



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

C-5

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May 13, 2014

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive and file the Comprehensive Annual Financial Report (CAFR) and Separately Issued Financial Statements for the Fiscal Year Ended September 30, 2013. (Citywide)

## DISCUSSION

### **Comprehensive Annual Financial Report**

The Comprehensive Annual Financial Report (CAFR), prepared by the Department of Financial Management, contains audited financial information on all City funds for the fiscal year ended September 30, 2013 (FY 13), in accordance with generally accepted accounting principles. 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 the CAFR is designed to report historical financial information only and is not designed to report financial projections or budgetary priorities.

We are pleased to report that the Independent Auditor's Report, found on page 1, concluded that the City's financial statements present fairly, in all material respects, the financial position of the City, and its related cash flow and budgetary information. The audit was conducted by KPMG LLP, a certified public accounting firm, under contract with the City Auditor.

The CAFR provides Basic Financial Statements that combine all of the City's assets and liabilities in one consolidated statement. Total City net assets, as shown on page 25 of the CAFR, were \$4.9 billion as of September 30, 2013, which included \$4.2 billion for enterprise operations such as the Harbor Fund, Water Fund and Tidelands Fund. Net assets increased by \$427.8 million from FY 12. Most of these funds represent the City's investment in its facilities and infrastructure or are restricted by federal or state law and are not available for discretionary use.

### **Separately Issued Financial Reports and Statements**

In addition to the CAFR, certain City funds, joint powers authorities, and other subsidiary entities are also required to submit audited annual financial statements under separate cover,

HONORABLE MAYOR AND CITY COUNCIL

May 13, 2014

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including the Harbor Department, the Water Department, and the Los Cerritos Wetlands Authority. These separate reports are enclosed and are issued annually to meet distinct legal and financial requirements. The financial statement for the Long Beach Transit, a discretely presented component unit of the City, is also included.

Finally, as a result of the professionalism and dedication of the Department of Financial Management, the Harbor Department and the Water Department, as well as finance professionals throughout the City, the CAFR and the separately issued financial reports of the Harbor and Water Departments, have been awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for their fiscal year 2013 annual financial reports. The receipt of the Certificate of Achievement attests to the City's desire to be fully accountable to our citizens. In addition, this recognition can be viewed as a positive factor by credit rating agencies.

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,



STEPHEN W. HANNAH  
CITY CONTROLLER



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST  
CITY MANAGER

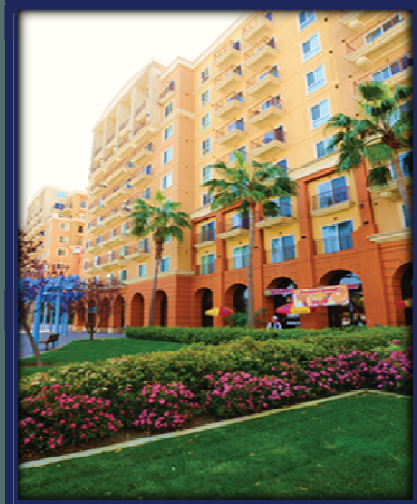
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ATTACHMENTS:

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE CITY OF LONG BEACH, CALIFORNIA  
THE HARBOR DEPARTMENT COMPREHENSIVE FINANCIAL REPORT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT OF LONG BEACH WATER DEPARTMENT  
LONG BEACH TRANSIT COMPREHENSIVE ANNUAL FINANCIAL REPORT  
LOS CERRITOS WETLANDS AUTHORITY ANNUAL FINANCIAL REPORT

# City of Long Beach

California



## Comprehensive Annual

## Financial Report

Fiscal Year Ended September 30, 2013

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# City of Long Beach, California



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Prepared by the Department of Financial Management  
John Gross, Director



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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
PREPARED BY THE DEPARTMENT OF FINANCIAL MANAGEMENT  
CITY OF LONG BEACH, CALIFORNIA

For the Fiscal Year Ended  
September 30, 2013

John Gross  
Director of Financial Management

Stephen W. Hannah  
City Controller

Francine Wiegelman  
Assistant City Controller

Marcie Medina  
Assistant City Controller

Olivia Valero  
Accounting Operations Officer

Michael Carrigg  
Senior Accountant

Cathy Pingol  
Senior Accountant

Mary Hebert  
Senior Accountant

Lucy Hong  
Senior Accountant

Kalpna Desai  
Senior Accountant

Angie Tran  
Accountant

Kim-Hang Nguyen  
Accountant

Glenda Pakingan  
Accountant

Amanda Johnson  
Accountant

Alex Powers  
Accountant

Georgia Will  
Accountant

Maggie Hong  
Accountant

Jim Sugita  
Accountant

Daniel Thurber  
Investment Manager

Joanne Medina  
Accounting Clerk



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City of Long Beach  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2013

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# INTRODUCTORY SECTION

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# CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (562) 570-6711 • FAX (562) 570-6583

PATRICK H. WEST  
CITY MANAGER

March 28, 2014

Honorable Mayor and City Council  
City of Long Beach

In accordance with Section 302(e) of the City Charter, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Long Beach (City) for the fiscal year ended September 30, 2013. This report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited in accordance with generally accepted auditing standards and government auditing standards by a firm of licensed certified public accountants.

This report contains management's representations concerning the City's finances, 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, City management 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. As the cost of internal controls should not exceed anticipated benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are 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 by KPMG LLP, an international public accounting firm fully licensed and qualified to perform audits of the State of California (State) and local governments within the State. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2013 are free of material misstatement. The independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that the City's basic financial statements for the fiscal year ended September 30, 2013 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 those 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 Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative overview, and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it.

The financial reporting entity for the City includes all the funds of the primary government, as legally defined, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

The City has seven independent fiscal entities that are considered blended component units and one discretely presented component unit. These entities vary widely in function and provide essential services. For a more detailed overview of the City’s component units, see the MD&A and the Notes to the Basic Financial Statements.

### **Profile of the Government**

The City, incorporated in 1897, is the seventh largest city in the state of California and is located in Southern California within Los Angeles County. The City occupies a land area of approximately 50 square miles, serves a population of over 467 thousand, and is one of the 40 largest cities in the United States. One of the nation’s most demographically diverse cities, Long Beach has significant populations of Latino, Caucasian, African-American, and Asian residents. City Council members are elected from nine distinct districts. The strengths inherent in the City’s diversity are reflected in its motto, “Many unique neighborhoods, one great city.”

The City operates under a City Charter first adopted in 1921. The City Charter establishes the current Mayor-Council-City Manager form of government. The City is divided into nine Council Districts with Council members elected to represent their respective district for up to two four-year terms. The citizens, as a whole, elect a Mayor to serve up to two four-year terms. The citizens, as a whole, also elect a City Auditor, a City Prosecutor and a City Attorney to serve four-year terms; however, there are no term limits for these positions. The City Council and Mayor appoint a City Manager who serves at their discretion. The City Council is a policy-setting body that is responsible for, among other things, enacting ordinances, adopting the budget and appointing committees. The City Council appoints, among others, the members of the following commissions and boards:

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

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

The City Manager is responsible for directing and supervising the administration of all City Manager-directed departments of the City, to ensure 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, fire, disaster preparedness, public health and environmental services, library, parks and recreation, social services, public works, waste management, planning and community development, gas, water, airport, and towing services. The City operates and maintains a world-class international deep-water harbor, a nationally recognized convention center, beaches, and marinas. The City also administers oil extraction operations under a trust agreement with the State.

The annual budget serves as the foundation for the City's financial planning and budgetary control. The City Manager must submit a proposed budget to the Mayor on or before July 3<sup>rd</sup> and the Mayor must present that proposed budget along with recommendations to the City Council on or before August 2<sup>nd</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 15. The budget is approved for each fund and department. The City Council adopted the fiscal year 2013 budget prior to September 15, 2012 for all funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various 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 appropriations 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.

### **Local Economy**

With the nation's economy expected to grow at a modest pace over the next two years, uncertainties resulting from federal policies, tax increases, and a sluggish labor market will continue to create a mild drag on the local economy.

The City, anchored by an economically healthy port and airport, energy production, and a growing healthcare industry, is projected to experience slightly stronger economic growth than the rest of the region.

The Port of Long Beach (Harbor), the second busiest seaport in the U.S. and the 18<sup>th</sup> busiest seaport in the world, along with the Port of Los Angeles (POLA) maintained their top two rankings in the U.S. with over 40 percent of the nation's imported containers transiting through the twin ports. Growth in the housing and labor markets have translated into an increase in imported household and consumer goods. This translated into a 12 percent increase in the number of containers that transited into and out of the facility.

The Harbor is a critical part of local, regional and national economies impacting transportation, logistics, warehousing, distribution, rail and trucking businesses. About 1.4 million jobs throughout the U.S. are related to Long Beach-generated trade.

To align with its effort to remain a leader in the goods movement and logistics industry, the Harbor has embarked on a more than \$4 billion capital improvement program over the next decade. This represents the largest construction program in its history. This includes the \$1.23 billion Middle Harbor Terminal and the \$1.1 billion Gerald Desmond Bridge Replacement. The remaining projects involve environmental programs, such as the \$84 million Green Port Gateway project, that will improve air and water quality and protect wildlife habitat.

Like the Harbor, but in smaller terms, the Long Beach Airport is a driver of local economic growth. The Long Beach Airport is a self-supporting enterprise of the City generating its revenues via user fees and tariffs and operating with no taxpayer support. In terms of average airfare, the Long Beach Airport is ranked by the U.S. Department of Transportation as the second lowest-cost airport in the U.S and lowest-cost in California; a benefit that is received by more than 3 million passengers annually.

## **Financial Condition**

The City closed the current fiscal year with a better fiscal picture than many cities. During the year, primarily as a result of the dissolution of redevelopment agencies, the City received \$51 million in one-time general fund revenues. These one-time revenues have been earmarked to fund infrastructure, technology, unfunded liabilities, and other purposes. Also, a new financial policy was enacted that will provide for setting aside 5 percent of surpluses to pay down unfunded liabilities such as employee retiree healthcare programs and sick leave reserves.

The City has successfully navigated through the challenges of past few years avoiding the reduction to service levels so common in other cities. In October 2013, the City achieved full pension reform with all its employees paying their full share of pension costs and with lower and more sustainable benefits for new employees. This major accomplishment makes Long Beach the largest CalPERS Member City to achieve this milestone. With pension reform in place, the City expects to save a minimum of \$250 million in all funds, including over \$130 million in the General Fund, between fiscal years 2014 and 2024. The City's financial stability has been recognized by independent bond rating agencies.

## **State of the City, Beginning Fiscal Year 2014:**

The fiscal discipline enforced by the collective leadership of the current mayor, council members, the city manager and his department heads has contributed to the City's financial stability. The City has improved its finances, reformed its long-term obligations, cleaned the environment, created a safer city, and expanded opportunities. Moreover, for the first time in ten years, the City is expected to have a \$3.5 million surplus that will aid in potentially eliminating structural deficits projected in fiscal years 2015 and 2016 without any additional reductions in services.

The Fiscal Year 2014 Adopted Budget allowed the City to take advantage of a rare opportunity to make significant investments in City assets, while still being able to make a down payment on future deficits. It also provided structural funding for the restoration of services funded in fiscal year 2013 with one-time funds, funded back-to-back police and fire academies, and funded additional overtime to meet priority community safety needs.

With signs that the economic recovery is positively impacting the City's revenues, as evidenced with the reduction in delinquent property taxes, there are still reminders that revenue growth is tentative and largely subject to market and economic factors that are beyond the City's control.

The City faces several challenges in terms of future spending costs. CalPERS rate increases, starting in fiscal year 2016, could increase General Fund costs significantly. Expiring employee agreements whose renewals are not reflected in projections for fiscal year 2016 and beyond, workers' compensation and health care costs that continue to outpace inflation, and unfunded liabilities will continue to impact the City's budget. The City will need to maintain its fiscal discipline to address budget uncertainties in the future, and expects to do so.

## **Many Accomplishments:**

With the economy emerging from a prolonged recession, there were many significant accomplishments over the fiscal year.

### **Sustainability:**

- The City saved more than 360 thousand kilowatt hours through efficiency projects.



- The SERRF waste-to-energy facility diverted 471 thousand tons of refuse from landfills while generating \$25 million in electricity sales.
- Completed the Gray Water Pilot Program with 33 installations citywide, diverting over 200 thousand gallons annually.

#### **Housing and Community Improvements:**

- Completed 11 parks and open space projects, including: Craftsman Village Park; Harvey Milk Promenade Park; Shoreline Marina Fuel Dock; Clippers Playground at McBride Park; DeForest Park Futsal Courts; Baker Park; Alamitos Bay Marina Basin 1; Rosie’s Dog Beach Expansion; Ramona Park Restroom Remodel; Marina Vista Shade Structure; and, 18 more projects under construction or in development.
- The City assisted 1,675 persons through homeless prevention programs and 1,163 homeless persons with housing placement, provided more than \$71 million in rental assistance to 6,700 families through the Housing Choice Voucher Program, and over 350 families through the Veterans Affairs Supportive Housing (VASH) Program.
- Completed rehabilitation of 81 family units in the Evergreen Apartments, 34 family units within the Bellwood Apartments, and 19-single family homes occupied by lower income families and seniors. Completed construction of the 200-unit Long Beach Senior Arts Colony.

#### **Economic and Workforce Development:**

- Received more than \$8 million in Workforce Development grants, and presented 2,900 job seekers to employers through the 99 Pacific Gateway recruitment program. Placed 200 young adults in paid summer work experience opportunities.
- Molina Healthcare expanded its Long Beach operations resulting in the creation of hundreds of new jobs.
- Mercedes Benz leased the 1.1 million square foot former Boeing 717 production site.

#### **Public Safety:**

- The Police Department responded to 149,000 calls for service and the Fire Department responded to 66,000 calls for service.
- For the year, response time to police priority calls was 4.5 minutes; one of the fastest for any large city in the nation.
- The City reached a 40-year low in the number of violent crimes and made 200 arrests for gang injunction violations.
- The City’s Community Emergency Response Team (CERT) Program completed training for 240 residents bolstering the City’s ability to react to large-scale emergencies.
- The Gas and Oil Department responded to 5,518 emergency calls for service.

#### **Infrastructure and New Development:**

- The City completed Fire Station 12, a LEED Gold certification recipient.
- The Public Works Department resurfaced 36 lane miles of major and secondary streets, repaired or slurry sealed 79 lane miles of residential streets, painted nearly 122 thousand linear feet of curbs, and installed 6 traffic signals, 7,836 traffic signs, and 1,097 street name signs.

- The Gas and Oil Department installed more than 110,000 feet of new gas lines, nearly 3,000 new gas service pipelines, and relocated 6,500 feet of large diameter natural gas pipeline for the Gerald Desmond Bridge Replacement Project.
- The City received California Coastal Commission approval for the Naples Seawall Project, an important hurdle in moving this project forward.

**Technology and Financial Matters:**

- The City completed pension reform negotiations with all nine employee associations resulting in projected savings of \$250 million over the next ten (10) years
- The City launched the “Go LBPD” mobile app for residents enhancing the public’s ability to communicate with the Police Department, implemented wireless internet in all City libraries and in many parks, and responded to 19,200 “Go Long Beach” app requests.
- The City refunded General Fund backed bonds for a savings of \$16.5 million in debt service while maintaining its excellent bond ratings from Standard & Poor’s (AA-1), Moody’s (AA2) and Fitch (AA) rating agencies.

**Citywide Awards and Distinctions:**

- The City received the Gold Medal (Best in the Nation) award for Excellence in Parks and Recreation Management from the National Parks and Recreation Association.
- The California Parks and Recreation Society bestowed to the City both the Excellence in Facility Design Award for the Rancho Los Alamitos and Rancho Los Cerritos Historic Site Renovations and the Creating Community Award of Excellence for the Homeland Cultural Center.
- The City received from the American Institute the Architects Excellence in Design Award for the Long Beach Senior Arts Colony.
- The Airport was awarded the Aviation Project of the Year award for the new passenger concourse from the California Transportation Foundation.
- For the third consecutive year, the City was named a Top 10 “Digital City” in America.
- Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA)
- Achieved a perfect score in the Human Rights Campaign’s Municipal Equality Index (MEI) for Lesbian, Gay, Bisexual and Transgender (LGBT) inclusion in municipal law and policy.

**Pension and Other Post-Employment Benefits**

The City provides to full-time employees retirement and disability benefits through the California Public Employees’ Retirement System (CalPERS), a defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by both State statute and City ordinance. On an annual basis, CalPERS recalculates the City’s pension contribution requirements and, consistent with City policy, the City adheres to the prescribed requirements.

The City provides seasonal and temporary employees retirement and 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.

Through the City's Personnel Ordinance, the City provides post-retirement health care benefits where upon retirement from the City, retirees, their spouses, and eligible dependents are allowed to use the cash value of the employee's accumulated unused sick leave to pay for health dental, vision, short and long-term disability, and long-term care insurance under the City's Retired Employees' Health Insurance Program.

Additional information on the pension arrangements and post-employment health care benefits can be found in Notes 14 and 15 of the Notes to the Basic Financial Statements in the accompanying Financial Section of this report.

#### Independent Audit

Section 103 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 for the audit of the City's Basic Financial Statements for the fiscal year ended September 30, 2013. The Independent Auditors' report has been included in this report.

#### Certificate of Achievement

For the sixth year in a row, the Government Finance Officers Association (GFOA) of the United States and Canada has awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### Acknowledgments

We wish to acknowledge the participation and professional contribution of the Department 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. The continued dedication of all staff involved in the development of the CAFR is most appreciated.

Respectfully submitted,

  
PATRICK H. WEST  
CITY MANAGER

  
JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

Through the City's Personnel Ordinance, the City provides post-retirement health care benefits where upon retirement from the City, retirees, their spouses, and eligible dependents are allowed to use the cash value of the employee's accumulated unused sick leave to pay for health dental, vision, short and long-term disability, and long-term care insurance under the City's Retired Employees' Health Insurance Program.

Additional information on the pension arrangements and post-employment health care benefits can be found in Notes 14 and 15 of the Notes to the Basic Financial Statements in the accompanying Financial Section of this report.

#### Independent Audit

Section 103 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 for the audit of the City's Basic Financial Statements for the fiscal year ended September 30, 2013. The Independent Auditors' report has been included in this report.

