7,845</b>	<b>134,292</b>
Less Allowance for Uncollectibles	(383)	(210)	(279)	(2,710)	-	(938)	(286)	(4,806)
<b>Net Receivables</b>	<b>\$ 2,371</b>	<b>\$ 5,166</b>	<b>\$ 9,039</b>	<b>\$ 3,670</b>	<b>\$ 35,438</b>	<b>\$ 66,243</b>	<b>\$ 7,559</b>	<b>\$ 129,486</b>

**CITY OF LONG BEACH  
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**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2004 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due to / from Other Funds:</u>		
General	Community Development Grants	\$ 2,361
	Redevelopment Capital Projects	15,294
	Nonmajor Governmental Funds	2,605
	Nonmajor Business-type Funds	24
Subtotal - General Fund		<u>20,284</u>
General Capital Projects	Community Development Grants	129
Redevelopment Capital Projects	Community Development Grants	400
	Internal Service Funds	7
Subtotal - Redevelopment Capital Projects		<u>407</u>
Gas	Tidelands	633
Tidelands	Harbor	6,851
Internal Service Funds	General	2,898
	Housing Development	12
	Community Development Grants	69
	General Capital Projects	39
	Redevelopment Capital Projects	24
	Nonmajor Governmental Funds	326
	Gas	133
	Water	205
	Solid Waste Management	86
	Tidelands	150
	Tidelands Oil Revenue	51
	Harbor	468
	Nonmajor Business-type Funds	127
	Internal Service Funds	305
Subtotal Internal Service Funds		<u>4,893</u>
Total Due to / from Other Funds		<u>33,197</u>
<u>Advances from / to Other Funds:</u>		
General	Redevelopment Capital Projects	96,698
	Nonmajor Governmental Funds	2,000
	Nonmajor Business-type Funds	1,833
Subtotal - General Fund		<u>100,531</u>
Housing Development	Redevelopment Capital Projects	20,621
Community Development Grants	Housing Development	4,874
	Nonmajor Governmental Funds	2,900
Subtotal - Community Development Grants		<u>7,774</u>
General Capital Projects	Redevelopment Capital Projects	1,812
Redevelopment Capital Projects	Tidelands	7,691
Gas	Tidelands	6,308
Harbor	Redevelopment Capital Projects	27,435
Total Advances from / to Other Funds		<u>172,172</u>
Total Interfund Balances Entity-Wide		205,369
Less Amounts Eliminated in the Entity-Wide Basis Financial Statements		(198,734)
Entity-Wide Basis Financial Statement Internal Balances		<u>\$ 6,635</u>

**CITY OF LONG BEACH  
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Due To / Due From Other Funds

At September 30, 2004, the Redevelopment Capital Projects Fund owed the General Fund \$15,294,000 for an advance to fund estimated Redevelopment Agency operating costs prior to receiving tax increment revenues. It is intended that this advance will be paid in the next fiscal year as tax increment revenues are received.

The General Fund has advanced cash in the amount of \$1,255,000 to the Special Advertising and Promotion Special Revenue Fund to cover City promotional costs incurred prior to the receipt of the transient occupancy taxes.

The General Fund has advanced cash in the amount of \$1,350,000 and \$2,361,000 to the General Grants Fund and Community Development Grants Fund, respectively, to cover operating costs prior to receipt of grant funds from the Homeland Security grants, Federal Government Workforce Investment Act grant and Community Development Block Grant and various other grants.

The General Capital Projects Fund has advanced cash to the Community Development Grants Fund in the amount of \$129,000 to cover operating costs at September 30, 2004. This amount will be repaid in October 2005.

The City, under authority of the City Charter Chapter XII, Section 1209(c)(4), and with the approval of the Board of Harbor Commissioners adopted a resolution to transfer 10%, or \$6,851,000, of the Harbor Fund net income for fiscal year 2003 to the City's Tidelands Fund. This amount is recorded as a due to the Tidelands Fund and due from the Harbor Fund and will be paid quarterly in fiscal year 2005.

Employee Benefits overhead costs, such as funding for health benefits and paid time off, relating to the wages and salaries accrued at September 30, 2004 are payable from various funds to the Employee Benefits Internal Service Fund in the amount of \$4,893,000 at September 30, 2004.

Advances from Other Funds

Advances to/from other funds have been recorded for amounts which will be repaid usually with interest over an extended period of time.

From 1974 to 2004, the City provided the Redevelopment Agency (the Agency) with certain Federal grant monies for use on redevelopment projects. The Agency makes discretionary payments to the City annually, which in fiscal year 2004 amounted to approximately \$1,346,000. At September 30, 2004, the outstanding balances of these transfers approximated \$96,698,000, \$4,260,000 and \$1,812,000 in the General Fund, Housing Development Fund, and General Capital Projects Fund, respectively, with the latter being for land acquisition and planning and engineering services provided by the City. It is the intent of the City and the Agency that the Agency repay these transfers as future property tax increment revenues permit. Due to the long-term nature of repayment, the City has reserved these interfund receivables in the General Fund, Housing Development Fund and General Capital Projects Fund as fund balance reserved for noncurrent receivables.

**CITY OF LONG BEACH  
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The Agency has entered into a financing agreement with the Port of Long Beach (Harbor Fund), under which the Agency was advanced \$30,000,000 for the expansion of the Long Beach Convention and Entertainment Center. A payment of \$1,765,000 was made on the note by the Agency in November 1998. An amendment deferred payments to be made in quarterly installments of \$441,000 over 16 years, beginning in 2002. At September 30, 2004 and 2003, the balance of this advance is \$27,435,000. The note is payable solely from transient occupancy taxes levied in the Redevelopment Downtown Project area. The repayment to the Port is subordinated to a pledge to fund payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 bond issue in the event that the Aquarium revenues do not cover debt service payments. This advance is reported in the Redevelopment Capital Projects Fund and the corresponding receivable is reported in the Harbor Fund.

At September 30, 2004, the Redevelopment Capital Projects Fund advanced \$7,691,000 to the Tidelands Fund. Such monies arose from transient occupancy taxes transferred in the amount of \$2,920,000 for fiscal year 2004 and \$4,676,000 for fiscal years 2002 through 2003. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed. The Redevelopment Agency shall be reimbursed for any such advance together with interest, at a rate of interest equal to the rate earned on the City Treasurer's Investment Pool as monies are available. Interest in the amount of \$30,000 was accrued in fiscal year 2004 and \$65,000 from fiscal years 2002 through 2003.

Community redevelopment law in the State of California requires that 20% of annual net property tax increment revenues be set aside for low-and moderate-income housing. The law allowed a deferral of such set aside under certain circumstances. In December, 1995 the Agency adopted a Downtown Project Area Housing Fund Deficit Reduction Plan that called for an analysis of available tax increment and existing obligations beginning in 2010 and every two years thereafter until reduction of the deferred debt is found feasible. The resulting interfund receivable and offsetting non-current receivable reserved fund balance aggregating \$16,361,000 have been recorded as advances to/from other funds in the Housing Development Special Revenue Fund and the Redevelopment Agency Capital Projects Fund, respectively for the Downtown Project Area. For the fiscal year 2004 all seven of the Agency's redevelopment project areas paid their full allocation of the years required 20% housing set aside.

In the fiscal year 2000, the Housing Development Company (Company) entered into a zero interest loan agreement for \$805,000 with the City for the acquisition of an 8-unit apartment building. The loan was modified on November 25, 2002 to increase the loan by \$250,000 to \$1,055,000. The building is being converted into a 4-unit condominium complex to be sold to low-income, first-time home buyers. The Company is required to make principal payments using one hundred percent (100%) of the proceeds from the sales of the reconfigured units. After all of the units are sold, any remaining balance of the promissory note will be forgiven. As of September 30, 2004 the City advanced the Company \$1,055,000 which has been recorded as advances to/from other funds in the



**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
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City's Community Development Grants Fund and the Housing Development Fund, respectively.

In fiscal year 2001, the Company entered into a \$4,000,000 zero interest loan agreement with the City for the acquisition of twenty-six parcels of land, each containing a four-plex apartment building. Twenty-three parcels were sold to the developer during the fiscal year for the purpose of rehabilitating the properties for affordable rental housing for low and very low-income residents. The Company is required to make the principal payments to the City using 25% of the proceeds from repayments of promissory notes from the developer. Any remaining balance of the promissory note owed on April 1, 2034 shall be immediately due and payable. As of September 30, 2004 the City has advanced the Company \$3,819,000, net of a loan repayment of \$16,000, which has been recorded as advances to/from other funds in the Community Development Grants Fund and the Housing Development Fund, respectively.

In November 1993 the City issued \$13,490,000 in Gas Utility Bonds with interest rates ranging from 2.6% to 5.125% to construct an energy plant adjacent to the Long Beach Convention and Entertainment Center. The debt, which is due in 2013, is funded by an annual payment from the Tidelands Fund in an amount necessary to cover the debt service requirements with respect to the Gas Utility Bonds. The long-term amount due at September 30, 2004 is \$6,308,000. The current amount due in fiscal year 2004 is \$633,000.

In July, 2004 the Community Development Grants Fund entered into a loan agreement with the Housing Authority Special Revenue Fund in the amount of \$2,900,000. This has been recorded as advances to/from the respective funds.

The General Fund has advanced the Health Special Revenue Fund \$2 million to cover cash flow. This debt has no anticipated repayment date.

The Airport Fund reimburses the General Fund for City services provided within the Airport area by the City, including police and fire services. The amount due has been recorded as a long-term advance payable in the amount of \$1,833,000 at September 30, 2004. The amount decreased \$1,000,000 in fiscal year 2004 due to payments from the Airport Enterprise Fund.

**CITY OF LONG BEACH  
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Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2004 interfund transfers are as follows (in thousands):

	Transfers To:								Total Transfers Out
	General	Housing Develop- ment	Community Develop- ment Grants	General Capital Projects	Redevelop- ment Capital Projects	Nonmajor Govern- mental Funds	Tidelands	Internal Service Funds	
Transfers Out of:									
General	\$ -	\$ -	\$ 1,177	\$ 7,980	\$ 100	\$ 1,066	\$ -	-	\$ 10,323
Housing Development	-	-	221	-	10,531	-	-	-	10,752
Community Development Grants	-	-	13	1,258	730	-	-	-	2,001
General Capital Projects	5,184	-	-	-	-	344	-	-	5,528
Redevelopment Capital Projects	1,159	8	-	-	-	1,958	3,557	324	7,006
Nonmajor Governmental	13,909	-	10	1,200	-	-	-	-	15,119
Gas	11,584	-	-	-	-	-	-	-	11,584
Solid Waste Management	4,702	-	-	-	-	-	-	-	4,702
Tideland Oil Revenue	-	-	-	-	-	-	9,180	-	9,180
Harbor	-	-	-	-	-	-	6,851	-	6,851
Internal Service Funds	10,327	-	-	-	-	102	144	-	10,573
<b>Total Transfers In</b>	<b>\$ 46,865</b>	<b>\$ 8</b>	<b>\$ 1,421</b>	<b>\$ 10,438</b>	<b>\$ 11,361</b>	<b>\$ 3,470</b>	<b>\$ 19,732</b>	<b>\$ 324</b>	<b>\$ 93,619</b>

The significant transfers include:

The General Fund transferred \$7,980,000 to the General Capital Projects Fund for ongoing projects such as City street and sidewalk construction, Americans with Disabilities Act (ADA) modifications and City building improvements, maintenance and repairs. The Park Development Fund, included as a non-major governmental fund, transferred \$1,200,000 to the Capital Projects fund for ongoing City park projects.

The General Fund transferred \$1,177,000 to the Community Development Grants Fund to subsidize costs related to the Workforce Investment Act grant.

The General Fund transferred \$408,000 to the General Grants Fund, included as a non-major governmental fund, as a City match for various federal and county grants which require the City to pay a certain portion of the costs incurred.

The General Fund transferred \$658,000 to the Health Fund, included as a non-major governmental fund, to provide monies to cover Health Fund indirect cost charges incurred.

The General Fund transferred \$100,000 to the Redevelopment Capital Projects Fund for the installation of a HVAC system screen at the Police Property facility.

The Upland Oil Fund, included as a non-major governmental fund, transferred \$7,568,000 to the General Fund for royalties due the City.

The Community Development Grants Fund transferred \$730,000 to the Redevelopment Capital Projects Fund for the Atlantic Retail Service Center project. The Community Development Block Grant funding of \$330,000 was used as a match an EDA grant in the amount of \$400,000 for the construction of a commercial building for a community social service office.

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The Community Development Grants Fund transferred \$1,258,000 to the General Capital Projects Fund for ongoing ADA modifications and projects.

The Gasoline Tax Fund, included as a non-major governmental fund, transferred \$6,309,000 to the General Fund as reimbursement for allowable street maintenance costs incurred by the City.

The Housing Development Fund transferred \$10,531,000 to the Redevelopment Agency Capital Projects Fund to provide funding of the Atlantic Avenue and West Gateway developments, which have a total budget of \$14,851,000 to acquire target properties by the Agency on behalf of the Housing Development Company to provide affordable residential units.

The General Capital Projects Fund transferred \$5,184,000 to the General Fund for various project costs incurred in the General Fund.

The Redevelopment Capital Projects Fund transferred \$1,159,000 to the General Fund for repayment of a promissory note for costs related to the Pike project area.

The Redevelopment Capital Projects Fund transferred \$497,000 to the Tidelands Fund to partially fund the Convention Center energy plant, \$2,920,000 from transient occupancy taxes to partially fund the Aquarium of the Pacific debt, and \$140,000 as reimbursement of development fees and permits incurred for the Rainbow Harbor area project.

The Redevelopment Capital Projects Fund also transferred \$1,958,000 to the Business Assistance non-major fund to fund a business loan program, including administrative and operating expenditures.

The Gas Fund transferred \$11,584,000 to the General Fund as allowed by City charter.

The Solid Waste Management Fund transferred \$4,702,000 to the General Fund based on a Joint Power Agreement between the City and the Los Angeles County Sanitation District Number 2 (District). Under the agreement net remaining retained earnings over a required amount as stipulated in the agreement can be distributed equally between the District and the City.

The Harbor Fund accrued an operating transfer of \$6,851,000 due to the Tidelands Fund as allowed by the City Charter.

The Tidelands Oil Revenue Fund shares revenue from the tidelands oil operation under an optimized water flood program. In fiscal year 2004, \$9,180,000 was transferred to the Tidelands Fund from the Tidelands Oil Revenue Fund under this program.

Internal Service Fund transfers reflect cable franchise fee revenue from the General Services Internal Service Fund and a one-time transfer to the General Fund.

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2003, (as restated)	Increase	Decrease	Balance at September 30, 2004
Capital Assets not being Depreciated:				
Land	\$ 113,812	\$ 168	\$ (93)	\$ 113,887
Right-of-way	1,321	1,485	-	2,806
Construction In Progress	157,122	36,240	(76,860)	116,502
Total Capital Assets not being Depreciated	272,255	37,893	(76,953)	233,195
Capital Assets being Depreciated:				
Buildings	152,646	38,628	(459)	190,815
Improvements Other than Buildings	40,614	5,158	(37)	45,735
Infrastructure	309,747	22,335	(2,176)	329,906
Machinery and Equipment	42,799	22,037	(6,995)	57,841
Automotive	75,982	8,215	(7,194)	77,003
Other Assets	30,719	-	-	30,719
Total Capital Assets being Depreciated	652,507	96,373	(16,861)	732,019
Less Accumulated Depreciation for:				
Buildings	(54,123)	(5,553)	179	(59,497)
Improvements Other than Buildings	(15,089)	(2,369)	10	(17,448)
Infrastructure	(160,647)	(10,575)	2,177	(169,045)
Machinery and Equipment	(33,222)	(8,649)	6,929	(34,942)
Automotive	(44,422)	(6,012)	7,120	(43,314)
Other Assets	(22,201)	(1,419)	-	(23,620)
Total Accumulated Depreciation	(329,704)	(34,577)	16,415	(347,866)
Total Capital Assets being Depreciated, Net	322,803	61,796	(446)	384,153
Governmental Activities Capital Assets, Net	\$ 595,058	\$ 99,689	\$ (77,399)	\$ 617,348

Depreciation has been charged to functions/programs of governmental activities as follows (in thousands):

Legislative and Legal	\$ 61
General Government	597
Public Safety	7,368
Public Health	285
Community and Cultural	4,954
Public Works	10,727
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	10,585
Total governmental activities depreciation	\$ 34,577

**CITY OF LONG BEACH  
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Capital asset activity for business-type activities for the year ended September 30, 2004 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2003	Increase	Decrease	Balance at September 30, 2004
Capital Assets not being Depreciated:				
Land	\$ 872,708	\$ 13,292	\$ (9,057)	\$ 876,943
Right-of-way	207,832	-	(9)	207,823
Construction In Progress	284,088	178,591	(241,925)	220,754
Total Capital Assets not being Depreciated	1,364,628	191,883	(250,991)	1,305,520
Capital Assets being Depreciated:				
Buildings	1,747,680	168,134	(21,865)	1,893,949
Improvements Other than Buildings	211,072	15,216	(4,757)	221,531
Infrastructure	885,640	35,382	(1,102)	919,920
Machinery and Equipment	20,736	1,035	(234)	21,537
Automotive	22,269	1,193	(710)	22,752
Total Capital Assets being Depreciated	2,887,397	220,960	(28,668)	3,079,689
Less Accumulated Depreciation for:				
Buildings	(615,076)	(74,902)	12,339	(677,639)
Improvements Other than Buildings	(119,371)	(7,666)	2,522	(124,515)
Infrastructure	(461,614)	(27,258)	746	(488,126)
Machinery and Equipment	(14,847)	(1,365)	102	(16,110)
Automotive	(16,405)	(1,146)	786	(16,765)
Total Accumulated Depreciation	(1,227,313)	(112,337)	16,495	(1,323,155)
Total Capital Assets being Depreciated, Net	1,660,084	108,623	(12,173)	1,756,534
Business-type Activities Capital Assets, Net	\$ 3,024,712	\$ 300,506	\$ (263,164)	\$ 3,062,054

Depreciation has been charged to functions/programs of business-type activities as follows (in thousands):

Gas	\$ 3,107
Water	7,852
Sewer	1,148
Airport	2,066
Solid Waste Management	4,416
Towing	11
Tidelands	16,364
Harbor	77,373
Total business-type activities depreciation	\$ 112,337

Capitalized of Interest

The City capitalized net interest expense of \$10,425,000 in its Harbor Enterprise Fund in fiscal year 2003. There was no capitalized interest in fiscal year 2004. Total interest expense incurred for the Harbor Fund was \$60,545,000 and \$61,493,000 in fiscal years 2004 and 2003, respectively.

**CITY OF LONG BEACH  
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Component Unit

Capital asset activity of the LBT for the year ended June 30, 2004 was as follows (in thousands):

	Balance at July 1, 2003	Increases	Decreases	Balance at June 30, 2004
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 5,525	\$ -	\$ -	\$ 5,525
Construction in Progress	3,770	2,347	(3,407)	2,710
<b>Total Capital Assets not being Depreciated</b>	<b>9,295</b>	<b>2,347</b>	<b>(3,407)</b>	<b>8,235</b>
<b>Capital Assets being Depreciated:</b>				
Buildings and Improvements	30,341	337	-	30,678
Fleet	81,149	3,500	(8,319)	76,330
Communications Systems	2,563	2,972	-	5,535
Fare Collection System	1,660	242	(1)	1,901
Office, Shop and Garage Equipment	13,577	698	(627)	13,648
Passenger Facilities	1,722	1,111	(274)	2,559
<b>Total Capital Assets being Depreciated:</b>	<b>131,012</b>	<b>8,860</b>	<b>(9,221)</b>	<b>130,651</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(12,646)	(1,568)	-	(14,214)
Fleet	(37,466)	(8,526)	8,219	(37,773)
Communications Systems	(501)	(580)	-	(1,081)
Fare Collection System	(1,400)	(67)	1	(1,466)
Office, Shop and Garage Equipment	(9,524)	(2,494)	627	(11,391)
Passenger Facilities	(803)	(371)	274	(900)
<b>Total Accumulated Depreciation</b>	<b>(62,340)</b>	<b>(13,606)</b>	<b>9,121</b>	<b>(66,825)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>68,672</b>	<b>(4,746)</b>	<b>(100)</b>	<b>63,826</b>
<b>Total LBT Capital Assets, Net</b>	<b>\$ 77,967</b>	<b>\$ (2,399)</b>	<b>\$ (3,507)</b>	<b>\$ 72,061</b>

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – CHANGE IN LONG – TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2004, was as follows (in thousands):

	Balance at October 1, 2003	Additions	Reductions	Balance at September 30, 2004	Due Within One Year
<b><u>Governmental Activities:</u></b>					
<b>Bonds Payable</b>					
Revenue Bonds	\$ 244,465	\$ 11,595	\$ (6,770)	\$ 249,290	\$ 7,315
Tax Allocation Bonds	179,974	-	(4,682)	175,292	4,607
Plus (less) deferred amounts:					
Premium	6,151	-	(292)	5,859	-
Discount	(1,969)	(90)	93	(1,966)	-
Refunding	(13,612)	-	1,709	(11,903)	-
Issuance costs	(8,147)	(239)	415	(7,971)	-
<b>Total Bonds Payable</b>	<b>406,862</b>	<b>11,266</b>	<b>(9,527)</b>	<b>408,601</b>	<b>11,922</b>
Notes Payable	18,757	1,727	(11,215)	9,269	383
Capital Leases	42,649	5,662	(7,629)	40,682	7,255
Police and Fire Annuities	40,948	2,159	(5,507)	37,600	-
Estimated Oil Field Abandonment Costs	4,100	700	-	4,800	-
Accrued Self-Insured Claims	102,945	9,020	(16,030)	95,935	20,900
Employee Benefits	64,315	7,626	(6,507)	65,434	7,300
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 680,576</b>	<b>\$ 38,160</b>	<b>\$ (56,415)</b>	<b>\$ 662,321</b>	<b>\$ 47,760</b>
<b><u>Business-Type Activities:</u></b>					
<b>Bonds Payable</b>					
Revenue Bonds	\$ 1,542,800	\$ 522,125	\$ (572,995)	\$ 1,491,930	\$ 46,680
Plus (less) deferred amounts:					
Premium	20,626	20,256	(1,882)	39,000	-
Discount	(5,810)	-	1,413	(4,397)	-
Refunding	(17,049)	(4,767)	3,094	(18,722)	-
Issuance Cost	(18,431)	(4,208)	2,158	(20,481)	-
<b>Total Bonds Payable</b>	<b>1,522,136</b>	<b>533,406</b>	<b>(568,212)</b>	<b>1,487,330</b>	<b>46,680</b>
Certificates of Participation	16,905	-	(920)	15,985	960
Discount	(328)	-	32	(296)	-
Refunding	(830)	-	90	(740)	-
Issuance costs	(448)	-	43	(405)	-
<b>Total Certificates of Participation</b>	<b>15,299</b>	<b>-</b>	<b>(755)</b>	<b>14,544</b>	<b>960</b>
Notes Payable	75,870	-	(848)	75,022	882
Issuance costs	(175)	(206)	247	(134)	-
<b>Total Notes Payable</b>	<b>75,695</b>	<b>(206)</b>	<b>(601)</b>	<b>74,888</b>	<b>882</b>
Capital Leases	11,223	-	(1,739)	9,484	1,912
Due to State of California	9,938	97,600	(92,979)	14,559	13,815
Estimated Oil Field Abandonment Costs	270,376	45,724	-	316,100	-
<b>Business-Type Activities Long-Term Liabilities</b>	<b>\$ 1,904,667</b>	<b>\$ 676,524</b>	<b>\$ (664,286)</b>	<b>\$ 1,916,905</b>	<b>\$ 64,249</b>

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**NOTE 9 – BONDS PAYABLE**

At September 30, 2004 bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued	Outstanding at September 30, 2004
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<b>GENERAL CITY BONDS</b>					
Long Beach Museum of Art Project	10/15/99	09/01/09	Variable	\$ 3,060	\$ 3,060
Belmont Shore Parking Meter	06/30/93	06/01/12	5.75%	2,220	1,310
Skylinks Golf	05/01/03	05/01/29	1.57%-6.3%	6,890	6,630
Parking Plaza Bonds	06/14/01	11/01/27	4.4%-5.375%	11,500	11,260
Public Safety Facility	03/01/02	11/01/31	3.0%-5.25%	40,915	40,915
Towne Center Site Refinancing	01/01/04	11/01/30	Variable	11,595	11,595
Total General City Bonds				<u>76,180</u>	<u>74,770</u>
<b>REDEVELOPMENT BONDS</b>					
<b>Tax Allocation Bonds:</b>					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/22	2.9% - 6.0%	81,020	38,520
West Long Beach Industrial	12/01/92	11/01/22	2.9% - 6.0%	36,470	17,345
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.0% - 5.5%	21,860	20,775
2002B Downtown	12/05/02	11/01/22	2.25% - 5.5%	25,920	24,225
2002 West Beach	06/25/02	08/01/18	5.15%	8,895	8,170
2002 Downtown Project	06/25/02	08/01/24	5.05%-5.25%	26,820	25,421
2002 North Long Beach	06/25/02	08/01/31	6.1%	40,290	39,404
2002 Poly High	06/25/02	08/01/12	4.81%	1,710	1,432
Total Redevelopment Bonds				<u>242,985</u>	<u>175,292</u>
<b>INTERNAL SERVICE BONDS</b>					
<b>Civic Center Fund:</b>					
1997 Civic Center Project Series A	12/01/97	10/01/27	4.0% - 5.0%	43,655	38,280
<b>Fleet Services:</b>					
1998 Temple and Willow Facility Series A & B	05/01/98	10/01/27	5.0%-6.0%	38,065	34,045
<b>Employee Benefits Fund:</b>					
Pension Obligation Refunding Bonds Series 2002	09/01/02	09/01/21	Variable	87,590	82,100
Pension Obligation Bonds Series 1995	10/01/95	09/01/11	5.90% - 7.24%	23,920	20,095
Total Employee Benefits				<u>111,510</u>	<u>102,195</u>
Total Internal Service Funds				<u>193,230</u>	<u>174,520</u>
Total Governmental Activities Bonds Payable				<u>512,395</u>	<u>424,582</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
<b>ENTERPRISE BONDS</b>					
<b>Gas Fund:</b>					
1993 Gas Utility	11/01/93	11/01/13	2.6% - 5.125%	13,490	8,215
<b>Water Fund:</b>					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	36,940
<b>Solid Waste Management Fund:</b>					
2003 SERRF	12/01/03	12/01/18	2.0%-5.375%	120,235	120,235
<b>Tidelands Fund:</b>					
Aquarium of the Pacific	05/03/01	11/01/30	3.875%-5.5%	129,520	129,520
1994 Marina Subordinate Revenue Bond	04/01/94	04/01/09	6.25%	1,310	575
1995 Marina Refunding Revenue Bond	11/01/95	01/15/08	3.85% - 5.15%	31,725	12,280
1999 Rainbow Harbor Financing Project	07/01/99	05/01/24	4.25%-5.5%	47,970	47,735
Total Tidelands Fund				<u>210,525</u>	<u>190,110</u>
<b>Harbor Fund:</b>					
1995 Harbor	11/01/95	05/15/25	5.25%-9.0%	343,420	301,055
1998 Harbor	02/01/98	05/15/19	5.25%-9.0%	206,330	171,240
2000 Harbor	05/15/01	05/15/25	5%-5.75%	275,000	262,245
2002 Harbor	06/19/02	05/15/27	Variable	300,000	288,480
2004 Harbor	05/15/04	05/15/18	2.5-5.0%	113,410	113,410
Total Harbor Fund				<u>1,238,160</u>	<u>1,136,430</u>
Total Business-Type Activities Bonds Payable				<u>1,629,355</u>	<u>1,491,930</u>
Total Primary Government Bonded Indebtedness				<u>\$ 2,141,750</u>	<u>\$ 1,916,512</u>

\* Interest on all bonded indebtedness is payable semi-annually, except the Long Beach Museum of Art Project, the Pension Obligation Bonds Series 2002, 2002 Harbor Bonds and Towne Center Site Refinancing Bonds which are paid monthly.



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Debt service payments to maturity for governmental activities bonds are as follows (in thousands):

Year-End	Principal Payments - Governmental Activities										Total Annual Debt Service Requirements		
	Museum of Art Project	Belmont Shore Parking Revenue	Skylinks Golf	Parking Plaza	Public Safety Facility	Towne Center Refinance	Redevelopment Capital Projects	Civic Center	Fleet	Employee Benefits	Principal	Interest	Total
2005	\$ -	\$ 140	\$ 140	\$ 255	\$ -	\$ 145	\$ 4,607	\$ 925	\$ 770	\$ 4,940	\$ 11,922	\$ 19,422	\$ 31,344
2006	-	145	140	265	810	155	4,821	970	805	5,390	13,501	19,191	32,692
2007	-	155	145	280	835	165	5,087	1,015	835	5,925	14,442	18,578	33,020
2008	-	165	150	290	860	180	5,426	1,060	875	6,445	15,451	17,905	33,358
2009	3,060	175	160	305	885	190	5,742	1,110	920	7,050	19,597	17,176	36,773
2010 - 2014	-	530	910	1,755	4,945	1,195	33,719	6,460	5,285	29,995	84,794	73,249	158,043
2015 - 2019	-	-	1,205	2,255	6,320	1,710	43,204	8,295	6,835	28,800	98,624	53,327	151,951
2020 - 2024	-	-	1,605	2,910	8,165	2,475	52,957	10,655	8,805	13,650	101,222	30,238	131,460
2025 - 2029	-	-	2,175	2,945	10,475	3,550	14,212	7,790	8,915	-	50,062	10,342	60,404
2030 - 2032	-	-	-	-	7,620	1,830	5,517	-	-	-	14,967	1,230	16,197
Totals	\$ 3,060	\$ 1,310	\$ 6,630	\$ 11,260	\$ 40,915	\$ 11,595	\$ 175,292	\$ 38,280	\$ 34,045	\$ 102,195	\$ 424,582	\$ 260,858	\$ 685,240

The Long Beach Museum of Art Project principal of \$3,060,000 is due September 1, 2009. Interest is payable monthly at variable interest rates. Rates for fiscal year 2004 ranged from 0.85% to 1.71%. For purposes of illustration a fixed rate of 1.71% has been used in the table above. The Employee Benefits Fund Pension Obligation Bonds Series 2002 interest is payable monthly at variable interest rates. Rates for fiscal year 2004 ranged from 1.09% to 1.80%. The debt service requirements to maturity for these bonds for the purpose of illustration is 1.80% in the table above.

In May 2003, the City issued \$6,890,000 in Long Beach Bond Finance Authority Lease Revenue bonds, Skylinks Golf Course Project, Series 2003. The bonds were issued to finance improvements to the Skylinks Golf Course, a municipal golf course owned by the City, to fund a reserve account and to pay certain costs of issuance on the Series 2003 bonds. Interest rates range from 1.57% to 6.30%.

In January 2004 the City issued \$11,595,000 in Long Beach Towne Center Site Refinancing Project Taxable Variable Rate Demand Revenue Bonds, 2004 Series A. The bonds were issued to prepay a note issued by the City, the proceeds of which were used to acquire a parcel of real property located in the City of Long Beach, which, with two adjacent parcels, was developed by the City into a retail/entertainment complex known as the Long Beach Towne Center, and to pay certain costs of issuance of the bonds. Interest rates for fiscal year 2004 ranged from 1.17% to 2.50%. For the purpose of illustration, a fixed rate of 2.50% has been used in the table above.

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Annual principal payment requirements to maturity for business-type activities revenue bonds and the funds from which payments will be made are as follows (in thousands):

Year-End	Principal Payments by Fund – Business-Type Activities					Total Annual Debt Service Requirements		
	Gas	Water	Solid Waste Management	Tidelands	Harbor	Principal	Interest	Total
2005	\$ 655	\$ 1,110	\$ 6,185	\$ 4,515	\$ 34,215	\$ 46,680	\$ 75,287	\$ 121,967
2006	685	1,155	6,355	7,425	36,915	52,535	72,209	124,744
2007	720	1,210	6,540	7,685	38,790	54,945	69,881	124,826
2008	755	1,265	6,690	7,930	40,770	57,410	67,401	124,811
2009	790	1,330	6,860	4,980	42,955	56,915	64,768	121,683
2010 - 2014	4,610	7,785	38,405	27,930	252,600	331,330	278,315	609,645
2015 - 2019	-	10,135	49,200	36,165	319,825	415,325	181,753	597,078
2020 - 2024	-	12,950	-	46,495	266,955	326,400	86,426	412,826
2025 - 2029	-	-	-	38,130	103,405	141,535	16,624	158,159
2030 - 2031	-	-	-	8,855	-	8,855	918	9,773
Totals	<u>\$8,215</u>	<u>\$36,940</u>	<u>\$ 120,235</u>	<u>\$190,110</u>	<u>\$ 1,136,430</u>	<u>\$1,491,930</u>	<u>\$ 913,582</u>	<u>\$2,405,512</u>

The Harbor 2002 Series A Bonds interest rate through May 14, 2004 was 4%. At the end of the initial long-term interest rate period the Series A bonds converted to a variable rate. These rates ranged from an initial rate of 1.15% to an average of 1.76% through September 30, 2004. Harbor 2002 Series B Bonds interest rates range from 3.00% to 5.50%. Harbor 2002 Bonds debt service requirements to maturity for the purpose of illustration are based on 4% in the table above.

