**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