#### Certificate of Achievement

For the sixth year in a row, the Government Finance Officers Association (GFOA) of the United States and Canada has awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### Acknowledgments

We wish to acknowledge the participation and professional contribution of the Department 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. The continued dedication of all staff involved in the development of the CAFR is most appreciated.

Respectfully submitted,

  
PATRICK H. WEST  
CITY MANAGER

  
JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

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Respectfully submitted,

  
PATRICK H. WEST  
CITY MANAGER

  
JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT



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Directory of City Officials  
As of September 30, 2013

Bob Foster  
Mayor

Dr. Robert Garcia  
Vice-Mayor  
1st District

Dr. Suja Lowenthal  
Councilmember  
2nd District

Gary DeLong  
Councilmember  
3rd District

Patrick O'Donnell  
Councilmember  
4th District

Gerrie Schipske  
Councilmember  
5th District

Dee Andrews  
Councilmember  
6th District

James Johnson  
Councilmember  
7th District

Al Austin  
Councilmember  
8th District

Steven Neal  
Councilmember  
9th District

Elected Department Heads

City Attorney  
City Auditor  
City Prosecutor

Charles Parkin  
Laura Doud  
Douglas P. Haubert

Appointed by Council or Commission

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

Larry Herrera  
Mario R. Beas  
Al Moro  
Kevin L. Wattier

City Manager

Patrick H. West

Assistant City Manager

Suzanne Frick

Deputy City Manager

Reginald I. Harrison

Director of Financial Management  
Director of Health and Human Services  
Director of Development Services  
Director of the Long Beach Airport  
Director of Human Resources  
Director of Library Services  
Director of Long Beach Gas and Oil  
Director of Parks, Recreation, and Marine  
Acting Director of Public Works  
Director of Technology Services  
Fire Chief  
Chief of Police

John Gross  
Kelly Colopy  
Amy J. Bodek  
Mario Rodriguez  
Deborah Mills  
Glenda Williams  
Christopher J. Garner  
George Chapjian  
Ara Maloyan  
Curtis Tani  
Michael A. DuRee  
Jim McDonnell



Council District 1  
Robert Garcia



Council District 2  
Suja Lowenthal



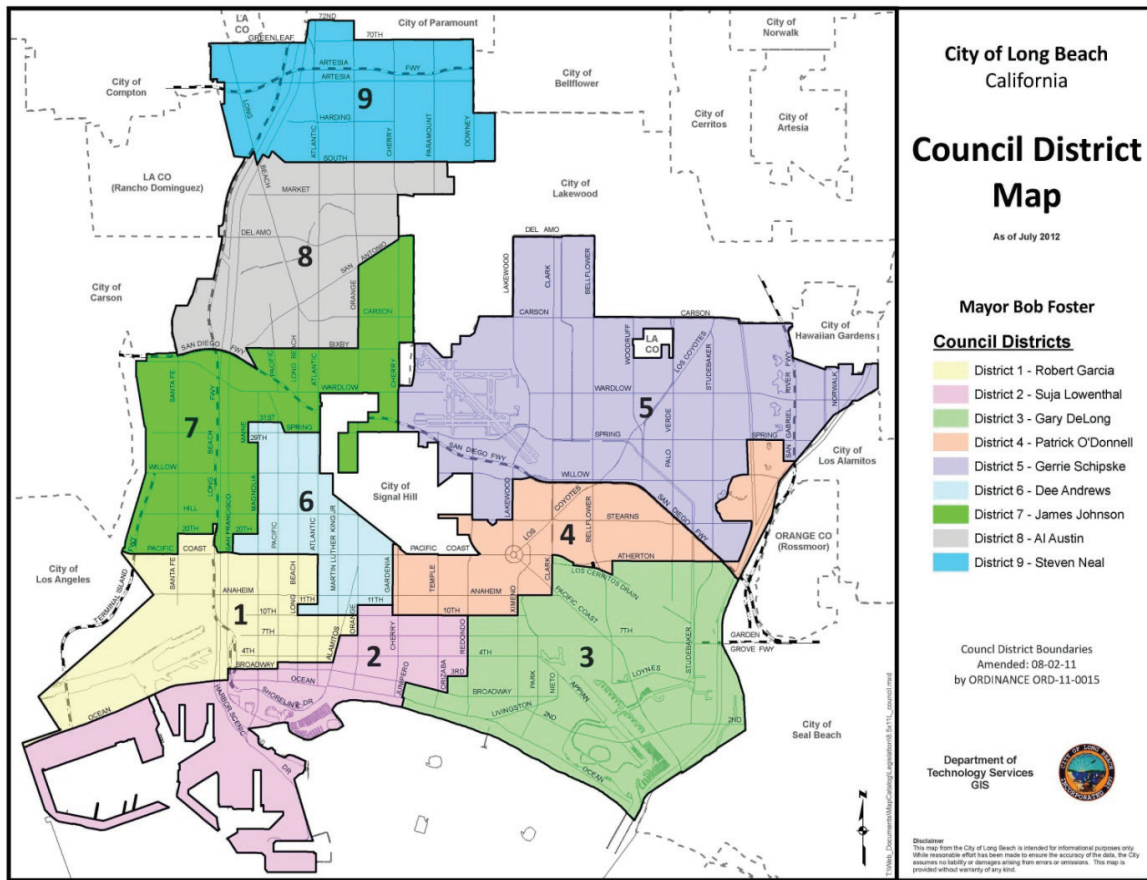
Mayor  
Bob Foster



Council District 3  
Gary DeLong



Council District 4  
Patrick O'Donnell



Council District 5  
Gerrie Schipske



Council District 6  
Dee Andrews



Council District 7  
James Johnson



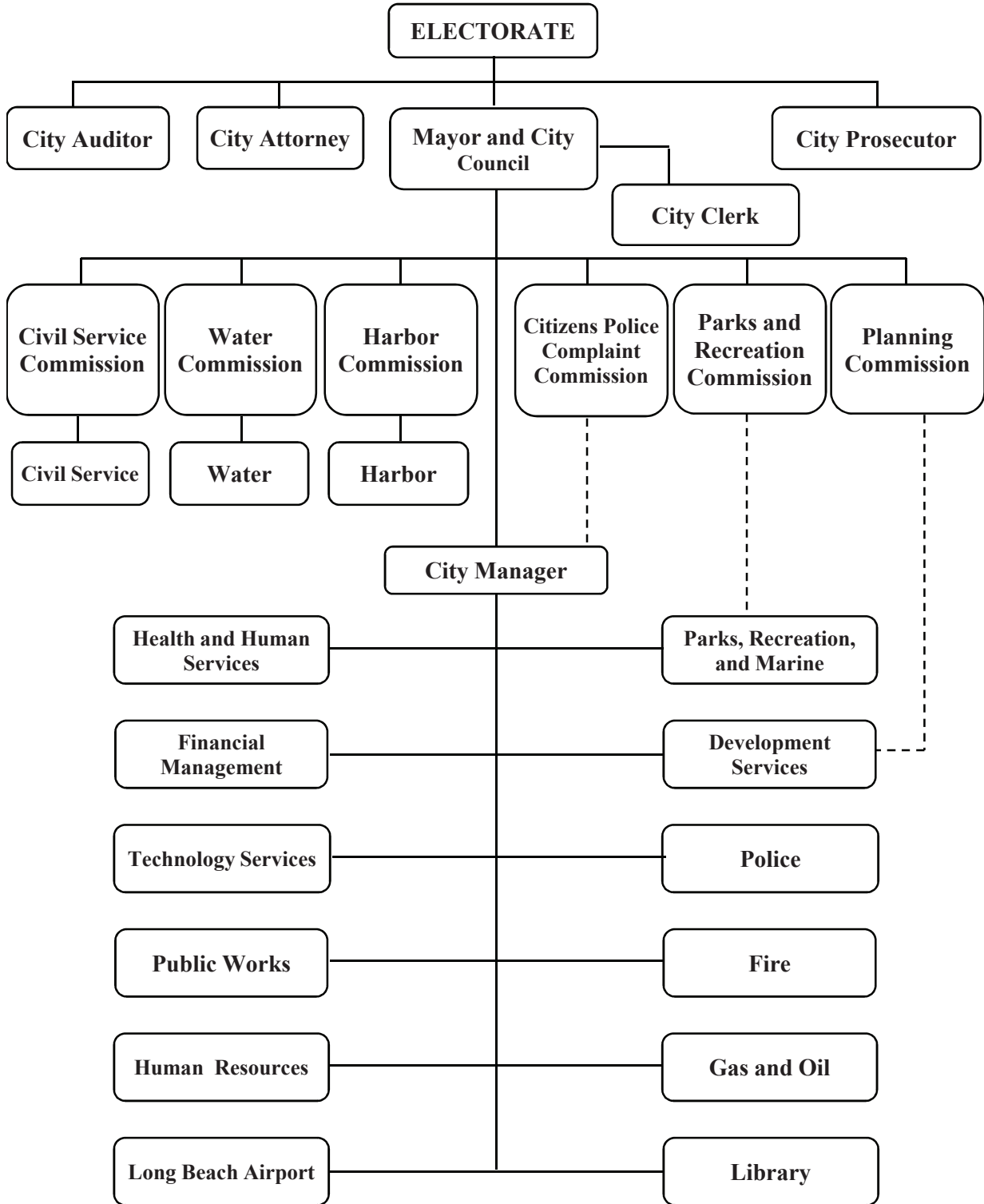
Council District 8  
Al Austin



Council District 9  
Steven Neal

**LONG BEACH CITY GOVERNMENT**  
**ORGANIZATIONAL CHART**

As of September 30, 2013





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to City of Long Beach California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2012

Jeffrey R. Egan Executive Director/CEO



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to City of Long Beach California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2012

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Government Finance Officers Association

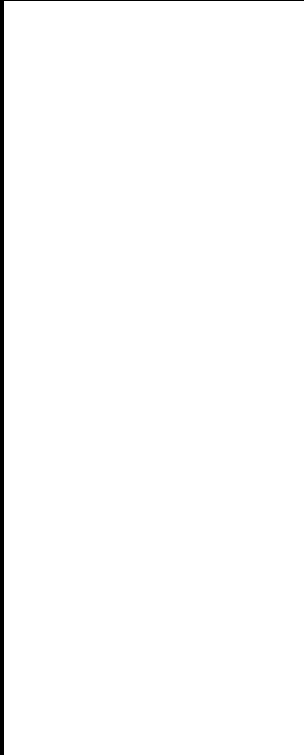
Certificate of Achievement for Excellence in Financial Reporting

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September 30, 2012

Jeffrey R. Egan Executive Director/CEO





# FINANCIAL SECTION

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**KPMG LLP**  
Suite 700  
20 Pacifica  
Irvine, CA 92618-3391

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us and, our opinion, insofar as it related to the amounts included for the discretely presented component unit, is based solely on the report of the other audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective 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 September 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparisons for the General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.



### ***Emphasis of Matter***

As discussed in note 2 to the basic financial statements, the City adopted Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Application of the statement was effective as of October 1, 2012.

### ***Other Matters***

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 23 and the schedules of funding progress on pages 125 and 126 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as the introductory section, the additional financial section, the other supplementary information section, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying additional financial section and the other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditor, the information in the additional financial section and the other supplementary information section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the statistical section are presented for the purposes of additional analysis, and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us or the other auditor in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**KPMG LLP**

Irvine, California  
March 28, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2013

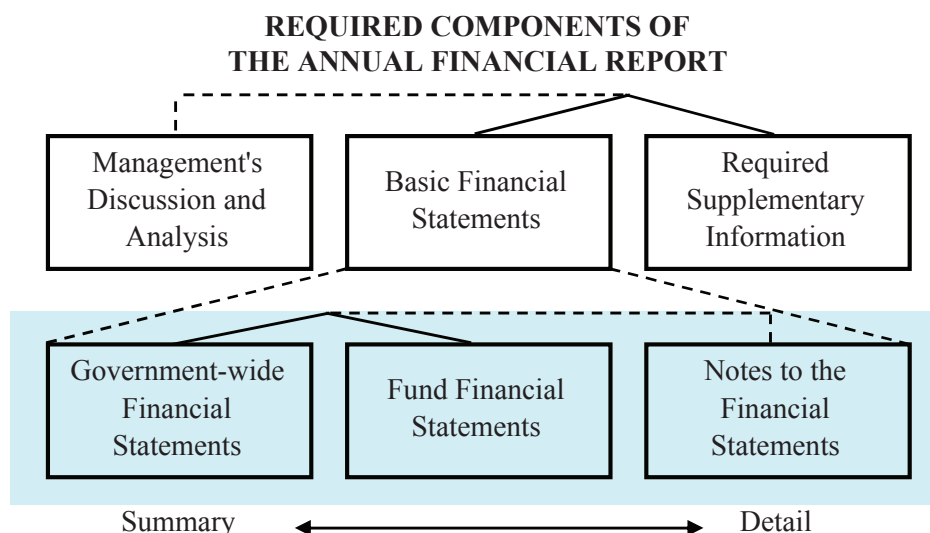
As the management team for the City of Long Beach (the City), we present to the readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider this information in conjunction with the information found in the letter of transmittal.

**Financial Highlights**

- The assets of the City exceeded its liabilities as of September 30, 2013 by \$4.9 billion (*net position*). Of this amount, \$3.8 billion represents net investment in capital assets, and \$755.9 million represents resources that are subject to restrictions on how they may be used (*restricted net position*). The remaining \$338.4 million may be used to meet the City's ongoing governmental and business-type activity obligations to citizens and creditors.
- The City's financial activities during the fiscal year resulted in a 9.6 percent increase in total net position. The City's governmental activities net position increased \$30.4 million, or 5.0 percent, and the City's business-type activities net position increased \$397.4 million, or 10.3 percent.
- The aggregate ending fund balance of the City's governmental funds was \$435.0 million, an increase of \$58.0 million or 15.4 percent, from the prior fiscal year end. Of these balances, \$10.1 million are nonspendable, \$295.9 million are restricted, \$7.0 million are committed, \$144.0 million are assigned, and a deficit balance of \$22.0 million is unassigned.
- The fund balance of the General Fund as of September 30, 2013 was \$137.7 million. This represents a \$60.6 million, or 78.6 percent, increase over the prior fiscal year end. Of this balance, \$2.0 million is nonspendable, \$2.3 million is restricted, \$5.7 million is committed, \$119.6 million is assigned, and \$8.1 million is unassigned.

**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 the *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.



**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

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

The *statement of activities* presents information on how the government's net position changed during the most recent fiscal year. All changes in net position 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.

Both of 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*), 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 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 Harbor).

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate transportation company for which the City is the sole stakeholder 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 (Company), the Successor Agency to the Redevelopment Agency of the City of Long Beach (Agency), the Long Beach Financing Authority, and a portion of the Long Beach Bond Finance Authority (LBBFA).

The business-type activities portion of the government-wide financial statements also includes the Southeast Resource Recovery Facility, a portion of LBBFA, and the Long Beach Capital Improvement Corporation. 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:** The *fund financial statements* focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in Government Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.



**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

**Governmental 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, governmental fund 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 numerous 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 and the aggregate of all non-major governmental funds. 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 their budgets. The budgetary comparison statements for the General Fund and major special revenue funds are located in the basic financial statements.

**Proprietary funds:** *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 utility, tidelands operations, tideland oil revenue operations, and the Harbor, all of which are classified as major funds. The City also reports enterprise operations for the sewer and water utilities, airport, solid waste management operations, development services, 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 used to accumulate and allocate certain support costs internally among the City's various functions. The City uses internal service funds to account for: the operation and financing of the Civic Center complex; information technology assets and services, lease-purchase of equipment, and reprographics equipment and services; the operation, maintenance, and replacement of the City's vehicle fleet and related facilities; the City's risk-management and self-insurance programs, including workers' compensation and general liability, and employee benefits including compensated absences, payroll taxes, and 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 internal service

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

funds is provided in the form of *combining statements* in the Additional Financial Information section of this report.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds 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 fiduciary fund financial statements are presented on the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund financial statements can be found in the Basic Financial Statements section of this report.

**The 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 Supplementary Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and post-employment healthcare benefits to its employees. The combining statements referred to above in connection with non-major governmental funds and internal service funds are presented in the Required Supplementary Information and Other Supplementary Information section, along with information regarding capital assets. The following table provides a summary of the significant features of the financial statements as well as insight into how the information is compiled for statement presentation:

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
<b>Scope</b>	Entire Entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services.	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of other entities or groups.
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus; except agency funds do not have a measurement focus.
<b>Type of asset and liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term.	Current assets and liabilities that come due during the year or soon thereafter. Excludes capital assets and long-term debt.	All assets and liabilities, both financial and capital, short and long-term.	All assets held in trustee or agency capacity for others.
<b>Type of inflow and outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during the year or soon thereafter; expenditures when goods and services have been received and the related liability is due and payable.	All revenues and expenses during year regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

**Government-Wide Financial Analysis**

**Analysis of Net Position**

As noted earlier, *net position* may serve over time as a useful indicator of a government's financial position. As of September 30, 2013, the City's assets exceeded liabilities by \$4.9 billion, an increase of \$427.8 million, or 9.6 percent, over the prior fiscal year.

Net investment in capital assets accounted for \$3.8 billion, or 77.6 percent, of the City's total net position. This component of net position consists of capital assets (land, structures and improvements, equipment, infrastructure, and construction-in-progress) net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of the assets. 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 must be provided from other sources as the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets increased \$781.8 million, or 26.0 percent, from the prior fiscal year. The increase is attributable to activity within business-type activities, notably Harbor's continued investment in the Middle Harbor and Gerald Desmond Bridge projects.

Restricted net position amounted to \$755.9 million, representing 15.5 percent of total net position. This component of net position represents resources that are subject to external restrictions imposed by creditors and grantors, laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. This component of the City's net position decreased less than one percent from the prior fiscal year.

The remaining balance of \$338.3 million, or 6.9 percent, is the net amount of the \$61.5 million governmental activities unrestricted net position deficit and the \$399.8 million business-type activities unrestricted net position balance that may be used to meet the City's obligations for business-type activities. This component of net position decreased \$349.2 million, 50.8 percent, from the prior fiscal year. The change is attributable to aforementioned Harbor construction projects.