Advance Refundings

During the fiscal year ended September 30, 2004, the City advance refunded debt issues in order to take advantage of declining interest rates, to provide additional capital for related projects and/or to extend the term of the bonds.

In November 2002, the Redevelopment Agency (Agency) of the City of Long Beach issued \$47,780,000 in Long Beach Bond Finance Authority Tax Allocation Revenue Bonds Downtown and West Long Beach Industrial Redevelopment Project Areas 2002 Series B bonds (Series B bonds). These 2002 Series B bonds were issued to current refund \$25,670,000 of the outstanding Series 1992A Downtown and West Long Beach Industrial Bonds with interest rates ranging from 2.9% to 6.0%, to repay certain amounts owed by the Agency to the Port of Long Beach to make a deposit to the reserve account and to pay certain issuance costs for the 2002 Series B bonds. The 2002 Series B interest rates range from 2.0% to 5.5% for the West Long Beach Industrial Project and 2.25% to 5.5% for Downtown Project.

Southeast Resource Recovery Facility Authority Bond Issue

The Southeast Resource Recovery Facility Authority (Authority) issued \$120,235,000 in lease revenue bonds Series A and Series B in October, 2003 (Series 2003) to current refund the Authority's Lease Revenue Refunding Bonds, Series 1995A and Series 1995B (Series 1995), finance certain public improvement projects in the City, fund a reserve fund for the Series 2003 Bonds and pay certain costs of issuance. The Series 2003 bonds are payable through December 1, 2018 with a total debt service in the amount of \$170 million. The 2003 Bonds have interest rates ranging from 2.0% through 5.375%. The refunding

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issue resulted in an accounting loss of approximately \$2,109,000, which will be recognized over the life of the bonds. Aggregate debt service increased by approximately \$4.9 million over the next fifteen years to level overall debt service requirements, thereby resulting in an economic loss of approximately \$6.4 million.

Harbor Revenue Refunding Bonds

In March 2004, the City issued the City of Long Beach Harbor Revenue Refunding Bonds 2004 Series A and Series B bonds amounting to \$113,410,000 to current refund and defease all of the City's Harbor Revenue Bonds Series 1993, pay a bond insurance premium, fund a reserve fund, and to pay certain costs of issuance. The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$1,446,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is amortized using the straight-line method over the life of the bonds. Aggregate debt service decreased by approximately \$13.9 million, thereby resulting in an economic gain of approximately \$9.7 million.

In addition to the above advance refunding issue, the City previously advance refunded several other outstanding bond issues. Each of the refunding transactions resulted in an overall economic gain to the City by providing for a substantial savings in cash flow requirements to service the outstanding debts. For financial reporting purposes, however, such refunding transactions generally result in accounting losses. In accordance with generally accepted accounting principles in effect at the time of each transaction, such accounting losses were recognized by the City in the year of refunding and the corresponding economic gains are recognized by the City as they occur.

The proceeds from the City's refunding issues have been placed in irrevocable escrow accounts overseen by independent bank fiscal agents. Such proceeds have been generally invested in U.S. Treasury Securities, which together with interest earned thereon are intended to provide amounts sufficient for future payment of interest, principal and redemption premium on the refunded bonds. The refunded bonds have not been included as City outstanding long-term debt since the City's obligation thereon was satisfied by establishing the irrevocable trusts.

As of September 30, 2004, the total amount of the defeased debt outstanding and removed from the City's funds and account groups aggregated \$449,580,000.

Special Assessment Debt

The City serves as the facilitating agent for a number of no-obligation special assessment debt issues. Funding from these issues has been used to improve streets and other City infrastructure, as well as assisting City residents and businesses with the cost of major structural repairs and installation of seismic resistant improvements to their properties. The City has no obligation to service the debt on these special assessment issues; therefore, no liability has been recorded in the City's books for the special assessment debt.

The proceeds from special assessment debt issued for City infrastructure improvements are usually accounted for in the General Capital Projects Fund. The proceeds from special assessment debt issued for the Pike Public Improvements are accounted for in the

**CITY OF LONG BEACH  
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Tidelands Fund. Special assessment revenues to repay the debt issues are being accounted for in Agency Funds.

At September 30, 2004, aggregate special assessment debt issued through the City consisted of seven issues, summarized as follows:

- Dates Issued: 8/16/93 – 7/11/02
- Final Maturities: 10/01/13 – 10/01/32
- Range of Interest Rates: 2.625% – 9.75%
- Amounts Authorized and Issued: \$3,000,000 – \$43,000,000
- Range of Amounts Outstanding: \$575,000 – \$43,000,000
- Aggregate Outstanding at September 30, 2004: \$78,445,000

Pike Public Improvements

In June 2002, the City of Long Beach Community Facilities District No. 6 2002 Special Tax Bonds (Pike Public Improvement Bonds) were issued in the amount of \$43,000,000 under the provisions of the Mello-Roos Community Facilities Act of 1982. The Pike Public Improvement Bonds were issued to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements in the Pike Development Project adjacent to downtown Long Beach. A substantial portion of the proceeds were applied to finance the cost of a parking structure. The bonds do not constitute a debt of the City, therefore, no liability has been recorded in the City's books. The debt is payable from special tax revenues levied on the property within the district, except as described in Note 22.

Earthquake Assessment

In 1990, the City, acting on behalf of certain property owners, formed the Earthquake Repair Assessment District 90-3 (District). In June 1991, the District issued \$17,440,000 of City of Long Beach Earthquake Repair Assessment District No. 90-3 Limited Obligation Improvement Bonds (Bonds) for the construction and installation of seismic resistance improvements to eligible commercial and residential properties within the City. The principal and interest was to be paid from the annual collection of special assessments on property within the District. As of September 30, 1996, \$10,130,000 in bonds were outstanding. In September 1996, the Bond's Fiscal Agent determined that there were insufficient funds to make full payment of principal and interest due to significant delinquencies in payment of assessments. Under the provisions of the bond covenants, the City is required to commence judicial foreclosure proceedings upon delinquent assessments and to diligently pursue such foreclosure proceedings to completion. To date, the City has fulfilled its responsibility and will continue such action to ultimate resolution.

To structure a remedy for the default, the City formed the Long Beach Bond Financing Authority (LBBFA).

The LBBFA divided District properties into performing and delinquent pools. The assessment revenue from each pool was then used as collateral for new LBBFA bonds sold in July 1997. Series A bonds (Series A) and Series B bonds (Series B) represent the

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performing pool and the delinquent pool, respectively. A breakdown of these pools is as follows:

<u>Bond</u>	<u>Maturity</u>	<u>Rate</u>	<u>Par Amount</u>
Series A	September 2, 2015	8.874% - 9.375%	\$ 5,900,000
Series B	September 2, 2015	11.300%	\$ 6,717,000

Series A was sold on the open market to private investors. The City purchased Series B. The proceeds from both series were used by LBBFA to purchase the original bonds as an investment. Assessment revenues from these investments are being used to repay the new debt. As foreclosure proceedings are completed and the properties become performing, the Series B Bonds will be converted to Series A Bonds and sold to private investors.

Such bonds described above do not constitute indebtedness of the City. The City is in no way obligated for their repayment and is only acting on behalf of the bond owners in collecting the assessments and special taxes from the property owners, forwarding the collections to the bond owners and initiating foreclosure proceedings, when necessary. Accordingly, these special assessment bonds payable have been excluded from the accompanying basic financial statements.

Conduit Debt

The bond issues described below do not constitute general obligations of either the City, its Housing Authority (Authority) or the City's Redevelopment Agency (Agency). There is no legal or ethical obligation on the part of the City to make debt service payments on the conduit debt issues. Likewise the City has no responsibility for bond administration, as the issues are completely administered by independent trustees. Accordingly, these programs and issues have been excluded from the accompanying basic financial statements.

Several multifamily mortgage bonds have been issued under the auspices of the City's Authority and the Agency. These issues provided for the permanent financing and construction of apartment complexes. The resulting bonds are not obligations of the City of Long Beach and only constitute special limited obligations of the Authority and the Agency and are payable solely from the revenue and assets of the homeowner obtaining funding under this program.

The City has also allowed its name to be used in the issuance of Industrial Development Refunding Bonds to benefit a local university. These bonds are secured by the university's pledge of resulting assets.

The City has sponsored home mortgage revenue bonds to provide funds for the purchase of home mortgages secured by newly constructed and existing single family homes located in the City. These bonds are secured by a pledge of all receivables from single family mortgage loans purchased with the bond proceeds plus amounts held in the bond debt service accounts by the trustee for the issue.

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Bonds have been issued in the City's name for land acquisition located in the City for a homeowners association. The bonds are payable from revenues of the condominium owners by way of lease payments and special assessments.

Bonds have been issued in the City's name for Carnival Cruises to facilitate construction of a pier and wharf for a cruise line docking in the Tidelands area adjacent to the Queen Mary. The bonds are payable by a tariff assessed to Carnival Cruises.

At September 30, 2004, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2004
Multi Family Mortgage Bonds			
Housing Authority	2028	\$ 12,500	\$ 12,500
Industrial Development			
Refunding Bonds	2023	11,620	10,505
Home Mortgage Revenue Bonds	2014	22,500	245
Marina Pacifica Land			
Acquisition Revenue Bonds	2030	22,000	22,000
Carnival Bonds	2022	32,100	32,100
Grisham Housing Bonds Series A	2035	2,340	2,340
Grisham Housing Bonds Series B	2005	7,905	7,905
Total Conduit Debt		<u>\$ 110,965</u>	<u>\$ 87,595</u>

**CITY OF LONG BEACH  
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**NOTE 10 – NOTES, CERTIFICATES OF PARTICIPATION, COMMERCIAL PAPER NOTES AND OTHER LONG-TERM OBLIGATIONS**

At September 30, 2004, the City had several notes and installments payable, certificates of participation, commercial paper notes and other long-term obligations which consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2004
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<b><u>NOTES PAYABLE:</u></b>					
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	\$ 1,016	\$ 1,016
California Housing Finance Agency	10/06/99	10/06/09	3%	1,200	1,178
California Housing Finance Agency	04/17/00	04/17/10	3%	800	800
California Housing Finance Agency	02/05/02	02/05/12	3%	600	600
California Housing Finance Agency	03/13/03	03/13/13	3%	1,300	1,300
U.S. Department of Housing and Urban Development	04/30/03	04/30/06	N/A	1,088	724
Total Housing Development Fund				<u>6,004</u>	<u>5,618</u>
Redevelopment Capital Projects Fund:					
Los Angeles County	01/21/92	N/A	3.75%	1,578	1,578
Community Bank	07/31/01	09/01/06	7.5%	673	623
West Broadway, LLC	06/03/04	06/18/09	6.0-8.0%	1,450	1,450
Total Redevelopment Capital Projects Fund				<u>3,701</u>	<u>3,651</u>
<b><u>ANNUITY OBLIGATION:</u></b>					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	37,600
Governmental Activities Notes and Annuity Obligation				<u>\$ 47,305</u>	<u>\$ 46,869</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
<b><u>NOTES PAYABLE:</u></b>					
Water Fund:					
Commercial Paper Notes	01/08/03	N/A	.95 - 1.05%	\$ 6,000	\$ 6,000
State Resources	06/30/88	06/30/08	4.0128%	2,000	500
Total Water Fund				<u>8,000</u>	<u>6,500</u>
Tidelands Fund:					
State of Calif DBAW/Seawalls	Var 1997	08/01/24	4.5%	1,285	1,037
State of Calif DBAW/Downtown Marina	08/01/83	08/01/11	4.5%	3,900	1,795
State of Calif DBAW/Downtown Marina	08/01/84	08/01/12	4.5%	3,500	1,982
State of Calif DBAW/Downtown Marina	08/01/85	08/01/12	4.5%	600	330
State of Calif DBAW/Shoreline Marina	08/01/82	08/01/10	4.5%	1,300	456
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/32	4.5%	93	88
State of Calif DBAW/Los Cerritos Channel	08/01/81	08/01/08	4.5%	1,238	309
State of Calif DBAW/Basin 8	09/30/98	08/01/28	4.5%	1,643	1,539
State of Calif DBAW - Lighthouse	06/23/00	06/23/30	4.5%	700	644
Total Tidelands Fund				<u>14,259</u>	<u>8,180</u>
Harbor Fund:					
Commercial Paper Notes	03/01/94	N/A	0.85 - 0.93%	383,500	60,150
Nassir	09/21/94	09/12/08	6%	579	165
Locke	03/22/91	03/22/06	10%	203	27
Total Harbor Fund				<u>384,282</u>	<u>60,342</u>
<b><u>CERTIFICATES OF PARTICIPATION:</u></b>					
Airport Fund:					
1993 Airport Refunding	07/01/93	06/01/16	2.7-5.35%	16,815	11,420
Tidelands Fund:					
Parking Authority/Aquarium Parking Structure	05/01/97	05/01/17	4.25-5.75%	5,855	4,565
Business-type Activities Notes and Certificates of Participation				<u>\$ 429,211</u>	<u>\$ 91,007</u>

N/A - Maturity date has not been established for these notes and annuities.

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Housing Development Fund Loan

The Housing Development Fund loan in the amount of \$1,016,000 at September 30, 2004 is payable to the State of California in January 2022. The Housing Development Fund also has authorization to borrow \$3,900,000 from the California Housing Finance Agency at an interest rate of 3%. To date, \$2,600,000 has been utilized for a revolving loan program that will allow for the acquisition and rehabilitation of multiple residential buildings located in specific neighborhoods designated for revitalization. As of September 30, 2004 \$1,178,000 is payable through 2009, \$800,000 is payable through 2010 and \$600,000 is payable through 2012. The remaining amount of \$1,300,000 will be used for the rehabilitation of rental units to assist lower income households. As of September 30, 2004, \$1,300,000 is payable through 2013.

The Housing Development Fund also entered into an agreement with the U.S. Department of Housing and Urban Development to repay \$1,088,000 in disallowed Homeownership Zone (HOZ) costs. The amount is payable without interest over three years through April 30, 2006. In fiscal year 2004, \$363,000 was repaid. As of September 30, 2004, \$724,000 remains outstanding and for which funds have been set aside.

Tax Increment Obligation

The Redevelopment Agency has an agreement to pay Los Angeles County 49.44% of tax increment generated by the Los Altos Area, payable commencing in 2020 at a simple interest rate of 3.75%. The tax increment due to the County at September 30, 2004 totaled \$1,578,000.

Central Long Beach Project Obligation

In July 2002, the Redevelopment Agency executed a promissory note payable for \$673,000 for real property purchased for the Central Long Beach Project. The monthly payment of \$5,500 on the 7.5% note is based on a twenty-year amortization. A payment of approximately \$595,000 is due at the maturity date of September 2006. The balance outstanding at September 30, 2004 is \$623,000.



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Debt Service requirements for governmental activities notes payable and the funds from which payments will be made are as follows (in thousands):

Year-end	Principal Payments By Fund		Annual Debt Service Requirements			
	Governmental Activities			Principal	Interest	Total
	Housing Development Fund	Redevelopment Capital Projects Fund				
2005	\$ 363	\$ 20	\$ 383	\$ 147	\$ 530	
2006	361	603	964	147	1,111	
2007	-	-	-	147	147	
2008	-	-	-	147	147	
2009	1,200	1,450	2,650	147	2,797	
2010 - 2014	2,678	-	2,678	353	3,031	
2015 - 2019	-	-	-	152	152	
2020 - 2024	1,016	-	1,016	91	1,107	
Indeterminant	-	1,578	1,578	-	1,578	
Totals	<u>\$ 5,618</u>	<u>\$ 3,651</u>	<u>\$ 9,269</u>	<u>\$ 1,331</u>	<u>\$ 10,600</u>	

No payment dates have been established for the Redevelopment Capital Projects Fund notes payable of \$1,578,000; therefore, no interest has been listed in the above table.

**Business-Type Activities**

Future debt service payments under various notes payable for the City's business-type activities are as follows (in thousands):

Year-end	Principal Payments By Fund			Annual Debt Service Requirements		
	Business-Type Activities			Principal	Interest	Total
	Water	Tidelands	Harbor			
2005	\$ 132	\$ 696	\$ 54	\$ 882	\$ 402	\$ 1,284
2006	138	727	54	919	360	1,279
2007	143	760	42	945	319	1,264
2008	87	794	42	923	274	1,197
2009	-	743	-	743	233	976
2010 - 2014	-	2,197	-	2,197	720	2,917
2015 - 2019	-	724	-	724	447	1,171
2020 - 2024	-	901	-	901	269	1,170
2025 - 2029	-	582	-	582	84	666
2030 - 2034	-	56	-	56	3	59
Indeterminant	6,000	-	60,150	66,150	-	66,150
Totals	<u>\$ 6,500</u>	<u>\$ 8,180</u>	<u>\$ 60,342</u>	<u>\$ 75,022</u>	<u>\$ 3,111</u>	<u>\$ 78,133</u>

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In January 1987, the Water Department entered into a low-interest loan contract for \$2,000,000 with the State Water Resources Control Board for the purpose of funding the Reclaimed Water System Extension Project. The loan was funded in fiscal year 1988 and is payable in annual installments ranging from \$70,450 to \$143,040, at an interest rate of 4.0128% per year through January 2008. The balance outstanding at September 30, 2004 is \$500,000.

In October 2002, the Water Department authorized the issuance and sale of \$15,000,000 of City of Long Beach Subordinate Water Revenue Commercial Paper Notes Series A. Proceeds from the variable rate debt will be used for interim financing needs to assist with completing reclaimed water system expansion projects that are partially funded with Federal and State grants, and for ocean desalination research and development. On January 8, 2003, notes in the amount of \$6,000,000 were issued with interest rates ranging from 0.95% to 1.05%. The Water Department intends to extend the notes to periods greater than one year, therefore, the outstanding amount has been classified as long-term obligations.

The City Tidelands Fund entered into various loan agreements from August 1982 through April 2002 for construction and improvements to the Shoreline Marina, Downtown Marina, seawalls, a lighthouse with a harbormaster's office with an aggregate authorized and issued amount of \$14,259,000 as of September 30, 2004. The amount outstanding at September 30, 2004 is \$8,180,000. Annual principal payments in the amount of \$696,000 are currently in effect at an interest rate of 4.5%.

The Harbor Department authorized the issuance of up to \$383,500,000 in Commercial Paper notes. In 1994 the Harbor Department issued \$148,000,000 of Series A Commercial Paper Notes to pay for acquisition costs of property, facilities and oil rights in the North Harbor District. The Harbor Department intends to extend the notes for a period greater than a year; therefore, the outstanding amount has been classified under long-term obligations. The Harbor Department redeemed \$12,850,000 of notes in 1997, and another \$75,000,000 in 2002. The amount outstanding at September 30, 2004 is \$60,150,000, with interest rates ranging from 1.09% to 1.65%. The Harbor Department also has other notes outstanding for \$165,000 and \$27,000 at September 30, 2004.

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Certificates of Participation

The remaining debt service requirements for Certificates of Participation payable from the Airport and the Tidelands Fund (Rainbow Harbor Area Segment) are as follows (in thousands):

Year-end	Principal Payments By Fund		Annual Debt Service Requirements		
	Airport	Tidelands	Principal	Interest	Total
2005	\$ 710	\$ 250	\$ 960	\$ 831	\$ 1,791
2006	750	265	1,015	782	1,797
2007	785	280	1,065	730	1,795
2008	825	295	1,120	674	1,794
2009	870	310	1,180	616	1,796
2010 - 2014	5,075	1,815	6,890	2,085	8,975
2015 - 2019	2,405	1,350	3,755	337	4,092
Totals	<u>\$ 11,420</u>	<u>\$ 4,565</u>	<u>\$ 15,985</u>	<u>\$ 6,055</u>	<u>\$ 22,040</u>

Police and Fire Annuity Obligation Program

The City administers a Police and Fire Annuity Program (Program) under the City Charter Section 187, prior to the programs termination in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2004, there were 128 participants in this program.

Total expenditures to this closed group of individuals amounted to \$5,507,000 for the fiscal year ended September 30, 2004. The City's accrued Program liability was \$37,600,000 at September 30, 2004. Program benefits are funded when required to be paid. Accordingly, there are no assets of the Program.

The current year change in the accrued liability is comprised of the following (in thousands):

Accrued Program Liability at October 1, 2003	\$ 40,948
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(5,507)
Estimated Change in Annualized Value of Benefits	2,159
Accrued Program Liability at September 30, 2004	<u>\$ 37,600</u>

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The number of Program participants diminishes each year. Since 1995, the number of program participants has been reduced by 111 individuals. The following table presents additional information for the Program (in thousands) (1996 benefits paid is for fifteen months, reflecting the City's change in its fiscal year end):

<u>Year-end</u>	<u>Number of Participants</u>	<u>Annuity Benefits Paid</u>	<u>Accrued Program Liability</u>
1995	239	\$7,804	\$68,369
1996	218	9,367	64,073
1997	205	7,783	61,207
1998	191	7,162	56,596
1999	181	7,093	57,500
2000	167	6,913	53,668
2001	157	6,641	51,222
2002	144	6,437	47,543
2003	131	5,865	40,948
2004	128	5,507	37,600

**NOTE 11 – LEASING ARRANGEMENTS**

**Hyatt Long Beach Corporation Lease**

In 1981, the City entered into a 50-year non-cancelable ground lease with a renewable term of 25 years, with a developer on certain Tideland properties held in trust by the City. The developer constructed a hotel and adjacent public facilities including a parking structure. In January 1995, the City renegotiated the agreements with the developer. Under the terms of the revised lease, the City will receive annual minimum ground lease rent of \$242,000, increased 10% every 5 years, plus 2.5% of the hotel's gross operating profit. Payment of these amounts is due 90 days after the close of the calendar year. The City accounts for the ground lease as an operating lease in the Tidelands Fund.

Concurrently, the developer leased the parking structure and public facilities to the City, a portion of which was sublet back to the developer. Under the terms of the lease, the City is obligated to pay the developer approximately \$2,855,000 per year through 2008, with incidental costs to be paid by the City thereafter. Subsequent to 2020, the City is not required to make any further lease payments. Under the terms of the sublease, the developer is obligated to pay the City approximately \$477,000 annually through 2008, with their proportionate share of the incidental costs thereafter.

The City has accounted for the lease and the sublease of the parking structure and public facilities as a capital lease payable and long-term lease receivable, respectively, in the Tidelands Fund using an interest rate of approximately 10%. At September 30, 2004, the outstanding capital lease payable and long-term lease receivable are \$9,484,000 and \$1,583,000, respectively.

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Future debt service payments under this business-type activity capital lease payable and future minimum rentals to be received under this sublease are as follows (in thousands):

Fiscal Year-end	Debt Service Payments			Minimum Rentals
	Principal	Interest	Total	
2005	\$ 1,912	\$ 943	\$ 2,855	\$ 477
2006	2,102	753	2,855	477
2007	2,312	544	2,856	477
2008	2,509	346	2,855	477
2009	649	65	714	119
Totals	<u>\$ 9,484</u>	<u>\$ 2,651</u>	<u>\$ 12,135</u>	<u>\$ 2,027</u>

Other Leases:

The City has various other capital leasing arrangements as follows (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2004
<b>GOVERNMENTAL ACTIVITIES</b>					
General Fund:					
Emergency Communications Center (a)	06/21/02	06/21/05	3.01%	\$ 4,000	\$ 1,373
Emergency Communications Center (a)	06/21/02	06/21/07	3.62%	4,000	2,486
Emergency Communications Center (a)	06/21/02	06/21/09	3.94%	9,125	6,767
Helicopter (b)	02/03/03	02/03/10	2.91%	2,785	2,172
Park Sports Lighting (c)	04/12/01	09/01/05	5.25%	98	40
City Light and Power (d)	05/01/96	05/01/21	8.73%	18,500	16,721
Street Sweepers (e)	10/02/03	10/02/07	2.36%	2,922	2,217
Ambulances (f)	10/02/03	10/02/09	2.97%	993	839
Software Lease (g)	05/06/04	05/06/07	2.46%	400	357
Total General Fund				<u>42,823</u>	<u>32,972</u>
Other Governmental Funds-					
Health Fund:					
Health Facility (h)	06/30/89	01/01/19	Variable	4,866	3,666
Internal Service Funds:					
Civic Center Fund:					
Sisco Lease (i)	07/17/96	01/17/07	6.07%	6,278	1,782
General Services Fund:					
Personal Computers (j)	05/01/03	05/01/06	6.63%	24	13
Personal Computers (j)	12/24/02	12/25/04	2.90%	2,523	219
Personal Computers (j)	04/23/03	04/25/07	3.64%	1,276	837
Personal Computers (j)	08/18/04	08/18/08	2.71%	997	958
IBM Processor (k)	09/01/00	08/01/05	3.8-7.45%	654	94
Disk Storage (l)	01/01/03	12/01/05	4.00%	350	141
Total General Services Fund				<u>5,824</u>	<u>2,262</u>
Total Governmental Activities Leases				<u>\$ 59,791</u>	<u>\$ 40,682</u>

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- (a) The City entered into capital lease agreements to purchase equipment for the Emergency Communications and Operations Center. The annual payment, including principal and interest, is \$3,840,000 which is paid annually through fiscal year 2009.
- (b) The City entered into a capital lease agreement to purchase a helicopter for use by the Police Department for safety enforcement. The lease is payable monthly in the amount of \$37,000 at 2.91% interest, or \$444,000 per year through February 2010.
- (c) The City entered into a capital lease agreement to install lighting systems in certain parks. The lease is payable monthly in the amount of \$1,900 at 5.25% interest through September 2005.
- (d) The City entered into a capital lease agreement in May 1996 to improve and replace the street lighting infrastructure in the City. The lease is payable monthly; the amount varies by year, with the initial year at \$57,000 per month and the maximum amount for the sixth through twenty-fifth years at \$163,000 per month.
- (e) The City entered into a capital lease agreement in October 2003 for the acquisition of street sweepers, payable in monthly installments of \$63,800 through 2007.
- (f) The City entered into a capital lease agreement in October 2003 to finance the replacement of ten advanced life-support ambulances. The lease is payable in monthly installments of \$15,000 through 2009.
- (g) The City entered into a capital lease agreement in May 2004 to purchase a legislative information management system. The lease is payable in monthly installments of \$11,500 through 2007.
- (h) In June 1989, the City entered into a capital lease with the California Health Facilities Financing Authority to finance the Health Department building. Interest is payable monthly at variable interest rates plus State expenses. Principal is paid annually in November.
- (i) The City entered into a capital lease to make energy conservation improvements to the Civic Center building. The monthly installments vary through January 2007 and do not exceed \$78,000 per month. The savings in energy costs resulting from the improvements are expected to be sufficient to cover the lease payments.
- (j) The City entered into several capital lease agreements to finance the acquisition of personal computers. The leases are payable monthly through 2008, and the aggregate monthly payments are \$123,000.
- (k) The City entered into a capital lease to finance the purchase of IBM processors and related equipment. The lease is payable monthly in installments of \$10,000.
- (l) The City entered into a capital lease agreement to purchase a high speed disk storage system. The lease is payable in monthly installments of \$10,300 through December 2005.

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Aggregate future debt service payments under the City's governmental-activities various capital leases are as follows (in thousands):

Year-end	Principal Payments By Fund - Governmental Activities				Annual Debt Service Requirements		
	General	Health	Civic Center	General Services	Principal	Interest	Total
2005	\$ 5,353	\$ 140	\$ 762	\$ 1,000	\$ 7,255	\$ 2,077	\$ 9,332
2006	4,150	150	764	598	5,662	1,812	7,474
2007	4,273	160	256	447	5,136	1,584	6,720
2008	2,660	175	-	217	3,052	1,412	4,464
2009	2,826	190	-	-	3,016	1,272	4,288
2010 - 2014	5,094	1,170	-	-	6,264	4,901	11,165
2015 - 2019	7,933	1,681	-	-	9,614	2,125	11,739
2020 - 2024	683	-	-	-	683	5	688
Totals	<u>\$ 32,972</u>	<u>\$ 3,666</u>	<u>\$ 1,782</u>	<u>\$ 2,262</u>	<u>\$ 40,682</u>	<u>\$ 15,188</u>	<u>\$ 55,870</u>

Future Rental Income Under Operating Leases

Aggregate minimum future rental income under non-cancelable operating leases having an initial term in excess of one year is as follows (in thousands):

<u>Year-end</u>	
2005	\$ 204,956
2006	205,770
2007	176,418
2008	174,569
2009	168,378
2010-2014	726,223
2015-2019	668,209
2020-2024	555,184
2025-2029	289,891
2030-2034	67,444
2035-2039	71,497
2040-2044	76,626
2045-2049	82,394
2050-2054	71,357
Thereafter	21,815
Total	<u>\$ 3,560,731</u>

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**NOTE 12 – RETIREMENT PROGRAMS**

**Plan Description**

The City contracts with the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, including 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 CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City's retirement plan are made on a fiscal year ending June 30, which differs from the City's September 30 fiscal year end.

Under the terms of the contract between CalPERS and the City, all full-time employees are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple tier retirement plan with benefits varying by plan. Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3% of the employee's highest paid year of employment for each year of credited service. Vested first and second tier non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest paid year of employment for each year of credited service for the first tier, and for the second tier effective in fiscal year 2004.

The City amended its safety and miscellaneous retirement plans to create second tiers in fiscal year 1990 and a third tier for miscellaneous employees in fiscal year 1996. During fiscal year 2002 the third tier was eliminated and plan participants were absorbed into the second tier. Retirees under the first tier are eligible to receive a maximum annual 5% cost-of-living increase in their retirement benefit, while those under the second tier are eligible to receive a maximum annual 2% cost-of-living increase.

**Funding Policy**

In November 1998, the City was informed by CalPERS that all of its retirement plans were overfunded based on the actuarial valuation completed as of June 30, 1997. Accordingly, the City's employer contribution rates were reduced by CalPERS to zero for all plans effective November 13, 1998. Participants were required to contribute 7% of their earnings for all miscellaneous and 9% for all police, fire and lifeguard employees. The City continued to make these employee contributions as required by CalPERS law through July 2, 1999 at which time it was informed by CalPERS that no further contributions were required. Based on the latest actuarial valuations as of June 30, 2003, the City was overfunded as of September 30, 2004 and was not required to pay CalPERS any employee or employer contributions for any of its plans in fiscal year 2004.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. The City contribution payments to CalPERS will be required beginning October 1, 2004 for both Safety and Miscellaneous Plans at 14.208% and 7.199% respectively, plus the employee rate of 9% and 7% for Safety and Miscellaneous



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respectively. Miscellaneous employees will pay 1% to PERS, that when added to the 7% paid by the City makes up the 8% employee rate.

The funded normal cost rates are as follows:

Contribution Rates for Fiscal Year 2005

Employees Covered	Normal Cost	Amortization of Unfunded Liability	Total Employer Rate	Employee Rate *
Safety	19.629 %	(5.421) %	14.208 %	9%
Miscellaneous	10.510 %	(3.311) %	7.199 %	8% **

Contribution Rates for Fiscal Year 2004

Employees Covered	Normal Cost	Amortization of Unfunded Liability	Total Employer Rate	Employee Rate *
Safety	19.650 %	(19.650) %	- %	9%
Miscellaneous	9.551 %	(9.551) %	- %	8%

\* Through September 30, 2004, Employee Contributions are being paid from excess assets in the City's Safety and Miscellaneous CalPERS plans.

\*\* Miscellaneous employee rate increased to 8% from 7 % effective August 24, 2002. Beginning October 1, 2004, employees will pay the 1% increase.

Annual Pension Cost

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2004 for miscellaneous and safety employees is shown below.