**Net Position**  
**September 30, 2013 and 2012**  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current and Other Assets	\$ 983,289	\$ 1,032,444	\$ 1,812,623	\$ 2,193,300	\$ 2,795,912	\$ 3,225,744
Capital Assets	687,620	696,529	4,551,387	3,729,323	5,239,007	4,425,852
Deferred Outflows	4,433	-	295,412	226,006	299,845	226,006
<b>Total Assets and Deferred Outflows</b>	<b>1,675,342</b>	<b>1,728,973</b>	<b>6,659,422</b>	<b>6,148,629</b>	<b>8,334,764</b>	<b>7,877,602</b>
<b>Liabilities:</b>						
Current Liabilities	173,760	339,197	374,629	378,133	548,389	717,330
Noncurrent Liabilities, Net	784,220	781,392	1,766,925	1,697,239	2,551,145	2,478,631
Deferred Inflows	78,618	-	273,174	226,006	351,792	226,006
<b>Total Liabilities and Deferred Inflows</b>	<b>1,036,598</b>	<b>1,120,589</b>	<b>2,414,728</b>	<b>2,301,378</b>	<b>3,451,326</b>	<b>3,421,967</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	242,105	237,998	3,547,110	2,769,461	3,789,215	3,007,459
Restricted	458,167	470,723	297,694	289,864	755,861	760,587
Unrestricted	(61,528)	(100,337)	399,890	787,926	338,362	687,589
<b>Total Net Position</b>	<b>\$ 638,744</b>	<b>\$ 608,384</b>	<b>\$ 4,244,694</b>	<b>\$ 3,847,251</b>	<b>\$ 4,883,438</b>	<b>\$ 4,455,635</b>

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

**Key changes in the statement of net position are as follows:**

The City's current and other assets decreased \$429.8 million, or 13.3 percent, from the prior fiscal year. The decrease for governmental activities and business-type activities was \$49.2 million and \$380.7 million, respectively. For governmental activities, the decrease was primarily due to a \$38.0 million reduction of deferred charges related to the elimination of a non-GAAP presentation of a pension related asset. Business-type decreases reflect investments in capital assets.

Citywide, capital assets increased \$813.2 million or 18.4 percent. The decrease in governmental activities capital assets of \$8.9 million, or 1.3 percent, is attributable to routine depreciation charges. Business-type activities increase of \$822 million, or 22.0 percent, is attributable to ongoing construction and improvements to airport facilities, utility infrastructure, and the Middle Harbor and Gerald Desmond Bridge projects.

Deferred outflows increased \$73.8 million or 32.7 percent. The \$4.4 million change in governmental activities deferred outflows is attributable to the implementation of GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities* (GASB 65). Business-type activities \$69.4 million increase is attributable to changes in the fair value for derivatives, and to the implementation of GASB 65. Additional information on derivative instruments may be found in Note 13 of the Basic Financial Statements.

The City's current liabilities decreased \$168.9 million, or 23.6 percent. Governmental activities decreased \$165.4 million, or 48.8 percent, and business-type activities decreased \$3.5 million or 0.9 percent. Significant factors contributing the governmental activities decrease include the Agency's transfer of \$72.9 million unencumbered redevelopment funds to the State of California, recognition of \$18.5 million previously unearned revenue for Agency, and the implementation of GASB 65, whereby \$78.0 million was reported as deferred revenue in the prior fiscal year are now presented as deferred inflows in the current fiscal year. The \$72.5 million, or 2.9 percent, increase in noncurrent liabilities is predominantly related to the business-type activities' \$80 million draw of funds on Harbor's revolving line of credit. This was offset by annual principal payments and the affects of GASB 65.

Deferred inflows increased \$125.8 million, or 55.7 percent. The \$78.6 million change in governmental activities deferred inflows is attributable to the implementation of GASB 65. The increase in business-type activities of \$47.2 million is attributable to changes in the fair value for derivatives, and to the implementation of GASB 65. Additional information on derivative instruments may be found in Note 13 of the Basic Financial Statements.

**Analysis of Changes in Net Position**

The following table presents condensed information from the Statement of Activities for the fiscal years 2013 and 2012. As previously stated, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Specific factors related the change in net position for governmental and business-type activities can be found on pages 10 through 13.

**The City of Long Beach**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2013 (Continued)**

**Changes in Net Position**  
**September 30, 2013 and 2012**  
**(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 139,917	\$ 142,400	\$ 1,148,312	\$ 1,174,408	\$ 1,288,229	\$ 1,316,808
Operating Grants and Contributions	171,937	175,647	1,105	1,413	173,042	177,060
Capital Grants and Contributions	10,778	6,147	259,188	26,552	269,966	32,699
Taxes:						
Property	203,770	179,746	-	-	203,770	179,746
Sales	63,443	60,414	-	-	63,443	60,414
Utility Users	38,026	37,097	-	-	38,026	37,097
Other	46,446	43,360	-	-	46,446	43,360
Franchise Fees	25,243	23,143	-	-	25,243	23,143
Grants and Contributions Not Restricted to Specific Programs	150	-	-	-	150	-
Unrestricted Investment Earnings	3,417	4,349	5,557	6,903	8,974	11,252
<b>Total Revenues</b>	<b>703,127</b>	<b>672,303</b>	<b>1,414,162</b>	<b>1,209,276</b>	<b>2,117,289</b>	<b>1,881,579</b>
<b>Expenses:</b>						
Legislative and Legal	10,957	10,998	-	-	10,957	10,998
General Government	23,342	22,128	-	-	23,342	22,128
Public Safety	303,872	290,542	-	-	303,872	290,542
Public Health	41,966	42,712	-	-	41,966	42,712
Community & Cultural	173,239	331,170	-	-	173,239	331,170
Public Works	102,979	92,058	-	-	102,979	92,058
Oil Operations	7,101	9,256	-	-	7,101	9,256
Interest on Long-Term Debt	26,941	28,492	-	-	26,941	28,492
Gas	-	-	82,693	77,157	82,693	77,157
Water	-	-	89,767	81,377	89,767	81,377
Sewer	-	-	15,542	15,042	15,542	15,042
Airport	-	-	41,616	41,764	41,616	41,764
Development Services	-	-	15,404	11,617	15,404	11,617
Solid Waste Management	-	-	71,708	69,506	71,708	69,506
Towing	-	-	5,915	6,743	5,915	6,743
Tidelands	-	-	96,881	100,602	96,881	100,602
Tideland Oil Revenue	-	-	362,144	390,602	362,144	390,602
Subsidence	-	-	3	5	3	5
Harbor	-	-	195,335	193,773	195,335	193,773
<b>Total Expenses</b>	<b>690,397</b>	<b>827,356</b>	<b>977,008</b>	<b>988,188</b>	<b>1,667,405</b>	<b>1,815,544</b>
Increase (Decrease) in Net Position before Transfers	12,730	(155,053)	437,154	221,088	449,884	66,035
Capital Assets Transfers	4,786	5,090	(4,786)	(5,090)	-	-
Transfers	21,490	15,628	(21,490)	(15,628)	-	-
<b>Total Change in Net Position</b>	<b>39,006</b>	<b>(134,335)</b>	<b>410,878</b>	<b>200,370</b>	<b>449,884</b>	<b>66,035</b>
Net Position, Beginning of Year	608,384	742,719	3,847,251	3,646,881	4,455,635	4,389,600
Adjustments for GASB 65 Implementation	(8,646)	-	(13,435)	-	(22,081)	-
Net Position, End of Year	\$ 638,744	\$ 608,384	\$ 4,244,694	\$ 3,847,251	\$ 4,883,438	\$ 4,455,635

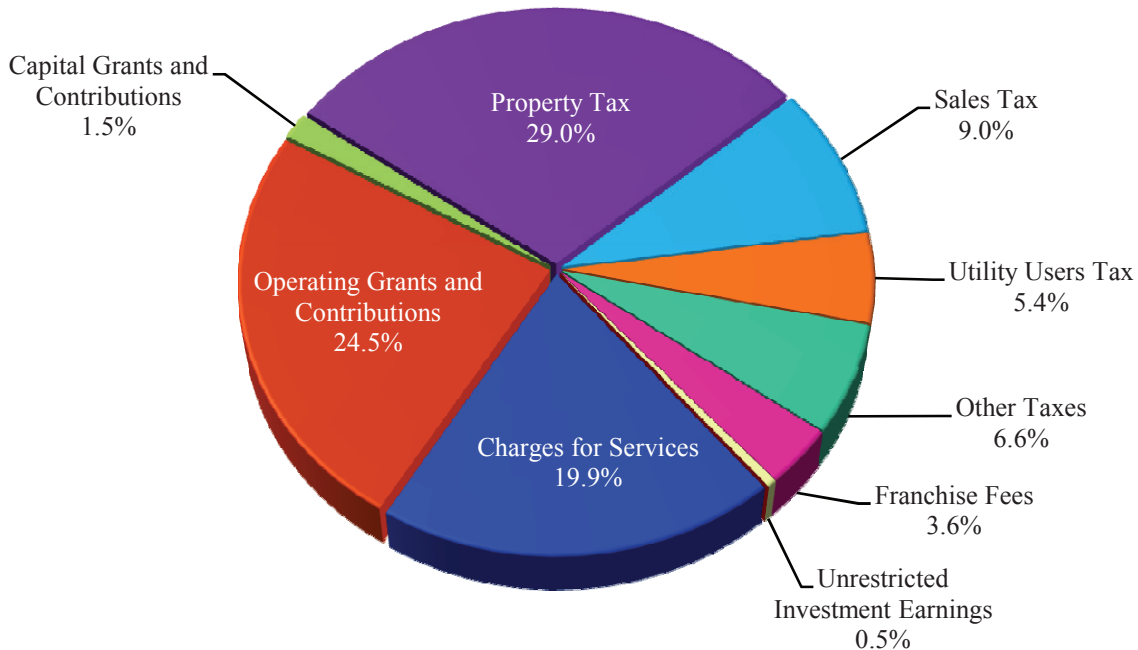
**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

**Governmental activities**

Governmental activities net position increased \$30.4 million. Total revenues (excluding transfers) increased \$28.7 million, or 4.3 percent, most notably property and sales tax revenues, which increased 13.4 percent and 5.0 percent, respectively. Expenses decreased \$137.0 million, or 16.6 percent. The change is primarily attributable to decreased community and cultural expenses, \$157.9 million less than the prior fiscal year. These changes are further discussed in the paragraphs that follow. Capital asset transfers of \$4.7 million from business-type activities pertain to a new utility customer billing system.

The following charts illustrate governmental activities revenues by source and program expenses and revenues by function.

**Governmental Activities - Revenues by Source  
For the Year Ended September 30, 2013**



The three largest revenue sources for governmental activities are property taxes, operating grants and contributions, and charges for services. Together, these sources accounted for 73.3 percent of total revenues, an increase of 3.6 percent, or \$17.8 million, from the prior fiscal year. Elements contributing to the change are a \$24.0 million increase in property tax revenues that mostly resulted from the dissolution of redevelopment agencies in California, and decreases in both operating grants and contributions (\$2.1 percent or \$3.7 million) and charges for services (1.7 percent or \$2.5 million).

The increase in property tax revenues can be traced to two activities. With the dissolution of redevelopment agencies, the former tax increment revenues were redistributed through the normal allocation as property tax. In addition, the City received its representative portion resulting from redevelopment agencies throughout Los Angeles County being required to remit unencumbered amounts retained by successor agencies for redistribution Countywide.

Capital grants and contributions increased 75.3 percent, or \$4.6 million, due to reimbursements from grantor agencies that include the County of Los Angeles, the State, and the Metropolitan Transportation Authority. These revenue sources help fund park development and traffic mitigation projects.

**The City of Long Beach**  
 Management’s Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2013 (Continued)

Sales tax revenues increased 5.0 percent or \$3.0 million. Of this amount, \$1.6 million is attributable to receipt of a prior year “true up” distribution of in-lieu sales taxes.

Other taxes increased 7.1 percent or \$3.1 million. These include business license taxes, which experienced rate increases in fiscal year 2013.

Governmental activities expenses decreased 16.6 percent, or \$137.0 million. The change is primarily attributable to decreased community and cultural expenses, \$157.9 million less than the prior fiscal year, when expenses related to the dissolution of the former Redevelopment Agency were recorded.

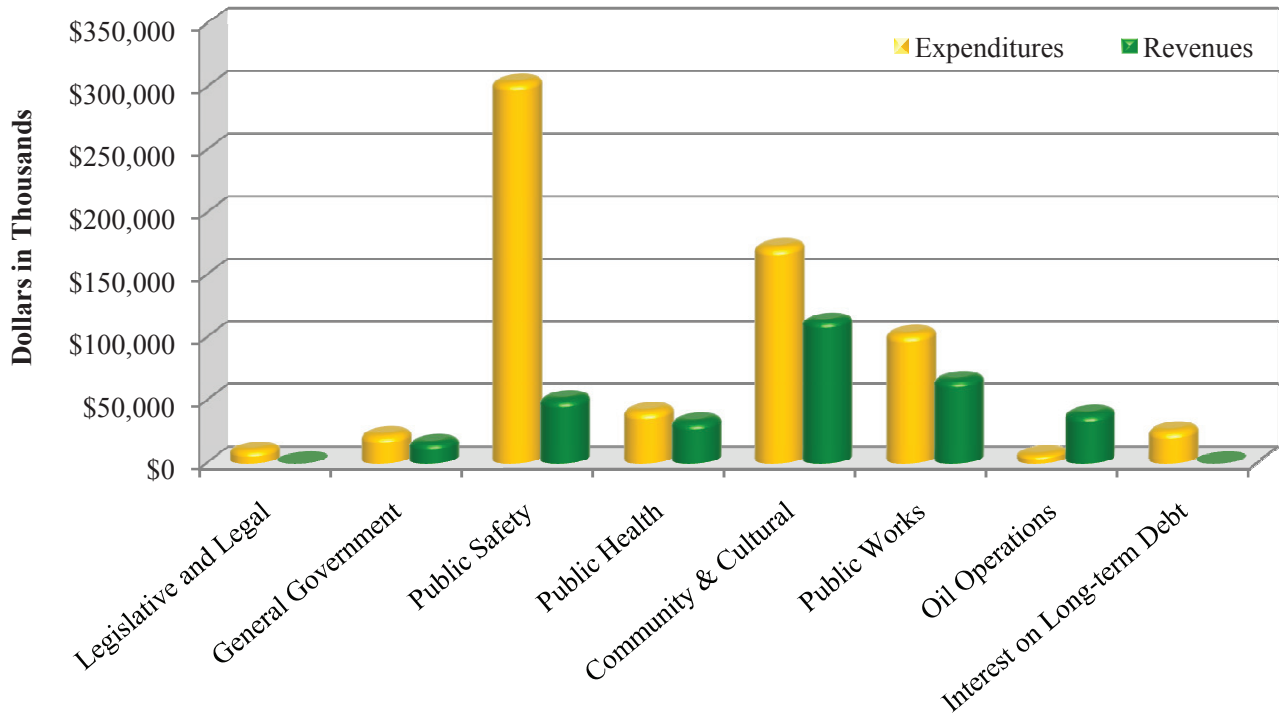
General government expenses increased \$1.2 million, or 5.5 percent. Notable factors contributing to the change include Memorandum of Understanding mandated salary increases, software acquisition, and an increased allocation of technology service charges.

Oil operations expenses decreased 23.3 percent, or \$2.2 million, as a result of efficiencies created by changes to operating contracts with oil producers.

Public safety expenses increased 4.6 percent, or \$13.3 million. The change is primarily attributable to the allocation of \$8.3 million in costs from internal service funds and \$3.9 million in expenses related to public safety grants.

Public works expenses increased 11.9 percent, or \$10.9 million. The increase is related to repairs and maintenance of city streets, fire facility modernization, and public park development.

**Governmental Activities - Program Expenditures and Revenues**  
**For the Year Ended September 30, 2013**

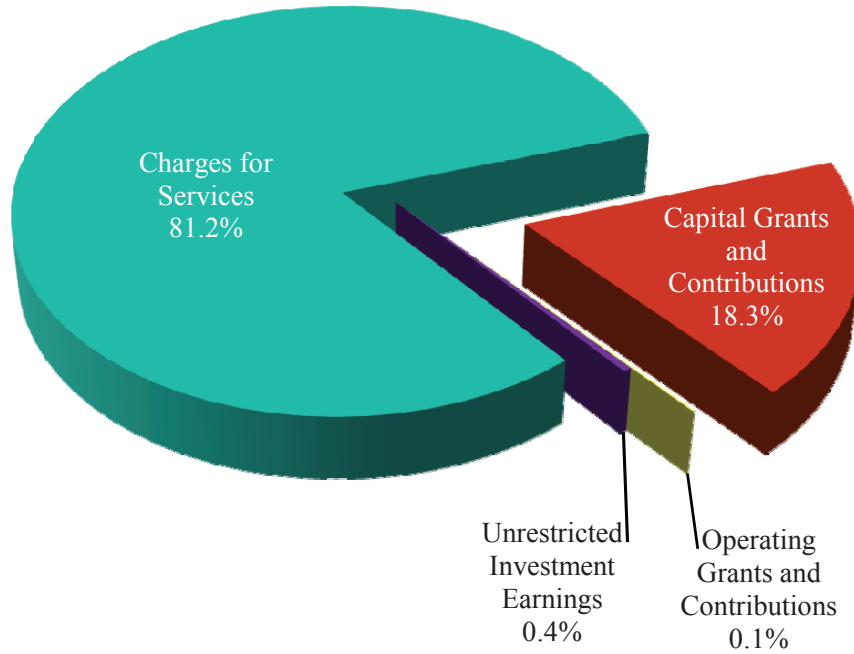


**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2013 (Continued)

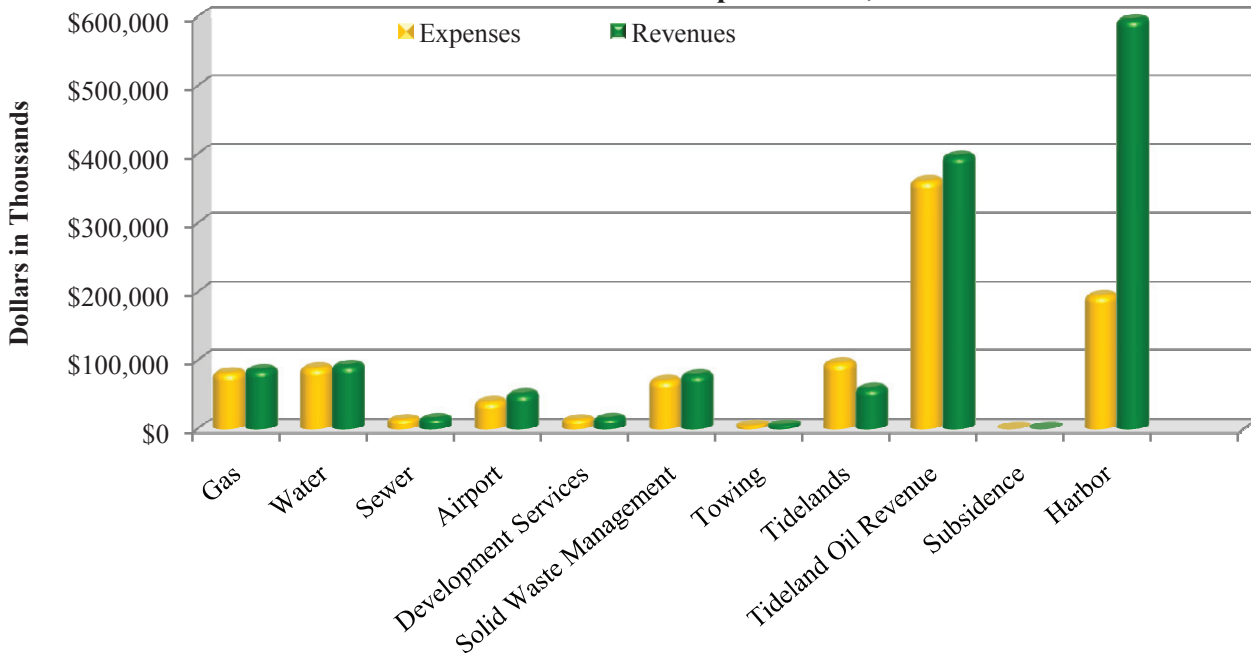
**Business-type activities**

The City's major enterprise funds include Gas Utility, Tidelands, Tidelands Oil, and Harbor. The non-major enterprise funds ("other proprietary funds") comprise Water Utility, Sewer, Airport, Solid Waste Management, Towing, Subsidence, and Development Services.

**Business-type Activities - Revenues by Source**  
**For the Year Ended September 30, 2013**



**Business-type Activities - Program Expenditures and Revenues**  
**For the Year Ended September 30, 2013**





**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

Business-type activities increased net position \$397.4 million or 10.3 percent. Key elements in the current year's change in net position for various funds include:

- Gas Utility net position at fiscal year end amounted to \$22.8 million, a 34.9 percent, or \$12.3 million decrease from the prior fiscal year. Of this amount, \$3.9 million is attributable to adjustments related to the implementation of GASB 65. The balance of the change is the result of transfers. Income before transfers totaled \$4.7 million, a \$1.4 million, or 23.4 percent, decrease.
- Tidelands net position increased \$28.6 million, or 8.2 percent, totaling \$376.7 million at fiscal year end. Net loss before contributions and transfers amounted to \$34.4 million. Transfers from Tidelands Oil and Harbor amounted to \$64.2 million. Harbor transferred \$17.3 million, consistent with City Charter mandated revenue sharing; Tidelands Oil transferred \$46.9 million, comprising \$23.5 million per the revenue sharing agreement for the optimized water flood program and \$23.4 million from the West Wilmington Oil field. Net position was further impacted by a \$1.3 million charge related to the implementation of GASB 65.
- The Tidelands Oil Revenue Fund posted a deficit net position of \$17.6 million, a deficit increase of \$11.5 million from the prior year. Operating net income in the amount of \$46.9 million was transferred to the tidelands fund. Non-operating expenditures, \$13.8 million of which were related to oil field abandonment cost, exceeded non-operating revenue by \$11.9 million, contributing to the net deficit position.
- Harbor's net position increased \$385.4 million, or 13.8 percent, amounting to \$3.2 billion at fiscal year end. Operating revenues increased \$12.4 million, or 3.7 percent. Operating expenses increased \$12.4 million or 7.0 percent. Key components of this change include infrastructure maintenance, port security, and administrative expenses. Non-operating expenses decreased \$12.0 million. The change is largely attributable to a \$10.3 million decrease in interest expense due to the capitalization of interest to major Harbor projects. Capital grants and contributions totaled \$250.5 million, an increase of \$236.9 million from the prior fiscal year as funding was received from CalTRANS for the Gerald Desmond Bridge. Transfers to the City amounted to \$17.3 million, a \$618 thousand, or 3.7 percent, increase from fiscal year 2012.
- Total net position for non-major business-type activities increased \$177.0 million, or 32.5 percent. \$11.6 million of this increase comes from the Airport, a fund listed as a major fund in the prior fiscal year.

### **Governmental 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, *restricted, committed, assigned, and unassigned* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2013, the City's governmental funds reported combined fund balances of \$435.0 million, an increase of \$58.0 million, 15.4 percent, from the prior year. Further information can be found in *Note 17 – Government Activities Fund Balance*.

Governmental funds assets decreased \$49.0 million, or 5.7 percent, from the prior fiscal year. The decrease is primarily due to the transfer of \$72.9 million of unencumbered redevelopment funds from the Agency to the State of California following the dissolution of the redevelopment agencies.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

Governmental fund liabilities decreased \$379.7 million, or 77.7 percent. Of this amount, \$287.7 million relates to changes in unearned revenue, primarily the recognition as revenue of \$18.5 million of the Agency's Redevelopment Property Tax Trust Fund receipts and the implementation of GASB 65, whereby \$272.7 million of items reported as unearned revenues in the prior fiscal year are presented as deferred inflows in the current fiscal year. Additionally, payment of \$75.0 unencumbered redevelopment funds by the Agency to the State eliminated amounts due to other governments. Amounts advanced to other funds decreased \$18.4 million. Activities contributing to the change include \$10.7 million repayment by the General Fund to the Subsidence Fund for 2010 borrowing related to State withholding of property taxes, Agency repayment of \$4.1 million to the Housing Fund for 2010 borrowing by the former Redevelopment Agency, and Housing Authority repayment of \$2.9 million borrowed from Community Development Grants Fund.

Of the \$435.0 million total fund balances, \$295.9 million or 68.0 percent have some form of external limitation on their use. Significant restrictions of fund balance at the close of the fiscal year include the following:

Restricted for Debt Service

Amounts restricted for debt service totaled \$34.3 million. Of this, \$33.4 is restricted for payment of Agency related debt and the balance for various debt issuances of other governmental funds.

Restricted for Public Safety

Amounts restricted for public safety totaled \$3.3 million. Restrictions include the following:

- Asset seizure funds from federal and state court forfeitures are restricted to support the Police Department. These funds amounted to \$2.3 at the end of the fiscal year.
- The citizens of Long Beach approved Proposition H (Prop H), the Police and Fire Public Safety Oil Production Tax, in 2007. These proceeds may be used only for police officers, fire fighters, and related costs, including but not limited to equipment, facilities, and training in order to ensure timely responses to public needs. As of September 30, 2013, Prop H funds for police and fire amounted to \$322 thousand and \$238 thousand, respectively.
- State impact fees restricted for police and fire amounted to \$160 thousand and \$226 thousand, respectively.

Restricted for Public Health

Fund balance restricted for public health amounted to \$5.4 million.

Restricted for Community and Cultural

Amounts restricted for community and cultural activities totaled \$200.5 million. Restrictions include the following:

- Fund balance restricted within the Housing Fund for the provision of low-and-moderate-income housing amounted to \$41.1 million. Of this, \$25.7 million offsets advances to other funds and \$4.2 million is for land held for resale.
- Fund balance restricted within the Housing Assistance Fund for programs to assist very low-income families, the elderly, and the disabled amounted to \$8.0 million.
- Agency capital projects fund balance restricted for the purposes of winding down the activities of the former Redevelopment Agency amounted to \$136.5 million. Of this, \$25.7 million offsets advances from other funds (specifically the Housing Fund) and \$95.2 million is land held for resale.
- The Belmont Shore Parking Meter Fund has restricted \$962 thousand as the first pledge of revenue for special assessment debt that benefited the Belmont Shore area of Long Beach.
- Fund balance restricted within the Community Development Grant Fund amounted to \$6.6 million. Of this, \$3.8 million offsets advances to other funds and \$2.0 is related to land held for

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

resale. Amounts restricted for Department of Employment Development grants amounted to \$795 thousand.

- Fund balance restricted within the Business Assistance Fund for economic development totaled \$1.5 million at the close of the fiscal year.
- Fund balance restricted for special advertising and promotion totaled \$4.8 million. Capital Projects Fund balance restricted for parks development amounted to \$705 thousand.

Restricted for Public Works

As of September 30, 2013, fund balance restricted for public works amounted to \$52.5 million. Restrictions include the following:

- General Capital Projects Fund balance restricted in relation to traffic mitigation impact fees, unused opens space bond proceeds, and special assessment bond proceeds amounted to \$12.0 million at the close of the fiscal year.
- Gas Tax Fund balance restricted for the research, planning, construction, improvement, maintenance and operation of public street and highways, including the mitigation of their environmental effects, totaled \$18.8 million.
- Transportation Fund balance restrictions totaled \$21.6 million and include: \$3.9 million pursuant to the provisions of Proposition A; \$12.2 million pursuant to the provisions of Proposition C; \$2.3 million pursuant to Measure R; and \$3.2 million pursuant to Air Quality Management District AB2766 requirements. Proposition A funds are to be used exclusively to benefit public transit and may be traded with other jurisdiction in exchange for general or other funds. Proposition C also benefits public transit, but has a wider range of uses including congestion management programs, bikeways and bike lanes, street improvement supporting public transit and pavement management projects. Measure R is a one-half cent sales tax approved by Los Angeles County voters in November 2008 and is restricted for transportation purposes, including bus and highway corridor projects, streets and roads, and traffic control management. AB2766 funding is used to assist the City in meeting federal and state Clean Air Acts.

**General Fund Revenues and Other Financing Sources**

The table below illustrates general fund revenues and other financing sources for the current and prior fiscal years.

**General Fund Revenues and Other Financing Sources**  
**September 30, 2013 and 2012**  
**(In Thousands)**

Revenues and Other Financing Sources	Fiscal Year 2012-13	Percent of Total	Fiscal Year 2011-12	Percent of Total
Taxes	\$ 299,719	63.7%	\$ 238,654	57.9%
Franchise Fees	25,243	5.4%	23,143	5.6%
Licenses and Permits	13,889	3.0%	16,050	3.9%
Fines and Forfeitures	16,394	3.5%	17,762	4.3%
Use of Money and Property	54,239	11.5%	53,282	12.9%
From Other Agencies	1,767	0.4%	4,065	1.0%
Charges for Services	26,295	5.6%	27,006	6.6%
Other Revenue	8,337	1.8%	8,576	2.1%
Other Financing Sources	24,269	5.1%	23,412	5.7%
	<b>\$ 470,152</b>	<b>100%</b>	<b>\$ 411,950</b>	<b>100%</b>

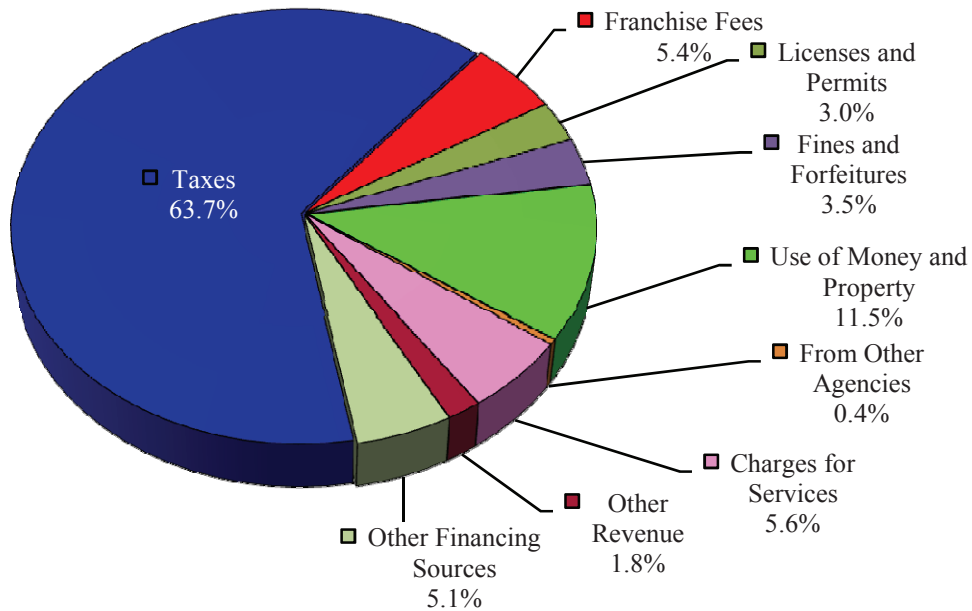
**The City of Long Beach**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended September 30, 2013 (Continued)

General Fund revenues and other financing sources increased \$58.2 million or 14.1 percent from the prior fiscal year. The change is attributable to taxes, particularly property tax revenue, which benefited from additional receipts following the dissolution of redevelopment agencies in the State. Property tax revenue increased \$54.1 million or 46.8 percent over the prior fiscal year.

Franchise fees increased \$2.1 million or 9.1 percent, mainly due to short-term rate increase by Southern California Edison for the recapture of capital expenditures, which was approved by the Public Utilities Commission.

Sources of revenue showing decreases include licenses and permits (\$2.2 million or 13.5 percent), fines and forfeitures (\$1.4 million or 7.7 percent), and revenues from other agencies (\$2.3 million or 56.5 percent). Licenses and permits decreased due to certain plan check fees being accounted for in business-type activities beginning in the current fiscal year. In the prior fiscal year, new approaches and efficiencies in revenue collection for outstanding parking citations were employed, producing a notable spike in fines and forfeiture revenue. The decrease in the current year reflects a normalization of this revenue source. The decrease in revenues from other agencies is due to the dissolution of the former Redevelopment Agency.

**General Fund Revenues and Other Financing Sources  
 For the Year Ended September 30, 2013**



**General Fund Expenditures**

Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the table on the following page:

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

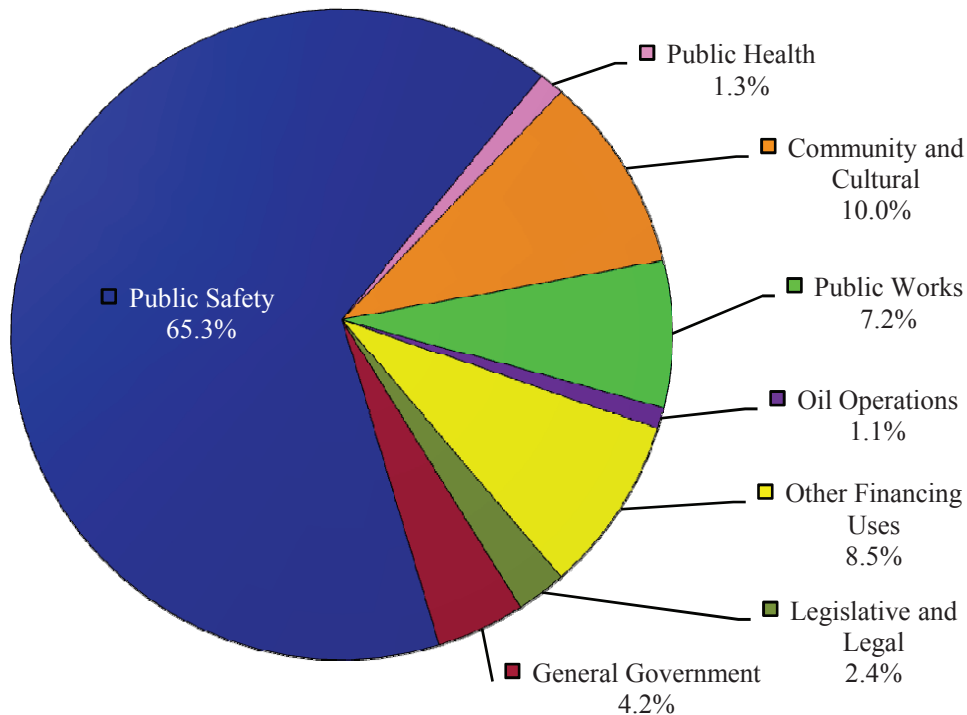
**General Fund Expenditures and Other Financing Uses**  
**September 30, 2013 and 2012**  
(In Thousands)

Expenditures and Other Financing Uses	Fiscal Year 2012-13	Percent of Total	Fiscal Year 2011-2012	Percent of Total
Legislative and Legal	\$ 9,673	2.4%	\$ 10,316	2.6%
General Government	17,050	4.2%	16,046	4.0%
Public Safety	267,430	65.3%	269,085	67.0%
Public Health	5,383	1.3%	5,248	1.2%
Community and Cultural	40,750	10.0%	40,958	10.2%
Public Works	29,679	7.2%	28,667	7.1%
Oil Operations	4,722	1.1%	9,146	2.3%
Other Financing Uses	34,851	8.5%	22,354	5.6%
	<b>\$ 409,538</b>	<b>100%</b>	<b>\$ 401,820</b>	<b>100%</b>

Expenditures decreased \$4.8 million, or 1.3 percent, from fiscal year 2012. Notable changes include public safety expenditures, which decreased \$1.7 million or less than 1 percent. The decrease is primarily due to salary savings, resulting from vacancies and pension reform. Increased efficiencies related to processes used in revenue collection and billing resulted in \$4.4 million, or 48.4 percent, decrease in oil operations expenditures.

The net of other financing sources and uses increased \$11.6 million from fiscal year 2012. The change is attributable to a \$10.7 million transfer to the Subsidence Fund for a borrowing in 2010 related to the State's withholding of property taxes.

**General Fund Expenditures and Other Financing Uses**  
**For the Year Ended September 30, 2013**



**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

**Proprietary Funds Financial Analysis**

**Enterprise Funds:** The combined net position of enterprise funds totaled \$4.3 billion at the close of the fiscal year. Total unrestricted net position amounted to \$438.0 million before the allocation of internal service fund activities. The total growth in net position was \$397.4 million after the internal service fund activities allocation to enterprise funds. Other factors affecting the finances of these funds are addressed in the discussion of the City's business-type activities.