	Assumptions
Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	12 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	8.25% (net of administrative expenses)
Projected Salary Increases	4.27% to 11.59% depending on age, service, and type of employment
Inflation	3.50%
Payroll Growth	3.75%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%.

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

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the excess assets to payroll. The information is presented based on the CalPERS fiscal year from July 1 through June 30.

Three-Year Trend Information for CalPERS – Net Pension Obligation

(Unaudited)  
(In thousands)

<u>June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	--	100%	--
2003	--	100%	--
2004	--	100%	--

The City's contribution rate since July 1999 to date is zero, therefore there is no annual pension cost as of June 30, 2004.

Public Agency Retirement System – Defined Benefit Plan

In November 1994, the City established Public Agency Retirement System (PARS) Defined Benefit Plans for Special Status Contractors and Seasonal and Temporary Employees (The Plans). During fiscal year 2003 the plans were reported under a combined plan (The Plan). The Plan is a defined benefit, single employer retirement plan. The Plan, which took effect on January 1, 1995, is administered for the City through a third party administrator. The Plan provides for retirement as well as death and disability benefits to eligible individuals and their beneficiaries.

The Plan benefit is a lifetime monthly annuity equal to 1.50% times the final average of the participant's highest 36 consecutive month's salary times the years of service. The Plan requires employee contributions of 6.2% of earnings (Contractors Special Status) and 3.0% of earnings (Seasonal and Temporary Employees). All employees enter the Plan upon hire and all benefits are vested after 5 years of service (Contractors Special Status) or immediately (Seasonal and Temporary Employees) and employees are always vested in their employee contributions. It is assumed that upon termination, employees will choose to receive an actuarially equivalent lump sum (based on the actuarial assumptions described below).

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The City's funding policy is to make the contribution as determined by the Plan's actuary as of September 30, 2004. The following information describes the calculation methodology:

- The Plan's annual pension cost (APC) for the fiscal year ended September 30, 2004 is based on the period from July 1, 2003 to June 30, 2004. The APC for this period was \$19,471, the same amount contributed for this period.
- The actuarial liabilities and assets are valued as of June 30, 2004.
- The actuarial funding method used is the projected-unit-credit-method. Under this method the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

In determining the Plan's actuarial accrued liability, the projected benefit of each participant must be allocated between the past year and future years. This allocation is made by multiplying the projected benefit by a fraction, the numerator of which is the participant's total credited years of service on the valuation date, and the denominator is the participant's total credited years of service at anticipated benefit commencement.

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level percent of expected covered payroll to determine the unfunded actuarial liability rate.

The following is a summary of the actuarial assumptions:

Interest Rate:	7.5%
Mortality:	1983 Group Annuity Mortality Table
Turnover:	T-7 Table from the Actuary's Pension Handbook in excess of mortality
Salary Scale:	5.0%
Retirement Age:	Age 65 or attained age, if older
Form of Benefit:	Participants are assumed to receive a lump sum upon termination

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The actuarial assumptions for the Seasonal and Temporary Employees' first five years of service are the same except for the turnover assumptions; which are:

<u>Years of Service</u>	<u>Rate</u>
0	50%
1	40%
2	30%
3	20%
4	10%
5+	T-7 Table from the Actuary's Pension Handbook in excess of mortality

The net pension obligation information below is based on periods from July 1 through June 30.

<u>Fiscal Year</u>	<u>Annual Pension Costs</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>	<u>Net Pension Obligation</u>
1995 (June 30)	\$ 42,215	\$ 42,215	100%	\$ -
1996	143,292	143,292	100%	-
1997	181,910	181,910	100%	-
1998	170,014	170,014	100%	-
1999	196,853	196,853	100%	-
2000	188,924	188,924	100%	-
2001	102,749	102,749	100%	-
2002	74,497	74,497	100%	-
2003	75,338	75,338	100%	-
2004	19,471	19,471	100%	-

**NOTE 13 – POST RETIREMENT HEALTH CARE BENEFITS**

Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested; however, under the provisions of the City's Personnel Ordinance, upon retirement, the City allows retirees, their spouses and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental and long-term care insurance premiums under the City's Retired Employees Health Insurance Program. Once the cash value of the retired employee's unused sick leave is exhausted, the retiree is required to pay all premiums. The City provided a one-time early retirement incentive of a maximum of \$25,000 for employees who retired during calendar year 1996. The amount of the incentive was based on age, and was credited to accumulated sick leave to be used towards health insurance costs during retirement. In fiscal year 2004, management was offered a 16 hour increase in sick leave per year of service for retirement by June 30, 2004.

At September 30, 2004, there were 844 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$24,290,000. Total premiums

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paid by the City under the Retired Employees Health Insurance Program during the twelve months ended September 30, 2004, were \$5,858,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The City has recorded a liability in the Employee Benefits Internal Service Fund of \$65,434,000, based on an actuarial study of current and future retiree accumulated sick leave as of September 30, 2003 and updated as of September 30, 2004. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes an investment return of 5.75%; wage increases of 4% per year, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$7,300,000, recorded in current accrued wages and benefits, has been fully funded; the long-term portion of the liability of \$58,134,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

**NOTE 14 – SELF – INSURANCE PROGRAMS**

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. At September 30, 2004, the City accrued nondiscounted estimates totaling \$95,935,000 for workers' compensation and general liability claims. This represents estimates of amounts to be paid for actual, and incurred but not reported claims based upon past experience, modified for current trends and developments. The City has no outstanding annuities payable. The City has recorded a current liability of \$20,900,000 and a long-term liability of \$75,035,000 in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2004 is dependent on future developments. Based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual adequately represents such losses.

A summary of the City's claims activity for the fiscal year ended September 30, 2004 and 2003 is as follows (in thousands):

	Worker's Compensation Claims	General Liability Claims	Total
Balance at October 1, 2002	\$ 59,741	\$ 26,100	\$ 85,841
Additions	35,002	2,749	37,751
Payments	(15,398)	(5,249)	(20,647)
Balance at September 30, 2003	79,345	23,600	102,945
Additions (Reductions)	9,730	(710)	9,020
Payments	(12,940)	(3,090)	(16,030)
Balance at September 30, 2004	<u>\$ 76,135</u>	<u>\$ 19,800</u>	<u>\$ 95,935</u>

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Component Unit

Under its insurance program, the LBT retains the risk for each occurrence of worker's compensation and public liability and property damage claimed up to \$2,000,000 and \$1,000,000, respectively. Claims in excess of \$2,000,000 for worker's compensation and \$1,000,000 for public liability and property damage are covered under policies in force with an independent insurer up to \$25,000,000 for workers compensation and \$10,000,000 for public liability and property damage. The amount of settlements for both worker's compensation and public liability and property damage did not exceed the insurance coverage limits in fiscal year 2004.

The LBT's policy is to estimate and recognize losses on the accrual basis, including estimates of claims incurred but not reported, based on the report of the LBT's independent claims manager, and to maintain designated cash and investments to fund the estimated liabilities.

The changes in estimated liabilities for reported claims are as follows for the LBT (in thousands):

	Worker's Compensation	Public Liability and Property Damage	Total
Balance at July 1, 2002	\$ 2,626	\$ 1,316	\$ 3,942
Reserves:			
New claims	720	634	1,354
Adjustments to existing claims	1,943	523	2,466
Payments	<u>(3,040)</u>	<u>(1,071)</u>	<u>(4,111)</u>
Balance at June 30, 2003	2,249	1,402	3,651
Reserves:			
New claims	269	627	896
Adjustments to existing claims	3,012	819	3,831
Payments	<u>(2,830)</u>	<u>(1,160)</u>	<u>(3,990)</u>
Balance at June 30, 2004	<u>\$ 2,700</u>	<u>\$ 1,688</u>	<u>\$ 4,388</u>

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**NOTE 15 – GOVERNMENTAL ACTIVITIES FUND BALANCE**

The composition of the reserved portion of the governmental activities fund balance at September 30, 2004 is as follows (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Totals
Reserved for:				
Other Noncurrent Receivables (a)	\$ 100,531	\$ 32,921	\$ -	\$ 133,452
Asset Seizure Money (b)	2,607	-	-	2,607
Encumbrances	2,762	16,723	3,530	23,015
Future Advances to Other Funds - restricted by City Charter	1,486	-	-	1,486
Transportation Projects (c)	-	-	5,878	5,878
Housing Development - restricted by State law	-	943	-	943
Future Projects	948	29,750	19,479	50,177
Land Held For Resale	-	48,962	-	48,962
Estimated Oil Field Abandonment Costs	-	-	2,698	2,698
Debt Service Covenants	5,672	35,518	200	41,390
<b>Totals</b>	<b>\$ 114,006</b>	<b>\$ 164,817</b>	<b>\$ 31,785</b>	<b>\$ 310,608</b>

(a) The reserve for noncurrent receivables represents long-term loan receivables and long-term advances to other funds not available to finance current expenditures because receipt is not anticipated in the near future since there is no specified repayment dates for these advances. The General Fund reserve for noncurrent receivables funds mainly consists of \$96,698,000 due from the Redevelopment Capital Projects Fund, based on a cooperative agreement in which the City agreed to advance funds to use on redevelopment projects. Debt service payments to the General Fund are expected as future property tax increment funds become available. At this time there is no repayment schedule. In addition, \$1,833,000 is due from the Airport Enterprise Fund for City services and \$2,000,000 is due from the Health Fund for advances to cover cash flow. Repayment from the Airport is dependant on Airport revenues from flights. There is no repayment date for the Health Fund advance.

Other major governmental fund advances to other funds consist of \$20,621,000 due to the Housing Development Special Revenue Fund from the Redevelopment Capital Projects Fund, \$4,874,000 due to the Community Development Grants Fund from the Housing Development Special Revenue Fund and \$1,812,000 due to the General Capital Projects Fund from the Redevelopment Capital Projects Fund. Repayments depend on available future tax revenue increments. The Housing Authority advance from the Community Development Grants Fund in the amount of \$2,900,000 is due to a loan for the purpose of meeting voucher obligations of the Authority under the HUD Section 8 Program. Repayment is dependent on HUD funding and no annual payments are required by the Authority to repay the loan.

**CITY OF LONG BEACH  
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The balance of \$2,714,000 mainly represents long-term notes receivable for the Redevelopment Agency and Housing Development Special Revenue Fund, which do not provide current available resources.

- (b) The reserve for asset seizure money comes from the sale of assets seized under probable cause in a criminal investigation. The resulting funds must be used to enhance criminal investigations, detection and prosecution, and shall not supplant the existing Police Department budget.
- (c) The reserve for transportation projects represents the fund balance of the Transportation Fund Special Revenue Fund which is restricted for use to specified transportation projects requiring advance approval of the Los Angeles County Transportation Commission.

Fund Deficits

The Internal Service Funds include accumulated deficits in the Insurance and Employee Benefits Internal Service Funds which aggregate \$72,655,000 and \$36,763,000, respectively. The City's Management believes the cash position is sufficient to cover the current costs related to retired health insurance, worker's compensation, general liability claims and current operating costs in the Insurance and Employee Benefits Internal Service funds. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained.

At September 30, 2004, the Redevelopment Capital Projects Fund had a deficit fund balance of \$11,673,000. Such deficit was created by funding redevelopment projects through the issuance of long-term indebtedness to outside entities and the City of Long Beach. The Redevelopment Agency's management believes that future property tax increments and property sales to developers will be sufficient to ultimately eliminate such deficit in future years. The advances from the City have no specified repayment date.

At September 30, 2004 the Housing Authority Fund, a non-major governmental fund, had a deficit fund balance of \$1,651,000. This deficit resulted from funding from grants accounted for in the Community Development Grants Special Revenue Fund. The loan was to cover additional housing assistance payments which exceeded U.S. Department of Housing and Urban Development (HUD) funding. It is anticipated that the deficit will be funded by future HUD receipts for housing assistance.



**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 16 – RECONCILIATION OF ACTUAL REVENUES AND EXPENDITURES TO THE NON-GAAP BUDGETARY BASIS**

The following reconciles actual revenues and expenditures for governmental funds to the non-GAAP budgetary basis by fund type for the fiscal year ended September 30, 2004 (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Total
Beginning Fund Balance- Actual (GAAP Basis)	\$ 161,236	\$ 90,230	\$ 37,119	\$ 288,585
Cumulative Effect of Capitalization of Land Held For Resale at October 1, 2003	-	(41,885)	-	(41,885)
Beginning Fund Balance - Budgetary Basis	<u>161,236</u>	<u>48,345</u>	<u>37,119</u>	<u>246,700</u>
Actual (GAAP-Basis) Revenues	303,180	108,165	149,613	560,958
Basis Adjustments:				
Proceeds from Sale of Land Held for Resale	-	586	-	586
Revenues on the Budgetary Basis	<u>303,180</u>	<u>108,751</u>	<u>149,613</u>	<u>561,544</u>
Actual (GAAP-Basis) Expenditures	346,280	126,995	138,916	612,191
Basis Adjustments:				
Encumbrances Outstanding at September 30, 2004	2,762	16,723	3,530	23,015
Current Effect of Capitalization of Land Held for Resale	-	7,675	-	7,675
Loss on Sale of Land Held for Resale	-	(12)	-	(12)
Expenditures - Budgetary Basis	<u>349,042</u>	<u>151,381</u>	<u>142,446</u>	<u>642,869</u>
Excess of Revenues Over (Under) Expenditures - Budgetary Basis	<u>(45,862)</u>	<u>(42,630)</u>	<u>7,167</u>	<u>(81,325)</u>
Other Financing Sources (Uses) (GAAP-Basis)	43,386	(2,030)	(11,649)	29,707
Other Financing Sources - Budgetary Basis	<u>43,386</u>	<u>(2,030)</u>	<u>(11,649)</u>	<u>29,707</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis	<u>(2,476)</u>	<u>(44,660)</u>	<u>(4,482)</u>	<u>(51,618)</u>
Ending Fund Balance - Budgetary Basis	<u>\$ 158,760</u>	<u>\$ 3,685</u>	<u>\$ 32,637</u>	<u>\$ 195,082</u>

The City's budget in any given fiscal year is incremented by the amount of encumbrances outstanding at the end of the prior fiscal year in accordance with City Council adopted ordinance.

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 17 – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES FUNDS**

The City has issued various revenue bonds to finance the purchase of the Aquarium of the Pacific, the Marina facilities and the Rainbow Harbor Area infrastructure improvements. Each of the revenue bonds is accounted for in the City's Tidelands Fund. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment.

The Aquarium of the Pacific 2001 Revenue Bonds, issued in the amount of \$129,520,000, are accounted for in the Tideland Operating segment. The Tideland Operating segment is used to account for the business-type operations of the Long Beach Convention and Entertainment Center, as well as beach maintenance and beach/water safety programs directly related to the tidelands area, including lifeguards and patrol boats. Beginning with the 1997 fiscal year, leases for areas adjacent to the Queen Mary were also included in the Tideland Operating segment. The Tideland Operating segment had purchase of goods and services and construction project commitments of \$386,000.

The 1994 Marina Subordinate Revenue Bonds, issued in the amount of \$1,310,000 and the 1995 Marina Refunding Revenue bond issued in the amount of \$31,725,000 are accounted for in the Marina segment. The Marina segment is used to account for the enterprise operations of the City's Alamitos Bay and Downtown Marinas. The Marina segment had commitments of \$1,472,000 for the purchase of goods, services and construction.

The 1999 Rainbow Harbor Financing Project Revenue Bonds, issued in the amount of \$47,970,000, are accounted for in the Rainbow Harbor Area segment. The Rainbow Harbor Area segment is used to account for the Rainbow Harbor Area administration, the Rainbow Harbor financing and the Aquarium of the Pacific Parking Structure operations. The Rainbow Harbor Area segment had commitments of \$638,000 for the purchase of goods, services and construction.

The Parking Authority issued \$5,855,000 in Certificates of Participation to partially fund the Aquarium of the Pacific Parking Structure. Money from the parking structure built in the Rainbow Harbor Area segment is pledged for the debt service payment.

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Summary financial information for each segment is presented below (in thousands) as of September 30, 2004:

**City of Long Beach  
Business-Type Activities  
Tidelands Fund Segments  
Statement of Net Assets  
September 30, 2004  
(In Thousands)**

	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Pooled Cash and Cash Equivalents	\$ 7,537	\$ 1,419	\$ 2,119
<b>Receivables:</b>			
Interest Receivable	-	-	103
Accounts Receivable	4,851	196	120
Due from Other Governments	361	118	-
Due from Other Funds	6,851	-	-
Capital Leases Receivable-Current	319	-	-
Allowance for Receivables	(2,571)	(139)	-
Inventory	-	97	-
<b>Total Current Assets</b>	<u>17,348</u>	<u>1,691</u>	<u>2,342</u>
<b>Restricted Assets:</b>			
Pooled Cash and Cash Equivalents	8,171	6,606	1,640
Non-Pooled Cash and Cash Equivalents	14,522	-	5,104
Interest Receivable	247	-	-
<b>Total Restricted Assets</b>	<u>22,940</u>	<u>6,606</u>	<u>6,744</u>
<b>Noncurrent Assets:</b>			
<b>Noncurrent Receivables:</b>			
Capital Lease Receivable	1,264	-	-
<b>Capital Assets:</b>			
Land and Other Capital Assets not being Depreciated	30,972	2,221	17,995
Capital Assets net of Accumulated Depreciation	210,122	28,555	75,090
Deferred Charges-Long-Term	7,691	-	-
<b>Total Noncurrent Assets</b>	<u>250,049</u>	<u>30,776</u>	<u>93,085</u>
<b>Total Assets</b>	<u>290,337</u>	<u>39,073</u>	<u>102,171</u>

(continued)

**CITY OF LONG BEACH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**City of Long Beach**  
**Business-Type Activities**  
**Tidelands Fund Segments**  
**Statement of Net Assets**  
**September 30, 2004**  
(In Thousands)  
(continued)

	Tideland Operating	Marina	Rainbow Harbor Area
<b>LIABILITIES</b>			
<b>Current Liabilities Payable from Current Assets:</b>			
Accounts Payable	\$ 239	\$ 238	\$ 1,513
Accrued Wages	148	169	19
Accrued Interest Payable	8	197	-
Due to Other Funds	700	75	8
Deferred Revenues	28	2,107	25
Collections Held in Trust	126	15	1
Obligations Under Capital Leases-Current	1,912	-	-
Bonds Payable Due Within One Year	-	-	1,455
Other Long-Term Obligations-Current	33	649	264
Total Current Liabilities	<u>3,194</u>	<u>3,450</u>	<u>3,285</u>
<b>Current Liabilities Payable from Restricted Assets:</b>			
Accrued Interest Payable	2,732	-	1,125
Bonds Payable Due Within One Year	-	3,060	-
Total Liabilities Payable from Restricted Assets	<u>2,732</u>	<u>3,060</u>	<u>1,125</u>
<b>Noncurrent Liabilities:</b>			
Advances from Other Funds	13,999	-	-
Obligations Under Capital Leases-Current	7,572	-	-
Other Long-Term Obligations	1,004	5,850	4,945
Unamortized Discount/Deferred Costs	-	-	(232)
Bonds Payable	129,520	9,795	46,280
Unamortized Discount/Deferred Costs	(14,060)	(641)	(2,170)
Total Noncurrent Liabilities	<u>138,035</u>	<u>15,004</u>	<u>48,823</u>
Total Liabilities	<u>143,961</u>	<u>21,514</u>	<u>53,233</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	115,113	12,063	42,543
<b>Restricted for:</b>			
Debt Service	14,474	3,546	4,886
Capital Projects	-	-	733
Aquarium Operations and Maintenance Reserve	5,485	-	-
Unrestricted	11,304	1,950	776
Total Net Assets	<u>\$ 146,376</u>	<u>\$ 17,559</u>	<u>\$ 48,938</u>

**CITY OF LONG BEACH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**City of Long Beach**  
**Business-Type Activities**  
**Tidelands Fund Segments**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Fiscal Year Ended September 30, 2004**  
**(In Thousands)**

	Tideland Operating	Marina	Rainbow Harbor Area
<b>Operating Revenues:</b>			
Licenses and Permits	\$ 296	\$ -	\$ 4
Fees, Concessions and Rentals	5,730	16,147	4,587
From Other Agencies	774	-	18
Charges for Services	25,590	76	-
<b>Total Revenues</b>	<b>32,390</b>	<b>16,223</b>	<b>4,609</b>
<b>Operating Expenses:</b>			
Personal Services	6,996	6,816	768
Maintenance and Other Operations	30,604	3,885	4,769
Amortization	-	58	-
Depreciation	11,047	1,806	3,244
<b>Total Operating Expenses</b>	<b>48,647</b>	<b>12,565</b>	<b>8,781</b>
<b>Operating Income (Loss)</b>	<b>(16,257)</b>	<b>3,658</b>	<b>(4,172)</b>
<b>Non-Operating Income (Expense):</b>			
Interest Income	4,031	185	379
Interest Expense	(9,061)	(1,159)	(2,964)
Gain (Loss) on Disposition of Fixed Assets	(2,241)	-	-
Other Income	25	386	(225)
<b>Total Non-Operating Expense</b>	<b>(7,246)</b>	<b>(588)</b>	<b>(2,810)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(23,503)</b>	<b>3,070</b>	<b>(6,982)</b>
Capital Grants and Contributions	576	-	347
<b>Transfers:</b>			
Transfers In	21,696	890	4,275
Transfers Out	(4,334)	(1,390)	(1,405)
<b>Change in Net Assets</b>	<b>(5,565)</b>	<b>2,570</b>	<b>(3,765)</b>
<b>Net Assets - October 1</b>	<b>151,941</b>	<b>14,989</b>	<b>52,703</b>
<b>Net Assets - September 30</b>	<b>\$ 146,376</b>	<b>\$ 17,559</b>	<b>\$ 48,938</b>

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

City of Long Beach  
Business-Type Activities  
Tidelands Major Segments  
Statement of Cash Flows  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 31,411	\$ 16,301	\$ 4,508
Receipts from Other Governments	1,985	-	18
Payments for Employee Salaries	(6,961)	(6,764)	(763)
Payments for Goods and Services	(30,760)	(3,995)	(7,857)
Other Income	25	386	(225)
Net Cash Provided by (Used for) Operating Activities	<u>(4,300)</u>	<u>5,928</u>	<u>(4,319)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers In	23,903	890	4,275
Transfers Out	(4,334)	(1,390)	(1,405)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>19,569</u>	<u>(500)</u>	<u>2,870</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Receipt of Capital Grants	-	(106)	-
Principal Received on Capital Leases	290	-	-
Payments for Capital Acquisitions	(652)	(939)	(6,205)
Payments of Principal on Bonds Payable	-	(2,915)	(328)
Payments of Principal on Other Long- Term Obligations	(2,341)	(621)	(13)
Payments of Interest	(8,136)	(1,055)	(2,770)
Net Cash Used for Capital and Related Financing Activities	<u>(10,839)</u>	<u>(5,636)</u>	<u>(9,316)</u>
<b>Cash Flows from Investing Activities:</b>			
Receipts of Interest	4,034	185	380
Net Cash Provided by Investing Activities	<u>4,034</u>	<u>185</u>	<u>380</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,464	(23)	(10,385)
Cash and Cash Equivalents - October 1	21,766	8,048	19,248
Cash and Cash Equivalents - September 30	<u>\$ 30,230</u>	<u>\$ 8,025</u>	<u>\$ 8,863</u>

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

City of Long Beach  
Business-Type Activities  
Tidelands Fund Segments  
Statement of Cash Flows  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)  
(Continued)

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Operating Income (Loss)	\$ (16,257)	\$ 3,658	\$ (4,172)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization Expense	11,047	1,864	3,244
Other Income (Loss)	25	386	(225)
(Increase) Decrease in Accounts Receivable, Net	(169)	14	(69)
Increase in Amounts Due from Other Governments	1,211	-	-
Increase in Inventory	-	(1)	-
Decrease in Accounts Payable	(156)	(152)	(3,093)
Increase in Accrued Wages Payable	35	52	5
Increase in Amounts Due to Other Funds	-	42	5
Increase (Decrease) in Deferred Revenues	(47)	65	-
Increaes (Decrease) in Collections Held in Trust	11	-	(14)
Total Adjustments	<u>11,957</u>	<u>2,270</u>	<u>(147)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (4,300)</u>	<u>\$ 5,928</u>	<u>\$ (4,319)</u>

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

The City also conducts Business-type services that provide gas/gas transmission, water, airport, refuse collection, sewer and towing services. Segment information for the Business-type activities funds at September 30, 2004, and for the fiscal year then ended, are as follows (in thousands):

<u>Business-Type Activities Major Activities</u>	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue	Harbor	Total Major Funds
Operating Revenues	\$ 83,752	\$ 63,185	\$ 71,198	\$ 53,475	\$ 131,004	\$ 280,782	\$ 683,396
Depreciation Expense	3,107	7,852	4,416	16,364	-	77,373	109,112
Operating Income (Loss)	7,586	7,581	10,613	(16,785)	28,949	143,654	181,598
Non-Operating Income (Expense)	4,927	(188)	(7,505)	(10,657)	31	(47,558)	(60,950)
Transfers Net	(11,584)	-	(4,702)	19,732	(9,180)	(6,851)	(12,585)
Change in Net Assets	929	10,042	(1,594)	(6,787)	19,800	94,997	117,387
Capital Assets:							
Additions	(3,631)	(17,142)	(344)	(7,796)	-	(115,321)	(144,234)
Deletions	(96)	(285)	176	(2,241)	-	(93)	(2,539)
Net Working Capital	9,456	10,645	52,769	11,517	114,415	306,369	505,171
Total Assets	81,231	255,008	137,021	443,322	372,542	3,031,373	4,320,497
Bonds and Other Long-Term Liabilities Payable from							
Operating Revenues	7,373	38,235	122,168	201,862	299,844	1,224,834	1,894,316
Total Net Assets	<u>\$ 66,060</u>	<u>\$ 206,567</u>	<u>\$ 2,124</u>	<u>\$ 224,589</u>	<u>\$ 50,481</u>	<u>\$ 1,685,929</u>	<u>\$ 2,235,750</u>

Included in non-operating income for the Solid Waste Management Enterprise Fund are operating grants totaling \$872,000 received for the recycling program during fiscal year September 30, 2004.

<u>Business-Type Activities Non-major Activities</u>	Sewer	Airport	Towing	Subsidence	Total Nonmajor Activities	Total Business-Type Activities
Operating Revenues	\$ 9,280	\$ 27,893	\$ 6,770	\$ -	\$ 43,943	\$ 727,339
Depreciation Expense	1,148	2,066	11	-	3,225	112,337
Operating Income (Loss)	1,514	9,134	(10)	-	10,638	192,236
Non-Operating Income (Expense)	155	(312)	55	3,435	3,333	(57,617)
Transfers Net	-	-	-	-	-	(12,585)
Change in Net Assets	200	23,541	45	3,435	27,221	144,608
Current Capital Contributions (net)	-	11,541	-	-	11,541	11,541
Capital Assets:						
Additions	(1,364)	(19,720)	-	-	(21,084)	(165,318)
Deletions	-	-	-	-	-	(2,539)
Net Working Capital	6,325	10,703	1,487	-	18,515	523,686
Total Assets	47,902	74,227	1,754	148,589	272,472	4,592,969
Bonds and Other Long-Term Liabilities Payable from						
Operating Revenues	-	13,962	-	-	13,962	1,908,278
Total Net Assets	<u>\$ 46,925</u>	<u>\$ 56,882</u>	<u>\$ 1,655</u>	<u>\$ 148,589</u>	<u>\$ 254,051</u>	<u>\$ 2,489,801</u>
Total Business Activities Net Assets						\$ 2,489,801
Internal Service Funds Consolidation						(10,032)
Net Assets of Business-Type Activities						<u>\$ 2,479,769</u>



**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 18 – SOUTHEAST RESOURCE RECOVERY FACILITY**

The Southeast Resource Recovery Facility (SERRF) Authority was formed as a joint powers authority between the City of Long Beach and Los Angeles County Sanitation District Number 2 in December, 1984. Subsequent to SERRF's formation, lease revenue bonds were issued to construct a waste-to-energy facility, and contracts for the design, construction and demonstration of a plant were executed and completed. Subsequent complex contractor litigation ensued and was settled in 1994.

A final settlement to the contractor litigation provided that the City would receive \$6 million in cash and approximately \$10 million over a 20 year period in monthly installments which began in 1999. Additionally, a \$6 million payment from the present operator for future improvements has been accounted for as contributed capital. The long-term portion of future payments receivable from the former contractor of approximately \$10 million has been accounted for as a receivable and deferred revenue. The long-term receivable at September 30, 2004 is \$6,639,000 with the current portion recognized as revenue during the fiscal year aggregating \$501,000.

In October 1995 the lease was revised since the SERRF Authority refunded the 1985, 1985-1 and 1986 bond issues with the SERRF 1995 Revenue Bond issue. The lease payment was equal to debt service payments with a maximum annual payment of \$25,000,000.

In October 2003, the lease was again revised since the SERRF Authority refunded the 1995 Bonds with the 2003 Southeast Resource Recovery Facility Authority Bonds in the amount of \$120,235,000. Base rental payments are calculated to be sufficient to pay the principal and interest of the Series 2003 Bonds when due.

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

City of Long Beach  
Solid Waste Mangement Fund and Southeast Resource Recovery  
Facility (SERRF) Joint Powers Authority  
Consolidating Condensed Statement of Net Assets  
September 30, 2004  
(In Thousands)

	Solid Waste Mangement Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub-Total			
<b>ASSETS</b>						
<b>Current Assets:</b>						
Pooled Cash and Cash Equivalents	\$ 13,634	\$ 33,658	\$ 47,292	\$ -	\$ -	\$ 47,292
<b>Receivables:</b>						
Accounts Receivable	1,997	6,768	8,765	-	-	8,765
Due from Other Governments	121	432	553	-	-	553
Capital Leases Receivable-Current	-	-	-	6,185	(6,185)	-
Allowance for Receivables	(278)	(1)	(279)	-	-	(279)
Total Current Asset	<u>15,474</u>	<u>40,857</u>	<u>56,331</u>	<u>6,185</u>	<u>(6,185)</u>	<u>56,331</u>
<b>Restricted Assets:</b>						
Non-Pooled Cash and Cash Equivalents	-	-	-	3,350	-	3,350
Non-Pooled Investments	-	-	-	11,467	-	11,467
Accounts Receivable	-	-	-	1,682	(1,682)	-
Total Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,499</u>	<u>(1,682)</u>	<u>14,817</u>
<b>Noncurrent Assets:</b>						
<b>Noncurrent Receivables:</b>						
Capital Lease Receivable	-	-	-	114,050	(114,050)	-
Other Noncurrent Receivables	-	6,639	6,639	-	-	6,639
<b>Capital Assets:</b>						
Land and Other Capital Assets not being Depreciated	-	6,961	6,961	-	-	6,961
Capital Assets net of Accumulated Depreciation	239	52,034	52,273	-	-	52,273
Other Assets-Long-Term	-	4,253	4,253	1,133	(5,386)	-
Total Noncurrent Assets	<u>239</u>	<u>69,867</u>	<u>70,126</u>	<u>115,183</u>	<u>(119,436)</u>	<u>65,873</u>
Total Assets	<u>15,713</u>	<u>110,744</u>	<u>126,457</u>	<u>137,867</u>	<u>(127,303)</u>	<u>137,021</u>
<b>LIABILITIES</b>						
<b>Current Liabilities Payable from Current Assets:</b>						
Accounts Payable	1,746	2,667	4,413	-	1,682	2,731
Accrued Wages	185	8	193	-	-	193
Accrued Interest Payable	7	-	7	-	-	7
Due to Other Funds	82	4	86	-	-	86
Collections Held in Trust	521	24	545	-	-	545
Other Long-Term Obligations-Current	-	6,185	6,185	-	6,185	-
Total Current Liabilities	<u>2,541</u>	<u>8,888</u>	<u>11,429</u>	<u>-</u>	<u>7,867</u>	<u>3,562</u>
<b>Current Liabilities Payable from Restricted Assets:</b>						
Accounts Payable	-	-	-	1,300	-	1,300
Accrued Interest Payable	-	-	-	1,682	-	1,682
Bonds Payable Due Within One Year	-	-	-	6,185	-	6,185
Total Liabilities Payable from Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,167</u>	<u>-</u>	<u>9,167</u>
<b>Noncurrent Liabilities:</b>						
Deferred Revenues	-	6,639	6,639	-	-	6,639
Deferred Credits and Other Deferred Liabilities	-	1,133	1,133	4,253	5,386	-
Obligations Under Capital Leases	-	114,050	114,050	-	114,050	-
Bonds Payable	-	-	-	114,050	-	114,050
Unamortized Discount/Deferred cost	-	-	-	1,479	-	1,479
Total Noncurrent Liabilities	<u>-</u>	<u>121,822</u>	<u>121,822</u>	<u>119,782</u>	<u>119,436</u>	<u>122,168</u>
Total Liabilities	<u>2,541</u>	<u>130,710</u>	<u>133,251</u>	<u>128,949</u>	<u>127,303</u>	<u>134,897</u>
<b>NET ASSETS</b>						
Investment in Capital Assets, Net of Related Debt	239	(58,121)	(57,882)	-	4,598	(62,480)
<b>Restricted for:</b>						
Debt Service	-	-	-	11,467	-	11,467
Capital Projects	-	-	-	2,050	-	2,050
Unrestricted	12,933	38,155	51,088	(4,599)	(4,598)	51,087
Total Net Assets	<u>\$ 13,172</u>	<u>\$ (19,966)</u>	<u>\$ (6,794)</u>	<u>\$ 8,918</u>	<u>\$ -</u>	<u>\$ 2,124</u>

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**City of Long Beach  
Solid Waste Mangement Fund and Southeast Resource Recovery  
Facility (SERRF) Joint Powers Authority  
Consolidating Condensed Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)**

	Solid Waste Mangement Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub- Total			
<b>Operating Revenues:</b>						
Fees, Concessions and Rentals	\$ -	\$ -	\$ -	\$ 5,527	\$ 5,527	\$ -
Charges for Services	29,973	41,225	71,198	-	-	71,198
<b>Total Revenues</b>	<u>29,973</u>	<u>41,225</u>	<u>71,198</u>	<u>5,527</u>	<u>5,527</u>	<u>71,198</u>
<b>Operating Expenses:</b>						
Personal Services	7,893	318	8,211	-	-	8,211
Maintenance and Other Operations	20,152	27,552	47,704	-	-	47,704
Rental Expense	-	5,527	5,527	-	(5,527)	-
Bad Debt	254	-	254	-	-	254
Depreciation	38	4,378	4,416	-	-	4,416
<b>Total Operating Expenses</b>	<u>28,337</u>	<u>37,775</u>	<u>66,112</u>	<u>-</u>	<u>(5,527)</u>	<u>60,585</u>
<b>Operating Income (Loss)</b>	<u>1,636</u>	<u>3,450</u>	<u>5,086</u>	<u>5,527</u>	<u>-</u>	<u>10,613</u>
<b>Non-Operating Income (Expense):</b>						
Interest Income	261	842	1,103	787	-	1,890
Interest Expense	-	-	-	(5,081)	-	(5,081)
Gain on Disposition of Capital Assets	-	176	176	-	-	176
Operating Grants	872	-	872	-	-	872
Other Income (Expense)	1,898	(4,201)	(2,303)	(3,059)	-	(5,362)
<b>Total Non-Operating Income (Expense)</b>	<u>3,031</u>	<u>(3,183)</u>	<u>(152)</u>	<u>(7,353)</u>	<u>-</u>	<u>(7,505)</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>4,667</u>	<u>267</u>	<u>4,934</u>	<u>(1,826)</u>	<u>-</u>	<u>3,108</u>
<b>Transfers:</b>						
Transfers Out	-	(4,702)	(4,702)	-	-	(4,702)
<b>Change in Net Assets</b>	<u>4,667</u>	<u>(4,435)</u>	<u>232</u>	<u>(1,826)</u>	<u>-</u>	<u>(1,594)</u>
<b>Net Assets - October 1</b>	<u>8,505</u>	<u>(15,531)</u>	<u>(7,026)</u>	<u>10,744</u>	<u>-</u>	<u>3,718</u>
<b>Net Assets - September 30</b>	<u>\$ 13,172</u>	<u>\$ (19,966)</u>	<u>\$ (6,794)</u>	<u>\$ 8,918</u>	<u>\$ -</u>	<u>\$ 2,124</u>

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**City of Long Beach  
Solid Waste Mangement Fund and Southeast Resource Recovery  
Facility (SERRF) Joint Powers Authority  
Consolidating Statement of Cash Flows  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)**

	Solid Waste Mangement Fund			SERRF Authority	Eliminations Increase (Decrease)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub-Total			
<b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>						
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers	\$ 29,691	\$ 40,848	\$ 70,539	\$ -	\$ -	\$ 70,539
Receipts from Capital Lease	-	-	-	3,097	(3,097)	-
Payments for Employee Salaries	(7,809)	(315)	(8,124)	-	-	(8,124)
Payments for Goods and Services	(19,811)	(30,672)	(50,483)	-	3,097	(47,386)
Other Income (Expense)	1,898	(4,201)	(2,303)	(1,744)	-	(4,047)
Net Cash Provided by Operating Activities	3,969	5,660	9,629	1,353	-	10,982
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Operating Grants Received from Other Governments	952	-	952	-	-	952
Transfers Out	-	(4,702)	(4,702)	-	-	(4,702)
Net Cash Provided by (Used for) Non-Capital Financing Activities	952	(4,702)	(3,750)	-	-	(3,750)
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from the Sale of Capital Assets	-	695	695	-	-	695
Proceeds from Issuance of Bonds	-	-	-	5,000	-	5,000
Payments for Capital Acquisitions	(88)	(256)	(344)	-	-	(344)
Payments of Principal on Other Long-Term Obligations	-	(4,277)	(4,277)	-	4,277	-
Payments of Interest	-	-	-	(3,263)	-	(3,263)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(88)	(3,838)	(3,926)	1,737	4,277	2,088
<b>Cash Flows from Investing Activities:</b>						
Principal Received under Capital Lease	-	-	-	4,277	(4,277)	-
Payment for Investment	-	-	-	(4,898)	-	(4,898)
Receipts of Interest	261	842	1,103	881	-	1,984
Net Cash Provided by (Used for) Investing Activities	261	842	1,103	260	(4,277)	(2,914)
Net Increase (Decrease) in Cash and Cash Equivalents	5,094	(2,038)	3,056	3,350	-	6,406
Cash and Cash Equivalents - October 1	8,540	35,696	44,236	-	-	44,236
Cash and Cash Equivalents - September 30	\$ 13,634	\$ 33,658	\$ 47,292	\$ 3,350	\$ -	\$ 50,642

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

City of Long Beach  
Solid Waste Mangement Fund and Southeast Resource Recovery  
Facility (SERRF) Joint Powers Authority  
Consolidating Statement of Cash Flows  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)  
(Continued)

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Solid Waste Mangement Fund			SERRF Authority	Eliminations Increase (Decrease)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub- Total			
Operating Income	\$ 1,636	\$ 3,450	\$ 5,086	\$ 5,527	\$ -	\$ 10,613
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	38	4,378	4,416	-	-	4,416
Other Income (Expense)	1,898	(4,201)	(2,303)	-	-	(2,303)
(Increase) Decrease in Accounts Receivable, Net	(17)	(358)	(375)	(1,535)	1,534	(376)
Increase in Amounts Due from Other Governments	-	(20)	(20)	-	-	(20)
(Increase) Decrease in Deferred Charges	-	895	895	-	(895)	-
Increase (Decrease) in Accounts Payable	340	997	1,337	(1,744)	(1,534)	(1,941)
Increase (Decrease) in Accrued Wages Payable	43	1	44	-	-	44
Increase (Decrease) in Amounts Due to Other Funds	42	2	44	-	-	44
Increase (Decrease) in Deferred Credits	-	515	515	(895)	895	515
Increase (Decrease) in Collections Held in Trust	(11)	1	(10)	-	-	(10)
Total Adjustments	2,333	2,210	4,543	(4,174)	-	369
Net Cash Provided by Operating Activities	\$ 3,969	\$ 5,660	\$ 9,629	\$ 1,353	\$ -	\$ 10,982
<u>SCHEDULE OF NON-CASH ACTIVITIES:</u>						
SERRF 2003 Refunding Bond Issue	\$ -	\$ -	\$ -	\$ 120,235	\$ -	\$ 120,235
SERRF Defeasement of 1995 Bond Issue	-	-	-	(125,100)	-	(125,100)
	-	-	-	-	-	-

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**NOTE 19 – OIL ABANDONMENT LIABILITY**

As mentioned in Note 1, the City is required to administer certain tideland properties in trust for the State of California. Significant enterprise operations are conducted in this Tidelands Trust area of the City. Revenues received from the City's tidelands area Business-type operations are restricted by State law to tidelands-related purposes. The trust agreement provides for the establishment of separate operating funds to account for the various activities conducted in the City's tideland areas, as described on the following pages.

**Tideland Oil Revenues**

The City, acting as trustee for the State of California, utilizes contractors to oversee oil production on the tideland portion of the Wilmington Oil Field. Oil revenues (net of administrative and operating expenses, a \$1,000,000 fixed annual retention by the City, and the City's participation in the Optimized Waterflood Program Agreement as authorized by Chapter 941 of the State of California special legislative session of 1991) are remitted to the State of California. Funds retained by the City are restricted by law for tidelands-related purposes. Eligible purposes include expenses of the City's marinas, beaches, waterways, and its convention center.

The City also withholds an amount equivalent to the State's estimated share in the costs of future abandonment and site clearance of the oil properties. This estimate is based on the number and life of productive wells, general changes in the life of the oil field, and changes in oil prices. Amounts withheld are maintained in a separate interest bearing account within the Tideland Oil Revenue Fund and are only expended for the specific purpose of oil field abandonment when ongoing operations are unable to fund such expenses. However, the State sued the City claiming that the City has no right to withhold funds for future abandonment. In September 2003, the trial court found the City unlawfully withheld the money it deposited in the abandonment reserve fund and issued a Peremptory Writ of Mandate commanding the City of Long Beach to stop withholding a portion of the oil revenues due to the State. In October 2003, the City ceased to withhold oil revenues from the State, and at the same time filed an appeal maintaining that as a trustee to a state land grant of tidelands in the City, it has an obligation and responsibility of ensuring a means of reparation for abandoned wells. On January 17, 2005, the 2<sup>nd</sup> District State Court of Appeal reversed the trial court's judgment and concluded that the applicable statute authorizes the City to create and maintain an abandonment reserve fund to cover oil production costs that are certain to occur and can be reasonably estimated. The State had 40 days to appeal the decision. The abandonment cost liability at September 30, 2004 is \$299,100,000, increasing \$55,374,000 from fiscal year 2003. The abandonment reserve at September 30, 2004 is \$63,828,000. The remaining unfunded abandonment liability is estimated at \$235,272,000.

The City's proprietary ownership interests in the Wilmington Oil Field bear a proportionate share of oil field abandonment costs. Such share is presently estimated at \$4,800,000 of which \$2,698,000 has been funded as of September 30, 2004 in the Upland Oil Properties Special Revenue Fund.

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

Subsidence

In accordance with State legislation, the City established a Reserve for Subsidence Contingencies to indemnify the City, State and Contractors for claims or costs arising from subsidence alleged to have resulted from oil operations. A maximum of \$40,000,000, plus accrued interest, was originally set-aside for this purpose. Under provisions of State law that allowed the State's contractors to substantially increase oil production, and for a period of eight years that ended December 31, 1999, the City's Tidelands Fund received 50% of the interest earnings on the Reserve for Subsidence Contingences while the other 50% accrued to the Subsidence Fund. For a period of four years beginning January 1, 2000, 50% of the interest earnings was paid to the State of California while the other 50% accrued to the Subsidence Fund. After the expiration of the above provisions, 100% of the interest accrues to the Reserve for Subsidence. As of September 30, 2004, the reserve balance within the Subsidence Fund was \$148,589,000. As part of the adoption of the State's fiscal year 05 budget, 100% of this fund's interest earnings for calendar years 2004 and 2005 are eligible to be loaned to the City's General Fund, with repayment to commence in fiscal year 08, without interest, in equal annual installments of \$500,000 for up to 20 years. This action was taken to assist the City in making \$5 million contributions to the State in fiscal year 05 and fiscal year 06.

Harbor Operations

The City operates the Port of Long Beach. Leasing activities comprise a large portion of the Port's revenues. A provision for costs related to the abandonment and site clearance of oil properties purchased in March 1994 approximates \$17,000,000 as of September 30, 2004. A provision for the long-term abandonment costs in the amount of \$17,000,000 and \$26,650,000 has been recorded as of September 30, 2004 and 2003, respectively, as a long-term obligation. Estimates of abandonment costs are reviewed annually, and adjusted to reflect modifications in abandonment practices, number and life of productive wells, varying abandonment expenses, general changes in the life of the oil field and changes in oil price levels.

**NOTE 20 – INVESTMENT IN JOINT VENTURES**

The City and its component financial reporting units are involved in several joint ventures with other governmental agencies. Most notably, these joint ventures involve the City's Harbor Department operating in conjunction with the Port of Los Angeles to maintain an intermodal transfer facility and to establish a comprehensive transportation corridor. Such joint ventures are generally established to facilitate development of facilities or projects for a common good. Financial interests in these joint ventures have been included in the accompanying basic financial statements as a business-type activity and use the equity method of accounting. Individually, and in the aggregate, the results of financial operations and investment in the aforementioned joint ventures are not material to the City and its affected component financial reporting units. Separate financial statements for these joint ventures are available from the Finance Director of the Port of Long Beach.

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Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (Venturers) have entered into a joint venture agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) to finance and construct a facility to transfer cargo containers between trucks and railroad cars. The facility is leased to Southern Pacific Transportation Company, now merged with Union Pacific Railroad (tenant). The facility has been fully developed by the tenant who has assumed operational responsibility for the facility. The Venturers share net income and equity distributions from ICTF equally. A condensed, audited balance sheet as of June 30, 2004 and 2003, and statement of income and Venturer's equity for the year then ended are as follows:

ICTF Condensed Balance Sheet June 30, 2004 and 2003 (In Thousands)		
	2004	2003
Current Assets	\$ 6,741	\$ 8,044
Property and Equipment	3,491	3,600
Total Assets	\$ 10,232	\$ 11,644
Current Liabilities	\$ -	\$ 2
Venturer's Equity:		
Port of Long Beach Harbor Department	5,295	5,648
Port of Los Angeles	4,937	5,994
Total Venturer's Equity	10,232	11,642
Total Liabilities and Venturers' Equity	\$ 10,232	\$ 11,644

Condensed Statement of Income and Venturer's Equity  
for the Years Ended June 30, 2004 and 2003  
(In Thousands)

	2004	2003
Operating Revenues	\$ 5,551	\$ 7,338
Operating Expenses	(108)	(108)
Operating Income	5,443	7,230
Interest Income	147	205
Net Income	5,590	7,435
Venturers' equity, July 1	11,642	12,207
Cash Disbursement to Venturers	(7,000)	(8,000)
Venturers' Equity, June 30	\$ 10,232	\$ 11,642

Pursuant to an Indenture of Trust dated November 1, 1984, ICTF issued \$53,900,000 of 1984 Series A bonds on behalf of the tenant to construct the facility. On May 1, 1989, ICTF issued \$52,300,000 of 1989 Series A Refunding Revenue Bonds on behalf of the tenant to advance refund the 1984 Series A bonds. The bonds are payable solely from payments by



**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
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the tenant under a long-term lease agreement for use of the facility. The nature of the bonds is such that the long-term indebtedness is that of the tenant and not of ICTF, the City's Harbor Department or the Port of Los Angeles.

Pursuant to an Indenture of Trust, dated as of October 1, 1999, ICTF issued its Intermodal Container Transfer Refunding Revenue Bonds, 1999 Series A (the 1999 Bonds). In connection with the issuance of the 1999 Bonds, Union Pacific Railroad Company and ICTF entered into a Second Amended and Restated Installment Sale and Security Agreement, dated as of October 1, 1999. The proceeds of the 1999 Bonds, together with certain other funds, were used by ICTF to redeem all of the Intermodal Container Transfer Facility Refunding Revenue Bonds, 1989 Series A then outstanding.

**NOTE 21 – DEFERRED COMPENSATION**

The City offers all of its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code, Section 457. The Plan permits employees to defer a portion of their salary until future years. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such trust accounts for the exclusive benefit of the City employee participants and their beneficiaries.

While the City has full power and authority to administer and to adopt rules and regulations for the Plan, all investment decisions under the Plan are the responsibility of the Plan participants. The City has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. The accumulated assets of the Plan are not required to be reported in the accompanying basic financial statements.

If Plan participants retire or terminate service with the City, they may be eligible to receive payments under the Plan in accordance with provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the Plan by the participants, along with their allocated contributions.

**NOTE 22 – COMMITMENTS AND CONTINGENCIES**

**Commitments**

At September 30, 2004, business-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

Gas	\$	482
Water		8,330
Sewer		1,589
Airport		14,759
Solid Waste Management		1
Towing		6
Tidelands		2,496
Harbor		107,930
	Total	<u>\$135,593</u>

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

At September 30, 2004 the City's commitments for governmental activity construction projects and for the purchase of goods and services aggregated \$23,015,000.

The component unit, Long Beach Transportation Company has \$20,770,000 in purchase commitments at June 30, 2004, mainly for the purchase of new buses and an advanced communication system.

Health Insurance

The City contracts with an insurance company to provide group health insurance to City employees. In an effort to maintain rates at acceptable levels, the City deposited with the insurance company certain securities valued at approximately \$5,000,000 to cover terminal liability claims. The securities are included in the City's pooled cash and investments and all interest earned on the securities accrues to the City. In the event of the City terminating its contract with the insurance company, the unneeded portion of the securities will be returned to the City.

Self Insurance

The City is the subject of numerous claims seeking recovery of monetary amounts. Such claims generally occur in the normal course of business and arise from several causes of action including general liability, employment related matters, alleged violations of civil rights, recovery of questioned grant costs and other incidental issues.

As stated in Note 14, the City is self-insured for its workers' compensation and liability claims. As claims are made against the City, they are routinely evaluated and appropriate accrued liabilities are recorded. Certain of these claims may ultimately reach the trial level and could result in judgments against the City. While the ultimate adverse effect, if any, of claims and judgments against the City cannot be estimated with certainty, it is the opinion of management, based upon consultation with the City Attorney and outside legal counsel as applicable, that such judgments against the City will not have a material adverse effect on the City's financial position beyond that already accrued for in the basic financial statements.

El Paso Settlement

In June 2003, the City entered into a Master Settlement Agreement with El Paso Corporation in which the settling parties agreed to settle claims arising out of the California energy crisis in 2000 and 2001. The agreement stipulated an upfront payment of \$4.5 million net of litigation expenses which was received in fiscal year 2004. The remainder of the settlement in the total amount of \$9.886 million is payable semi-annually over the next 20 years and is recorded as a long-term receivable. An allowance for doubtful account for the full amount of the receivable is set up because of the uncertainty of the collection in future years.

Long Beach Bond Finance Authority

In February 2005, the Long Beach Bond Finance Authority issued \$77,447,000 in 2005 Series A Redevelopment Housing and Gas Utility Financing Revenue Bonds and \$114,985,000 in 2005 Series B Taxable Revenue Bonds (Series 2005 Bonds). The Series 2005 Bonds are being issued to provide funds to finance certain redevelopment projects of

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

the Redevelopment Agency of the City of Long Beach (The Agency), to finance certain housing projects of the Agency, refinance certain outstanding indebtedness of the Agency, to current refund and defease the Refunded 1993 Gas Utility Bonds, to fund reserve accounts for the Series 2005 Local Obligations and to pay costs of issuance of the Series 2005 Bonds.

Airport Commercial Paper

On October 19, 2004, the City Council authorized the City's Public Works Department, Airport Bureau, to issue, on an as needed basis, up to \$15,000,000 of variable-rate, Airport Projects Commercial Paper Notes for short-term financing of qualified Airport capital projects. When issued, the net proceeds from the sale of the notes will be used to pay for projects that will be funded by Passenger Facility Charges (PFC) for FAA entitlement grants. As of this report date, no commercial paper notes have been issued.

Environmental Remediation

In March 1994 the City's Harbor Department purchased 725 acres of property within the Harbor District. The property contains soil which requires remediation of environmentally hazardous materials for the portion of the property that the Harbor Department chooses to develop. Should such remediation be deemed necessary, the Harbor Department's liability is mitigated by provisions of the purchase agreement that call for a portion of the fiscal responsibility for remediation costs to be placed on Union Pacific Resources Company (UPRC), the seller, for a period not to exceed fifteen years and amounts not to exceed \$112,500,000 according to the following table:

Allocation:

Site Remediation Costs	UPRC	Harbor Department
First \$50,000,000	\$ 50,000,000	\$ ---
Second \$50,000,000	25,000,000	25,000,000
Third \$50,000,000	12,500,000	37,500,000
Fourth \$50,000,000	25,000,000	25,000,000
All Additional Costs	---	100%
Maximum UPRC Liability	<u>\$ 112,500,000</u>	

Currently, the Harbor Department has developed 131 acres and has plans to develop an additional 160 acres. Clean-up costs for both of these areas are not anticipated to exceed the first \$50,000,000 tier above.

In September 1995, the City assumed responsibility for approximately 100 acres of land from the City's Water Department which includes potential future costs related to remediation of hazardous materials on the properties. No estimated amount is available since designs for the project designated for this land has not been completed.

Alameda Corridor Development Project

In December 1994, the City's Harbor Department and the Port of Los Angeles (collectively the Ports) executed the purchase of the rights-of-way needed for the

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

development of the Alameda Corridor Project (the Corridor), which is a comprehensive transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost equally with the railroad companies serving the Ports. With the development of the Corridor, the Ports consolidated the rail services of these railroad companies onto a single set of rail lines, thus improving rail transportation conditions, securing efficient and competitive service to and from the Ports, and providing for public safety and convenience along the route on which the Ports related traffic occurs. These benefits will extend to other government entities by allowing them to utilize the right-of-way.

As of September 30, 2004 and 2003, the total cost to the City's Harbor Department related to the rights-of-way purchase amount to \$207,823,000 for both years.

Construction of the Corridor began in 1997 and was completed in April 2003. Construction funds were provided from Federal, State, and local sources, and from issuance of debt. Repayment to the City's Harbor Department for monies advanced and its initial investment in the corridor right-of-way acquired will occur once the Alameda Corridor Transportation Authority (ACTA) has generated sufficient revenues to retire all debt and to fund a maintenance reserve. The Harbor Department's management estimates that as much as \$445 million could be returned to the Port of Long Beach Harbor Department through the year 2037.

The Alameda Corridor Use and Operating Agreement executed between the Ports and ACTA, and the participating railroads, provides for a payment of funds to be made to ACTA by the Ports under certain circumstances. Revenues generated by Use Fees and Container Charges, paid by the railroads, will be used to pay debt service on the corridor financing, to establish and maintain a reserve account, and to pay ACTA's reasonable administration expenses.

To the extent that such fees and charges are not sufficient to meet ACTA's obligations, the Ports are required to advance the funds necessary to make up the difference. This obligation began after completion of the Corridor project and is limited to a total of 40% of the total annual required amount, with the Ports sharing the costs equally. Any advances made by the Ports are reimbursable with interest after maturity of the debt. In accordance with computations prepared by ACTA, the projected shortfall amount that the Harbor Department could be obligated may reach \$10,250,000, payable in annual installments, from fiscal year 2006 until 2019. ACTA's financial estimates, which were developed in April of 2004, are dependent upon the accuracy of the assumptions used in their formulation. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material. In the event funds are advanced, repayment with interest of this amount to the Harbor Department may begin in 2018. The Harbor Department is funding a cash reserve to satisfy claims related to this potential obligation. The balance of this reserve as of September 30, 2004 and 2003 is \$74.6 million and \$69.4 million, respectively.

**Environmental Mitigation Costs**

In 1997, the Long Beach Harbor Department (Port) disbursed approximately \$39.4 million to secure environmental mitigation credits. An agreement between the Port and the

**CITY OF LONG BEACH  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

Harbor Department of the City of Los Angeles, and several Federal and State regulatory agencies provided for the Harbor Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. Such land was transferred to the State in return for environmental mitigation credits to allow for the construction of up to 267 acres of landfill in the City's outer harbor area. Costs incurred in the acquisition of the land were classified as a non-current asset. As of September 30, 2004, the Harbor Department completed landfills that required the utilization of \$6.5 million of the available credits. The balance of environmental mitigation costs will be adjusted as landfill credits are used for port development.

Gerald Desmond Bridge Matching Contribution

The Long Beach Harbor Department has begun efforts to replace the Gerald Desmond Bridge. Preliminary planning and development of an environmental impact report are underway. It is estimated that the total cost of this project will approximate \$726,500,000. The Harbor Department anticipates that the funding of this project will come primarily from Federal and State sources, but local matching funds will also be required. In anticipation of this funding requirement, the Harbor Department has set aside \$72,650,000 to provide a 10% local match.

Pike Public Improvements

In fiscal year 2002, the City issued special assessment debt under the authority of the Mello-Roos Community Facilities Act for public improvements, mainly a parking facility, in the Pike Development Project area (Note 9). Although the debt does not constitute an indebtedness of the City, in order to facilitate such financing, the parking facility will be sublet to the City for the purposes of issuance of the Mello-Roos Bonds pursuant to a City sublease. According to the sublease, the City is subject to an annual calculated lease payment up to \$1,169,000, plus net revenues from certain other Pike area parking operations, in the event the Pike garage does not generate sufficient net revenue to make bond payments.

Component Unit – Long Beach Transportation Company (LBT)

In June 2000, the South Coast Air Quality Management District (SCAQMD) adopted a new ruling requiring transit operators to purchase only alternative fuel vehicles that meet certain air emissions standards. Diesel engines, which the LBT currently operates, are specifically excluded. This ruling is effective for all new buses or orders.

City of Long Beach  
 Required Supplementary Information  
CalPERS Analysis of Funding Progress  
 (Unaudited)  
 (In thousands)

<u>June 30 Actuarial Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Excess Funded (Deficit/ Unfunded) Assets</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Excess Funded (Deficit/ Unfunded) Assets as a % of Covered Payroll</u>
<u>Miscellaneous Employees</u>						
2001	\$1,073,565	\$1,371,081	\$297,516	127.7%	\$167,711	177.4%
2002	1,150,365	1,233,612	83,247	107.2%	189,050	44.0%
2003	<u>1,234,749</u>	<u>1,222,710</u>	<u>(12,039)</u>	<u>99.0%</u>	<u>192,004</u>	<u>(6.3)%</u>
<u>Safety Employees</u>						
2001	\$1,113,321	\$1,379,808	\$266,487	123.9%	\$100,629	264.8%
2002	1,185,352	1,267,348	81,996	106.9%	102,929	79.7%
2003	1,212,393	1,257,639	45,246	103.7%	103,510	43.7%
<u>Miscellaneous Employees – 1959 Survivor Program</u>						
2001	\$ -	\$ 13	\$(13)	-	\$167,711	0%
2002	-	-	-	-	189,050	0%
2003	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Safety Employees – 1959 Survivor Program</u>						
2001	\$165	\$3,838	\$3,673	2,325.2%	\$100,629	3.7%
2002	-	-	-	N/A	102,929	0%
<u>2003</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditors' report.

City of Long Beach  
Required Supplementary Information

Public Agency Retirement System  
Analysis of Funding Progress  
(Unaudited)

Actuarial Valuation Date <u>June 30</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liabilities</u>	Funded (Excess <u>assets</u> )	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Rate of Funded Liability to Annual <u>Covered Payroll</u>
Special Status Contractors						
1995	\$ 41,928	\$ 31,277	\$ 10,651	134%	\$ 2,306,831	0.46 %
1996	185,066	137,596	47,470	134%	9,149,652	0.52 %
1997	385,993	246,938	139,055	156%	13,985,230	0.99 %
1998	628,037	493,178	134,859	127%	14,636,213	0.92 %
1999	844,349	644,922	199,427	131%	16,239,480	1.23 %
2000	1,071,241	575,446	495,795	186%	15,124,582	3.28 %
2001	1,317,055	410,609	906,446	321%	10,697,767	8.47 %
2002	1,526,586	475,029	1,051,557	321%	8,472,945	12.41 %
2003	1,703,852	517,234	1,186,618	329%	8,504,901	13.95 %
2004	<u>1,536,647</u>	<u>545,083</u>	<u>991,564</u>	<u>282%</u>	<u>8,265,983</u>	<u>12.00 %</u>

\* The annual covered payroll is actual plan compensation paid to all actives from January 1, 1995 through June 30, 1995 for special status and November 11, 1995 for seasonal and temporary.

See accompanying independent auditors' report.

## **CAPITAL PROJECTS FUNDS**

Capital Projects major fund budgetary information, not provided in the basic financial statements is provided in this section.

General Capital Projects Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis)

Redevelopment Capital Projects Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Budget and Actual (Non-GAAP Budgetary Basis)



**City of Long Beach**  
 General Capital Projects  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balances -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2004  
 (In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and Permits	\$ 2,110	\$ 4,010	\$ 762	\$ (3,248)
Use of Money and Property	1,395	1,977	1,082	(895)
From Other Agencies	32,130	48,784	13,142	(35,642)
Other	23	63	-	(63)
Total Revenues	<u>35,658</u>	<u>54,834</u>	<u>14,986</u>	<u>(39,848)</u>
<b>Expenditures:</b>				
Capital Improvements	<u>102,114</u>	<u>116,735</u>	<u>66,666</u>	<u>50,069</u>
Total Expenditures	<u>102,114</u>	<u>116,735</u>	<u>66,666</u>	<u>50,069</u>
Excess of Revenues Over (Under) Expenditures	<u>(66,456)</u>	<u>(61,901)</u>	<u>(51,680)</u>	<u>10,221</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Other Long-Term Obligations	5,000	2,395	-	(2,395)
Transfers In	6,213	4,915	10,438	5,523
Transfers Out	<u>(5,894)</u>	<u>(5,894)</u>	<u>(5,528)</u>	<u>366</u>
Total Other Financing Sources	<u>5,319</u>	<u>1,416</u>	<u>4,910</u>	<u>3,494</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(61,137)</u>	<u>(60,485)</u>	<u>(46,770)</u>	<u>13,715</u>
Fund Balances - October 1, Budgetary Basis	48,956	48,956	48,956	-
Encumbrances - Beginning of the Year	<u>16,883</u>	<u>16,883</u>	<u>16,883</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 4,702</u>	<u>\$ 5,354</u>	<u>\$ 19,069</u>	<u>\$ 13,715</u>

See accompanying independent auditors' report.

**City of Long Beach**  
**Redevelopment Capital Projects**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances (Deficit) -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2004**  
**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual On Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$ 26,873	\$ 40,690	\$ 41,718	\$ 1,028
Other Taxes	3,709	3,709	2,899	(810)
Use of Money and Property	4,244	4,244	3,959	(285)
From Other Agencies	977	977	-	(977)
Other - Land Sales and Contributions	(5,639)	(3,213)	586	3,799
Other	1,877	1,877	746	(1,131)
Total Revenues	<u>32,041</u>	<u>48,284</u>	<u>49,908</u>	<u>1,624</u>
<b>Expenditures:</b>				
General Government	-	-	194	(194)
Community and Cultural	77,959	100,201	38,656	61,545
Total Current Expenditures	<u>77,959</u>	<u>100,201</u>	<u>38,850</u>	<u>61,351</u>
<b>Debt Service:</b>				
Principal	7,293	7,515	4,803	2,712
Interest	10,388	10,610	10,097	513
Fiscal Agent Fees	178	178	163	15
Total Expenditures	<u>95,818</u>	<u>118,504</u>	<u>53,913</u>	<u>64,591</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,777)</u>	<u>(70,220)</u>	<u>(4,005)</u>	<u>66,215</u>
<b>Other Financing Sources (Uses):</b>				
Other Deferred Payments	-	-	229	229
Proceeds from Other Long-Term Obligations	(6,013)	987	1,450	463
Advances Change in Principal	-	-	(1,767)	(1,767)
Transfers In	40,286	42,401	11,361	(31,040)
Transfers Out	(6,097)	(6,622)	(7,006)	(384)
Total Other Financing Sources (Uses)	<u>28,176</u>	<u>36,766</u>	<u>4,267</u>	<u>(32,499)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(35,601)</u>	<u>(33,454)</u>	<u>262</u>	<u>33,716</u>
Fund Balances (Deficit) - October 1, Budgetary Basis	(59,129)	(59,129)	(59,129)	-
Encumbrances - Beginning of the Year	<u>300</u>	<u>300</u>	<u>300</u>	<u>-</u>
Fund Balances (Deficit) - September 30, Budgetary Basis	<u>\$ (94,430)</u>	<u>\$ (92,283)</u>	<u>\$ (58,567)</u>	<u>\$ 33,716</u>

See accompanying independent auditors' report.