Tidelands and Harbor funds reported unrestricted net position of \$189.8 million and \$268.6 million, respectively. Tidelands Oil Fund had a deficit unrestricted net position of \$30.1 million as result of future oil field abandonment liability exceeding net book value of the West Wilmington oil field. The Gas Utility Fund reported a deficit unrestricted net position of \$96.7 million, an increase of \$18.9 million from the prior fiscal year, primarily as result of interest paid during the fiscal year on debt service. Other Proprietary funds reported unrestricted net position of \$106.5 million, a decrease of \$3.8 million, or 3.4 percent, over the prior fiscal year. This change is primarily the result of the Airport's investment in capital facilities.

**Internal Service Funds:** Internal service funds are used to finance and account for goods and services provided internally to City departments. As of September 30, 2013, internal service funds reported a \$167.0 million deficit net position. This is attributable to the deficit unrestricted net positions of the Insurance Fund and Employee Benefits fund, which reported deficit balances of \$92.9 million and \$167.3 million, respectively. It is the City's practice to bill City departments on a pay-as-you-go basis for functions performed by both funds, therefore, the long-term portion of related liabilities associated with these funds are not fully funded. City management believes that, over the long-term, current and future billing rates are sufficient to remediate any net asset deficit. In addition, City management believes that the cash position of each fund is sufficient to cover the current costs related to health insurance, workers' compensation, and general liability claims. The Civic Center, General Services, and Fleet Services funds reported net positions of \$26.6 million, \$23.8 million, and \$42.7 million respectively.

**Fiduciary Funds**

The City maintains fiduciary funds for the assets of private purpose trust and agency funds including the Miller Trust Fund, the Mayor's Fund for the Homeless, and various agency funds held by the City as an agent for individuals, private organizations, and other governmental units. The private purpose trust funds are held in trust for the benefit of the Main Library Miller Room staffing and books, and for homeless services expenditures.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

**General Fund Budgetary Highlights**

The City adopts an annual budget for the governmental funds that include the General Fund, Capital Projects, Debt Service, and Special Revenue funds. The City Council adopts budget adjustments during the year that are generally contingent upon new or additional revenue.

- The General Fund's final budgets for revenues and expenditure appropriations reflected a net decrease to budgeted fund balance of \$30.2 million. The change between original and final budgeted amounts was \$19.5 million and consisted of additional appropriation for expenditures and other financing uses of \$31.3 million offset by an increase in revenue and other financing sources of \$11.8 million.

Significant changes in revenue forecasts include the following:

- A \$13.6 million increase in projected property tax revenues primarily resulting from the dissolution of redevelopment agencies. This was offset by a \$2.7 million decrease in revenues from other agencies resulting from the denial of certain expected redevelopment related reimbursements.

Significant changes in the appropriations budget include the following:

- A \$29.8 million increase in transfers to other funds. These increases were primarily funded through the use of one-time revenue sources such as the additional property tax revenues that resulted from the dissolution the redevelopment agencies.

The actual budgetary basis results of the General Fund as compared to the final budget reflect a net positive variance of \$90.2 million. This consists of favorable variances in both revenues and other financing sources of \$65.6 million and expenditures and other financing uses of \$24.6 million.

General Fund revenues and other financing sources reflect a positive budget to actual variance of \$65.6 million. For the year, the General Fund received 116.2 percent of total budgeted revenues and other financing sources. Noticeable positive variances between the final budget and actual results include \$42.0 million and in property tax revenues due to the dissolution of redevelopment agencies statewide; use of money and property revenues of \$17.0 million, due to favorable oil prices; \$3.7 million in Franchise fees as a result of increases in Pipeline franchises and a new refuse hauler franchise fee; \$2.9 million in other tax revenues; and \$2.0 million in other revenues as a result of the sale of City Hall East. Significant less than favorable variances include a \$6.2 million shortfall in licenses and permits revenue related to shortfalls in Emergency Ambulance Fees and AB 939 fees, the latter being reclassified as a franchise fees without a matching budgetary action.

General Fund expenditures and other financing uses reflect a positive budget to actual variance of \$24.6 million. Of the total appropriations and other financing uses of \$434.9 million, approximately 5.7% went unspent. There were \$19.0 million in savings related to General Government functions and transfers to other funds. General Government had savings of \$7.2 million primarily related to lower than expected sales tax rebate expenditures while planned transfers to other funds of \$11.8 million were not executed. Additionally, \$2.2 million in Oil Operations and \$2.3 million in Public Safety Functions completed the year under budget.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

**Capital Assets and Debt Administration**

**Capital assets:** As of September 30, 2013, the City's investment in capital assets for governmental and business-type activities amounted to \$5.2 billion (net of accumulated depreciation). There was an overall increase of \$813.2 million, or 18.4 percent, in the City's investment in capital assets over the prior fiscal year.

**Capital Assets, Net of Depreciation**  
**September 30, 2013 and 2012**  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 163,668	\$ 161,711	\$ 965,578	\$ 966,561	\$ 1,129,246	\$ 1,128,272
Rights-of-way	81,334	81,334	213,243	213,243	294,577	294,577
Water Rights	-	-	40	40	40	40
Construction in Progress	28,433	33,528	1,428,854	685,113	1,457,287	718,641
Buildings	165,037	161,220	1,216,213	1,165,653	1,381,250	1,326,873
Improvements Other than Buildings	55,599	56,705	233,708	221,171	289,307	277,876
Infrastructure	151,355	154,789	469,341	455,026	620,696	609,815
Machinery and Equipment	14,232	15,577	15,564	15,192	29,796	30,769
Vehicles & Aircrafts	27,962	31,665	8,316	6,755	36,278	38,420
Patents	-	-	530	569	530	569
<b>Total Net Capital Assets</b>	<b>\$ 687,620</b>	<b>\$ 696,529</b>	<b>\$ 4,551,387</b>	<b>\$ 3,729,323</b>	<b>\$ 5,239,007</b>	<b>\$ 4,425,852</b>

Governmental activities' net capital assets decreased \$8.9 million, or 1.3 percent, during the fiscal year. The decrease is attributable to routine depreciation charges, which amounted to \$37.3 million at the close of the fiscal year, offset by significant capital assets activities during the year include the following:

- Completed building construction and various improvements, including transfers from construction in progress, amounted to \$14.4 million. Of this amount, \$10.3 million is attributable to the completion of Fire Station No. 12.
- Capitalized infrastructure assets totaled \$9.4 million. Of this amount, \$9.0 million is attributable to the Westside Storm Drain Project.

Business-type activities' net capital assets increased \$822.1 million, or 22.0 percent, over the prior fiscal year. Significant capital asset activities during the year include the following:

- Repair and replacement of aging gas pipelines increased Gas Utility capitals assets \$9.3 million over the prior fiscal.
- Continued investment in the replacement of the water distribution system increased Water Utility capital assets \$9.3 million.
- Sewer capital assets increased \$3.4 million over the prior fiscal year. The increase is attributable to ongoing investment in a sewer pipeline rehabilitation program.
- Routine depreciation charges decreased Solid Waste Management capital assets \$3.5 million.



**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

- Tidelands capital assets increased \$11.8 million. The increase is attributable to purchases of machinery and equipment for the Convention Center complex parking operation refurbishment and capitalization of land improvements associated with the Alamitos Bay Marina Rehabilitation project.
- Harbor capital assets increased \$777.7 million. Of this, \$764.0 million is construction in progress associated with the Middle Harbor and Gerald Desmond Bridge projects.
- Airport capitalized assets associated with the new passenger concourse, increasing capital assets \$14.1 million.

Additional information on the City's capital assets can be found in Note 7 of the Basic Financial Statements, and information related to commitments for future capital asset acquisitions can be found in Note 24.

**Long-Term Indebtedness:** As of September 30, 2013, the City's net long-term obligations outstanding totaled \$2.7 billion. Of this amount, \$2.3 billion relates to notes, bonds, and capital leases. The remainder pertains to estimated oil field abandonment costs, environmental remediation, self-insurance, employee benefit obligations, and amounts due to the State of California.

The implied issuer ratings assigned to the City's bond issues are as follows:

Moody's Investors Services: Aa2, stable outlook

Fitch Ratings: AA, stable outlook

Standard & Poor's: AA-1, stable outlook

The table below provides summarized information for the City's outstanding long-term debt obligations at the close of the current and prior fiscal years end.

**Outstanding Debt Obligations**  
**September 30, 2013 and 2012**  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Notes Payable	\$ 7,102	\$ 8,118	\$ 147,017	\$ 54,349	\$ 154,119	\$ 62,467
Bonds Payable	467,008	484,152	1,610,898	1,678,836	2,077,906	2,162,988
Capital Leases	40,789	44,624	2,667	3,109	43,456	47,733
Total Outstanding	\$ 514,899	\$ 536,894	\$ 1,760,582	\$ 1,736,294	\$ 2,275,481	\$ 2,273,188

Major changes in long-term obligations during the year include the following:

Governmental Activities

- Revenue bonds principal payable decreased \$22.5 million during the current fiscal year. Of this amount, \$15 million is attributable to 2012 LBBFA debt-refunding activities, and the remainder is the result of scheduled principal payments. Annual principal payments decreased tax allocation bonds payable by \$11.5 million.

**The City of Long Beach**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

- Unamortized amounts related to bonds payable increased \$16.8 million. Of this amount, \$10.1 million is attributable to the aforementioned 2012 LBBFA refundings, which increased the unamortized balance of bond premium. This was offset by an increase in the loss on refunding as result of the 2012 LBBFA bond issue and normal amortization of premium, discounts, and gains or losses on refunding of \$1.6 million. Finally, in accordance with GASB 65, \$8.6 million of bond issuance costs were expensed.

**Business-Type Activities**

- Notes payable increased \$92.7 million. Of this amount, \$80.0 million is attributable to Harbor drawing on lines of credit; \$9.5 million pertains to loans from the California Department of Boating and Waterways for the Tidelands' Alamitos Bay Marina rehabilitation project.
- Annual principal payments decreased bonds payable by \$67.9 million.

Additional information on the City's long-term obligations can be found in Notes 9 through 12 of the Basic Financial Statements.

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

As of September 30, 2013, the unemployment rate, not seasonally adjusted, for the City was 10.6 percent and reflects a decrease from a rate of 11.4 percent a year ago. This compares to the State and national unemployment rates of 8.8 percent and 7.2 percent, respectively.

Over the past several years, the City has reviewed the City's department structure and has made necessary changes to ensure Long Beach is a 21<sup>st</sup> century organization. In order to continue to provide efficient and effective services to the community, City government must adapt its structure. These changes are paramount to its ability to provide the best services possible with the resources available. While not all government reform ideas will generate immediate savings, they are a part of a greater strategy of cost avoidance, improved customer service, and improved efficiency. The general objectives for government reform are:

- Strengthen efforts to improve the City's corridors and neighborhoods;
- Maximize all available funding sources and create symbiotic connections between many of the City's enterprise funds and General Fund departments;
- Strengthen and support public safety by streamlining many of the services that support the City's public safety mission; minimize redundancies, align services with common goals, and reduce administrative overhead; and
- Continue to seek ways of reducing the costs of providing services.

Fiscal year 2014 represents the culmination of the efforts made to sustain and enhance City services despite the worst recession in decades. Over the last ten years, the City has had to reduce its General Fund workforce by 1016 positions and mitigated structural deficits, the amount by which the City's spending exceeded its revenues. Highlights of the fiscal year 2014 budget are as follows:

- First projected surplus in 10 years
- Makes major investment in City assets
- Positions the City to avoid deficits over next three years
- Adds back-to-back Police and Fire Academies
- Structurally restores \$2.3 million in recreational and Police programs

**The City of Long Beach**  
Managements' Discussion and Analysis (Unaudited)  
For the Year Ended September 30, 2013 (Continued)

In compliance with City Council's Financial Policy to achieve and maintain a structurally balanced budget, the proposed fiscal year 2014 General Fund budget reflects a structural surplus. This accomplishment, which is dependent on departments operating within their approved spending limits, will continue to be a focus of the City.

The fiscal year 2014 adopted General Fund revenue budget projected a decrease of 7.5 percent, or \$32.9 million, as compared to the pre-audit fiscal year 2013 results. Operating transfers from other funds make up \$8.4 million of the \$402.4 million fiscal year 2014 budgeted revenue. Appropriations for 2014 are budgeted at \$448.3 million. The budget projects a decrease in fund balance of \$45.9 million as the City appropriates prior year one-time revenues for needed one-time projects.

The final fiscal year 2013 budget showed a decrease of \$30.2 million in fund balance as compared to a \$60.6 million increase from actual results for the year.

The largest structural revenue sources for fiscal year 2014 are property tax, sales and use tax, and property tax in-lieu. These revenue sources comprise 47.9 percent of total General Fund budgeted revenues. Below is a closer look at some of these key General Fund resources.

- Approximately 22.9 percent or \$92.2 million of the City's General Fund revenue is derived from local property taxes, which includes secured real property tax and unsecured personal property tax, net of refunds. This reflects an increase of \$3.9 million from the final fiscal year 2013 budget. This 4.5 percent increase is based on the belief that property values countywide will climb over the next year.
- Sales and use tax revenue is budgeted to account for \$58.8 million, or 14.6 percent of General Fund revenues. In fiscal year 2014, a 2 percent decrease in revenue is anticipated due to a negative true-up payment, which will be withheld by the State, as a result of an overpayment of estimated revenue made to Long Beach in fiscal year 2013.
- Property tax in-lieu is budgeted to account for \$41.9 million, or 10.4 percent of General Fund revenues. This reflects an increase of \$2.6 million from the final fiscal year 2013 budget.

In addition, the City continues to evaluate its fees for services to ensure, when possible, fees collected fully support the costs of providing the City services.

The fiscal year 2014 adopted General Fund appropriations budget is \$448.3 million. This reflects an increase of \$13.3 million from the final fiscal year 2013 budget as the City appropriates one-time revenues received in the prior year to fund much needed one-time projects.

### **Requests for Information**

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



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# BASIC FINANCIAL STATEMENTS

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**City of Long Beach**  
**Statement of Net Position**  
**September 30, 2013**  
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Long Beach Public Transportation Company
<b>ASSETS</b>				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 142,926	\$ 286,529	\$ 429,455	\$ -
Non-Pooled Cash and Cash Equivalents	35,346	18,017	53,363	35,810
Pooled Investments	113,044	226,624	339,668	-
Non Performing Investments	86	341	427	-
Non-Pooled Investments	-	2,574	2,574	-
Interest Receivable	174	384	558	-
Property Tax Receivable, Net	79,753	-	79,753	-
Accounts and Loans Receivables, Net	18,731	117,364	136,095	3,997
Due from Other Governments	44,683	132,614	177,297	-
Internal Balances	34,488	(34,488)	-	-
Inventory	1,980	5,034	7,014	1,218
Other Assets	8,674	25,616	34,290	356
Land Held for Resale	101,412	-	101,412	-
Total Current Assets:	<u>581,297</u>	<u>780,609</u>	<u>1,361,906</u>	<u>41,381</u>
Noncurrent Restricted Assets:				
Non-Pooled Cash and Cash Equivalents	-	259	259	21,430
Non-Pooled Investments	-	118,902	118,902	-
Total Noncurrent Restricted Assets:	<u>-</u>	<u>119,161</u>	<u>119,161</u>	<u>21,430</u>
Other Noncurrent Assets:				
Pooled Investments	180,695	362,249	542,944	-
Non-Pooled Investments	31,376	-	31,376	-
Other Noncurrent Receivables	189,921	4,906	194,827	-
Land and Other Capital Assets not being Depreciated	273,435	2,607,715	2,881,150	9,442
Capital Assets, net of Accumulated Depreciation	414,185	1,943,672	2,357,857	88,886
Other Assets	-	545,698	545,698	-
Total Other Noncurrent Assets:	<u>1,089,612</u>	<u>5,464,240</u>	<u>6,553,852</u>	<u>98,328</u>
Total Assets	<u>1,670,909</u>	<u>6,364,010</u>	<u>8,034,919</u>	<u>161,139</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows (Note 25)	4,433	295,412	299,845	-
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	40,386	154,029	194,415	2,553
Accrued Wages and Benefits Payable	44,035	11,507	55,542	4,081
Accrued Interest Payable	8,963	29,577	38,540	-
Unearned Revenue, Credits, and Other Payables	21,589	35,183	56,772	17,280
Employee Benefits and Accrued Long-Term Obligations	33,468	4,000	37,468	10,977
Bonds, Loans, Capital Leases, and Other Long-Term Obligations	25,319	140,333	165,652	-
Total Current Liabilities	<u>173,760</u>	<u>374,629</u>	<u>548,389</u>	<u>34,891</u>
Noncurrent Liabilities:				
Unearned Revenue, Credits, and Other Payables	-	10,255	10,255	21,621
Employee Benefits and Accrued Long-Term Obligations	290,512	52,200	342,712	2,694
Bonds, Loans, Capital Leases, and Other Long-Term Obligations	493,708	1,704,470	2,198,178	-
Total Noncurrent Liabilities:	<u>784,220</u>	<u>1,766,925</u>	<u>2,551,145</u>	<u>24,315</u>
Total Liabilities	<u>957,980</u>	<u>2,141,554</u>	<u>3,099,534</u>	<u>59,206</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows (Note 25)	78,618	273,174	351,792	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	242,105	3,547,110	3,789,215	98,328
Restricted for:				
Debt Service	14,456	38,476	52,932	-
Capital Projects	54,150	70,312	124,462	30
Public Safety	3,257	-	3,257	-
Public Health	5,403	-	5,403	-
Community and Cultural	364,318	-	364,318	-
Healthcare Insurance	16,583	-	16,583	-
Tidelands	-	9,173	9,173	-
Airport	-	7,354	7,354	-
Subsidence	-	172,379	172,379	-
Unrestricted	(61,528)	399,890	338,362	3,575
Total Net Position	<u>\$ 638,744</u>	<u>\$ 4,244,694</u>	<u>\$ 4,883,438</u>	<u>\$ 101,933</u>