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## NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable and nonexpendable trusts) that are restricted by law to expenditure for specified purposes.

The General Grants Fund was established to separately account for Federal, State and other agency grants related to general City operations.

The Health Fund was established to separately account for Federal/State and other revenues related to health care programs which the City operates in lieu of the County.

The Certified Unified Program Agency Fund was established by the City to account for services relating to hazardous waste material.

The Parking and Business Area Improvement Fund is used to account for the additional business license taxes and special taxes imposed by City Ordinances C-5106, C-5963, C-6646, C-24901, and C-27366 on businesses located within specified parking and business improvement areas. The revenues are to be used to provide parking facilities and generally promote the retail trade activities in the area.

The Special Advertising and Promotion Fund is required by the City's Municipal Code Section 3.64.100 to account for a portion of the transient occupancy tax revenue. The revenues are restricted for use to advertising, promotional, and public relations projects calling attention to the City.

The Upland Oil Properties Fund was established to account for all costs and revenues for the City's proprietary oil interests and for accumulating reserves to pay for the City's portion of well-abandonment and site-clearance liabilities.

The Belmont Shore Parking Meter Revenue Fund was established by City Ordinance C-6219 to account for parking revenues in the Belmont Shore area of Long Beach.

The Business Assistance Fund is used to account for the Redevelopment Agency monies used to fund commercial rehabilitation loans and rebates, business outreach and commercial and retail services, including business attraction, retention and expansion.

The Housing Assistance Fund is used to account for programs administered by the City's Housing Authority under regulations of the U.S. Department of Housing and Urban Development.

The Park Development Fund was established by City Ordinance C-6567 to account for developer fees to be used solely and exclusively for the purpose of funding park land acquisition and recreation improvements.

The Gas Tax Fund is used to account for revenues and expenditures of money apportioned under the Streets and Highways Code of the State of California. Expenditures may be made for any street-related purpose of the City's system of streets, including maintenance thereof.

The Transportation Fund is used to account for the City's share of a one percent sales tax collected by Los Angeles County under Proposition A (approved November 1980) and Proposition C (approved November 1990) to finance certain transportation projects.

City of Long Beach  
 Nonmajor Governmental Funds-Special Revenue Funds  
 Combining Balance Sheet  
 September 30, 2004  
 With Comparative Totals for 2003  
 (In Thousands)

	General Grants	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties	Belmont Shore Parking Meter Revenue
<b>ASSETS</b>							
Pooled Cash and Cash Equivalents	\$ 1,702	\$ 1,254	\$ 376	\$ 431	\$ 1,056	\$ 2,698	\$ 501
Non-Pooled Cash and Cash Equivalents	-	-	-	-	-	-	11
Receivables:							
Accounts Receivable	231	527	65	56	638	1,321	-
Due from Other Governments	1,608	7,667	8	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Allowance for Receivables	-	(306)	(60)	(34)	(36)	-	-
Other Assets-Current	-	2	-	-	-	-	-
Other Noncurrent Receivables	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 3,541</b>	<b>\$ 9,144</b>	<b>\$ 389</b>	<b>\$ 453</b>	<b>\$ 1,658</b>	<b>\$ 4,019</b>	<b>\$ 512</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 856	\$ 1,552	\$ 1	\$ 131	\$ 34	\$ 398	\$ 7
Accrued Wages	4	586	15	-	11	-	-
Due to Other Funds	1,352	261	7	-	1,260	-	-
Deferred Revenues	600	1,693	32	-	-	-	-
Deposits and Collections Held in Trust	717	306	16	-	24	85	-
Advances from Other Funds	-	2,000	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,529</b>	<b>6,398</b>	<b>71</b>	<b>131</b>	<b>1,329</b>	<b>483</b>	<b>7</b>
Fund Balances:							
Reserved for:							
Encumbrances	273	60	3	-	14	-	3
Future Capital Projects/Transportation	-	-	-	-	-	-	-
Estimated Oil Field Abandonment Costs	-	-	-	-	-	2,698	-
Debt Service	-	-	-	-	-	-	200
Unreserved, Designated for:							
Subsequent Years' Appropriations	(261)	2,686	315	322	315	838	302
Unreserved, Undesignated							
Special Revenue Funds	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>12</b>	<b>2,746</b>	<b>318</b>	<b>322</b>	<b>329</b>	<b>3,536</b>	<b>505</b>
<b>Total Liabilities and     Fund balance</b>	<b>\$ 3,541</b>	<b>\$ 9,144</b>	<b>\$ 389</b>	<b>\$ 453</b>	<b>\$ 1,658</b>	<b>\$ 4,019</b>	<b>\$ 512</b>

See accompanying independent auditors' report.

Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
					September 30, 2004	September 30, 2003
\$ 797	\$ 2,373	\$ 744	\$ 5,677	\$ 26,606	\$ 44,215	\$ 44,240
-	21	-	-	-	32	1,595
-	78	-	-	2	2,918	1,986
-	1,649	-	2,618	145	13,695	11,299
-	-	-	-	-	-	10
-	(54)	-	-	-	(490)	(424)
27	8	-	-	-	37	34
2,905	-	-	-	-	2,905	2,615
<u>\$ 3,729</u>	<u>\$ 4,075</u>	<u>\$ 744</u>	<u>\$ 8,295</u>	<u>\$ 26,753</u>	<u>\$ 63,312</u>	<u>\$ 61,355</u>
\$ 2	\$ 149	\$ -	\$ 788	\$ 5,270	\$ 9,188	\$ 12,747
16	81	-	-	18	731	572
7	36	-	-	8	2,931	914
2,930	37	-	414	-	5,706	5,490
2	2,523	-	16	-	3,689	2,513
-	2,900	-	-	-	4,900	2,000
<u>2,957</u>	<u>5,726</u>	<u>-</u>	<u>1,218</u>	<u>5,296</u>	<u>27,145</u>	<u>24,236</u>
-	-	-	1,199	1,978	3,530	5,399
-	-	-	5,878	19,479	25,357	22,593
-	-	-	-	-	2,698	2,123
-	-	-	-	-	200	200
772	1,249	744	-	-	7,282	6,804
-	(2,900)	-	-	-	(2,900)	-
<u>772</u>	<u>(1,651)</u>	<u>744</u>	<u>7,077</u>	<u>21,457</u>	<u>36,167</u>	<u>37,119</u>
<u>\$ 3,729</u>	<u>\$ 4,075</u>	<u>\$ 744</u>	<u>\$ 8,295</u>	<u>\$ 26,753</u>	<u>\$ 63,312</u>	<u>\$ 61,355</u>

**City of Long Beach**  
**Nonmajor Governmental Funds-Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances (Deficit)**  
**For the Fiscal Year Ended September 30, 2004**  
**With Comparative Totals for 2003**  
(In Thousands)

	General Grants	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties
<b>Revenues:</b>						
<b>Taxes:</b>						
Sales	\$ -	\$ 2,485	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	1,892	4,145	-
Licenses and Permits	-	2,635	771	-	397	-
Fines and Forfeitures	11	-	-	-	-	-
Use of Money and Property	15	-	14	7	325	13,274
From Other Agencies	3,143	29,826	-	-	-	-
Charges for Services	-	2,094	-	-	-	-
Other	93	95	-	-	39	-
<b>Total Revenues</b>	<b>3,262</b>	<b>37,135</b>	<b>785</b>	<b>1,899</b>	<b>4,906</b>	<b>13,274</b>
<b>Expenditures:</b>						
Public Safety	3,285	-	-	-	-	-
Public Health	-	36,438	740	-	-	-
Community and Cultural	300	-	-	1,881	4,640	-
Public Works	73	-	-	-	-	-
Oil Operations	-	-	-	-	-	5,512
<b>Total Current Expenditures</b>	<b>3,658</b>	<b>36,438</b>	<b>740</b>	<b>1,881</b>	<b>4,640</b>	<b>5,512</b>
Capital Improvements	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal	-	130	-	-	-	-
Interest	-	14	-	-	-	-
Debt Administration Fees	-	68	-	-	-	2
<b>Total Expenditures</b>	<b>3,658</b>	<b>36,650</b>	<b>740</b>	<b>1,881</b>	<b>4,640</b>	<b>5,514</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(396)</b>	<b>485</b>	<b>45</b>	<b>18</b>	<b>266</b>	<b>7,760</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	408	1,104	-	-	-	-
Transfers Out	-	(32)	-	-	-	(7,568)
<b>Total Other Financing Sources (Uses)</b>	<b>408</b>	<b>1,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,568)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>12</b>	<b>1,557</b>	<b>45</b>	<b>18</b>	<b>266</b>	<b>192</b>
<b>Fund Balances - October 1</b>	<b>-</b>	<b>1,189</b>	<b>273</b>	<b>304</b>	<b>63</b>	<b>3,344</b>
<b>Fund Balances (Deficit) - September 30</b>	<b>\$ 12</b>	<b>\$ 2,746</b>	<b>\$ 318</b>	<b>\$ 322</b>	<b>\$ 329</b>	<b>\$ 3,536</b>

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
						September 30, 2004	September 30, 2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,485	\$ 2,517
-	-	-	-	-	-	6,037	5,450
-	5	-	365	-	-	4,173	5,260
-	-	-	-	-	-	11	-
467	36	(51)	14	109	678	14,888	13,808
-	-	61,432	-	11,914	12,749	119,064	97,704
-	-	-	-	-	-	2,094	1,988
-	89	545	-	-	-	861	915
<u>467</u>	<u>130</u>	<u>61,926</u>	<u>379</u>	<u>12,023</u>	<u>13,427</u>	<u>149,613</u>	<u>127,642</u>
-	-	-	-	-	-	3,285	-
-	-	-	-	-	-	37,178	33,718
182	1,784	65,102	43	-	-	73,932	62,621
-	-	-	-	-	13,411	13,484	12,041
-	-	-	-	-	-	5,512	5,517
<u>182</u>	<u>1,784</u>	<u>65,102</u>	<u>43</u>	<u>-</u>	<u>13,411</u>	<u>133,391</u>	<u>113,897</u>
-	-	-	-	5,098	-	5,098	6,959
130	-	-	-	-	-	260	245
83	-	-	-	-	-	97	160
-	-	-	-	-	-	70	152
<u>395</u>	<u>1,784</u>	<u>65,102</u>	<u>43</u>	<u>5,098</u>	<u>13,411</u>	<u>138,916</u>	<u>121,413</u>
<u>72</u>	<u>(1,654)</u>	<u>(3,176)</u>	<u>336</u>	<u>6,925</u>	<u>16</u>	<u>10,697</u>	<u>6,229</u>
-	1,958	-	-	-	-	3,470	8,250
-	(10)	-	(1,200)	(6,309)	-	(15,119)	(14,802)
-	1,948	-	(1,200)	(6,309)	-	(11,649)	(6,552)
72	294	(3,176)	(864)	616	16	(952)	(323)
<u>433</u>	<u>478</u>	<u>1,525</u>	<u>1,608</u>	<u>6,461</u>	<u>21,441</u>	<u>37,119</u>	<u>37,442</u>
<u>\$ 505</u>	<u>\$ 772</u>	<u>\$ (1,651)</u>	<u>\$ 744</u>	<u>\$ 7,077</u>	<u>\$ 21,457</u>	<u>\$ 36,167</u>	<u>\$ 37,119</u>



City of Long Beach  
 Nonmajor Governmental Funds-Special Revenue Funds  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2004  
 (In Thousands)

	General Grants				Health			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
<b>Revenues:</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,474	\$ 2,474	\$ 2,485	\$ 11
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	2,691	2,691	2,635	(56)
Fines & Forfeitures	-	-	11	11	-	-	-	-
Use of Money and Property	-	1	15	14	1	1	-	(1)
From Other Agencies	-	9,845	3,143	(6,702)	49,788	52,132	29,826	(22,306)
Charges for Services	-	-	-	-	2,260	2,260	2,094	(166)
Other	-	94	93	(1)	180	180	95	(85)
<b>Total Revenues</b>	<b>-</b>	<b>9,940</b>	<b>3,262</b>	<b>(6,678)</b>	<b>57,394</b>	<b>59,738</b>	<b>37,135</b>	<b>(22,603)</b>
<b>Expenditures:</b>								
Public Safety	-	9,396	3,294	6,102	-	-	-	-
Public Health	-	389	-	389	58,346	60,690	36,498	24,192
Community and Cultural	-	354	564	(210)	-	-	-	-
Public Works	-	306	73	233	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
<b>Total Current Expenditures</b>	<b>-</b>	<b>10,445</b>	<b>3,931</b>	<b>6,514</b>	<b>58,346</b>	<b>60,690</b>	<b>36,498</b>	<b>24,192</b>
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	130	130	130	-
Interest	-	-	-	-	120	120	14	106
Debt Administration Fees	-	-	-	-	194	194	68	126
<b>Total Expenditures</b>	<b>-</b>	<b>10,445</b>	<b>3,931</b>	<b>6,514</b>	<b>58,790</b>	<b>61,134</b>	<b>36,710</b>	<b>24,424</b>
Excess of Revenue Over (Under) Expenditures	-	(505)	(669)	(164)	(1,396)	(1,396)	425	1,821
<b>Other Financing Sources (Uses):</b>								
Transfers In	-	505	408	(97)	736	736	1,104	368
Transfers Out	-	-	-	-	(150)	(150)	(32)	118
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>505</b>	<b>408</b>	<b>(97)</b>	<b>586</b>	<b>586</b>	<b>1,072</b>	<b>486</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(261)	(261)	(810)	(810)	1,497	2,307
Fund Balances - October 1, Budgetary Basis	-	-	-	-	1,124	1,124	1,124	-
Encumbrances - Beginning of the Year	-	-	-	-	65	65	65	-
<b>Fund Balances - September 30, Budgetary Basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (261)</b>	<b>\$ (261)</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 2,686</b>	<b>\$ 2,307</b>

See accompanying independent auditors' report.

Certified Unified Program Agency				Parking and Business Area Improvement				Special Advertising and Promotion				Upland Oil Properties			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2,475	2,475	1,892	(583)	4,442	4,442	4,145	(297)	-	-	-	-
890	890	771	(119)	-	-	-	-	138	138	397	259	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	28	14	(14)	8	8	7	(1)	316	316	325	9	8,867	12,526	13,274	748
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	120	120	39	(81)	-	-	-	-
918	918	785	(133)	2,483	2,483	1,899	(584)	5,016	5,016	4,906	(110)	8,867	12,526	13,274	748
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
865	865	743	122	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	2,445	2,445	1,881	564	5,078	5,078	4,654	424	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	4,689	5,560	5,512	48
865	865	743	122	2,445	2,445	1,881	564	5,078	5,078	4,654	424	4,689	5,560	5,512	48
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
865	865	743	122	2,445	2,445	1,881	564	5,078	5,078	4,654	424	4,689	5,560	5,514	46
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	53	42	(11)	38	38	18	(20)	(62)	(62)	252	314	4,178	6,966	7,760	794
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	(3,992)	(7,646)	(7,568)	78
-	-	-	-	-	-	-	-	-	-	-	-	(3,992)	(7,646)	(7,568)	78
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	53	42	(11)	38	38	18	(20)	(62)	(62)	252	314	186	(680)	192	872
273	273	273	-	304	304	304	-	41	41	41	-	3,344	3,344	3,344	-
-	-	-	-	-	-	-	-	22	22	22	-	-	-	-	-
\$ 326	\$ 326	\$ 315	\$ (11)	\$ 342	\$ 342	\$ 322	\$ (20)	\$ 1	\$ 1	\$ 315	\$ 314	\$ 3,530	\$ 2,664	\$ 3,536	\$ 872

(continued)

City of Long Beach  
 Nonmajor Governmental Funds-Special Revenue Funds  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2004  
 (In Thousands)  
 (continued)

	Belmont Shore Parking Meter Revenue				Business Assistance			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
<b>Revenues:</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	5	5	5
Fines & Forfeitures	-	-	-	-	-	-	-	-
Use of Money and Property From Other Agencies	431	431	467	36	-	36	36	36
Charges for Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	89	89	89
<b>Total Revenues</b>	<u>431</u>	<u>431</u>	<u>467</u>	<u>36</u>	<u>-</u>	<u>130</u>	<u>130</u>	<u>130</u>
<b>Expenditures:</b>								
Public Safety	-	-	-	-	-	-	-	-
Public Health	-	-	-	-	-	-	-	-
Community and Cultural	361	361	185	176	2,742	2,742	1,784	958
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
<b>Total Current</b>	<u>361</u>	<u>361</u>	<u>185</u>	<u>176</u>	<u>2,742</u>	<u>2,742</u>	<u>1,784</u>	<u>958</u>
Capital Improvements	-	-	-	-	-	-	-	-
<b>Debt Service:</b>								
Principal	130	130	130	-	-	-	-	-
Interest	83	83	83	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>574</u>	<u>574</u>	<u>398</u>	<u>176</u>	<u>2,742</u>	<u>2,742</u>	<u>1,784</u>	<u>958</u>
Excess of Revenue Over (Under) Expenditures	<u>(143)</u>	<u>(143)</u>	<u>69</u>	<u>212</u>	<u>(2,742)</u>	<u>(2,742)</u>	<u>(1,854)</u>	<u>1,088</u>
<b>Other Financing Sources (Uses):</b>								
Transfers In	-	-	-	-	2,625	2,625	1,958	(667)
Transfers Out	-	-	-	-	-	-	(10)	(10)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,625</u>	<u>2,625</u>	<u>1,948</u>	<u>(677)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(143)</u>	<u>(143)</u>	<u>69</u>	<u>212</u>	<u>(117)</u>	<u>(117)</u>	<u>294</u>	<u>411</u>
Fund Balances - October 1, Budgetary Basis	433	433	433	-	475	475	475	-
Encumbrances - Beginning of the Year	-	-	-	-	3	3	3	-
<b>Fund Balances - September 30, Budgetary Basis</b>	<u>\$ 290</u>	<u>\$ 290</u>	<u>\$ 502</u>	<u>\$ 212</u>	<u>\$ 361</u>	<u>\$ 361</u>	<u>\$ 772</u>	<u>\$ 411</u>

See accompanying independent auditors' report.

Housing Assistance				Park Development				Gasoline Tax			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	750	750	365	(385)	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
59	59	(51)	(110)	15	15	14	(1)	268	278	109	(169)
49,625	62,946	61,432	(1,514)	-	-	-	-	19,235	19,318	11,914	(7,404)
-	-	-	-	-	-	-	-	-	-	-	-
40	2,940	545	(2,395)	-	-	-	-	-	-	-	-
49,724	65,945	61,926	(4,019)	765	765	379	(386)	19,503	19,596	12,023	(7,573)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
49,599	66,099	65,102	997	46	46	43	3	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
49,599	66,099	65,102	997	46	46	43	3	-	-	-	-
-	-	-	-	-	-	-	-	24,988	25,081	6,297	18,784
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
49,599	66,099	65,102	997	46	46	43	3	24,988	25,081	6,297	18,784
125	(154)	(3,176)	(3,022)	719	719	338	(383)	(5,485)	(5,485)	5,726	11,211
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(1,200)	(1,200)	(1,200)	-	-	-	(6,309)	(6,309)
-	-	-	-	(1,200)	(1,200)	(1,200)	-	-	-	(6,309)	(6,309)
125	(154)	(3,176)	(3,022)	(481)	(481)	(864)	(383)	(5,485)	(5,485)	(583)	4,902
1,525	1,525	1,525	-	1,608	1,608	1,608	-	3,169	3,169	3,169	-
-	-	-	-	-	-	-	-	3,292	3,292	3,292	-
\$ 1,650	\$ 1,371	\$ (1,651)	\$ (3,022)	\$ 1,127	\$ 1,127	\$ 744	\$ (383)	\$ 976	\$ 976	\$ 5,878	\$ 4,902

(continued)

City of Long Beach  
 Nonmajor Governmental Funds-Special Revenue Funds  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2004  
 (In Thousands)  
 (continued)

	Transportation				Total			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
<b>Revenues:</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,474	\$ 2,474	\$ 2,485	\$ 11
Other Tax	-	-	-	-	6,917	6,917	6,037	(880)
Licenses and Permits	-	-	-	-	4,469	4,469	4,173	(296)
Fines & Forfeitures	-	-	-	-	-	-	11	11
Use of Money and Property	718	718	678	(40)	10,711	14,381	14,888	507
From Other Agencies	13,436	13,436	12,749	(687)	132,084	157,677	119,084	(38,613)
Charges for Services	-	-	-	-	2,260	2,260	2,094	(166)
Other	2	2	-	(2)	342	3,336	861	(2,475)
<b>Total Revenues</b>	<b>14,156</b>	<b>14,156</b>	<b>13,427</b>	<b>(729)</b>	<b>159,257</b>	<b>191,514</b>	<b>149,613</b>	<b>(41,901)</b>
<b>Expenditures:</b>								
Public Safety	-	-	-	-	-	9,396	3,294	6,102
Public Health	-	-	-	-	59,211	61,944	37,241	24,703
Community and Cultural	-	-	-	-	60,271	77,125	74,213	2,912
Public Works	32,189	32,189	15,389	16,800	32,189	32,495	15,462	17,033
Oil Operations	-	-	-	-	4,689	5,560	5,512	48
<b>Total Current</b>	<b>32,189</b>	<b>32,189</b>	<b>15,389</b>	<b>16,800</b>	<b>156,360</b>	<b>186,520</b>	<b>135,722</b>	<b>50,798</b>
Capital Improvements	-	-	-	-	24,988	25,081	6,297	18,784
<b>Debt Service:</b>								
Principal	-	-	-	-	260	260	260	-
Interest	-	-	-	-	203	203	97	106
Debt Administration Fees	-	-	-	-	194	194	70	124
<b>Total Expenditures</b>	<b>32,189</b>	<b>32,189</b>	<b>15,389</b>	<b>16,800</b>	<b>182,005</b>	<b>212,258</b>	<b>142,446</b>	<b>69,812</b>
Excess of Revenue Over (Under) Expenditures	(18,033)	(18,033)	(1,962)	16,071	(22,748)	(20,744)	7,167	27,911
<b>Other Financing Sources (Uses):</b>								
Transfers In	-	-	-	-	3,361	3,866	3,470	(396)
Transfers Out	-	(600)	-	600	(5,342)	(9,596)	(15,119)	(5,523)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(600)</b>	<b>-</b>	<b>600</b>	<b>(1,981)</b>	<b>(5,730)</b>	<b>(11,649)</b>	<b>(5,919)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(18,033)	(18,633)	(1,962)	16,671	(24,729)	(26,474)	(4,482)	21,992
Fund Balances - October 1, Budgetary Basis	19,424	19,424	19,424	-	31,720	31,720	31,720	-
Encumbrances - Beginning of the Year	2,017	2,017	2,017	-	5,399	5,399	5,399	-
Fund Balances - September 30, Budgetary Basis	<u>\$ 3,408</u>	<u>\$ 2,808</u>	<u>\$ 19,479</u>	<u>\$ 16,671</u>	<u>\$ 12,390</u>	<u>\$ 10,645</u>	<u>\$ 32,637</u>	<u>\$ 21,992</u>

See accompanying independent auditors' report.

## NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises. The intent of the City in using this type of fund is to determine that the costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Sewer Fund is used to account for the maintenance and replacement of the City's sewer pipelines and sewage treatment facilities.

The Airport Fund is used to account for the operation and maintenance of the Long Beach Municipal Airport and leaseholds.

The Towing Fund is used to account for the City's towing services, which are used primarily by the Police and Public Works Departments to remove vehicles that have been abandoned or parked illegally on the City's streets.

The Subsidence Fund is used to account for the accumulation of resources to minimize and remedy future land sinkage due to oil operations in the tidelands area.

**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Net Assets**  
**September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2004	September 30, 2003
<b>ASSETS</b>						
<b>Current Assets:</b>						
Pooled Cash and Cash Equivalents	\$ 6,811	\$ 7,529	\$ 1,481	\$ -	\$ 15,821	\$ 13,275
<b>Receivables:</b>						
Accounts Receivable	456	2,662	339	-	3,457	2,737
Due from Other Governments	-	3,861	-	-	3,861	683
Other Receivables	-	59	-	-	59	-
Allowance for Receivables	(27)	(25)	(234)	-	(286)	(285)
Inventory	62	-	-	-	62	65
<b>Total Current Assets</b>	<b>7,302</b>	<b>14,086</b>	<b>1,586</b>	<b>-</b>	<b>22,974</b>	<b>16,475</b>
<b>Restricted Assets:</b>						
Pooled Cash and Cash Equivalents	-	1,142	-	141,272	142,414	140,260
Non-Pooled Investments	-	-	-	6,849	6,849	7,461
Interest Receivable	-	-	-	468	468	504
<b>Total Restricted Assets</b>	<b>-</b>	<b>1,142</b>	<b>-</b>	<b>148,589</b>	<b>149,731</b>	<b>148,225</b>
<b>Noncurrent Assets:</b>						
Other Noncurrent Receivables	-	600	-	-	600	-
<b>Capital Assets:</b>						
Land and Other Capital Assets not Being Depreciated	1,386	28,348	-	-	29,734	20,966
Capital Assets net of Accumulated Depreciation	39,214	30,051	168	-	69,433	62,053
<b>Total Noncurrent Assets</b>	<b>40,600</b>	<b>58,999</b>	<b>168</b>	<b>-</b>	<b>99,767</b>	<b>83,019</b>
<b>Total Assets</b>	<b>47,902</b>	<b>74,227</b>	<b>1,754</b>	<b>148,589</b>	<b>272,472</b>	<b>247,719</b>
<b>LIABILITIES</b>						
<b>Current Liabilities Payable from Current Assets:</b>						
Accounts Payable	844	2,146	17	-	3,007	2,785
Accrued Wages	88	133	57	-	278	222
Accrued Interest Payable	-	193	-	-	193	205
Due to Other Funds	42	84	25	-	151	64
Deferred Revenues	-	9	-	-	9	70
Collections Held in Trust	-	108	-	-	108	298
Advances from Developers	3	-	-	-	3	30
Other Long-Term Obligations-Current	-	710	-	-	710	680
<b>Total Current Liabilities</b>	<b>977</b>	<b>3,383</b>	<b>99</b>	<b>-</b>	<b>4,459</b>	<b>4,354</b>
<b>Current Liabilities Payable from Restricted Assets:</b>						
Accounts Payable	-	-	-	-	-	1,773
<b>Noncurrent Liabilities:</b>						
Advances from Other Funds	-	1,833	-	-	1,833	2,833
Deferred Revenues	-	2,628	-	-	2,628	1,866
Other Long-Term Obligations	-	10,710	-	-	10,710	11,420
Unamortized Discount/Deferred cost	-	(1,209)	-	-	(1,209)	(1,357)
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>13,962</b>	<b>-</b>	<b>-</b>	<b>13,962</b>	<b>14,762</b>
<b>Total Liabilities</b>	<b>977</b>	<b>17,345</b>	<b>99</b>	<b>-</b>	<b>18,421</b>	<b>20,889</b>
<b>NET ASSETS</b>						
Investment in Capital Assets, Net of Related Debt	40,600	48,188	168	-	88,956	72,276
<b>Restricted for:</b>						
Debt Service	-	1,142	-	-	1,142	1,298
Subsidence	-	-	-	148,589	148,589	145,154
Unrestricted	6,325	7,552	1,487	-	15,364	8,102
<b>Total Net Assets</b>	<b>\$ 46,925</b>	<b>\$ 56,882</b>	<b>\$ 1,655</b>	<b>\$ 148,589</b>	<b>\$ 254,051</b>	<b>\$ 226,830</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Fiscal Year Ended September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2004	September 30, 2003
<b>Operating Revenues:</b>						
Fees, Concessions and Rentals	\$ -	\$ 27,893	\$ -	\$ -	\$ 27,893	23,540
Charges for Services	9,280	-	6,770	-	16,050	14,654
<b>Total Revenues</b>	<b>9,280</b>	<b>27,893</b>	<b>6,770</b>	<b>-</b>	<b>43,943</b>	<b>38,194</b>
<b>Operating Expenses:</b>						
Personal Services	2,912	4,674	2,343	-	9,929	9,457
Maintenance and Other Operations	3,706	12,019	4,426	-	20,151	18,649
Depreciation	1,148	2,066	11	-	3,225	3,354
<b>Total Operating Expenses</b>	<b>7,766</b>	<b>18,759</b>	<b>6,780</b>	<b>-</b>	<b>33,305</b>	<b>31,460</b>
<b>Operating Income (Loss)</b>	<b>1,514</b>	<b>9,134</b>	<b>(10)</b>	<b>-</b>	<b>10,638</b>	<b>6,734</b>
<b>Non-Operating Income (Expense):</b>						
Interest Income	149	233	55	3,876	4,313	5,230
Interest Expense	-	(751)	-	-	(751)	(635)
Operating Grants	-	194	-	-	194	368
Other Income (Expense)	6	12	-	(441)	(423)	(2,486)
<b>Total Non-Operating Income (Expense)</b>	<b>155</b>	<b>(312)</b>	<b>55</b>	<b>3,435</b>	<b>3,333</b>	<b>2,477</b>
<b>Income Before Contributions</b>	<b>1,669</b>	<b>8,822</b>	<b>45</b>	<b>3,435</b>	<b>13,971</b>	<b>9,211</b>
<b>Capital Grants and Contributions</b>	<b>(1,469)</b>	<b>14,719</b>	<b>-</b>	<b>-</b>	<b>13,250</b>	<b>4,062</b>
<b>Change in Net Assets</b>	<b>200</b>	<b>23,541</b>	<b>45</b>	<b>3,435</b>	<b>27,221</b>	<b>13,273</b>
<b>Net Assets - October 1</b>	<b>46,725</b>	<b>33,341</b>	<b>1,610</b>	<b>145,154</b>	<b>226,830</b>	<b>213,557</b>
<b>Net Assets - September 30</b>	<b>\$ 46,925</b>	<b>\$ 56,882</b>	<b>\$ 1,655</b>	<b>\$ 148,589</b>	<b>\$ 254,051</b>	<b>\$ 226,830</b>

See accompanying independent auditors' report.



**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended September 30, 2004**  
**With Comparative Totals for 2003**  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2004	September 30, 2003
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 9,264	\$ 27,047	\$ 6,761	\$ -	\$ 43,072	\$ 36,796
Payments for Employee Salaries	(2,894)	(4,632)	(2,315)	-	(9,841)	(9,412)
Payments for Goods and Services	(3,637)	(7,681)	(2,796)	-	(14,114)	(14,157)
Payments in Lieu of Taxes	-	(4,921)	(1,620)	-	(6,541)	(4,455)
Other Expense	8	12	-	-	20	(98)
Net Cash Provided by Operating Activities	<u>2,741</u>	<u>9,825</u>	<u>30</u>	<u>-</u>	<u>12,596</u>	<u>8,674</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	-	194	-	-	194	368
Cash Flows from Capital and Related Financing Activities:						
Receipts of Contributed Capital	-	11,541	-	-	11,541	3,530
Payments for Capital Acquisitions	(1,364)	(19,720)	-	-	(21,084)	(11,649)
Payments of Principal on Bonds Payable	-	(680)	-	-	(680)	(650)
Payments of Interest	-	(614)	-	-	(614)	(495)
Net Cash Used for Capital and Related Financing Activities	<u>(1,364)</u>	<u>(9,473)</u>	<u>-</u>	<u>-</u>	<u>(10,837)</u>	<u>(9,264)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	767	767	504
Payments to Other Government Entities	-	-	-	(2,214)	(2,214)	(2,900)
Receipts of Interest	149	233	55	3,757	4,194	5,135
Net Cash Provided by Investing Activities	<u>149</u>	<u>233</u>	<u>55</u>	<u>2,310</u>	<u>2,747</u>	<u>2,739</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,526	779	85	2,310	4,700	2,517
Cash and Cash Equivalents - October 1	5,285	7,892	1,396	138,962	153,535	151,018
Cash and Cash Equivalents - September 30	<u>\$ 6,811</u>	<u>\$ 8,671</u>	<u>\$ 1,481</u>	<u>\$ 141,272</u>	<u>\$ 158,235</u>	<u>\$ 153,535</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating Income (Loss)	\$ 1,514	\$ 9,134	\$ (10)	\$ -	\$ 10,638	\$ 6,734
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	1,148	2,066	11	-	3,225	3,354
Other Income (Expense)	8	12	-	-	20	(98)
(Increase) Decrease in Accounts Receivable, Net	(2)	(1,357)	(9)	-	(1,368)	(773)
(Increase) Decrease in Inventory	2	-	-	-	2	(8)
Increase (Decrease) in Accounts Payable	(146)	359	10	-	223	(111)
Increase in Accrued Wages Payable	18	42	15	-	75	43
Increase (Decrease) in Amounts Due to Other Funds	199	(942)	13	-	(730)	160
Increase (Decrease) in Deferred Revenues	-	702	-	-	702	(127)
Increase (Decrease) in Collections Held in Trust	-	(191)	-	-	(191)	(500)
Total Adjustments	<u>1,227</u>	<u>691</u>	<u>40</u>	<u>-</u>	<u>1,958</u>	<u>1,940</u>
Net Cash Provided by Operating Activities	<u>\$ 2,741</u>	<u>\$ 9,825</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 12,596</u>	<u>\$ 8,674</u>

See accompanying independent auditors' report.

## INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for goods and services provided by one City department to other City departments on a cost-reimbursement basis, including depreciation.

The Civic Center Fund is used to account for the operation and maintenance of the City Hall and Main Library Complex.

The General Services Fund is used to account for the operation, maintenance and replacement of the City's electronic data processing equipment and software, radio systems, telephone, mailing and reprographics services.

The Fleet Services Fund is used to account for the operation, maintenance and replacement of the City's fleet of vehicles and equipment.

The Insurance Fund is used to finance and account for the City's risk management and self-insurance programs.

The Employee Benefits Fund is used to finance and account for compensated absences, employer payroll taxes, and health and retirement benefits.

**City of Long Beach**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**September 30, 2004**  
**With Comparative Totals for 2003**  
**(In Thousands)**

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2004	September 30, 2003
<b>ASSETS</b>							
<b>Current Assets:</b>							
Pooled Cash and Cash Equivalents	\$ 12,860	\$ 8,907	\$ 15,451	\$ 23,792	\$ 47,584	\$ 108,594	\$ 118,938
<b>Receivables:</b>							
Accounts Receivable	5	867	256	39	-	1,167	1,128
Due from Other Governments	-	32	-	59	-	91	91
Due from Other Funds	-	-	-	-	4,893	4,893	2,407
Allowance for Receivables	-	-	(236)	-	-	(236)	(169)
Inventory	-	156	1,383	-	-	1,539	1,616
Other Assets-Current	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>12,865</b>	<b>9,962</b>	<b>16,854</b>	<b>23,890</b>	<b>52,477</b>	<b>116,048</b>	<b>124,011</b>
<b>Restricted Assets:</b>							
Pooled Cash and Cash Equivalents	-	-	-	-	14,852	14,852	12,122
Non-Pooled Cash and Cash Equivalents	9,158	-	2,596	-	-	11,754	13,663
Accounts Receivable	-	-	-	-	7	7	2,498
Deposits	-	-	-	-	-	-	2,293
<b>Total Restricted Assets</b>	<b>9,158</b>	<b>-</b>	<b>2,596</b>	<b>-</b>	<b>14,859</b>	<b>26,613</b>	<b>30,576</b>
<b>Noncurrent Assets:</b>							
<b>Capital Assets:</b>							
Land and Other Capital Assets not Being Depreciated	8,468	391	895	-	-	9,754	35,434
Capital Assets net of Accumulated Depreciation	26,779	7,295	49,127	81	-	83,282	84,488
Other Assets-Long-Term	-	11	-	-	83,248	83,259	87,311
<b>Total Noncurrent Assets</b>	<b>35,247</b>	<b>7,697</b>	<b>50,022</b>	<b>81</b>	<b>83,248</b>	<b>176,295</b>	<b>207,233</b>
<b>Total Assets</b>	<b>57,270</b>	<b>17,659</b>	<b>69,472</b>	<b>23,971</b>	<b>150,584</b>	<b>318,956</b>	<b>361,820</b>
<b>LIABILITIES</b>							
<b>Current Liabilities payable from Current Assets:</b>							
Accounts Payable	252	1,495	826	390	251	3,214	5,513
Accrued Wages and Benefits	44	297	135	208	29,609	30,293	27,859
Accrued Interest Payable	4	1	-	-	2,246	2,251	2,545
Due to Other Funds	20	139	60	93	-	312	170
Deferred Revenues	-	18	-	-	-	18	142
Collections Held in Trust	-	-	-	-	131	131	4,265
Employee Benefits-Current	-	-	-	-	7,300	7,300	5,371
Accrued Self-Insurance Claims-Current	-	-	-	20,900	-	20,900	23,775
Obligations Under Capital Leases-Current	762	1,000	-	-	-	1,762	2,174
Bonds Payable Due Within One Year	925	-	770	-	4,940	6,635	6,140
<b>Total Current Liabilities</b>	<b>2,007</b>	<b>2,950</b>	<b>1,791</b>	<b>21,591</b>	<b>44,477</b>	<b>72,816</b>	<b>77,954</b>
<b>Current Liabilities Payable from Restricted Assets:</b>							
Accounts Payable	146	-	-	-	-	146	1,252
<b>Noncurrent Liabilities:</b>							
Employee Benefits	-	-	-	-	58,134	58,134	58,944
Accrued Self-Insurance Claims	-	-	-	75,035	-	75,035	79,170
Obligations Under Capital Lease	1,020	1,262	-	-	-	2,282	2,946
Bonds Payable	37,355	-	33,275	-	97,255	167,885	174,520
Unamortized Discount/Deferred cost	(1,915)	-	(2,011)	-	(12,519)	(16,445)	(18,415)
<b>Total Noncurrent Liabilities</b>	<b>36,460</b>	<b>1,262</b>	<b>31,264</b>	<b>75,035</b>	<b>142,870</b>	<b>286,891</b>	<b>297,165</b>
<b>Total Liabilities</b>	<b>38,613</b>	<b>4,212</b>	<b>33,055</b>	<b>96,626</b>	<b>187,347</b>	<b>359,853</b>	<b>376,371</b>
<b>NET ASSETS</b>							
Investment in Capital Assets, Net of Related Debt	3,459	5,424	17,988	81	-	26,952	53,413
<b>Restricted for:</b>							
Debt Service	2,799	-	2,541	-	4,883	10,223	10,165
Capital Projects	6,213	-	55	-	-	6,268	7,129
Health Care Insurance	-	-	-	-	9,976	9,976	12,030
Unrestricted	6,186	8,023	15,833	(72,736)	(51,622)	(94,316)	(97,288)
<b>Total Net Assets</b>	<b>\$ 18,657</b>	<b>\$ 13,447</b>	<b>\$ 36,417</b>	<b>\$ (72,655)</b>	<b>\$ (36,763)</b>	<b>\$ (40,897)</b>	<b>\$ (14,551)</b>

See accompanying independent auditors' report.

City of Long Beach  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Fiscal Year Ended September 30, 2004  
With Comparative Totals for 2003  
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2004	September 30, 2003
<b>Operating Revenues:</b>							
Billing to Other Departments	\$ 11,492	\$ 29,577	\$ 22,855	\$ 32,865	\$ 107,438	\$ 204,227	\$ 195,487
Other	407	2,661	1,829	15	-	4,912	4,765
<b>Total Revenues</b>	<b>11,899</b>	<b>32,238</b>	<b>24,684</b>	<b>32,880</b>	<b>107,438</b>	<b>209,139</b>	<b>200,252</b>
<b>Operating Expenses:</b>							
Personal Services	1,891	11,004	5,784	6,053	1,761	26,493	25,929
Maintenance and Other Operations	4,864	14,553	9,773	7,886	1,813	38,889	36,022
Insurance Premiums	-	-	-	3,010	-	3,010	3,017
Self-Insured Losses	-	-	-	9,020	-	9,020	37,751
Compensated Absences	-	-	-	3,723	38,327	42,050	40,876
Employee Benefits	-	-	-	-	67,720	67,720	69,825
Amortization	138	-	-	-	5,771	5,909	5,589
Depreciation	1,740	2,695	6,113	37	-	10,585	11,285
<b>Total Operating Expenses</b>	<b>8,633</b>	<b>28,252</b>	<b>21,670</b>	<b>29,729</b>	<b>115,392</b>	<b>203,676</b>	<b>230,294</b>
<b>Operating Income (Loss)</b>	<b>3,266</b>	<b>3,986</b>	<b>3,014</b>	<b>3,151</b>	<b>(7,954)</b>	<b>5,463</b>	<b>(30,042)</b>
<b>Non-Operating Income (Expense):</b>							
Interest Income	326	37	140	639	528	1,668	2,127
Interest Expense	(2,054)	(67)	(1,868)	-	(2,716)	(6,705)	(7,893)
Gain (Loss) on Disposition of Capital Assets	(4)	323	396	-	-	715	(175)
Other Income	56	1,495	120	614	1,689	3,974	9,253
<b>Total Non-Operating Income (Expense)</b>	<b>(1,676)</b>	<b>1,788</b>	<b>(1,212)</b>	<b>1,253</b>	<b>(501)</b>	<b>(348)</b>	<b>3,312</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,590</b>	<b>5,774</b>	<b>1,802</b>	<b>4,404</b>	<b>(8,455)</b>	<b>5,115</b>	<b>(26,730)</b>
<b>Capital Grants &amp; Contributions</b>	<b>(10,621)</b>	<b>(810)</b>	<b>(9,781)</b>	<b>-</b>	<b>-</b>	<b>(21,212)</b>	<b>(1,228)</b>
<b>Transfers:</b>							
Transfers In	-	-	-	324	-	324	-
Transfers Out	(500)	(6,728)	(1,343)	-	(2,002)	(10,573)	(11,040)
<b>Change in Net Assets</b>	<b>(9,531)</b>	<b>(1,764)</b>	<b>(9,322)</b>	<b>4,728</b>	<b>(10,457)</b>	<b>(26,346)</b>	<b>(38,998)</b>
<b>Net Assets - October 1</b>	<b>28,188</b>	<b>15,211</b>	<b>45,739</b>	<b>(77,383)</b>	<b>(26,306)</b>	<b>(14,551)</b>	<b>24,447</b>
<b>Net Assets - September 30</b>	<b>\$ 18,657</b>	<b>\$ 13,447</b>	<b>\$ 36,417</b>	<b>\$ (72,655)</b>	<b>\$ (38,763)</b>	<b>\$ (40,897)</b>	<b>\$ (14,551)</b>

See accompanying independent auditors' report.

**City of Long Beach**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended September 30, 2004**  
**With Comparative Totals for 2003**  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2004	September 30, 2003
<b>Cash Flows from Operating Activities:</b>							
Receipts from Customers	\$ 407	\$ 2,652	\$ 1,844	\$ -	\$ -	\$ 4,903	\$ 4,746
Receipts from Other Funds	11,492	29,466	22,855	32,882	104,952	201,647	195,129
Payments for Employee Salaries	(1,881)	(10,937)	(5,765)	(5,989)	(1,630)	(26,202)	(25,883)
Payments for Goods and Services	(5,954)	(15,168)	(10,752)	(11,346)	(1,902)	(45,122)	(39,260)
Payments for Compensated Absences	-	-	-	(16,664)	(38,032)	(54,696)	(56,374)
Payments for Employee Benefits	-	-	-	-	(66,547)	(66,547)	(65,149)
Payments for Liability Claims	-	-	-	(3,090)	-	(3,090)	(5,249)
Other Income	56	1,495	120	614	1,689	3,974	9,232
Net Cash Provided by (Used for) Operating Activities	<u>4,120</u>	<u>7,508</u>	<u>8,302</u>	<u>(3,593)</u>	<u>(1,470)</u>	<u>14,867</u>	<u>17,192</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>							
Transfers Out	<u>(500)</u>	<u>(6,728)</u>	<u>(1,343)</u>	<u>323</u>	<u>(2,002)</u>	<u>(10,250)</u>	<u>(11,040)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>							
Proceeds from the Sale of Capital Assets	-	380	465	-	-	845	542
Proceeds from Issuance Of Long-Term Obligations	-	1,347	-	-	-	1,347	-
Receipts of Contributed Capital	153	-	-	-	-	153	-
Payments for Capital Acquisitions	1,759	(2,482)	(4,469)	-	-	(5,192)	(17,128)
Payments of Principal on Other Long-Term Obligations	(1,576)	(1,732)	(740)	-	(4,515)	(8,563)	(4,240)
Payments of Interest	(2,062)	(91)	(1,760)	-	(485)	(4,398)	(11,020)
Net Cash Used for Capital and Related Financing Activities	<u>(1,726)</u>	<u>(2,578)</u>	<u>(6,504)</u>	<u>-</u>	<u>(5,000)</u>	<u>(15,808)</u>	<u>(31,846)</u>
<b>Cash Flows from Investing Activities:</b>							
Receipts of Interest	326	37	140	639	526	1,668	2,127
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,220</u>	<u>(1,761)</u>	<u>595</u>	<u>(2,631)</u>	<u>(7,946)</u>	<u>(9,523)</u>	<u>(23,567)</u>
Cash and Cash Equivalents - October 1	19,798	10,668	17,452	26,423	70,382	144,723	168,290
Cash and Cash Equivalents - September 30	<u>\$ 22,018</u>	<u>\$ 8,907</u>	<u>\$ 18,047</u>	<u>\$ 23,792</u>	<u>\$ 62,436</u>	<u>\$ 135,200</u>	<u>\$ 144,723</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating Income (Loss)	\$ 3,266	\$ 3,986	\$ 3,014	\$ 3,151	\$ (7,954)	\$ 5,463	\$ (30,042)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>							
Depreciation and Amortization Expense	1,878	2,695	6,113	37	5,771	16,494	16,874
Other Income	56	1,495	120	614	3,982	6,267	8,728
(Increase) Decrease in Accounts Receivable, Net	-	(120)	15	2	-	(103)	(7)
(Increase) Decrease in Amounts Due from Other Governments	-	-	-	-	-	-	(25)
(Increase) Decrease in Amounts Due from Other Funds	-	-	27	-	(2,485)	(2,458)	(352)
(Increase) Decrease in Inventory	-	-	76	-	-	76	33
Increase (Decrease) in Accounts Payable	(1,100)	(681)	(1,082)	(451)	(89)	(3,403)	(269)
Increase in Accrued Wages Payable	10	67	19	24	3,430	3,550	9,918
Increase (Decrease) in Amounts Due to Other Funds	10	66	-	40	-	116	7
Increase (Decrease) in Accrued Claims Payable	-	-	-	(7,010)	-	(7,010)	17,104
Decrease in Collections Held in Trust	-	-	-	-	(4,125)	(4,125)	(4,777)
Total Adjustments	<u>854</u>	<u>3,522</u>	<u>5,288</u>	<u>(6,744)</u>	<u>6,484</u>	<u>9,404</u>	<u>47,234</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 4,120</u>	<u>\$ 7,508</u>	<u>\$ 8,302</u>	<u>\$ (3,593)</u>	<u>\$ (1,470)</u>	<u>\$ 14,867</u>	<u>\$ 17,192</u>

See accompanying independent auditors' report.

## FIDUCIARY FUNDS

Fiduciary Funds, comprised of Private Purpose Trust and Agency Funds, are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Private Purpose Trust Funds are used to account for trust monies, wherein the principal and interest of the trust can be expended by the City in accordance with the terms of the trust agreement.

The Miller Library and Miller Museum Funds are used to account for bequests from Lorraine Miller Collins. The principal and interest on the trusts are to be used to purchase materials for and to maintain the Miller Special Collections room in the City's Main Library.

The Mayor's Fund for the Homeless is used to account for donations from the public for use in assisting the City's homeless people.

Agency Funds are used to account for funds held by the City as an agent for other governmental units, private organizations or individuals.

City of Long Beach  
Fiduciary Funds  
Private Purpose Trust Funds  
Combining Statement of Net Assets  
September 30, 2004  
With Comparative Totals for 2003  
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2004	September 30, 2003
<b>ASSETS</b>				
Restricted Pooled Cash and Cash Equivalents	\$ 841	\$ 126	\$ 967	\$ 1,017
 <b>NET ASSETS</b>				
Held in Trust for Private Purpose Trust Funds	<u>\$ 841</u>	<u>\$ 126</u>	<u>\$ 967</u>	<u>\$ 1,017</u>

City of Long Beach  
Fiduciary Funds  
Private Purpose Trust Funds  
Combining Statement of Changes in Net Assets  
For the Fiscal Year Ended September 30, 2004  
With Comparative Totals for 2003  
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2004	September 30, 2003
<b>Additions:</b>				
Use of Money and Property	\$ 20	\$ 5	\$ 25	\$ 30
Contributions from Citizens	-	19	19	36
Total Additions	<u>20</u>	<u>24</u>	<u>44</u>	<u>66</u>
 <b>Deductions:</b>				
Community and Cultural	<u>14</u>	<u>80</u>	<u>94</u>	<u>15</u>
 Change in Net Assets	6	(56)	(50)	51
 Net Assets, October 1	<u>835</u>	<u>182</u>	<u>1,017</u>	<u>966</u>
 Net Assets, September 30	<u>\$ 841</u>	<u>\$ 126</u>	<u>\$ 967</u>	<u>\$ 1,017</u>

See accompanying independent auditors' report.

City of Long Beach  
 Fiduciary Funds - Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended September 30, 2004  
 (In Thousands)

	Balance October 1, 2003	Additions	Deletions	Balance September 30, 2004
<b><u>BELMONT SHORE PARKING</u></b>				
<b><u>DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 89	\$ -	\$ -	\$ 89
<b>LIABILITIES</b>				
Accounts Payable	\$ 89	\$ -	\$ -	\$ 89
<b><u>TAXES - OIL RIGHTS FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 1,352	\$ 33	\$ -	\$ 1,385
<b>LIABILITIES</b>				
Collections Held in Trust	\$ 1,352	\$ 33	\$ -	\$ 1,385
<b><u>SPECIAL ASSESSMENT DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,200	\$ 3,538	\$ 3,313	\$ 2,425
Non-Pooled Cash and Cash Equivalents	9,744	1,282	4,584	6,442
Total Assets	\$ 11,944	\$ 4,820	\$ 7,897	\$ 8,867
<b>LIABILITIES</b>				
Due to Special Assessment Bondholders	\$ 778	\$ 3,508	\$ 3,313	\$ 973
Collections Held in Trust	11,166	1,315	4,587	7,894
Total Liabilities	\$ 11,944	\$ 4,823	\$ 7,900	\$ 8,867
<b><u>INTERMODAL CONTAINER TRANSFER FACILITY</u></b>				
<b><u>JOINT POWER AUTHORITY FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,670	\$ 6,847	\$ 7,000	\$ 2,517
<b>LIABILITIES</b>				
Collections Held in Trust	\$ 2,670	\$ 6,847	\$ 7,000	\$ 2,517
<b><u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,171	\$ 2,199	\$ 2,197	\$ 2,173
<b>LIABILITIES</b>				
Due to Special Assessment Bondholders	\$ 1,887	\$ 2,197	\$ 2,197	\$ 1,887
Collections Held in Trust	284	2	-	286
Total Liabilities	\$ 2,171	\$ 2,199	\$ 2,197	\$ 2,173

(continued)



City of Long Beach  
 Fiduciary Funds - Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended September 30, 2004  
 (In Thousands)  
 (continued)

	Balance October 1, 2003	Additions	Deletions	Balance September 30, 2004
<b><u>OTHER AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 837	\$ 1,944	\$ 2,064	\$ 717
Accounts Receivable	-	15	15	-
Total Assets	\$ 837	\$ 1,959	\$ 2,079	\$ 717
<b>LIABILITIES</b>				
Accounts Payable	\$ 1	\$ 811	\$ 812	\$ -
Collections Held in Trust	836	1,866	1,985	717
Total Liabilities	\$ 837	\$ 2,677	\$ 2,797	\$ 717
<b><u>TOTAL AGENCY FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 9,319	\$ 14,561	\$ 14,574	\$ 9,306
Non-Pooled Cash and Cash Equivalents	9,744	1,282	4,584	6,442
Accounts Receivable	-	15	15	-
Total Assets	\$ 19,063	\$ 15,858	\$ 19,173	\$ 15,748
<b>LIABILITIES</b>				
Accounts Payable	\$ 90	\$ 811	\$ 812	\$ 89
Due to Special Assessment Bondholders	2,665	5,705	5,510	2,860
Collections Held in Trust	16,308	10,063	13,572	12,799
Total Liabilities	\$ 19,063	\$ 16,579	\$ 19,894	\$ 15,748

See accompanying independent auditors' report.

**CAPITAL ASSETS  
USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS**

This section of the CAFR provides additional information regarding the infrastructure and capital assets used in the City's governmental fund operations. These assets are reported only in the governmental activities column of the government-wide Statement of Net Assets. In addition to the information about such assets provided in the Notes to the Basic Financial Statements, this section provides information on the source of funding for the assets, the function and activity to which the assets are charged and changes in such assets by function and activity.

City of Long Beach  
 Capital Assets Used in the Operations of Governmental Funds  
 Schedule by Source <sup>1</sup>  
 September 30, 2004  
 (In Thousands)

Governmental Funds Capital Assets:	
Land	\$ 110,732
Right-a-way	2,806
Construction In Progress	109,903
Building	106,543
Improvements other than Buildings	41,997
Infrastructure	326,758
Machinery and Equipment	32,098
Automotive	9,929
Other Assets	30,719
Less Accumulated Depreciation	<u>(247,173)</u>
	<u>\$ 524,312</u>

Investments in Governmental Funds Capital Assets by Source:	
General Fund	\$ 220,455
Special Revenue Funds	154,617
Capital Projects Funds	<u>149,240</u>
	<u>\$ 524,312</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

City of Long Beach  
 Capital Assets Used in the Operations of Governmental Funds  
 Schedule by Function <sup>1</sup>  
 September 30, 2004  
 (In Thousands)

	Capital Assets not being Depreciated			Capital Assets, net of Depreciation						Total
	Land	Right-a-way	Construction In Progress	Building	Improvements other than Buildings	Infrastructures	Machinery and Equipment	Auto-motive	Other Assets	
Legislative and Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 372	\$ -	\$ -	\$ 372
General Government	1,737	-	-	5,171	211	-	134	-	-	7,253
Public Safety	2,765	-	-	37,968	536	-	16,350	5,870	-	63,489
Public Health	4,593	-	-	4,000	2,808	-	220	-	-	11,621
Community & Cultural	100,145	-	-	35,621	16,748	4,148	138	15	7,099	163,914
Public Works	1,492	2,806	109,903	215	5,792	154,670	78	2,707	-	277,663
	<u>\$ 110,732</u>	<u>\$ 2,806</u>	<u>\$ 109,903</u>	<u>\$ 82,975</u>	<u>\$ 26,095</u>	<u>\$ 158,818</u>	<u>\$ 17,292</u>	<u>\$ 8,592</u>	<u>\$ 7,099</u>	<u>\$ 524,312</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

City of Long Beach  
 Capital Assets Used in the Operations of Governmental Funds  
 Schedule of Changes by Function <sup>1</sup>  
 September 30, 2004  
 (In Thousands)

	Balance at October 1, 2003	Increase (Decrease), net of Depreciation Expense	Decrease, net of Accumulated Depreciation	Balance at September 30, 2004
Legislative and Legal	\$ 33	\$ 339	\$ -	\$ 372
General Government	2,209	5,044	-	7,253
Public Safety	38,871	41,224	(16,606)	63,489
Public Health	11,448	173	-	11,621
Community & Cultural	162,303	1,731	(120)	163,914
Public Works	260,274	53,529	(36,140)	277,663
	<u>\$ 475,138</u>	<u>\$ 102,040</u>	<u>\$ (52,866)</u>	<u>\$ 524,312</u>

1 This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

City of Long Beach

Exhibit 1

General Governmental Expenditures by Function  
Last Ten Fiscal Years  
(In Thousands)

Fiscal Year- end (1) and (3)	Legislative and Lega	General Government	Public Safety	Public Health	Community and Cultural	Public Works	Oil Operations	Sub Total	Other Expenditures (2)	Total Expenditures (2)
1995	\$ 8,355	\$ 15,112	\$177,045	\$ 20,382	\$ 115,094	\$ 40,053	\$ 4,428	\$ 380,469	\$ 53,708	\$ 434,177
1996	10,589	28,870	230,875	26,154	149,204	45,956	5,497	497,145	86,594	583,739
1997	8,014	22,713	189,783	24,516	115,354	48,303	5,034	413,717	77,177	490,894
1998	9,382	30,707	197,998	27,017	129,282	39,789	4,260	438,435	55,101	493,536
1999	8,945	26,207	197,004	26,856	121,207	36,667	3,734	420,620	47,322	467,942
2000	9,059	26,998	206,409	29,649	124,280	41,069	4,062	441,526	47,241	488,767
2001	9,313	25,140	202,512	32,648	134,759	35,569	5,795	445,736	50,613	496,349
2002	10,985	30,444	230,112	37,516	151,593	43,565	4,672	508,887	72,688	581,575
2003	9,588	24,655	236,341	38,146	158,190	42,751	5,517	515,188	68,930	584,118
2004	10,359	23,407	227,176	41,927	177,114	43,589	5,512	529,084	83,107	612,191

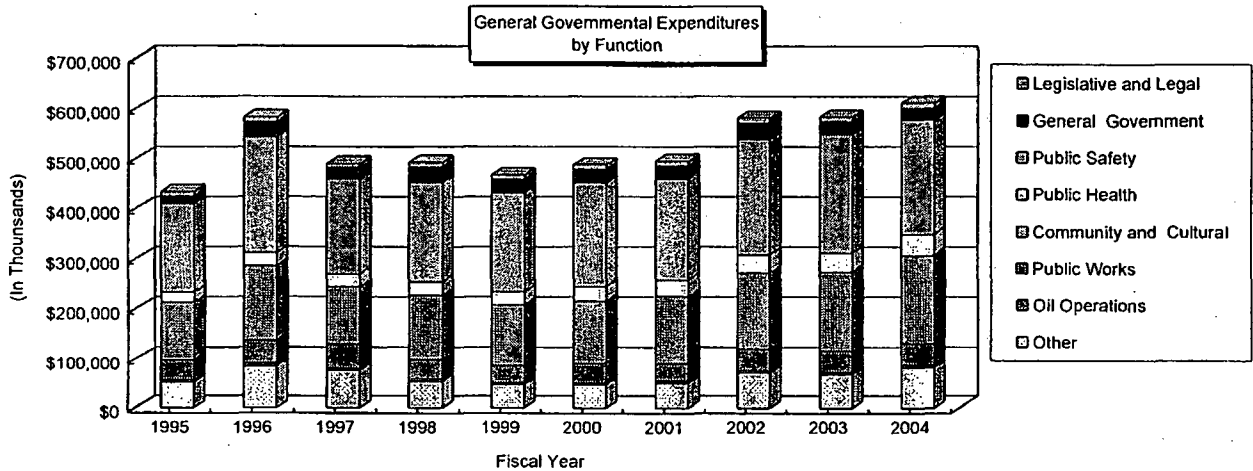
Notes:

(1) The figures include all governmental fund types (General, Special Revenue, and Capital Projects Funds), including the expenditures for the Long Beach Housing Authority and the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. Long Beach Housing Authority and Long Beach Redevelopment Agency expenditures for 1995 through 2004 are as follows (in thousands):

Fiscal Year- end (3)	General Government	Community and Cultural	Capital Improvements	Loss on Disposition of Land Held for Resale	Debt Service	Total Expenditures
1995	\$ 199	\$ 46,742	\$ 9,463	\$ 488	\$15,081	\$ 71,973
1996	248	65,904	13,215	5,838	14,075	99,280
1997	200	50,326	9,806	1,906	15,311	77,549
1998	199	46,424	466	426	17,896	65,411
1999	198	45,333	-	3,432	14,264	63,227
2000	182	42,608	-	1,254	13,769	57,813
2001	167	48,228	-	202	13,046	61,643
2002	165	17,556	-	43,153	18,200	79,074
2003	161	72,928	-	3,134	15,310	91,533
2004	194	32,273	-	12	15,063	47,542

(2) Expenditures are on the actual (GAAP) basis. Other expenditures include capital improvements, loss on disposition of land held for resale and debt service.

(3) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.



Source: City of Long Beach, Department of Financial Management.

**City of Long Beach**  
**General Governmental Revenues by Source -**  
**Last Ten Fiscal Years**  
(In Thousands)

Fiscal Year-end (1) and (2)	Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	From Other Agencies	Charges for Services	Other	Total Revenues (3)
1995	\$ 178,407	\$ 9,345	\$ 6,219	\$ 32,065	\$122,017	\$ 39,933	\$ 7,383	\$395,369
1996	205,825	13,505	7,954	40,561	163,235	48,995	16,018	496,093
1997	169,780	10,398	6,582	27,809	150,146	52,465	13,025	430,205
1998	176,698	12,876	7,967	29,923	148,290	42,327	15,023	433,104
1999	181,781	14,870	10,192	29,756	151,246	43,321	8,056	439,222
2000	198,971	15,703	9,867	36,428	145,467	45,409	28,891	480,736
2001	223,287	19,343	11,091	39,669	164,192	39,292	7,890	504,764
2002	215,968	23,401	11,448	36,859	181,874	41,277	13,135	523,962
2003	225,852	23,103	11,017	40,135	178,275	44,282	13,922	536,586
2004	242,163	22,878	13,581	36,856	186,426	45,948	13,106	560,958

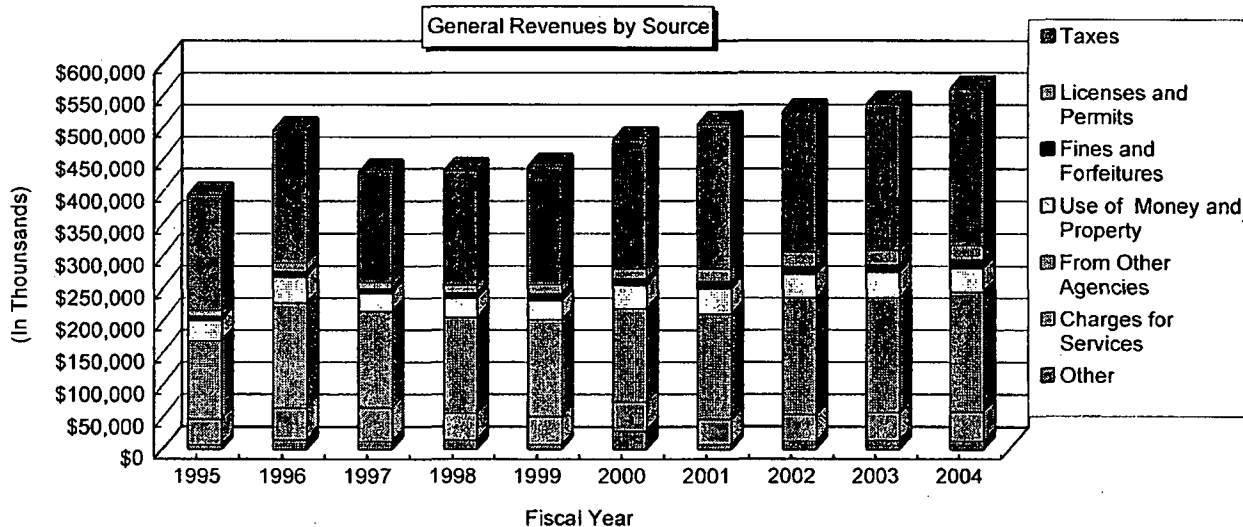
Notes:

(1) The figures include all governmental fund types (General, Special Revenue, and Capital Projects Funds), including the revenues for the Long Beach Housing Authority and the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. Long Beach Housing Authority and Long Beach Redevelopment Agency revenues for fiscal years 1995 through 2004 are as follows (in thousands):

Fiscal Year-end (2)	Taxes	Licenses and Permits	Use of Money and Property	From Other Agencies	Other	Total Revenues
1995	\$ 15,105	\$ 392	\$ 5,197	\$ 34,008	\$ 940	\$ 55,642
1996	17,018	497	5,123	46,868	3,482	72,988
1997	15,462	-	3,962	38,967	1,005	59,396
1998	17,793	-	3,111	38,259	960	60,123
1999	16,206	5	3,020	37,281	994	57,506
2000	20,788	8	3,473	36,278	651	61,198
2001	21,749	-	3,805	36,692	848	63,094
2002	28,400	-	4,974	42,186	787	76,347
2003	30,253	-	8,076	52,068	772	91,169
2004	44,617	-	3,908	61,432	1,291	111,248

(2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.

(3) Revenues are on the actual (GAAP) basis.



Source: City of Long Beach, Department of Financial Management.