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, 2013  
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
Legislative and Legal	\$ 10,957	\$ 61	\$ -	\$ -
General Government	23,342	16,093	88	1,007
Public Safety	303,872	32,371	18,733	-
Public Health	41,966	11,856	21,984	-
Community and Cultural	173,239	14,656	98,412	819
Public Works	102,979	25,011	32,720	8,952
Oil Operations	7,101	39,869	-	-
Interest on Long-Term Debt	26,941	-	-	-
Total Governmental Activities	<u>690,397</u>	<u>139,917</u>	<u>171,937</u>	<u>10,778</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Gas	82,693	87,141	-	-
Water	89,767	93,036	-	131
Sewer	15,542	17,311	-	-
Airport	41,616	43,817	325	8,362
Development Services	15,404	17,546	-	-
Solid Waste Management	71,708	79,542	287	-
Towing	5,915	6,445	-	-
Tidelands	96,881	59,929	493	152
Tideland Oil Revenue	362,144	397,301	-	-
Subsidence	3	-	-	-
Harbor	195,335	346,244	-	250,543
Total Business-Type Activities	<u>977,008</u>	<u>1,148,312</u>	<u>1,105</u>	<u>259,188</u>
Total Primary Government	<u>\$ 1,667,405</u>	<u>\$ 1,288,229</u>	<u>\$ 173,042</u>	<u>\$ 269,966</u>
<b>COMPONENT UNIT</b>				
Long Beach Public Transportation Company	<u>\$ 96,704</u>	<u>\$ 18,627</u>	<u>\$ 57,672</u>	<u>\$ 39,295</u>

Taxes:  
Property  
Sales  
Utility Users  
Other  
Franchise Fees  
Grants and Contributions Not Restricted to Specific Programs  
Unrestricted Investment Earnings  
Capital Asset Transfers  
Transfers  
Total General Revenues and Transfers  
Change in Net Position  
Net Position, Beginning of Year  
Adjustments for GASB 65 Implementation  
Net Position, End of Year

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



Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
\$ (10,896)	\$ -	\$ (10,896)	\$ -
(6,154)	-	(6,154)	-
(252,768)	-	(252,768)	-
(8,126)	-	(8,126)	-
(59,352)	-	(59,352)	-
(36,296)	-	(36,296)	-
32,768	-	32,768	-
(26,941)	-	(26,941)	-
<u>(367,765)</u>	<u>-</u>	<u>(367,765)</u>	<u>-</u>
-	4,448	4,448	-
-	3,400	3,400	-
-	1,769	1,769	-
-	10,888	10,888	-
-	2,142	2,142	-
-	8,121	8,121	-
-	530	530	-
-	(36,307)	(36,307)	-
-	35,157	35,157	-
-	(3)	(3)	-
-	401,452	401,452	-
<u>-</u>	<u>431,597</u>	<u>431,597</u>	<u>-</u>
<u>(367,765)</u>	<u>431,597</u>	<u>63,832</u>	<u>-</u>
-	-	-	18,890
203,770	-	203,770	-
63,443	-	63,443	-
38,026	-	38,026	-
46,446	-	46,446	-
25,243	-	25,243	-
150	-	150	-
3,417	5,557	8,974	156
4,786	(4,786)	-	-
21,490	(21,490)	-	-
<u>406,771</u>	<u>(20,719)</u>	<u>386,052</u>	<u>156</u>
39,006	410,878	449,884	19,046
608,384	3,847,251	4,455,635	82,887
(8,646)	(13,435)	(22,081)	-
<u>\$ 638,744</u>	<u>\$ 4,244,694</u>	<u>\$ 4,883,438</u>	<u>\$ 101,933</u>

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

**City of Long Beach**  
**Governmental Funds**  
**Balance Sheet**  
**September 30, 2013**  
(In Thousands)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total September 30, 2013</u>
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 135,357	\$ 132,050	\$ 267,407
Non-Pooled Cash and Cash Equivalents	374	34,959	35,333
Non Performing Investments	20	40	60
Non-Pooled Investments	-	31,376	31,376
Receivables:			
Property Taxes	88,147	94	88,241
Accounts Receivable	38,749	3,467	42,216
Notes and Loans Receivable	1,861	-	1,861
Due from Other Governments	15,252	29,431	44,683
Due from Other Funds	7,079	3,028	10,107
Allowance for Receivables	(34,231)	(1,101)	(35,332)
Other Assets	43	8,008	8,051
Advances to Other Funds	2,000	29,507	31,507
Land Held for Resale	-	101,412	101,412
Other Noncurrent Receivables	-	189,911	189,911
<b>Total Assets</b>	<b>\$ 254,651</b>	<b>\$ 562,182</b>	<b>\$ 816,833</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 11,064	\$ 24,831	\$ 35,895
Accrued Wages and Benefits Payable	4,984	770	5,754
Due to Other Funds	7,569	6,666	14,235
Unearned Revenues	4,324	7,078	11,402
Deposits and Collections Held in Trust	2,789	3,416	6,205
Advances from Other Funds	4,114	31,507	35,621
<b>Total Liabilities</b>	<b>34,844</b>	<b>74,268</b>	<b>109,112</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows (Note 25)	82,070	190,655	272,725
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable	2,043	8,009	10,052
Restricted	2,311	293,567	295,878
Committed	5,711	1,362	7,073
Assigned	119,542	24,433	143,975
Unassigned	8,130	(30,112)	(21,982)
<b>Total Fund Balances</b>	<b>137,737</b>	<b>297,259</b>	<b>434,996</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 254,651</b>	<b>\$ 562,182</b>	<b>\$ 816,833</b>

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

**City of Long Beach**  
 Reconciliation of the Governmental Funds Balance Sheet to  
 Governmental Activities in the Statement of Net Position  
 September 30, 2013  
 (In Thousands)

Total governmental fund balances	\$ 434,996
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities, which are not included in the internal service funds, are not financial resources and, therefore, are not reported in the funds.	588,264
Certain property taxes receivable are not available to pay current period expenditures and, therefore, are deferred inflows in the funds.	1,795
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.	189,860
Governmental 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. Liability amount has been reduced by interest receivables for federal subsidy on Build America and Recovery Zone Economic Development Bonds.	(447,224)
Internal service funds are used by management to charge the cost of operations and financing related to the Civic Center complex; operations, maintenance, financing, timely replacement of information technology assets and vehicles; 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 position.	<u>(128,947)</u>
Net position of governmental activities	<u>\$ 638,744</u>

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

**City of Long Beach**  
**Governmental Funds**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	General	Other Governmental Funds	Total September 30, 2013
Revenues:			
Taxes:			
Property	\$ 169,590	\$ 45,226	\$ 214,816
Sales	61,474	1,969	63,443
Utility Users	38,026	-	38,026
Other Taxes	30,629	15,817	46,446
Franchise Fees	25,243	-	25,243
Licenses and Permits	13,889	6,052	19,941
Fines and Forfeitures	16,394	-	16,394
Use of Money and Property	54,239	4,202	58,441
From Other Agencies	1,767	179,272	181,039
Charges for Services	26,295	1,997	28,292
Contributions and Donations	-	1,385	1,385
Other	8,337	10,240	18,577
Total Revenues	<u>445,883</u>	<u>266,160</u>	<u>712,043</u>
Expenditures:			
Current:			
Legislative and Legal	9,673	-	9,673
General Government	17,050	735	17,785
Public Safety	267,430	21,549	288,979
Public Health	5,383	33,914	39,297
Community and Cultural	40,750	144,628	185,378
Public Works	29,679	35,805	65,484
Oil Operations	4,722	-	4,722
Total Current Expenditures	<u>374,687</u>	<u>236,631</u>	<u>611,318</u>
Capital Improvements	-	26,199	26,199
Debt Service:			
Principal	-	16,358	16,358
Interest	-	23,776	23,776
Debt Administration Fees	-	542	542
Total Expenditures	<u>374,687</u>	<u>303,506</u>	<u>678,193</u>
Excess of Revenues over (under) Expenditures	<u>71,196</u>	<u>(37,346)</u>	<u>33,850</u>
Other Financing Sources (Uses):			
Debt Issuance	-	54,186	54,186
Payment to Refunded Bond Escrow Agent	-	(57,611)	(57,611)
Transfers In	24,269	90,346	114,615
Transfers Out	(34,851)	(52,181)	(87,032)
Total Other Financing Sources (Uses)	<u>(10,582)</u>	<u>34,740</u>	<u>24,158</u>
Net Change in Fund Balances	60,614	(2,606)	58,008
Fund Balances - October 1	<u>77,123</u>	<u>299,865</u>	<u>376,988</u>
Fund Balances - September 30	<u>\$ 137,737</u>	<u>\$ 297,259</u>	<u>\$ 434,996</u>

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

**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, 2013  
 (In Thousands)

Excess of expenditures and other uses over revenue and other sources - total governmental funds	\$ 58,008
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost associated with the acquisition of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay (\$22,675) plus contributed assets (\$161) is less than depreciation (\$25,301) in the current period.	(2,465)
Net effect of miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is a decrease to net position.	(1,894)
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue is recognized when it is earned regardless of its availability. In addition, governmental funds report expenditures pertaining to the establishment of certain long-term loans. 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 position and, therefore, the corresponding net expense is not reported on the statement of activities.	(1,623)
The issuance of long-term debt (e.g., 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 position. 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.	21,409
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.	(4,536)
Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of certain activities of internal service funds is reported as governmental activities.	(29,893)
Change in net position of governmental activities	\$ 39,006

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, 2013**  
**(In Thousands)**

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Sources:</b>				
Property Taxes	\$ 114,014	\$ 127,628	\$ 169,590	\$ 41,962
Sales Taxes	60,872	60,872	61,474	602
Utility Users Taxes	36,846	36,846	38,026	1,180
Other Taxes	27,710	27,710	30,629	2,919
Franchise Fees	21,507	21,507	25,243	3,736
Licenses and Permits	20,084	20,084	13,889	(6,195)
Fines and Forfeitures	15,797	15,797	16,394	597
Use of Money and Property	37,893	37,379	54,398	17,019
From Other Agencies	3,861	1,206	1,767	561
Charges for Services	23,539	24,897	26,295	1,398
Other	4,923	6,263	8,337	2,074
Transfers In	25,889	24,546	24,269	(277)
Total Sources	392,935	404,735	470,311	65,576
<b>Uses:</b>				
<b>Current:</b>				
<b>Legislative and Legal</b>				
Mayor and City Council	4,954	4,880	4,768	112
City Attorney	1,982	1,962	1,828	134
City Clerk	3,420	3,387	3,079	308
<b>General Government</b>				
City Auditor	2,383	2,385	2,330	55
City Manager	2,204	2,194	2,638	(444)
Civil Service	2,719	2,723	2,315	408
Financial Management	17,401	15,916	9,018	6,898
Planning and Building	876	1,377	1,073	304
<b>Public Safety</b>				
Police	187,755	188,946	185,167	3,779
Fire	72,283	72,728	71,415	1,313
City Prosecutor	5,023	4,970	4,832	138
Planning and Building - Code Enforcement	3,155	3,140	2,950	190
Police and Fire Annuity	-	-	3,067	(3,067)
<b>Public Health</b>	5,265	5,348	5,383	(35)
<b>Community and Cultural</b>				
Community Development	1,053	1,567	1,525	42
Library	14,164	14,046	13,996	50
Parks and Recreation	25,293	25,359	25,246	113
<b>Public Works</b>	30,132	30,475	30,059	416
Oil Operations	6,750	6,887	4,722	2,165
Transfers Out	16,771	46,618	34,851	11,767
Total Uses	403,583	434,908	410,262	24,646
Net Change in Budgetary Fund Balance:	\$ (10,648)	\$ (30,173)	\$ 60,049	\$ 90,222

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ 60,049</u>
<b>Add:</b> Encumbrances	724
<b>Less:</b> Change in Mark-to-Market and Other Adjustments	<u>(159)</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	60,614
<b>Fund Balance, October 1, GAAP Basis</b>	<u>77,123</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 137,737</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 137,737</u>
<b>Less:</b> Nonspendable Fund Balance	(2,043)
Restricted for Public Safety	(2,311)
Committed for Public Safety	(1,000)
Committed for Oil Field Abandonment	(4,711)
Assigned for Emergencies	(42,858)
Assigned for Operations	(12,986)
Assigned for Future Infrastructure	(1,000)
Assigned for Subsequent Year's Appropriations	<u>(62,698)</u>
<b>Total Adjustments</b>	<u>(129,607)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 8,130</u>

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



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**City of Long Beach**  
**Proprietary Funds**  
**Statement of Net Position (Deficit)**  
**September 30, 2013**  
**(In Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Gas Utility</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Pooled Cash and Cash Equivalents	\$ 7,776	\$ 193,517	\$ 52,813
Non-Pooled Cash and Cash Equivalents	43	8,094	-
Non Performing Investments	11	32	-
Non-Pooled Investments	-	-	-
<b>Receivables:</b>			
Interest Receivable	14	89	-
Accounts Receivable	4,704	3,263	53,629
Due from Other Governments	-	624	-
Due from Other Funds	738	22,248	-
Other Receivables	-	-	-
Allowance for Receivables	(463)	(368)	-
Deposits	-	-	-
Inventory	1,933	-	-
Prepaid Gas - Current	22,811	-	-
Other Assets - Current	401	1	-
Total Current Asset	<u>37,968</u>	<u>227,500</u>	<u>106,442</u>
<b>Noncurrent Assets:</b>			
<b>Restricted Noncurrent assets</b>			
Non-Pooled Cash and Cash Equivalents	-	-	-
Non-Pooled Investments	20,635	12,351	-
<b>Noncurrent Receivables:</b>			
Other Noncurrent Receivables (net)	-	-	-
Advances to Other Funds	-	-	-
<b>Capital Assets:</b>			
Land and Other Capital Assets not being Depreciated	4,345	57,691	-
Capital Assets net of Accumulated Depreciation	120,436	287,023	12,531
Prepaid Gas - Long Term	496,015	-	-
Other Assets - Long-Term	-	-	-
Total Noncurrent Assets	<u>641,431</u>	<u>357,065</u>	<u>12,531</u>
Total Assets	<u>679,399</u>	<u>584,565</u>	<u>118,973</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows (Note 25)	<u>273,174</u>	<u>8,391</u>	<u>-</u>

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



Business-type Activities - Enterprise Funds			Governmental
Harbor	Other Proprietary Funds	Total	Activities - Internal
		Proprietary Funds	Service Funds
		September 30, 2013	September 30, 2013
\$ 287,355	\$ 333,941	\$ 875,402	\$ 169,258
35	9,845	18,017	13
242	56	341	26
-	2,574	2,574	-
203	78	384	-
41,003	18,293	120,892	1,638
129,171	2,819	132,614	-
-	671	23,657	5,168
-	77	77	-
(1,748)	(1,026)	(3,605)	(140)
-	-	-	617
520	2,581	5,034	1,980
-	-	22,811	-
1,726	677	2,805	6
<u>458,507</u>	<u>370,586</u>	<u>1,201,003</u>	<u>178,566</u>
259	-	259	-
63,237	22,679	118,902	-
3,217	1,689	4,906	10
1,300	4,114	5,414	-
2,478,815	66,864	2,607,715	14,527
997,979	525,703	1,943,672	84,829
-	-	496,015	-
49,464	219	49,683	-
<u>3,594,271</u>	<u>621,268</u>	<u>5,226,566</u>	<u>99,366</u>
<u>4,052,778</u>	<u>991,854</u>	<u>6,427,569</u>	<u>277,932</u>
<u>11,404</u>	<u>2,443</u>	<u>295,412</u>	<u>2,518</u>

(Continued)

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

(Continued)

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Gas Utility</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Current Assets:			
Accounts Payable	2,248	8,250	24,340
Accrued Wages	280	392	54
Accrued Interest Payable	11,249	2,918	-
Due to Other Funds	850	192	4,962
Unearned Revenues	126	1,652	-
Collections Held in Trust	-	130	4,001
Customers Deposits	1,833	-	-
Advances from Developers	-	-	-
Employee Benefits	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-
Environmental Remediation - Current	-	-	-
Due to State of California	-	-	61,983
Obligations Under Capital Leases - Current	423	29	-
Bonds Payable Due Within One Year	7,305	6,465	-
Other Long-Term Obligations - Current	-	1,878	-
Total Current Liabilities	<u>24,314</u>	<u>21,906</u>	<u>95,340</u>
Noncurrent Liabilities:			
Advances from Other Funds	-	1,300	-
Unearned Revenues	-	5,010	-
Employee Benefits	-	-	-
Accrued Self-Insurance Claims	-	-	-
Accrued Oil Field Abandonment Costs	-	-	41,200
Site Restoration	-	-	-
Due to State of California	-	-	-
Obligations Under Capital Leases	1,782	433	-
Other Long-Term Obligations	3,000	52,389	-
Unamortized Discount	-	-	-
Bonds Payable	613,775	124,533	-
Unamortized Discount (Premium)	13,681	10,683	-
Total Noncurrent Liabilities	<u>632,238</u>	<u>194,348</u>	<u>41,200</u>
Total Liabilities	<u>656,552</u>	<u>216,254</u>	<u>136,540</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows (Note 25)	<u>273,174</u>	<u>-</u>	<u>-</u>
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	119,576	169,176	12,531
Restricted for:			
Debt Service	-	8,335	-
Capital Projects	-	246	-
Healthcare Insurance	-	-	-
Tidelands	-	9,173	-
Airport	-	-	-
Subsidence	-	-	-
Unrestricted	<u>(96,729)</u>	<u>189,772</u>	<u>(30,098)</u>
Total Net Position (Deficit)	<u>\$ 22,847</u>	<u>\$ 376,702</u>	<u>\$ (17,567)</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			
Net Position of Business-type Activities			