City of Long Beach

Exhibit 3

Tax Revenues by Source -  
Last Ten Fiscal Years  
(In Thousands)

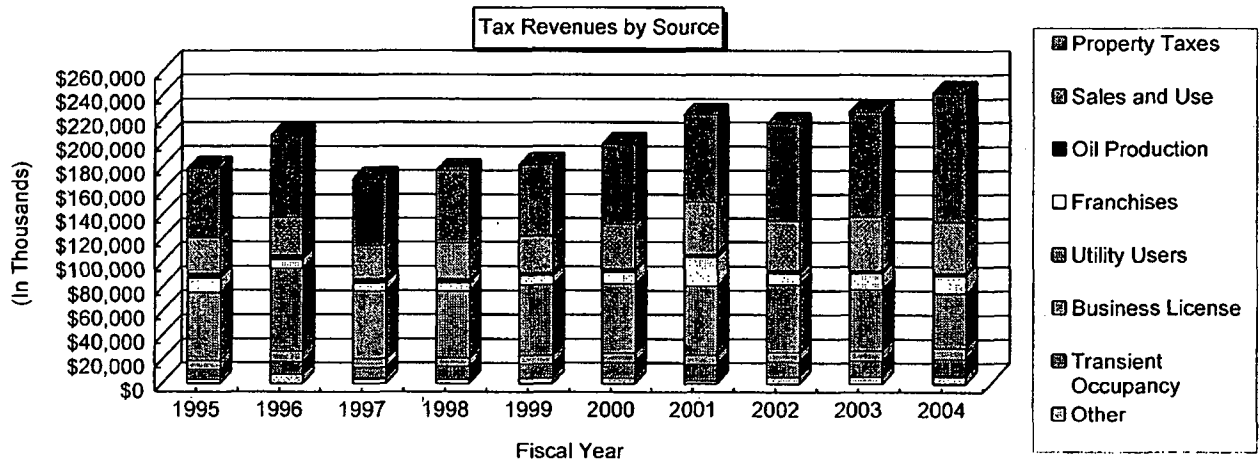
Fiscal Year-end (1) and (2)	Property Taxes	Sales and Use	Oil Production	Franchises (3)	Utility Users	Business License	Transient Occupancy	Other (4)	Totals
1995	\$ 57,314	\$30,089	\$ 3,433	\$12,048	\$ 56,787	\$ 7,241	\$ 8,102	\$3,393	\$178,407
1996	68,055	31,495	3,694	7,694	68,151	8,848	10,392	7,496	205,825
1997	55,538	27,637	3,104	6,812	56,082	7,359	9,207	4,041	169,780
1998	60,136	30,140	2,937	7,033	55,170	7,316	10,475	3,491	176,698
1999	59,499	30,310	2,577	7,463	58,562	7,298	11,479	4,593	181,781
2000	66,635	37,362	2,479	9,695	57,396	7,752	12,788	4,864	198,971
2001	72,737	43,415	2,365	23,706	57,151	8,052	13,336	2,525	223,287
2002	80,621	41,246	2,257	9,976	55,838	8,067	12,447	5,516	215,968
2003	87,264	44,863	2,245	13,363	50,883	8,430	13,134	5,670	225,852
2004	107,825	42,383	2,306	14,460	45,339	9,284	14,089	6,478	242,163

Notes:

(1) Tax revenues by source include all Governmental Fund Types (General, Special Revenue, and Capital Projects Funds), including property tax and transient lodging tax for the Long Beach Redevelopment Agency as indicated below in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in fiscal year 1995 through 2004.

Fiscal Year-end (2)	Property Taxes (In Thousands)	Transient Occupancy/ Other (In Thousands)
1995	\$ 13,561	\$ 1,544
1996	14,946	2,072
1997	13,574	1,888
1998	15,593	2,200
1999	11,229	2,337
2000	18,061	2,727
2001	18,917	2,832
2002	25,796	2,604
2003	27,475	2,778
2004	41,718	2,899

- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (3) Starting in fiscal year 1997, cable franchise fees were not recorded in the Special Revenue Funds. The amounts are \$2,228,000, \$2,340,000, \$2,478,000, \$2,544,000, \$2,507,000 and \$2,661,000 for fiscal year 1999, 2000, 2001, 2002, 2003 and 2004 respectively.
- (4) Includes Real Property Transfer, Special Parking, Miscellaneous Taxes, and transfers from funds in lieu of taxes.



Source: City of Long Beach, Department of Financial Management.



**City of Long Beach**  
**Property Tax Levies and Collections -**  
**Last Ten Fiscal Years**  
(In Thousands)

Fiscal Year-end (1) and (3)	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (2)	Collections as Percent of Levy	Outstanding Delinquent Taxes	Delinquent Tax as Percent of Current Levy
1995	\$60,474	\$53,490	88.5 %	\$ 2,879	\$ 56,369	93.2 %	\$ 5,454	9.0 %
1996	58,910	54,144	91.9	2,152	56,296	95.6	4,564	7.7
1997	57,408	52,932	92.2	1,905	54,837	95.5	4,214	7.3
1998	58,522	56,504	96.6	3,185	59,689	102.0	3,755	6.4
1999	59,378	56,320	94.8	3,636	59,956	101.0	2,857	4.8
2000	66,177	63,892	96.5	2,989	66,881	101.1	2,873	4.3
2001	70,841	69,338	97.9	2,322	71,660	101.2	3,160	4.5
2002	77,731	77,587	99.8	3,682	81,269	104.6	2,536	3.3
2003 (4)	83,222	85,699	103.0	2,245	87,944	105.7	2,401	2.9
2004	100,538	99,745	99.2	8,634	108,379	107.8	2,489	2.5

Notes:

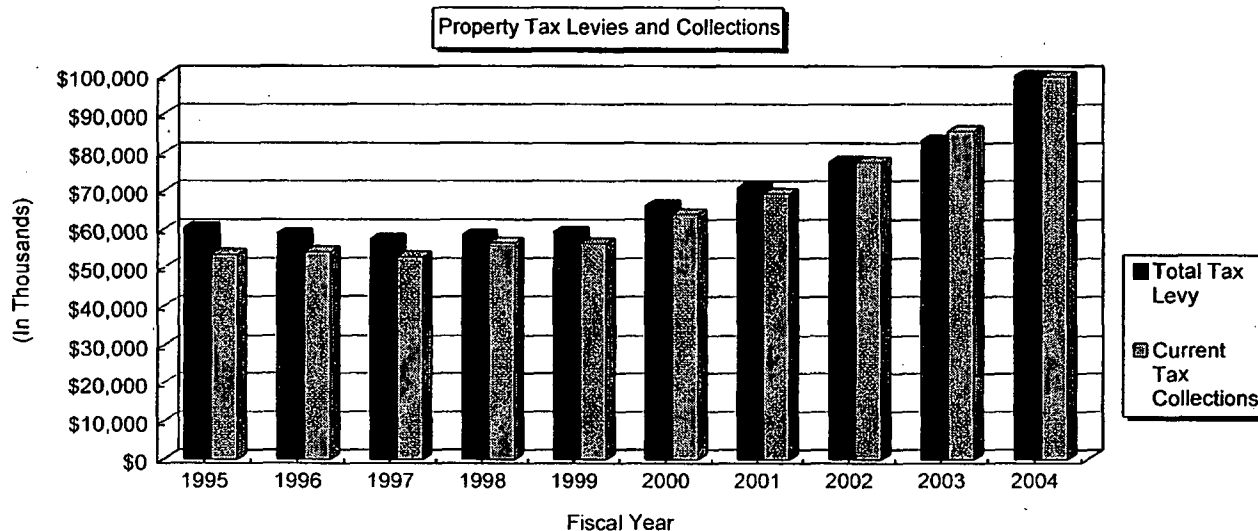
(1) Total tax collections for fiscal years 1995 through 2004 include redevelopment tax increment collections, excluding interest and penalties, in accordance with generally accepted accounting principles as follows:

Fiscal Year-end (3)	Collections (In Thousands)
1995	\$ 13,561
1996	14,946
1997	13,574
1998	15,593
1999	11,229
2000	18,061
2001	18,917
2002	25,796
2003	27,475
2004	41,718

(2) Excludes interest, penalties and Los Angeles County administrative cost.

(3) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Since the County of Los Angeles, which distributes the property tax, is on a June 30 fiscal year-end, the amounts for the City are for the twelve months from July 1, 1995 through June 30, 1996 for comparison purposes. Beginning with fiscal year 1997, current tax collections include tax accrued as revenue for the months of July through September, but not received in cash until after the close of the fiscal year.

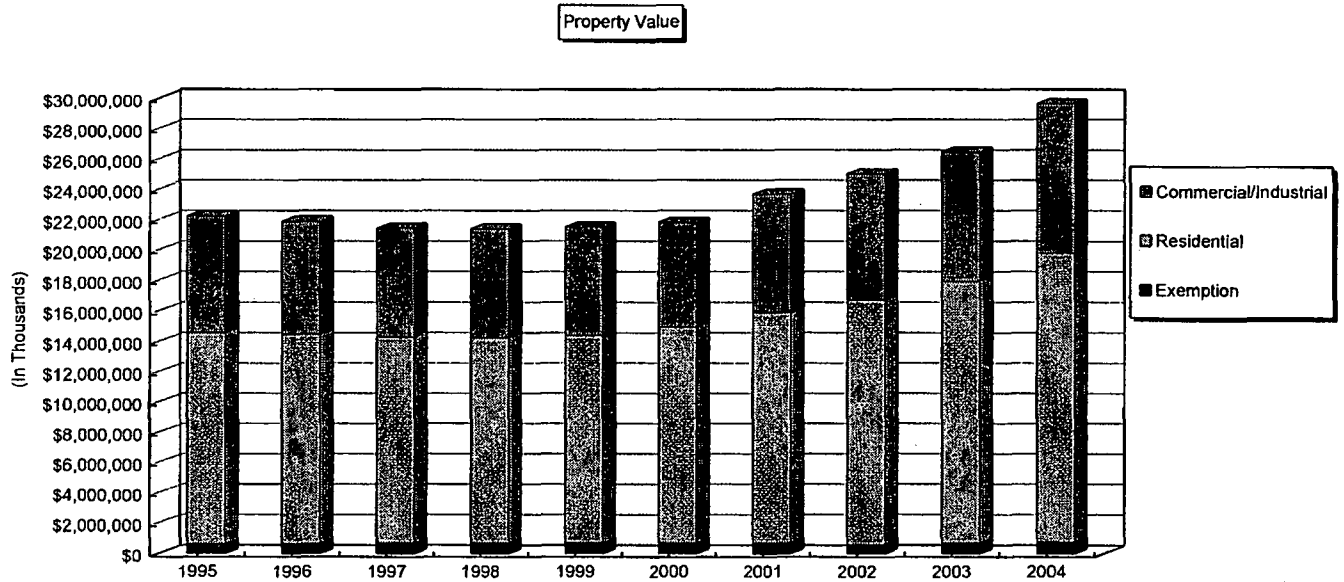
(4) Fiscal year 2003 current tax collections includes approximately \$2,870,000 in unsecured redevelopment tax increment receipts which resulted from a secured parcel audit for the entire City and its redevelopment areas for the fiscal years 1998 through 2002. The audit resulted in the correction of misallocated tax rate areas.



Source: City of Long Beach, Department of Financial Management.

City of Long Beach  
 Assessed and Actual Value of Taxable Property -  
 Last Ten Fiscal Years  
 (In Thousands)

Fiscal Year-end	Assessed Value				Property Value			
	Land	Improvements	Personal Property	Total	Commercial/Industrial	Residential	Exemption	Total
1995	\$ 9,351,454	\$ 11,327,795	\$ 1,541,125	\$ 22,220,374	\$ 7,659,078	\$ 13,922,438	\$ 638,858	\$ 22,220,374
1996	9,497,846	10,971,486	1,408,258	21,877,590	7,396,839	13,817,142	663,609	21,877,590
1997	9,520,895	10,527,383	1,379,679	21,427,957	7,112,998	13,594,231	720,728	21,427,957
1998	9,544,327	10,376,690	1,482,025	21,403,042	7,161,264	13,521,115	720,663	21,403,042
1999	9,513,719	10,422,267	1,579,619	21,515,605	7,113,133	13,684,447	718,025	21,515,605
2000	9,530,997	10,853,314	1,448,289	21,832,600	6,867,889	14,275,847	688,864	21,832,600
2001	10,463,320	11,828,763	1,396,288	23,688,371	7,768,092	15,195,079	725,200	23,688,371
2002	11,332,200	12,365,006	1,292,787	24,989,993	8,232,188	16,149,319	608,486	24,989,993
2003	11,925,024	12,839,549	1,689,844	26,454,417	8,483,488	17,248,508	722,421	26,454,417
2004	13,544,321	14,219,548	1,849,360	29,613,229	9,780,753	19,049,275	783,201	29,613,229



Source: Los Angeles County Office of the Assessor.

City of Long Beach  
Property Tax Rates -  
All Overlapping Governments  
Per \$100 of Assessed Value -  
Last Ten Fiscal Years

Fiscal Year-end	County (A)	Special Districts (A)	Total
1995	\$ 1.0020	\$ 0.0149	\$ 1.0169
1996	1.0018	0.0099	1.0117
1997	1.0016	0.0109	1.0125
1998	1.0016	0.0111	1.0127
1999	1.0014	0.0109	1.0123
2000	1.0014	0.0183	1.0197
2001	1.0013	0.0263	1.0276
2002	1.0011	0.0376	1.0387
2003	1.0010	0.0428	1.0438
2004	1.0010	0.0611	1.0621

Note: <sup>(1)</sup>

In 1978, a State Constitutional Amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the county and shared with all other jurisdictions. All other jurisdictions and the county can levy a tax rate for voter-approved debt.

Secured taxes are due on November 1 and February 1, and become delinquent on December 10 and April 10, for the first and second installments, respectively. There is a 10% penalty and a \$10.00 cost after the date taxes become delinquent. Unsecured taxes are due on March 1 and become delinquent on August 31 when a penalty of 10% is added. If taxes are not paid by October 31, an additional penalty of 1.5% per month accrues.

The County of Los Angeles collects the taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations and on the tax rate for voter-approved debt. Rates are applied to assessed valuations. Starting in fiscal year 1991, the County began deducting an administrative cost from the property tax collections before distribution to the cities.

Beginning with fiscal year 1975, redevelopment tax increments were allocated to the Long Beach Redevelopment Agency. These are computed based on the redevelopment property increment values multiplied by the total tax rate for that fiscal year. Redevelopment property increment values represent the difference between the base value of properties designated for redevelopment and their market value.

Sources:

- (1) Taxpayers Guide compiled under the supervision of the Los Angeles County Auditor-Controller.
- (A) "03-04 SEC Tax Rates and Ratios Report" provided by the Los Angeles County Auditor-Controller.

City of Long Beach

Exhibit 7

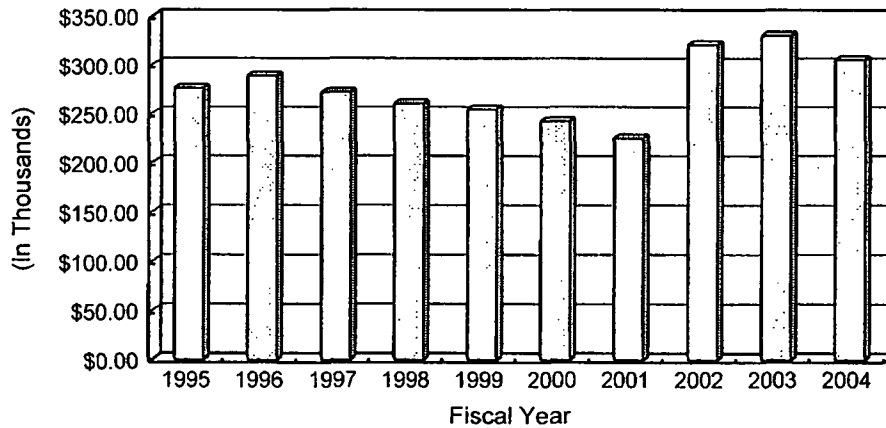
Ratio of Net General and Redevelopment Bonded Debt to Assessed Value  
and Net Bonded Debt Per Capita -  
Last Ten Fiscal Years  
(In Thousands Except Estimated Population)

Fiscal Year-end (2)	Estimated Population (A)	Assessed Value (B)	Gross Bonded Debt (1)	Ratio of Gross Bonded Debt to Assessed Value	Less Debt Service Reserve (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	442,106	\$ 22,220,374	\$ 140,310	0.63 %	\$ 18,081	\$ 122,229	0.55 %	\$ 276.47
1996	425,807	21,877,590	137,535	0.63	14,451	123,084	0.56	289.06
1997	441,718	21,427,957	134,640	0.63	14,427	120,213	0.56	272.15
1998	446,227	21,403,042	134,925	0.63	18,635	116,290	0.54	260.61
1999	452,905	21,515,605	132,115	0.61	16,756	115,359	0.54	254.71
2000	457,608	21,832,600	129,160	0.59	17,925	111,235	0.51	243.08
2001	461,522	23,688,371	121,480	0.51	17,522	103,958	0.44	225.25
2002	473,131	24,989,993	174,060	0.70	22,016	152,044	0.61	321.36
2003	480,973	26,454,417	179,974	0.68	26,258	158,984	0.60	330.55
2004	487,100	29,613,229	175,292	0.59	26,258	149,034	0.50	305.96

Notes:

- (1) Includes Redevelopment bonds issued during fiscal years 1993, 2002 and 2003.
- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.

Net Bonded Debt per Capita



Sources:

- (A) California Department of Finance for fiscal years 1995 through 2004. In 1996 the City of Long Beach Planning and Building Department calculated the city population based on redistricting to be 425,807. The estimated population per the California Department of Finance for fiscal year 1996 was 437,708.
- (B) "SV-13 G Report FY 03-04 Assessed Valuations" compiled under the supervision of the Los Angeles County Auditor-Controller.

City of Long Beach  
 Computation of Legal Debt Margin  
 September 30, 2004  
 (In Thousands)

Net Assessed Valuation		\$ 28,830,028
Plus Exempt Property		<u>783,201</u>
Total Assessed Valuation (1)		<u><u>\$ 29,613,229</u></u>
Debt Limit - 15 Percent of Total Assessed Valuation (1)		\$ 4,441,984
Amount of Debt Applicable to Debt Limit:		
Redevelopment Bonded Debt	\$ 175,292	
Less:		
Assets in Redevelopment Debt Service Fund, Available for Payment of Principal	<u>26,258</u>	
Total Amount of Debt Applicable to Debt Limit		<u>149,034</u>
Legal Debt Margin (1)		<u><u>\$ 4,292,951</u></u>

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Note:

- (1) The fiscal year 2004 debt limit is based on assessed valuation and reflects valuation for the property in redevelopment project areas.

Source: City of Long Beach, Department of Financial Management.  
 "SV-13 G Report FY 03-04 Assessed Valuations" compiled under the supervision of the  
 Los Angeles County Auditor-Controller.

City of Long Beach  
Schedule of Direct and Overlapping Debt  
September 30, 2004  
(In Thousands)

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds (2)		\$ 268,115	\$ (120,235)	\$ 147,880
Marks-Roos Bonds (3)		34,045	-	34,045
Certificates of Participation		4,565	-	4,565
Pension Obligations		102,195	-	102,195
Total Direct Debt		<u>408,920</u>	<u>(120,235)</u>	<u>288,685</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>			
Los Angeles County	3.901 %	23,470	(22,554)	916
Los Angeles Community College District	0.055	627,215	(626,870)	345
Cerritos Community College District	0.392	37,325	(37,179)	146
Compton Community College District	2.505	39,800	(38,803)	997
Long Beach Community College District	88.420	38,500	(4,458)	34,042
Compton Unified School District	0.032	59,000	(58,981)	19
ABC Unified School District	1.485	56,350	(55,513)	837
Long Beach Unified School District	88.423	256,685	(29,716)	226,969
Los Angeles Unified School District	0.068	4,481,515	(4,478,468)	3,047
Paramount Unified School District	9.725	33,120	(29,899)	3,221
Los Angeles County Flood Control District	3.890	137,345	(132,002)	5,343
Metropolitan Water District	2.018	389,750	(381,885)	7,865
Total Overlapping Tax And Assessment Debt (1)		<u>6,180,075</u>	<u>(5,896,328)</u>	<u>283,747</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	3.901 %	1,427,304	(1,371,625)	55,679
Los Angeles County Pension Obligations	3.901	1,320,852	(1,269,326)	51,526
Los Angeles County Superintendent of Schools Certificates of Participation	3.901	23,766	(22,839)	927
Long Beach Community College District Certificates of Participation	88.420	34,300	(3,972)	30,328
Los Angeles Unified School District Certificates of Participation	0.068	801,618	(801,073)	545
Long Beach Unified School District Certificates of Participation	88.423	65,560	(7,590)	57,970
Compton Unified School District Certificates of Participation	0.032	19,790	(19,784)	6
Paramount Unified School District Certificates of Participation	9.725	30,325	(27,376)	2,949
County Sanitation District No. 1 Certificates of Participation	1.210	28,496	(28,151)	345
County Sanitation District No. 2 Certificates of Participation	0.177	44,000	(43,922)	78
County Sanitation District No. 3 Certificates of Participation	84.330	33,433	(5,239)	28,194
County Sanitation District No. 8 Certificates of Participation	2.321	17,410	(17,006)	404
County Sanitation District No. 19 Certificates of Participation	38.028	7,925	(4,911)	3,014
Total Gross Overlapping General Fund Obligation Debt		<u>3,854,779</u>	<u>(3,622,814)</u>	<u>231,965</u>
Total Gross Overlapping Combined Debt		10,034,854	(9,519,142)	515,712
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		<u>(55,345)</u>	<u>(53,186)</u>	<u>(2,159)</u>
Total Net Overlapping Combined Debt		<u>9,979,509</u>	<u>(9,465,956)</u>	<u>513,553</u>
Total Net Direct And Overlapping Combined Debt (1)		<u>\$ 10,388,429</u>	<u>\$ (9,586,191)</u>	<u>\$ 802,238</u>

## Notes:

- (1) Excludes 1915 Act and Mello-Roos Act bonds.
- (2) The lease revenue bonds amount is net of the Civic Center Project 1997 Series A \$885,000 principal payment paid to the trustee on September 15, 2004 as required by the bond resolution for principal due to bondholders on October 1, 2004.
- (3) The Marks-Roos Bonds amount is net of the Temple and Willow Facility 1998 Series A & B Bonds \$740,000 principal payment paid to the trustee on September 15, 2004 as required by the bond resolution for principal due to bondholders on October 1, 2004.

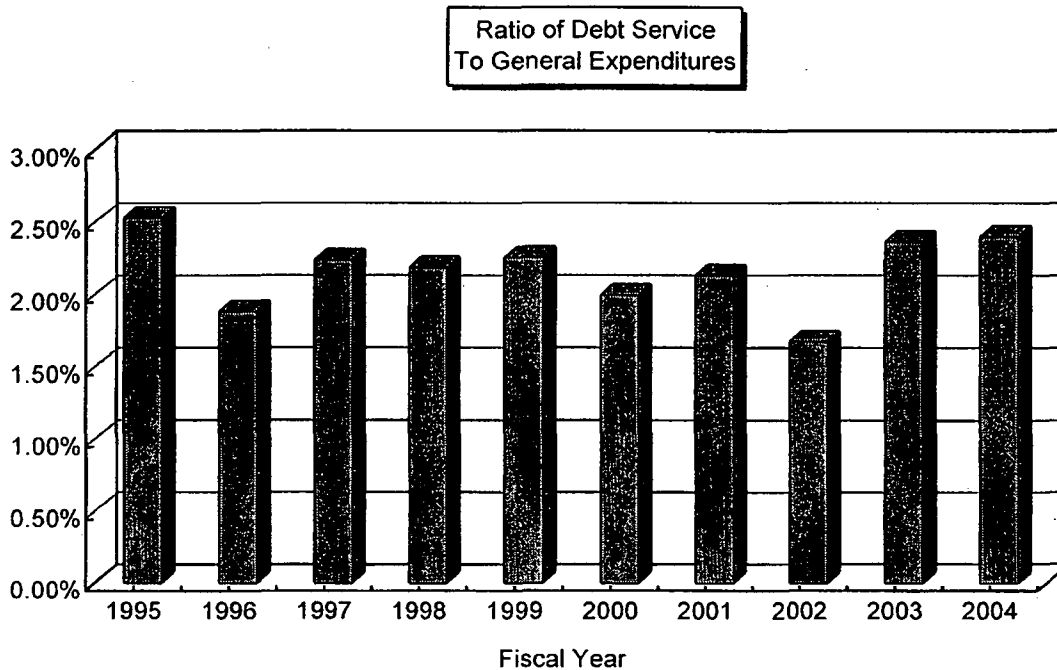
Source: California Municipal Statistics, Inc.

City of Long Beach  
 Ratio of Annual Debt Service for  
 General Bonded Debt to Total General Expenditures  
 Last Ten Fiscal Years  
 (In Thousands)

Fiscal Year-end (1) and (2)	Principal	Interest	Total Debt Service	Total General Expenditures (3)	Ratio of Debt Service to General Expenditures
1995	\$ 2,665	\$ 8,328	\$ 10,993	\$ 434,177	2.53%
1996	2,775	8,213	10,988	583,739	1.88%
1997	2,895	8,081	10,976	490,894	2.24%
1998	3,035	7,746	10,781	493,536	2.18%
1999	2,810	7,738	10,548	467,942	2.25%
2000	2,955	6,809	9,764	488,767	2.00%
2001	3,155	7,422	10,577	496,349	2.13%
2002	2,740	7,000	9,740	581,575	1.67%
2003	3,570	10,238	13,808	584,118	2.36%
2004	4,682	10,017	14,699	612,191	2.40%

Notes:

- (1) The figures include all governmental fund types (General, Special Revenue and Capital Projects Funds), including the Long Beach Housing Authority and the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles.
- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. The amounts for the fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (3) Expenditures are on the actual (GAAP) basis.



Source: City of Long Beach, Department of Financial Management.

City of Long Beach  
 Schedule of Revenue Bond Coverage for Proprietary Funds  
 Gas Fund Revenue Bond Coverage  
 Last Ten Fiscal Years  
 (In Thousands)

Fiscal Year-end (1) and (3)	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1995	\$ 70,941	\$ 41,233	\$ 29,708	\$ 3,910	\$ 33,618	\$ 450	\$ 609	\$ 1,059	31.7
1996	80,526	45,736	34,790	2,208	36,998	465	596	1,061	34.9
1997	66,455	46,975	19,480	1,969	21,449	475	580	1,055	20.3
1998	69,511	49,492	20,019	2,251	22,270	495	563	1,058	21.0
1999	75,654	47,757	27,897	2,004	29,901	510	545	1,055	28.3
2000	70,874	56,478	14,396	1,511	15,907	530	524	1,054	15.1
2001	124,691	118,667	6,024	1,855	7,879	550	502	1,052	7.5
2002	62,301	51,289	6,024	1,004	7,028	575	478	1,053	6.7
2003	75,323	64,331	10,992	738	11,730	600	452	1,052	11.2
2004	83,752	73,059	10,693	5,360	16,053	625	424	1,049	15.3

Water Fund Revenue Bond Coverage  
 Last Ten Fiscal Years  
 (In Thousands)

1995	\$ 49,965	\$ 41,303	\$ 8,662	\$ 4,506	\$ 13,168	\$ 1,270	\$ 2,489	\$ 3,759	3.5
1996	70,784	56,027	14,757	4,022	18,779	985	2,669	3,654	5.1
1997	60,247	45,122	15,125	3,095	18,220	1,045	2,627	3,672	5.0
1998	56,395	42,932	13,463	3,130	16,593	1,125	2,539	3,664	4.5
1999	57,619	43,854	13,765	6,043	19,808	1,325	2,247	3,572	5.5
2000	60,252	46,508	13,744	1,066	14,810	1,385	2,194	3,579	4.1
2001	57,773	46,526	11,247	4,554	15,801	1,450	2,138	3,588	4.4
2002	58,969	48,324	10,645	1,616	12,261	1,505	2,080	3,588	3.4
2003	58,944	44,653	14,291	1,162	15,453	1,570	2,019	3,589	4.3
2004	63,185	47,752	15,433	2,055	17,488	1,645	1,954	3,599	4.9

Solid Waste Management Fund  
 SERRF Authority Revenue Bond Coverage  
 Last Ten Fiscal Years (2)  
 (In Thousands)

1995	\$ 67,162	\$ 45,937	\$ 21,225	\$ 2,947	\$ 24,172	\$ 4,950	\$ 12,641	\$ 17,591	1.4
1996	88,480	58,215	30,265	3,145	33,410	-	11,023	11,023	3.0
1997	73,745	49,418	24,327	4,882	29,209	-	9,623	9,623	3.0
1998	75,034	49,056	25,978	5,043	31,021	-	9,623	9,623	3.2
1999	66,486	49,643	16,843	2,886	19,729	3,000	9,623	12,623	1.6
2000	65,005	52,409	12,596	5,004	17,600	3,400	9,307	12,707	1.4
2001	71,188	59,387	11,801	6,219	18,020	3,700	9,069	12,769	1.4
2002	67,931	58,441	9,490	5,376	14,866	3,900	8,814	12,714	1.2
2003	69,441	55,073	14,368	(6,332)	8,036	4,200	5,088	9,288	0.9
2004	71,198	56,169	15,029	(2,424)	12,605	4,500	4,914	9,414	1.3

## Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The SERRF Authority issued revenue bonds on December 1, 1985, and August 1 and December 1, 1986. According to the December 1, 1986 bond resolution interest was funded from bond proceeds through August, 1989. These bonds were refunded by the SERRF Authority Lease Revenue refunding Bond Series 1995. Current debt service payments for the previous issues were covered by the 1995 refunding issue proceeds. The 1995 refunding bonds were refunded by the SERRF Authority Lease Revenue Bonds Series 2003 in October 2003.
- (3) Effective July 1, 1995 the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the fiscal year ended 1996 are for a fifteen month period from July 1, 1995 through September 30, 1996.

Source: City of Long Beach, Department of Financial Management.



## Schedule of Revenue Bond Coverage for Proprietary Funds

Civic Center Fund  
Civic Center Revenue Bond Coverage  
Last Ten Fiscal Years (2)  
(In Thousands)

Fiscal Year-end (3)	Operating Revenue (2)	Operating Expenses (1) and (2)	Net Operating Income	Non- Operating Income (Loss) (1) and (2)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1995	\$ 10,094	\$ 5,766	\$ 4,328	\$ 554	\$ 4,882	\$ 1,560	\$ 1,400	\$ 2,960	1.6
1996	12,782	7,103	5,679	948	6,627	2,865	1,937	4,802	1.4
1997	10,313	5,142	5,171	826	5,997	1,560	1,176	2,736	2.2
1998	10,272	5,807	4,465	6,510	10,975	720	1,808	2,528	4.3
1999	10,207	5,859	4,348	424	4,772	795	2,091	2,886	1.7
2000	10,178	6,549	3,629	2,047	5,676	875	2,087	2,962	1.9
2001	10,314	5,988	4,326	1,877	6,203	915	2,048	2,963	2.1
2002	11,805	7,509	4,296	1,203	5,499	950	2,008	2,958	1.9
2003	11,805	7,509	4,296	1,203	5,499	950	2,008	2,958	1.9
2004	11,899	6,893	5,006	378	5,384	885	1,929	2,814	1.9

Fleet Services Fund  
Temple Willow Revenue Bond Coverage  
Last Seven Fiscal Years  
(In Thousands)

1998	\$ 19,666	\$ 14,256	\$ 5,410	\$ (58)	\$ 5,352	\$ -	\$ 784	\$ 784	6.8
1999	21,644	13,818	7,826	1,642	9,468	605	1,882	2,487	3.8
2000	22,891	15,019	7,872	1,288	9,160	630	1,858	2,488	3.7
2001	24,560	15,181	9,379	2,168	11,547	655	1,832	2,487	4.6
2002	27,101	14,942	12,159	674	12,833	680	1,806	2,486	5.2
2003	26,382	14,258	12,124	52	12,176	710	1,778	2,488	4.9
2004	24,684	15,557	9,127	656	9,783	740	1,749	2,489	3.9

## Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Civic Center Authority was dissolved in December 1997. The Civic Center Project 1997 Bonds were issued in December 1997 to refund the Civic Center Authority Bonds and to provide additional project funds for improvements. The 1998 Non-Operating Income consists of \$4.6 million in miscellaneous revenues as a result of the Civic Center Authority dissolution.
- (3) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. As a result the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996. Also, since the Civic Center debt service is due on September 1, the principal amount reflects cash payments for September 1, 1995 and September 1, 1996. The interest amount reflects cash payments for September 1, 1995, and March 1 and September 1, 1996.

Source: City of Long Beach, Department of Financial Management.

## City of Long Beach

## Schedule of Revenue Bond Coverage for Proprietary Funds

Tideland Operating Segment  
Revenue Bond Coverage  
Last Four Fiscal Years (2)  
(In Thousands)

Fiscal Year-end (4)	Beginning Unreserved Fund Balance	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non - Operating Income (Loss) (1)	Net Amount Available for Debt Service	Debt Service Requirements			Times Coverage
							Principal	Interest	Total	
2001	N/A	\$ 19,240	\$ 20,746	\$ (1,506)	\$ 2,952	\$ 1,446	\$ 1,000	\$ 2,761	\$ 3,761	-
2002	N/A	27,783	37,623	(9,840)	5,724	(4,116)	-	6,558	6,558	-
2003	N/A	31,699	37,496	(5,797)	2,088	(3,709)	-	6,558	6,558	-
2004	N/A	32,390	37,600	(5,210)	1,815	(3,395)	-	6,558	6,558	-

Marina Segment  
Marina Revenue Bond Coverage  
Last Ten Fiscal Years (3)  
(In Thousands)

1995	\$ 9,076	\$ 13,557	\$ 10,282	\$ 3,275	\$ 832	\$ 13,183	\$ 1,835	\$ 2,479	\$ 4,314	3.1
1996	5,012	16,321	13,731	2,590	943	8,545	60	2,238	2,298	3.7
1997	3,279	13,056	10,716	2,340	294	5,913	2,150	1,500	3,650	1.6
1998	1,338	13,975	11,171	2,804	(83)	4,059	2,240	1,411	3,651	1.1
1999	821	13,940	10,617	3,323	358	4,502	2,335	1,316	3,651	1.2
2000	3,310	14,055	11,017	3,038	1,830	8,178	2,435	1,214	3,649	2.2
2001	1,014	14,995	10,727	4,268	(79)	5,203	2,545	1,107	3,652	1.4
2002	974	15,564	10,812	4,752	470	6,196	2,660	991	3,651	1.7
2003	1,412	16,171	10,293	5,878	(370)	6,920	2,785	867	3,652	1.9
2004	1,851	16,223	10,759	5,464	571	7,886	2,915	734	3,649	2.2

## Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Long Beach Aquarium of the Pacific Lease Revenue Refunding Bonds Series 2001 were issued to (1) refund the Long Beach Aquarium of the Pacific Revenue Bonds 1995 Series A and 1995 Series B, (2) to fund a reserve fund for the Series 2001 Bonds, and (3) to pay certain costs of issuance in connection with the Series 2001 Bonds. Fiscal year 2001 reflects final bond payment of \$1,000,000 for the Parking Authority Refunding bonds.
- (3) The Marina Refunding Revenue Bonds Series 1986 were refunded by the Marina Refunding Revenue Bonds Series 1995. Current debt service payments for the 1986 Bonds were covered by the 1995 refunding issue proceeds.
- (4) Effective July 1, 1995 the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the fiscal year ended 1996 are for a fifteen month period from July 1, 1995 through September 30, 1996.

Source: City of Long Beach, Department of Financial Management.

## City of Long Beach

## Schedule of Revenue Bond Coverage for Proprietary Funds

Rainbow Harbor Area Segment  
Revenue Bond Coverage  
Last Six Fiscal Years (3)  
(In Thousands)

Fiscal Year-end (2)	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non- Operating Income (1) (Loss)	Net Revenue Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1999	\$ 3,779	\$ 3,589	\$ 190	\$ 501	\$ 691	\$ -	\$ -	\$ -	-
2000	2,036	3,572	(1,536)	429	(1,107)	-	-	-	-
2001	2,170	3,808	(1,638)	372	(1,266)	-	2,440	2,440	-
2002	2,486	3,799	(1,313)	384	(929)	65	2,440	2,505	-
2003	2,672	3,740	(1,068)	596	(472)	80	2,437	2,517	-
2004	4,609	5,537	(928)	154	(774)	90	2,434	2,524	-

Harbor Fund  
Revenue Bond Coverage  
Last Ten Fiscal Years  
(In Thousands)

1995	\$ 151,512	\$ 34,786	\$ 116,726	\$ (7,466)	\$ 109,260	\$ 10,375	\$ 29,086	\$ 39,461	2.8
1996	218,650	52,479	166,171	4,698	170,869	15,175	39,128	54,303	3.1
1997	177,230	36,874	140,356	15,189	155,545	16,620	47,384	64,004	2.4
1998	188,587	38,238	150,349	16,635	166,984	18,690	42,371	61,061	2.7
1999	198,483	39,952	158,531	5,220	163,751	22,680	44,637	67,317	2.4
2000	225,504	45,286	180,218	3,436	183,654	26,715	39,806	66,521	2.8
2001	228,079	50,573	177,506	14,080	191,586	28,290	46,165	74,455	2.6
2002	223,999	40,085	183,914	6,386	190,300	17,960	51,239	69,199	2.8
2003	249,542	45,394	204,148	(2,524)	201,624	30,145	60,757	90,902	2.2
2004	280,782	59,755	221,027	12,987	234,014	32,590	60,474	93,064	2.5

## Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes amortization and interest expense.
- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (3) The Rainbow Harbor Area Segment of the Tidelands Fund fund balance is considered adequate to cover the debt service. Operating transfers are made to provide funding to the Rainbow Harbor Area from other Tidelands funds on an as needed basis.

Source: City of Long Beach, Department of Financial Management.

City of Long Beach  
Demographic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year-end</u>	<u>Estimated Population (A)</u>	<u>Median Age (B)</u>	<u>Public School Enrollment (D)</u>	<u>Unemployment Rate (E)</u>
1995	442,106	30.0	84,721	8.0 %
1996	425,807	29.8	88,530	8.2
1997	441,718	29.0	91,932	6.6
1998	446,227	28.9	89,408	6.2
1999	452,905	29.0	91,465	5.6
2000	459,900	29.0	94,527	5.5
2001	467,300	30.8	95,193	5.7
2002	473,100	31.0	97,369	6.3
2003	480,400	N/A	97,370	6.4
2004	487,100	N/A	97,560	5.9

## Sources:

- (A) California Department of Finance. In 1996 the City of Long Beach Planning and Building Department calculated the city population based on the redistricting to be 425,807. The estimated population per the California Department of Finance for fiscal year 1996 was 437,708.
- (B) The Los Angeles County Health Department population projections are used for fiscal year 1995. The City of Long Beach, Department of Planning and Building Advance Planning Division's estimate is used for fiscal years 1996 through 2002. As of fiscal year 2003, Advanced Planning no longer compiles this estimate.
- (C) Long Beach, Department of Planning and Building and "1990 Census" from U.S. Bureau of Census for persons age 15 years and over is used for fiscal year 1995.
- (D) Annual school census from Long Beach Unified School District for preschool, grades Kindergarten through 12.
- (E) Average annual rate reported by California Employment Development Department (EDD).

City of Long Beach  
Construction Value and Bank Deposits -  
Last Ten Fiscal Years

Fiscal Year-end (2)	Construction (A)									Bank Deposits (000's) (B)
	Industrial		Commercial & Office		Residential		All Others			
	Number of Permits	Valuation (000's)	Number of Permits	Valuation (000's)	Number of Permits	Valuation (000's)	Number of Permits	Valuation (000's) (1)		
1995	10	\$ 4,247	34	\$ 6,479	57	\$ 19,303	5,484	\$ 91,640	\$ 4,672,000	
1996	10	2,233	42	24,610	87	13,340	7,291	191,743	4,658,000	
1997	8	1,942	21	20,614	61	13,071	5,748	112,171	3,983,000	
1998	5	9,471	53	66,847	110	19,344	6,022	130,303	4,142,000	
1999	2	6,627	39	48,232	61	20,697	6,470	123,666	4,084,000	
2000	6	16,528	33	17,425	133	25,145	6,465	133,232	4,193,201	
2001	16	12,486	37	57,391	119	113,972	6,744	166,041	4,352,495	
2002	6	9,500	42	78,737	105	78,512	7,350	184,706	4,741,291	
2003	35	5,000	32	59,229	63	120,566	8,581	235,922	5,271,266	
2004	24	7,550	20	9,411	94	49,226	8,487	(1) 200,632 (1)	5,760,711	

## Notes:

(1) The all others valuation for fiscal year 1996 includes permits for the Los Altos and Marina Pacifica shopping center improvements, Long Beach Aquarium of the Pacific and Boeing SeaLaunch projects; fiscal year 2001 includes permits for the Camden development and pier improvements at the Port of Long Beach; fiscal year 2002 includes permits for numerous alterations and additions to residential units, tenant improvements for the Carnival Cruise Terminal and Boeing Building 52, and the addition of shark tanks, life support equipment, restrooms and retail area at the Aquarium of the Pacific, and fiscal year 2003 includes permits for earthquake retrofit of the Public Safety building, construction of a 130,000 square-foot wharf, wharf upgrade and conveyor system at Pier G, construction of a one-story police station, tenant development of a 14-screen cinema and Gameworks, and tenant improvements for the Carnival Cruise Terminal and Boeing Building 52.

The all others valuation for fiscal year 2004 includes permits for: installation of 2 canopies and 13 explosive detection devices at the Long Beach Airport, remodel of the World Trade Center, seismic retrofit of Trimark's Pacific Temple Lofts, install duct and structural support at Pier D, tenant improvements for Superior Super Warehouse and Public Safety building, tenant improvement and expansion of Coast Cadillac and Toyota Motors Manufacturing USA, and tenant development of Club V.

In fiscal year 2004, a decrease in the number of permits and the valuation of these permits was primarily due to lower number of construction for large, residential building complexes and issuance of the \$16 million permit in fiscal year 2003 for earthquake retrofitting of the Public Safety building in comparison to the current fiscal year.

(2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.

## Sources:

(A) City of Long Beach, Department of Planning and Building.

(B) Fiscal year 1995 is from the State Superintendent of Banks. The data for the fiscal years 1996 through 2004 is from the Federal Deposit Insurance Corporation as of June 30.

City of Long Beach  
Principal Taxpayers  
September 30, 2004  
(In Thousands)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003-2004 Assessed Valuation</u>	<u>Percent of Total Net Assessed Valuation</u>
AES Alamitos LLC	Power Plant	\$ 629,000	2.37 %
The Boeing Company	Industrial	547,223	2.06
Trizechahn Centers, Inc.	Office Building	141,639	0.53
Arco Terminal Services Corp	Industrial	86,225	0.32
Pacific Towers Associates	Office Building	59,322	0.22
Alamitos Bay Partnership	Hotel	56,307	0.21
Arden Realty LP	Office Building	45,603	0.17
Essex Portfolio LP	Apartments	45,427	0.17
Long Beach Generation LLC	Power Plant	44,900	0.17
Atlantic Richfield Co.	Industrial	<u>43,592</u>	<u>0.16</u>
	Total	<u>\$ 1,699,238</u>	<u>6.38 %</u>

Note:

Beginning with fiscal year 1989, the State Board of Equalization has deleted the public utility "unitary" values from the total public utility assessed value. The valuations exclude mineral rights, possessory interest and unsecured assessed valuations.

Source: California Municipal Statistics, Inc.

## City of Long Beach

## Miscellaneous Utility Statistics

Gas Utility  
Last Ten Fiscal Years  
(In Thousands)

Fiscal Year-end (1)	Consumption in Sales Dollars				Consumption in Cubic Feet				Average Rate per MCF (3)	Average No. of Customers
	Residential	Commercial Industrial	Others (2)	Total	Residential	Commercial Industrial	Others (2)	Total		
1995	\$ 42,522	\$ 22,468	\$ 831	\$ 65,821	6,183,632	6,082,775	1,783,410	14,049,817	\$ 4.68	138
1996	48,249	24,720	30	72,999	6,403,666	7,040,942	8,323	13,452,931	5.43	138
1997	43,097	18,144	65	61,306	5,783,834	5,571,864	30,913	11,386,611	5.38	138
1998	46,133	18,706	30	64,869	6,270,643	6,362,973	22,828	12,656,444	5.13	139
1999	52,352	18,462	34	70,848	6,844,493	6,481,684	23,780	13,349,957	5.31	140
2000	47,083	18,122	14	65,219	6,016,099	6,174,824	15,237	12,206,160	5.31	140
2001	87,404	32,083	25	119,512	6,036,334	5,414,312	16,657	11,467,303	10.42	140
2002	42,400	13,886	81	56,367	6,049,213	4,848,943	39,049	10,937,205	5.15	144
2003	49,888	18,354	1,350	69,592	5,651,109	4,287,971	640,659	10,579,739	6.58	145
2004	56,173	21,486	2,006	79,665	5,810,339	5,366,542	805,992	11,982,873	6.65	145

## Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Since August 1994, Southern California Edison is no longer a utility electric generation customer.
- (3) MCF = thousand cubic feet

Ten Largest Gas Users  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)

	Consumption	
	In Dollar Sales	In Cubic Feet
Montenay Pacific Power Corporation	\$1,267	139,908
Memorial Hospital	553	79,687
Long Beach Aquarium Cogeneration	456	58,707
THUMS Cogeneration	374	290,270
Edington Oil	259	644,087
Distributed Generation	241	31,578
International Garment & Finish	241	30,636
American Textile	220	27,519
Long Beach Convention Center	202	27,525
Asphalt Products	160	20,439
<b>Total</b>	<b>\$3,973</b>	<b>1,350,356</b>

## Other Gas Utility Miscellaneous Statistics:

Number of gas meters	152,341	
Average daily consumption	32,830	MCF
Gas mains	919.9	miles

Source: City of Long Beach, Long Beach Energy Department.

## City of Long Beach

## Miscellaneous Utility Statistics

Water Utility  
Last Ten Fiscal Years  
(In Thousand Gallons)

Fiscal Year-end (1)	Consumption		Source of Supply			Total Available Supply
	Daily Average Demand	Annual Demand	Total Pumped	Total Purchased	Total Reclaimed	
1995	59,977	21,894,940	5,788,743	16,102,905	974,946	22,866,594
1996	64,281	29,252,458	7,733,422	21,514,638	1,993,882	31,241,942
1997	63,374	23,134,900	7,479,258	15,652,253	1,647,829	24,779,340
1998	59,561	21,743,070	7,700,837	14,038,964	1,370,203	23,110,004
1999	60,615	22,127,958	7,703,443	14,421,188	1,494,353	23,618,984
2000	63,619	23,220,794	8,076,869	15,143,925	1,691,167	24,911,961
2001	61,226	22,347,490	7,971,945	14,375,569	1,363,361	23,710,875
2002	62,259	22,724,523	8,478,643	14,245,880	1,789,900	24,514,423
2003	60,308	22,012,177	7,445,369	14,567,169	1,670,638	23,683,176
2004	63,331	23,115,870	8,354,494	14,761,376	1,956,084	25,071,954

## Note:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. The amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.

Ten Largest Water Users  
For the Fiscal Year Ended September 30, 2004  
(In Thousands)

	Consumption	
	In Dollar Sales	In Gallons
City of Long Beach	\$ 3,031	1,313
Long Beach Unified School District	711	272
Montenay Pacific Power Corporation	489	234
AES Southland LLC	425	202
California State University, Long Beach	319	143
L.A. County Community Development	256	93
Veterans Affairs Medical Center	212	99
Memorial Medical Center	211	96
L.A.D.W.P.	206	93
Carnival Corporation	172	81
Total	\$ 6,032	2,626

## Other Water Utility Miscellaneous Statistics:

Number of water services	94,730
Number of fire hydrants	6,640
Water mains	907 miles

Source: City of Long Beach, Water Department.



## City of Long Beach

Miscellaneous Statistics  
Public Works Department  
Airport  
Last Ten Fiscal Years

Fiscal Year-end (1)	Commercial Passengers		Air Cargo (Pounds) (000's)		Number of Aircraft Landings & Take Offs				Fuel Flowage (Gallons) (000's)
	Enplaned	Deplaned	Enplaned	Deplaned	Air	Air	General	Military	
					Carrier	Taxi	Aviation		
1995	211,206	208,685	34,382	19,177	7,588	1,438	475,823	3,075	10,950
1996	291,559	288,770	49,524	24,241	9,908	6,053	597,873	2,268	14,794
1997	274,029	268,283	44,551	21,485	9,035	4,678	433,958	1,596	14,555
1998	303,979	308,303	50,457	26,858	9,727	6,278	433,826	1,279	16,366
1999	461,411	451,064	55,486	34,066	15,518	6,535	480,538	2,033	20,163
2000 (2)	318,580	340,875	62,539	37,405	12,623	5,416	392,130	1,385	19,768
2001	280,528	277,590	67,705	46,571	9,913	6,400	344,937	764	17,104
2002 (3)	515,634	503,360	64,858	47,477	11,973	8,906	328,952	83	24,701
2003 (4)	1,386,078	1,371,173	66,498	48,805	27,702	7,501	303,238	929	42,929
2004 (5)	1,479,623	1,462,348	65,035	48,384	28,478	7,458	307,232	825	45,313

## Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. The amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Commercial passenger count decreased due to cessation of service by Winair Airlines. General Aviation take offs and landings reflect modification of FAA Air Traffic Control Tower counting methodology which no longer includes aircraft transiting Long Beach Airport airspace.
- (3) In fiscal year 2002 the total number of daily flights for JetBlue, American, and America West airlines increased from eleven to thirty-two.
- (4) In fiscal year 2003, the total number of daily flights for JetBlue, American and America West Airlines increased from thirty-two to thirty-five. Horizon started operations in October 2002 with three commuter flights.
- (5) In fiscal year 2004, all 41 air carrier slots were used: 36 flights from four commercial airlines - JetBlue, American, America West and Alaska; and 5 slots from cargo carriers - Airborne Express, Federal Express, and UPS.

Source: City of Long Beach, Public Works Department, Airport Bureau.

City of Long Beach  
Miscellaneous Statistics  
Last Ten Fiscal Years

Fiscal Year-end (2)	Trees Trimmed Number of Trees	Refuse Collected Tons Collected	Curbs & Alleys Swept Miles	Southeast Resource Recovery Facility (SERRF)	
				Tons of Refuse Received	Power Produced In Megawatt- Hours (1)
1995	20,106	198,054	169,177	465,391	260,250
1996	21,500	251,907	207,406	589,042	322,756
1997	18,274	203,803	173,518	489,581	264,040
1998	23,169	209,262	190,018	464,324	258,735
1999	22,891	204,902	198,041	494,275	259,552
2000	23,427	211,051	189,953	480,515	267,580
2001	21,499	218,570	196,295	494,464	264,143
2002	21,807	224,776	195,778	504,626	272,239
2003	19,758	233,787	176,112	495,542	265,079
2004	14,908	224,331	164,253	490,196	267,888

Notes:

(1) Megawatt-hours sold to Southern California Edison included in the total power produced is as follows

<u>Fiscal Year (2)</u>	<u>Megawatt-Hours</u>
1995	228,163
1996	280,832
1997	230,681
1998	225,985
1999	226,699
2000	233,714
2001	230,712
2002	236,730
2003	230,619
2004	233,062

(2) Effective July 1, 1995 the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.

Source: City of Long Beach, Public Works and Long Beach Energy Departments

City of Long Beach  
Miscellaneous Statistics  
Harbor Department  
Last Ten Fiscal Years

<u>Fiscal Year-end (1)</u>	<u>Container Movements (2)</u>	<u>Cargo (3)</u>	<u>Number of Ship Calls</u>
1995	2,739,516	89,783	5,063
1996	3,769,935	121,546	5,834
1997	3,386,118	103,940	4,726
1998	3,972,378	107,959	4,673
1999	4,301,770	117,449	5,028
2000	4,564,529	126,785	5,428
2001	4,491,690	124,078	5,501
2002	4,694,432	125,620	5,036
2003	4,388,815	118,236	4,937
2004	5,355,972	137,133	4,997

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Notes:

- (1) Effective July 1, 1995 the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Twenty-foot equivalent units (TEU).
- (3) Thousands of metric revenue tons.

Source: City of Long Beach, Harbor Department.

City of Long Beach  
 Summary of Major Employers  
 September 30, 2004

<u>Employer</u>	<u>Number of Employees</u>
Boeing	10,500
Long Beach Unified School District	9,064
City of Long Beach	6,289
California State University, Long Beach	6,007
Long Beach Memorial Medical Center	3,500
Long Beach City College	2,000
Verizon	2,000
United States Postal Service	1,900
Veterans Affairs Medical Center	1,700
St. Mary Medical Center	1,634
CSULB Foundation	1,600
Pacific Hospital of Long Beach	800
Long Beach Transit	740
SCAN Health Plan	700
Epson America, Inc.	650
Target Stores	557
CSULB Chancellor's Office	550
RMS Foundation, dba Queen Mary Seaport	550
TABC Inc.	500
Community Hospital of Long Beach	462
Jet Blue	436
Forty Niner Shops	400

Source: City of Long Beach, Department of Community Development, Long Beach Major Employer Directory-current listing. City of Long Beach Employees as of September 30, 2004 for permanent and part-time employees.

City of Long Beach  
Other Miscellaneous Statistics  
September 30, 2004

Date of incorporation	December 13, 1897	
Form of government	Mayor/Council-Manager	
Area	50 square miles	
Streets	815 miles	
Number of street lights	30,839	
Storm drain lines	180 miles	
	Fiscal Year	Fiscal Year
	2004	2003
Fire Protection (adopted budget):		
Number of firefighters and officers	473	500
Other non-safety personnel	81	56
Total Fire Personnel	<u>554</u>	<u>556</u>
Number of stations	23	24
Police Protection (adopted budget):		
Number of police officers and other sworn personnel	968	950
Civilian personnel	530	548
Total Police Personnel	<u>1,498</u>	<u>1,498</u>
Number of stations	1	1
Number of substations (full facility) (1)	2	2
Number of storefronts	4	4
Education (Elementary and Secondary):	<u>2004</u>	<u>2003</u>
Attendance Centers	91	89
Number of teachers	4,466	4,524
Number of students	97,560	97,370
Sewers:		
Sanitary sewers		712 miles
Manholes		16,031
Sanitary sewer pump stations		28
Storm drains pump stations		23
Recreation and culture:		
Number of parks (acres includes golf courses)		103 with 2,814 acres
Number of libraries		12
Number of library holdings (books, videos, tapes)		1,013,730
Number of library circulations		1,536,968
Employees:		
Permanent, classified service		3,980
Permanent, unclassified service		795
Part-time, temporary and seasonal		<u>1,514</u>
Total Employees		<u>6,289</u>

(1) In fiscal year 2003, the number of substations was reduced from three to two since the North Substation was under construction for most of fiscal years 2003 and 2004. As of fiscal year 2004, the North Substation has not yet officially opened.

City of Long Beach  
Infrastructure Maintenance and Improvements  
September 30, 2004

Public Works Department						
Fiscal Year-end (1)	City Streets Resurfaced and Striped (In Miles)	Red Curbs Repainted (In Linear Feet)	Traffic Signs Replaced	Burned-Out Street Lights Replaced	Sidewalk Repaired (In Square Feet)	Graffiti Removed (Number of Sites)
1995	78	390,500	5,100	5,928	54,516	24,474
1996	80	780,000	5,460	7,220	67,650	34,222
1997	90	399,945	3,697	6,001	56,835	23,242
1998	69	150,025	3,514	3,997	52,862	21,806
1999	73	117,000	3,610	2,038	53,000	19,207
2000	67	171,061	5,549	2,395	546,000	29,431
2001	11	147,840	3,743	2,482	480,558	39,998
2002	81	128,000	4,949	4,379	540,615	59,708
2003	52	66,000	3,569	7,774	372,104	60,137
2004	53	79,200	3,813	8,367	426,559	34,852

Water Department							
Fiscal Year-end (1)	Cast Iron Water Mains Replaced (In Feet)	Fire Hydrants Repaired	Water Meters Repaired	Sewer Mains & Laterals Repaired (3)	Sewer Mains Cleaned (In Miles)	Sewer Manholes Chemically Treated.	Storm Drain Catch Basins Cleaned (2)
1995	24,233	1,018	12,908	16,873	349	3,711	4,460
1996	58,946	1,111	17,351	26,283	588	11,909	5,900
1997	68,148	1,165	14,238	7,186	453	10,142	4,950
1998	70,583	185	12,200	1,600	405	7,959	4,990
1999	75,244	475	18,674	2,232	318	7,184	6,436
2000	75,005	183	17,561	4,524	257	4,843	5,070
2001	61,765	358	10,713	384	291	3,501	6,865
2002	85,297	732	2,960	147	396	5,000	6,269
2003	71,000	395	2,900	97	341	3,000	8,614
2004	63,960	376	7,076	316	437	3,000	10,202

Long Beach Energy Department			
Fiscal Year-end (1)	Gas Mains Replaced/ Relocated (In Feet)	Gas Mains Installed (In Feet)	Gas Meters Installed/ Removed/ Replaced
1995	7,445	6,411	4,800
1996	9,728	4,754	7,749
1997	10,588	8,097	5,786
1998	8,230	6,698	7,537
1999	42,525	32,397	6,707
2000	10,932	4,892	6,707
2001	19,612	4,347	4,162
2002	28,324	10,102	5,697
2003	51,444	19,306	4,846
2004	10,388	4,450	4,716

## Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30, from a June 30 fiscal year end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Effective October 1, 1998, the Water Department maintains the storm drain operations.
- (3) For fiscal years 1995 through 2000, the Water Department tracked repairs by the number of feet. Beginning in fiscal year 2001, repairs are tracked according to the number of jobs.

Source: City of Long Beach

City of Long Beach  
 Schedule of Insurance in Force  
 September 30, 2004

**LIABILITY<sup>1</sup>**

<u>Program</u>	<u>Expiration</u>	<u>Company/Policy Number</u>	<u>Kind of Insurance</u>	<u>Amount/limits by carrier</u>	<u>Limit by program</u>
<b>Excess Municipal Liability</b>	7/1/2005	Insurance Co. of the State of PA/ 4204-1492	Third party liability; public officials errors and omissions; unfair employment practices; TRIA	\$10,000,000 excess of \$3,000,000 self-insured retention	\$20 million over a \$3 million self-insured retention
	7/1/2005	Evanston Insurance Company /XO-NJ-1780-04	Third party liability; public officials errors and omissions, unfair employment practices	\$10,000,000 excess of \$13,000,000	
<b>Airport Liability</b>	6/30/2005	Old Republic Insurance Company/ ORPR0002309-012	General liability, products liability, hangarkeepers legal liability	\$100,000,000 per occurrence (no deductible) subject to \$50,000,000 sublimits each for personal injury, malpractice, excess auto, terrorism, and excess EMP	
	6/30/2005	Underwriters at Lloyds/ JDDNX0980701	Excess general liability, excess products liability, excess hangarkeepers legal liability		
<b>Aircraft Liability</b>	6/30/2005	Old Republic Insurance Company/ ORHL000708-01	Aircraft liability and hull coverage for two EC-130 police helicopters.	\$50,000,000 per occurrence (no deductible) for third party liability; hull physical damage coverage subject to hull ded. of \$1,000 for rotors not in motion and 5% for rotors in motion	

1 Liability coverage for the SERRF Authority is purchased by the operator, Onyx/Montenay Pacific Power Corporation.

**City of Long Beach  
Schedule of Insurance in Force  
September 30, 2004  
(continued)**

**MISCELLANEOUS COVERAGES**

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
<b>Bonds</b>	6/30/2006	AIG / 28243892	Employee dishonesty with faithful performance. Covers all officials and employees. Computer and electronic fraud coverage is included.	\$5,000,000 (\$25,000 deductible)
	6/30/2005	Hartford / 72BPEBT4965	Deductible buy-down	\$25,000 (\$2,000 deductible)
	Various	Hartford Insurance Company	Vehicle Verifier Bonds covering various employees	\$5,000 per bond
<b>Excess Workers Compensation</b>	7/1/2005	CSAC Excess Insurance Authority (reinsured by Renaissance Re, Montpelier Re & AXIS Re.)/ B-EWC (TBD)	Excess workers' compensation and employer's liability over a \$5,000,000 self-insured retention	\$95,000,000 work comp; \$5,000,000 employers' liability and Jones Act coverage \$10,000,000 terrorist acts/\$5,000,000 NBCR
<b>Travel Accident</b>	10/15/07	AIG Life Insurance Company /GTP8038087	Accidental death and dismemberment coverage for officials and employees injured on business travel and for guests in City helicopters	\$500,000 per person, \$5,000,000 aggregate
<b>Special Events</b>				
<u>Primary layer</u>	1/1/2005	Axis Surplus/ ALP7052067	Liability coverage available for persons or entities seeking a special event permit from the City. The City of Long Beach is an additional insured on these policies.	\$250,000
<u>Excess layer</u>	1/1/2005	Axis Surplus/ ZXB300838A	Liability coverage available for persons or entities seeking a special event permit from the City. The City of Long Beach is an additional insured on these policies.	\$750,000
<u>Optional excess layer</u>	1/1/2005	Axis Surplus/ ZXB300938A	Liability coverage available for persons or entities seeking a special event permit from the City. The City of Long Beach is an additional insured on these policies.	\$1,500,000

**OTHER LIABILITY INSURANCE POLICIES**

Entities purchasing under the direction of Risk Management that are directly related to the City of Long Beach are listed below.

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
<b>Redevelopment Agency of the City of Long Beach</b>	9/29/2005	Illinois Union Insurance Co./ G22078458	General liability, errors and omissions liability, non-owned auto liability, employment practices liability	\$5,000,000 (\$10,000 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)
<b>Long Beach K-9 Officers' Association</b>	9/29/2005	Illinois Union Insurance Co./ G22078458	Liability protection (dogs off-duty)	\$1,000,000 per occurrence (\$2500 deductible)
<b>Long Beach Housing Development Company</b>	9/29/2005	Illinois Union Insurance Co./ G22078458	General liability, directors and officers liability, non-owned auto liability	\$5,000,000 (\$5,000 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)

The other Long Beach-based entities assisted by Risk Management include the Community Hospital of Long Beach, Rancho Los Cerritos Foundation, Partners of Parks, Long Beach Museum of Art Foundation, Long Beach Public Library Foundation, Friends of the Long Beach Public Library Foundation, Long Beach Aquarium of the Pacific, RMS Foundation (Queen Mary), and the Spring Street Corridor JPA.



City of Long Beach  
Schedule of Insurance in Force  
September 30, 2004  
(continued)

**PROPERTY**

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount by carrier</u>	<u>Limit by program</u>
<b>General Property</b> Primary Layer A	7/1/2005	Lexington/ RKM103900343	All Risk Property	\$10,000,000	
Excess Layer B1	7/1/2005	Lloyds of London/RKMI03900343A	All Risk Property	\$60,000,000	
Excess Layer B1	7/1/2005	Great Lakes/ RKM103900343A	All Risk Property	\$60,000,000	
Excess Layer B2	7/1/2005	Commonwealth/ US 5292	All Risk Property	\$18,000,000	\$750 million of All Risk property coverage for the full replacement value of City-owned property, (including the Queen Mary properties
Excess Layer B2	7/1/2005	Axis Specialty/ TBD	All Risk Property	\$10,800,000	
Excess Layer B2	7/1/2005	Essex / EPEP 10040	All Risk Property	\$9,000,000	
Excess Layer B2	7/1/2005	Arch Specialty Insurance/ ESP000028600	All Risk Property	\$7,200,000	
Excess Layer B3	7/1/2005	Commonwealth/ US 5203	All Risk Property	\$37,500,000	
Excess Layer B3	7/1/2005	Axis Specialty Insurance/ TBD	All Risk Property	\$37,500,000	
Excess Layer C	7/1/2005	Lloyd's/ RKM103900343C	All Risk Property	\$250,000,000	
Excess Layer D	7/1/2005	Insurance Co. of the West/ CHO 18781101	All Risk Property	Excess Layer D	

**BOILER AND MACHINERY**

\$100,000,000 limits with various deductibles ranging from \$2,500 to \$375,000 based on size and power

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
Primary Layer A	7/1/2005	Lexington/ RKM103900343	Property damage and business interruption on City-owned properties, except SERRF	\$10,000,000
Excess Layer B1	7/1/2005	Lloyds of London/RKMI03900343A	Property damage and business interruption on City-owned properties, except SERRF	\$45,000,000
Excess Layer B1	7/1/2005	Great Lakes/ RKM103900343A	Property damage and business interruption on City-owned properties, except SERRF	\$45,000,000