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

Business-type Activities - Enterprise Funds			Governmental
Harbor	Other Proprietary Funds	Totals	Activities - Internal Service Funds
		Proprietary Funds September 30, 2013	September 30, 2013
97,919	21,272	154,029	4,491
9,918	863	11,507	38,281
11,484	3,926	29,577	2,316
17,705	425	24,134	563
13,633	5,046	20,457	-
-	5,534	9,665	1,225
-	2,780	4,613	-
-	448	448	-
-	-	-	8,119
4,000	-	4,000	24,549
-	-	-	182
-	-	61,983	-
-	-	452	3,352
49,115	13,135	76,020	4,760
-	-	1,878	-
<u>203,774</u>	<u>53,429</u>	<u>398,763</u>	<u>87,838</u>
-	-	1,300	-
-	5,245	10,255	-
-	-	-	160,446
10,000	-	10,000	103,623
-	-	41,200	-
-	1,000	1,000	-
-	-	-	2,829
-	-	2,215	26,530
80,000	9,750	145,139	-
-	-	-	3,793
552,590	197,130	1,488,028	62,576
39,132	5,592	69,088	(109)
<u>681,722</u>	<u>218,717</u>	<u>1,768,225</u>	<u>359,688</u>
<u>885,496</u>	<u>272,146</u>	<u>2,166,988</u>	<u>447,526</u>
-	-	273,174	-
2,848,456	397,371	3,547,110	46,550
18,418	11,723	38,476	59
43,236	26,830	70,312	1,646
-	-	-	16,583
-	-	9,173	-
-	7,354	7,354	-
-	172,379	172,379	-
268,576	106,494	438,015	(231,914)
<u>\$ 3,178,686</u>	<u>\$ 722,151</u>	<u>4,282,819</u>	<u>\$ (167,076)</u>
		(38,125)	
		<u>\$ 4,244,694</u>	

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

**City of Long Beach**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)**  
**For the Fiscal Year Ended September 30, 2013**  
**(In Thousands)**

	Business-type Activities - Enterprise Funds		
	Gas Utility	Tidelands	Tideland Oil Revenue
<b>Operating Revenues:</b>			
Licenses and Permits	\$ -	\$ 261	\$ -
Fines and Forfeitures	-	308	-
Fees, Concessions, and Rentals	-	36,044	390,944
From Other Agencies	-	164	-
Charges for Services	80,215	22,956	4,425
Other	-	178	-
Total Operating Revenues	<u>80,215</u>	<u>59,911</u>	<u>395,369</u>
<b>Operating Expenses:</b>			
Personnel Services	15,286	26,754	3,002
Purchases of Gas and Water	10,597	-	-
Maintenance and Other Operations	11,391	42,521	4,875
Insurance Premiums	-	-	-
Self-Insured Losses	-	-	-
Compensated Absences	-	-	-
Employee Benefits	-	-	-
Payments to Other Entities	-	-	340,174
Amortization	(5)	514	-
Depreciation	5,207	18,848	-
Total Operating Expenses	<u>42,476</u>	<u>88,637</u>	<u>348,051</u>
Operating Income (Loss)	<u>37,739</u>	<u>(28,726)</u>	<u>47,318</u>
<b>Non-Operating Income (Expenses):</b>			
Interest Income	647	319	-
Interest Expense	(31,977)	(6,529)	-
Gain (Loss) on Disposition of Capital Assets	(874)	-	-
Capital Assets to / (from) Other Funds	(1,844)	-	-
Oil Field Abandonment Costs	-	-	(13,800)
Operating Grants	-	493	-
Other Income	6,926	18	1,933
Other Expense	(5,922)	-	-
Total Non-Operating Income (Expenses)	<u>(33,044)</u>	<u>(5,699)</u>	<u>(11,867)</u>
Income (Loss) Before Contributions and Transfers	4,695	(34,425)	35,451
Capital Grants and Contributions	-	153	-
<b>Transfers:</b>			
Transfers In	-	64,221	-
Transfers Out	(13,023)	-	(46,909)
Change in Net Position	<u>(8,328)</u>	<u>29,949</u>	<u>(11,458)</u>
Net Position (Deficit) - October 1	35,109	348,097	(6,109)
Adjustments for GASB 65 Implementation	(3,934)	(1,344)	-
Net Position (Deficit) - September 30	<u>\$ 22,847</u>	<u>\$ 376,702</u>	<u>\$ (17,567)</u>

Change in Net Position of Business - Enterprise Funds

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

Change in Net Position of Business-type Activities

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

Business-Type Activities - Enterprise Funds			Governmental
Harbor	Other Proprietary Funds	Totals	Activities - Internal
		Proprietary Funds September 30, 2013	Service Funds September 30, 2013
\$ -	\$ 15,831	\$ 16,092	\$ -
-	2	310	-
345,244	34,760	806,992	-
-	-	164	-
-	196,720	304,316	314,401
1,000	25	1,203	6,042
<u>346,244</u>	<u>247,338</u>	<u>1,129,077</u>	<u>320,443</u>
54,333	57,707	157,082	38,171
-	29,753	40,350	-
43,363	114,088	216,238	43,665
-	-	-	2,973
-	-	-	22,749
-	-	-	48,484
-	-	-	151,913
-	-	340,174	-
-	159	668	38,036
90,850	23,660	138,565	11,966
<u>188,546</u>	<u>225,367</u>	<u>893,077</u>	<u>357,957</u>
<u>157,698</u>	<u>21,971</u>	<u>236,000</u>	<u>(37,514)</u>
2,789	1,802	5,557	40
(65)	(7,180)	(45,751)	(4,722)
5	(1,205)	(2,074)	91
(11)	(2,930)	(4,785)	4,775
-	-	(13,800)	-
-	612	1,105	-
-	10,359	19,236	1,986
(3,601)	(2,317)	(11,840)	(283)
<u>(883)</u>	<u>(859)</u>	<u>(52,352)</u>	<u>1,887</u>
156,815	21,112	183,648	(35,627)
250,543	8,493	259,189	1,358
-	24	64,245	1,332
(17,312)	(8,491)	(85,735)	(7,425)
<u>390,046</u>	<u>21,138</u>	<u>421,347</u>	<u>(40,362)</u>
2,793,318	704,492	3,874,907	(125,267)
(4,678)	(3,479)	(13,435)	(1,447)
<u>\$ 3,178,686</u>	<u>\$ 722,151</u>	<u>4,282,819</u>	<u>\$ (167,076)</u>
		421,347	
		(10,469)	
		<u>\$ 410,878</u>	

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

**City of Long Beach**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Gas Utility</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 79,411	\$ 60,801	\$ -
Receipts from Oil Companies	-	-	402,115
Receipts from Other Governments	-	5,534	-
Receipts from Other Funds	-	-	-
Payments for Employee Salaries	(15,231)	(27,375)	(2,993)
Payments for Goods and Services	(22,872)	(42,932)	(4,805)
Payments for Compensated Absences	-	-	-
Payments for Employee Benefits	-	-	-
Payments for Liability Claims	-	-	-
Payments to Other Entities	-	(1)	(367,118)
Payments in Lieu of Taxes	-	-	-
Other Income	29,795	18	(11,867)
Other Expense	(5,889)	-	-
Net Cash Provided by (Used for) Operating Activities	65,214	(3,955)	15,332
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Operating Grants Received from Other Governments	31	-	-
Receipts for Oil Well Abandonment Reserve	-	-	13,800
Clean Air Action Plan	-	-	-
ACTA shortfall advance	-	-	-
Receipts from Prepayment of Gas Supply	(568)	-	-
Payments of Principal on Bonds Payable	(8,290)	-	-
Payments of Interest	(32,468)	-	-
Transfers In	-	69,235	-
Transfers Out	(13,023)	(803)	(51,054)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(54,318)	68,432	(37,254)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Receipt of Capital Grants	-	-	-
Proceeds from the Sale of Capital Assets	-	-	-
Proceeds from Issuance of Long-Term Obligations	-	9,653	-
Payment of Cost of Issuance	-	-	-
Receipts of Contributed Capital	-	-	-
Receipts from Passenger Facility Charges	-	-	-
Payments to Developers	-	-	-
Proceeds from Capital Leases Receivable from Other Funds	879	-	-
Principal Received on Other Long term Receivable	-	-	-
Payments for Capital Acquisitions	(15,866)	(29,544)	-
Payments of Principal on Bonds Payable	(750)	(8,240)	-
Payments of Principal on Other Long-Term Obligations	(414)	(910)	-
Payments to Defease Bonds	-	-	-
Payments of Interest, Net of Amounts Capitalized	(79)	(8,327)	-
Receipt of Federal Subsidy	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(16,230)	(37,368)	-
<b>Cash Flows from Investing Activities:</b>			
Proceeds from the Sale of Investments	1,114	-	-
Payments for Investments	650	109	-
Payments from Other Government Entities	-	-	-
Payment to Joint Venture	-	-	-
Receipts of Interest	691	421	-
Net Cash Provided by (Used for) Investing Activities	2,455	530	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,879)	27,639	(21,922)
Cash and Cash Equivalents - October 1	10,698	173,972	74,735
Cash and Cash Equivalents - September 30	\$ 7,819	\$ 201,611	\$ 52,813

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		September 30, 2013	
		Proprietary Funds			
		September 30, 2013		September 30, 2013	
\$ 355,528	\$ 258,661	\$ 754,401	\$ 6,129		
-	-	402,115	-		
-	-	5,534	-		
-	-	-	313,721		
(44,666)	(57,462)	(147,727)	(37,928)		
(41,119)	(138,796)	(250,524)	(47,987)		
-	-	-	(62,416)		
-	-	-	(140,729)		
-	-	-	(2,553)		
-	-	(367,119)	-		
-	(11,551)	(11,551)	-		
-	(1,088)	16,858	2,015		
-	(106)	(5,995)	(427)		
269,743	49,658	395,992	29,825		
-	612	643	-		
-	-	13,800	-		
(3,420)	-	(3,420)	-		
702	-	702	-		
-	-	(568)	-		
-	-	(8,290)	-		
-	-	(32,468)	-		
-	10,824	80,059	3,844		
(16,694)	(8,491)	(90,065)	(7,425)		
(19,412)	2,945	(39,607)	(3,581)		
188,327	8,571	196,898	1,185		
129	410	539	220		
80,000	3,750	93,403	21,661		
-	-	-	(20)		
-	(1,235)	(1,235)	173		
-	5,897	5,897	-		
-	115	115	4,006		
-	-	879	-		
-	76	76	-		
(820,993)	(44,167)	(910,570)	(1,658)		
(46,965)	(12,375)	(68,330)	(1,510)		
-	-	(1,324)	(8,047)		
-	-	-	(27,917)		
(33,670)	(11,709)	(53,785)	(5,456)		
-	1,119	1,119	-		
(633,172)	(49,548)	(736,318)	(17,363)		
-	9,452	10,566	-		
-	-	759	2,707		
-	(3)	(3)	-		
2,000	-	2,000	-		
2,000	2,080	5,192	72		
4,000	11,529	18,514	2,779		
(378,841)	14,584	(361,419)	11,660		
666,490	329,202	1,255,097	157,611		
\$ 287,649	\$ 343,786	\$ 893,678	\$ 169,271		

(continued)

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

(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>		
	Gas		Tideland
<u>RECONCILIATION OF OPERATING</u>	Utility	Tidelands	Oil
<u>INCOME (LOSS) TO NET CASH PROVIDED BY</u>			Revenue
<u>(USED FOR) OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 37,739	\$ (28,726)	\$ 47,318
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization Expense	5,202	19,362	-
Other Income	29,628	663	(11,867)
Other Expense	(5,922)	-	-
(Increase) Decrease in Accounts Receivable, Net	264	69	6,558
Decrease in Amounts Due to Other Governments	-	-	(26,944)
(Increase) Decrease in Amounts Due from Other Governments	(31)	4,725	-
(Increase) Decrease in Amounts Due from Other Funds	199	-	-
(Increase) Decrease in Inventory	(43)	-	21
(Increase) Decrease in Other Assets	619	-	-
(Increase) Decrease in Environmental Liabilities	-	-	-
Increase (Decrease) in Accounts Payable	(2,203)	1,087	48
Increase in Accrued Wages Payable	43	105	9
Increase (Decrease) in Amounts Due to Other Funds	(58)	(725)	-
Increase in Accrued Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenues	(228)	(478)	-
Decrease in Deferred Credits	-	-	-
Increase (Decrease) in Collections Held in Trust	5	(37)	189
Total Adjustments	27,475	24,771	(31,986)
Net Cash Provided by (Used for) Operating Activities	\$ 65,214	\$ (3,955)	\$ 15,332
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>			
Capitalized Interest	\$ 75	\$ 1,139	\$ -
Accrued Capital Asset Costs	-	-	-
Amortization of Bond Premium, Net	-	-	-
Accrued Cost of Water Purchases	-	-	-
Accrued Oilfield Abandonment Costs	-	-	13,800

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



Business-Type Activities - Enterprise Funds			Governmental
		Totals	Activities - Internal
	Other	Proprietary Funds	Service Funds
Harbor	Proprietary	September 30,	September 30,
	Funds	2013	2013
\$ 157,698	\$ 21,971	\$ 236,000	\$ (37,514)
90,850	23,819	139,233	50,002
96	(1,088)	17,432	2,015
-	(106)	(6,028)	(283)
9,376	2,938	19,205	(75)
-	-	(26,944)	-
-	(334)	4,360	(1)
-	60	259	(513)
84	(60)	2	(369)
-	(26)	593	19
10,000	(28)	9,972	(144)
4,163	1,218	4,313	(1,004)
-	147	304	14,825
(2,336)	108	(3,011)	28
-	-	-	4,856
(188)	853	(41)	-
-	(80)	(80)	-
-	266	423	(2,017)
112,045	27,687	159,992	67,339
\$ 269,743	\$ 49,658	\$ 395,992	\$ 29,825
\$ 29,054	\$ 3,950	\$ 34,218	\$ -
18,231	2,090	20,321	-
3,650	87	3,737	-
-	5,740	-	-
-	-	13,800	-

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

**City of Long Beach**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2013  
(In Thousands)

	Private Purpose Trust	Agency Funds
<b>ASSETS:</b>		
Pooled Cash and Cash Equivalents	\$ 896	\$ 9,539
Non Performing Investments	-	2
Non-pooled Investments	-	2,175
Non-Pooled Cash and Cash Equivalents	-	6,224
Property Taxes Receivable	-	73
Interest Receivable	-	8
Accounts Receivable	-	28
Prepaid Expense	-	1
Land	-	11,000
Total Assets	\$ 896	\$ 29,050
<b>LIABILITIES:</b>		
Accounts Payable	-	308
Due to Special Assessment Bondholders	-	3,339
Collections Held in Trust	-	25,403
Total Liabilities	-	\$ 29,050
<b>NET POSITION:</b>		
Held in Trust for Private Purpose Trust Funds	\$ 896	

**City of Long Beach**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	Private Purpose Trust
<b>ADDITIONS:</b>	
Interest Income	\$ 1
Contributions from Citizens	24
Total Additions	25
<b>DEDUCTIONS:</b>	
Community and Cultural	40
Change in Net Position	(15)
Net Position, October 1	911
Net Position, September 30	\$ 896

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

# NOTES TO THE FINANCIAL STATEMENTS

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**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**NOTE 1 – REPORTING ENTITY**

Organization

The City of Long Beach (City) operates under a City Charter originally adopted in 1921 and last amended in 2010. 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 council districts, with Councilpersons 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, social services, public works, parks, planning, community development, and public works improvements. The City also provides for sanitation, gas, water, and towing services. The City operates its own airport, five golf courses, international harbor facility, and a 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 fees and charges designed to recover the full cost of providing services, including capital costs such as depreciation and debt service. Accordingly, the financial activities of these operations are accounted for as enterprise funds.

The accompanying basic financial statements present the financial activity of the City 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 11-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.

*Successor Agency to the Redevelopment Agency of the City of Long Beach* (Agency) The Redevelopment Agency ceased operation in accordance with Assembly Bill (AB) 1X26 effective February 1, 2012. Consistent with the legislation, the City exercised its option to become the Successor Agency for the former Redevelopment Agency and the Housing Successor Agency (HSA) for the Low and Moderate Income Housing function. Under the requirements of the legislation, as the Agency for the former Redevelopment Agency, the City is responsible for the winding down of Agency business to include the completion of ongoing projects and the disposition of assets. As the

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

HSA, the City is responsible for executing the former mission of the Low and Moderate Income Housing function as long as funding permits. Like its predecessor, the Agency is considered a blended component unit of the City. The financial activities of the Agency were blended with those of the City in the accompanying basic financial statements and are reported as the Agency's Capital Projects and Debt Service Funds.

*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 responsibility to provide adequate housing to low-and-moderate-income residents, senior citizens, and disabled persons. 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 Authority* (SERRF) is a joint powers authority between the City and the Los Angeles County Sanitation District Number 2. SERRF 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 SERRF and the City has been eliminated, and the financial activities of SERRF are included in the Solid Waste Management Enterprise Fund (see Note 19).

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 within the City or the refinancing of debt 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. 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 City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

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	Agency Funds
Long Beach Bond Finance Authority	Governmental and Business-Type	Internal Service Funds Enterprise funds Government Funds to include Agency Funds and Housing Funds
Long Beach Capital Improvement Corporation	Business-Type	Enterprise Funds

There is no requirement to separately issue financial statements for these component units.

Discretely Presented Component Unit

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

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 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 Senior Vice President and CFO, Long Beach Transit, P.O. Box 731, Long Beach, California 90801.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements with the exception of exchange or exchange-like transactions between governmental functions that if eliminated would distort direct cost and program revenue. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services.

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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, operating grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and capital grants and contributions, including special assessments, that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items are not included among program revenues, as they are appropriately reported 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 private trust 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.

Agency funds have no measurement focus since only assets and liabilities are reported. Receivables and payables are recognized under the accrual basis of accounting.

The governmental funds financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- Revenue is recorded when it becomes 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 that 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. 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 have been recognized as revenues of the current fiscal period.



**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

- Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- Expenditures are presented in functional categories such as general government and public safety. For the City, the amounts presented include an allocation of indirect costs.
- Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as other financing sources.

With this measurement focus, operating statements present increases and decreases in net current assets and unrestricted fund balance that is committed, assigned, and unassigned fund balances, as a measure of available spendable resources. This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal and covenant compliance, demonstrate the sources and uses of liquid resources, and demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The City reports the following major governmental and enterprise funds:

Major Governmental Funds

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

Major Enterprise Funds

The *Gas Utility Fund* is used to account for the activities associated with the transmission and distribution of natural gas to the City's customers. The Long Beach Financing Authority Gas Prepay Function is combined with the City's Gas Operating Function for the 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.

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 harbor district, commonly referred to as the Port of Long Beach (Harbor).

Other 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.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

*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 outlined in the trusts. Agency funds account for assets held by the City as an agent for individuals, private organizations, and other governmental units. The City's Agency funds include Los Cerritos Wetlands Authority, which holds land and cash for the protection and restoration of the Los Cerritos Wetlands area, and Special Assessment Districts that issue various debts for the benefit of Long Beach area property owners.

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, operating grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and capital grants and contributions, including special assessments, that are restricted to meeting the capital requirements of a particular function or segment. Internally dedicated resources, including all taxes, are reported as general revenues rather than as program revenues.

Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services along with 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

The City pools the cash resources of its various funds to facilitate the management of cash and for the purpose of increasing income through investment activities. The pooled cash balances are readily identifiable by fund and are available to meet current operating requirements. The pool is used as a demand deposit account by the various funds.

The fund statements present all cash, cash equivalents, and investments as cash and cash equivalents regardless of their maturity. The government-wide statements do not present the pool as a demand deposit account and thus all cash, cash equivalents, and investments with a maturity of less than 90 days of the balance sheet date are presented as cash. Cash equivalents and investments with a maturity between 90 days and one year of the balance sheet date, excluding those restricted for long-term purposes, are presented as investments, and all other cash equivalents and investments are presented as long-term investments.

The pool investments are based on three investment strategies designed to meet any demand for funding by using a combination of short-term on demand accounts and highly liquid investments. 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 as of September 30, 2013.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

Receivables and Payables

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” for the current portion of interfund loans or “advances to/from other funds” for the 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.

Inventories

Inventory and supplies are accounted for using the consumption method and are stated at average cost, applied on a first-in, first-out basis.

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.

The City defines capital assets as items with an initial, individual cost of more than ten thousand dollars (five thousand dollars for grant-funded assets) 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 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 asset 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
Patent	20 years

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

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

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 position. Initial-issue bond premiums and discounts as a policy, are amortized using the effective-interest-rate method. Bonds payable are reported net of the unamortized portion of applicable premium, discount, and the gain or loss on refunding. Bond issuance costs, including underwriters' discount, are expensed during the period issued. Amortization of bond premiums or discounts, and the gain or loss on refunding are generally included in interest expense unless otherwise noted.

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 Position and Fund Balance

In the government-wide financial statements and proprietary fund financial statements, net position are reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Restricted net position represent net position restricted by parties outside of the City (such as investors, grantors, contributors, and 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 position are restricted but ultimately expendable. All other net position are considered unrestricted.

Fund balance reported in a governmental funds is calculated as assets and deferred outflows less liabilities and deferred inflows. There are five separate components of fund balance, each of which is based upon the extent to which the City is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Committed fund balance classifications may be created by formal action of the City Council through either adopted resolution or ordinance. Commitments can be modified or rescinded through the same formal action that created the commitment. Both of these actions are binding upon the City.

Consistent with the City's adopted Fund Balance Policy, assignments may be designated for a purpose by the City Council or, if delegated, the Council's designee who, for the purpose of this disclosure, is the City Manager.

It is a policy goal of the City to maintain an overall unrestricted fund balance of no less than two months or 16.7 percent of General Fund expenditures. This percentage includes committed, assigned, and unassigned balances.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted fund balance first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

The fund balances reported on the governmental fund statements consist of the following categories:

<i>Classification</i>	<i>Definition</i>	<i>Examples</i>
<b>Nonspendable</b>	“Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.”	1. Inventories, prepaid items, long-term receivables, and permanent principal of endowment funds.
<b>Restricted</b>	“Fund balance should be reported as restricted when constraints placed on the use of resources are either (a) Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.”	1. Restricted by state statute; 2. Unspent bond proceeds; 3. Grants earned but not spent; 4. Debt covenants; 5. Taxes dedicated to a specific purpose; and 6. Revenues restricted by enabling legislation.
<b>Unrestricted</b>	<b>Committed</b>	“Used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority”
	<b>Assigned</b>	“Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed”
	<b>Unassigned</b>	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned.

Property Tax Calendar

Under the State Constitution, the property tax rate is limited to one percent 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 of the calendar 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>. The City recognizes property tax receivable when levied and defers the portion that is neither intended nor available to finance current year expenditures.

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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

Excluding the residual balance of a City-administered Police and Fire Annuity Benefit Program that was terminated in 1945, benefits for City employees are paid from the City's Employee Benefits Internal Service Fund. 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. Beginning August 1, 2007, management employees, upon retirement, may have 75 percent of his/her outstanding vacation leave converted to sick leave.

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 2005, the City also contributed up to 32 hours of accumulated sick leave each year to deferred compensation plans for active safety employees who had accumulated in excess of 40 days of sick leave as of January 1<sup>st</sup> 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. No other City employees received such benefit.

Through fiscal year 2005, the City had established an Integral Part Trust (Postemployment Medical Benefits) for police officers. This third-party administered trust provides reimbursements for postretirement medical expenses. For eligible employees, the value of 32 hours of accumulated sick leave and excess, unused vacation, using the employee's current wage rate, was deposited, pretax into a trust account maintained in the employee's name. The sick leave provision of the benefit was effective through fiscal year 2003. The excess vacation benefit was effective through fiscal year 2005.

Vacation and holiday benefits are recognized when earned. Sick leave benefits are recognized on a pro rata basis using an actuarially determined method.

Budgetary Principles

The City Council adopted the fiscal year 2013 budget prior to September 30, 2012 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.

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Budget information is presented in the accompanying basic financial statements for the General Fund and the Housing Development Fund 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 expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations.

For budgetary purposes, 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.

Implementation of New Accounting Pronouncements

The following summarizes implemented GASB pronouncements and their impact, if any, on the financial statements:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The requirements of this Statement improve financial reporting by establishing consistent recognition, measurement, and disclosure requirements for Service Concession Arrangements. The application of this Statement should improve the comparability of financial statements between governments. Application of this Statement was effective for the City's fiscal year ended September 30, 2013 and did not materially impact the City's Financial Statements.

In November 2010, GASB issued Statement No. 61, *Financial Reporting Entity Omnibus*. The requirements of this Statement should result in financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and any equity interest transactions of the City. The requirements of this Statement will improve financial reporting by ensuring that the City's financial statements do not understate the City's financial position and provide for a more consistent and understandable display of any equity interests that the City has in a component unit. Application of this Statement was effective for the City's fiscal year ended September 30, 2013 and did not materially impact the City's Financial Statements.

In November 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement should improve financial reporting by contributing to GASB's efforts to codify all sources of GAAP for state and local governments so that they derive from a single source. The Statement should result in a more consistent application of applicable guidance in the financial statements of state and local governments. Application of this Statement was effective for the City's fiscal year ended September 30, 2013 and did not materially impact the City's Financial Statements.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements, deferred outflows of resources, and deferred inflows of resources to ensure consistency in financial reporting.

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Application of this Statement was effective for the City's fiscal year ended September 30, 2013. The implementation of this Statement changed the financial statements by requiring the presentation of deferred outflows and deferred inflows and mandated an adjustment to beginning fund balance or net position. Adjustments to beginning fund balance or net position resulting from the write off of all remaining unamortized issuance costs and had the following affects: \$3.9 million for the Gas Fund; \$1.3 million for the Tidelands Fund; \$4.7 million for the Harbor; \$3.5 million for nonmajor enterprise funds; and \$1.4 million for Internal Service Funds. The implementation also lead to an adjustment of \$8.6 million to Governmental Activities Net Position.

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of this Statement was effective for the City's fiscal year ended September 30, 2013 and did not materially impact the City's Financial Statements.

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

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. As such, the statement applies to CalPERS and not the City. The Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, it identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement will improve the decision-usefulness of information in employer financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The City believes that the implementation of this statement will have a material impact on the City's financial statements. The provisions of Statement 68 are effective for fiscal years beginning after December 15, 2014.

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of Statement 69 are effective for fiscal years beginning after June 15, 2013.



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In April of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement enhances comparability of financial statements among governments by requiring consistent reporting for governments who extend or receive nonexchange financial guarantees and expands the information disclosed about obligations and risk exposure from extending nonexchange financial guarantees. The provisions of Statement 70 are effective for fiscal years beginning after June 15, 2013.

Estimates

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

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

Amounts reported for governmental activities in the statement of net position are different from those reported for governmental funds in the balance sheet. The following table provides a reconciliation of those differences (in thousands):

	Total Governmental Funds (Page 28)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations and Conversions	Total Statement of Net Position (Page 25)
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 267,407	\$ -	\$ 169,258	\$ (293,739)	\$ 142,926
Non-Pooled Cash and Cash Equivalents	35,333	-	13	-	35,346
Pooled Investments	-	-	-	113,044	113,044
Non Performing Investments	60	-	26	-	86
Interest Receivable	-	174	-	-	174
Property Taxes Receivable, Net	88,241	-	-	(8,488)	79,753
Accounts Receivable	42,216	-	1,638	(43,854)	-
Notes and Loans Receivable	1,861	-	-	(1,861)	-
Due from Other Governments	44,683	-	-	-	44,683
Due from Other Funds	10,107	-	5,168	(15,275)	-
Allowance for Receivables	(35,332)	-	(140)	35,472	-
Accounts and Loans Receivables, Net	-	-	-	18,731	18,731
Internal Balances	-	-	-	34,488	34,488
Deposits	-	-	617	(617)	-
Inventory	-	-	1,980	-	1,980
Other Assets	8,051	-	6	617	8,674
Advances to Other Funds	31,507	-	-	(31,507)	-
Land Held for Resale	101,412	-	-	-	101,412
Other Noncurrent Assets:					
Noncurrent Pooled Investments	-	-	-	180,695	180,695
Noncurrent Non-Pooled Investments	31,376	-	-	-	31,376
Other Noncurrent Receivables	189,911	-	10	-	189,921
Capital Assets:					
Nondepreciable	-	258,908	14,527	-	273,435
Depreciable, Net	-	329,356	84,829	-	414,185
<b>Total Assets</b>	<b>816,833</b>	<b>588,438</b>	<b>277,932</b>	<b>(12,294)</b>	<b>1,670,909</b>
Deferred Outflows of Resources	-	1,915	2,518	-	4,433
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 816,833</b>	<b>\$ 590,353</b>	<b>\$ 280,450</b>	<b>\$ (12,294)</b>	<b>\$ 1,675,342</b>

*(continued)*

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	Total Governmental Funds (Page 28)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations and Conversions	Total Statement of Net Position (Page 25)
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 35,895	\$ -	\$ 4,491	\$ -	\$ 40,386
Accrued Wages and Benefits Payable	5,754	-	38,281	-	44,035
Accrued Interest Payable	-	6,647	2,316	-	8,963
Due to Other Funds	14,235	-	563	(14,798)	-
Unearned Revenue	11,402	-	-	10,187	21,589
Deposits and Collections Held in Trust	6,205	-	1,225	(7,430)	-
Advances from Other Funds	35,621	-	-	(35,621)	-
Bonds Payable	-	15,155	4,760	(19,915)	-
Notes Payable	-	426	-	(426)	-
Capital Leases Payable	-	1,626	3,352	(4,978)	-
Environmental Remediation	-	618	182	(800)	-
Accrued Self Insurance Claims Payable	-	-	24,549	(24,549)	-
Employee Benefits Payable	-	-	8,119	(8,119)	-
Total Employee Benefits and Accrued LT Obligations	-	-	-	33,468	33,468
Total LT Debt and Other LT Obligations	-	-	-	25,319	25,319
Long-term Liabilities Due Beyond One Year					
Bonds Payable	-	383,881	66,260	(450,141)	-
Notes Payable	-	6,676	-	(6,676)	-
Capital Leases Payable	-	10,361	26,530	(36,891)	-
Police and Fire Annuities Payable	-	14,183	-	(14,183)	-
Estimated Oil Field Abandonment Costs Payable	-	9,040	-	(9,040)	-
Environmental Remediation	-	391	2,829	(3,220)	-
Accrued Self Insurance Claims Payable	-	-	103,623	(103,623)	-
Employee Benefits Payable	-	-	160,446	(160,446)	-
Total Employee Benefits and Accrued LT Obligations	-	-	-	290,512	290,512
Total LT Debt and Other LT Obligations	-	-	-	493,708	493,708
<b>Total Liabilities</b>	<b>109,112</b>	<b>449,004</b>	<b>447,526</b>	<b>(47,662)</b>	<b>957,980</b>
Deferred Inflows of Resources	272,725	-	-	(194,107)	78,618
Fund Balance / Net Position					
Total Fund Balance / Net Position	434,996	141,349	(167,076)	229,475	638,744
Total Liabilities, Deferred Inflows and Fund Balance / Net Position	<u>\$ 816,833</u>	<u>\$ 590,353</u>	<u>\$ 280,450</u>	<u>\$ (12,294)</u>	<u>\$ 1,675,342</u>

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Amounts reported for governmental activities in the statement of activities are different from those reported for governmental funds in the statement of revenues, expenditures and changes in fund balances. The following table provides a reconciliation of those differences (in thousands):

	Total Governmental Funds (Page 30)	Debt and Capital Related Transactions	Internal Service Funds	Reclass and Adjust- ments	Statement of Activities (Pages 26 - 27)
<b>Revenues:</b>					
Taxes	\$ 362,731	\$ -	\$ -	\$ (11,046)	\$ 351,685
Franchise Fees	25,243	-	-	-	25,243
Licenses and Permits	19,941	-	-	(19,941)	-
Fines and Forfeitures	16,394	-	-	(16,394)	-
Use of Money and Property /					
Unrestricted Investment Earnings	58,441	-	(97)	(54,927)	3,417
From Other Agencies	181,039	-	-	(181,039)	-
Charges for Services	28,292	-	-	(28,292)	-
Other Contributions	1,385	-	-	(1,385)	-
Other	18,577	-	-	(18,577)	-
<b>Program Revenue:</b>					
Charges for Services	-	-	6,042	133,875	139,917
Operating Grants and Contributions	-	-	-	171,937	171,937
Capital Grants and Contributions	-	-	-	10,778	10,778
<b>Other Financing Sources :</b>					
Issuance of Long-term Debt	54,186	-	-	(54,186)	-
Grants and Contributions Not					
Restricted to Specific Programs	-	150	-	-	150
Gain on Sale of Capital Assets	-	-	-	-	-
Capital Asset Transfers, Net	-	11	4,775	-	4,786
Transfers, Net	27,583	-	(6,093)	-	21,490
<b>Total Revenues</b>	<b>793,812</b>	<b>161</b>	<b>4,627</b>	<b>(69,197)</b>	<b>729,403</b>
<b>Expenditures / Expenses:</b>					
<b>Current:</b>					
Legislative and Legal	9,673	8	1,276	-	10,957
General Government	17,785	590	4,967	-	23,342
Public Safety	288,979	(1,839)	16,732	-	303,872
Public Health	39,297	421	2,248	-	41,966
Community and Cultural	185,378	(880)	2,121	(13,380)	173,239
Public Works	65,484	34,907	2,588	-	102,979
Oil Operations	4,722	2,379	-	-	7,101
Capital Improvements	26,199	(26,199)	-	-	-
<b>Debt Service:</b>					
Principal	16,358	(16,358)	-	-	-
Interest on Long-Term Debt	23,776	(1,420)	4,585	-	26,941
Debt Administration Fees	542	(542)	-	-	-
Payment to Refunded Bond Escrow Agent	57,611	-	-	(57,611)	-
<b>Total Expenditures / Expenses</b>	<b>735,804</b>	<b>(8,933)</b>	<b>34,517</b>	<b>(70,991)</b>	<b>690,397</b>
<b>Net Change in Fund Balances</b>	<b>\$ 58,008</b>	<b>\$ 9,094</b>	<b>\$ (29,890)</b>	<b>\$ 1,794</b>	<b>\$ 39,006</b>

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**NOTE 4 – CASH AND INVESTMENTS**

Cash and Investments as of September 30, 2013 are classified in the accompanying financial statements as follows (in thousands):

Cash and Investments

Cash and investments in City pool	\$ 1,322,502
Non-performing short-term investment	429
Non-pooled cash and investments	214,873
Total cash and investments	\$ 1,537,804

Cash and investments as of September 30, 2013 consist of the following:

Cash and deposits	\$ 220,941
Outstanding checks	(21,507)
Investments	1,338,370
Total cash and investments	\$ 1,537,804

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, 2013 is as follows (in thousands):

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
Pooled Cash and Cash Equivalents	\$ 142,926	\$ 286,529	\$ 10,435	\$ 439,890
Non-Pooled Cash and Cash Equivalents	35,346	18,017	6,224	59,587
Pooled Investments	113,044	226,624	-	339,668
Non Performing Investments	86	341	2	429
Non-Pooled Investments	-	2,574	-	2,574
Noncurrent Pooled Investments	180,695	362,249	-	542,944
Noncurrent Non-Pooled Investments	31,376	-	2,175	33,551
Restricted Assets:				
Non-Pooled Cash and Cash Equivalents	-	259	-	259
Non-Pooled Investments	-	118,902	-	118,902
Total Deposits and Investments	\$ 503,473	\$ 1,015,495	\$ 18,836	\$ 1,537,804

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

The table on the following page identifies the investment types that are authorized by the City's investment policy for the City's Investment pool. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not include debt proceeds held by bond trustees that are governed by the provisions of debt agreements.

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Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bonds Issued by the City	5 years *	30%	None
U.S. Treasury Notes, Bonds, or Bills	5 years *	None	None
Registered State Warrants or Treasury Notes or Bonds of the State of California	5 years *	30%	None
Local Agency Bonds	5 years *	30%	None
Federal Agency Securities	5 years *	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years *	30%	10%
Time Certificates of Deposit	5 years *	100%	10%
Repurchase Agreements	90 days	100%	None
Reverse Repurchase Agreements	92 days	20%	None
Securities Lending Program	92 days	20%	None
Medium-Term Notes	5 years *	30%	10%
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million per account
Asset-backed Securities	5 years	20%	None
Mortgage-backed Securities	5 years	20%	None

\* Maximum maturity of five (5) years unless a longer maturity is approved by the City Council, either specifically or as part of an investment program, at least three (3) months prior to purchase.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements.

Disclosures Relating to Interest Rate Risk

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

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The following schedule indicates the interest rate risk of the City's investments as of September 30, 2013 (in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Cash and investments in City pool		
Inter-department loan (Health SAVRS) <sup>1</sup>	\$ 1,555	5.562
U.S. Treasury bills	36,996	0.361
U.S. Treasury notes	226,158	0.759
Federal agency securities	738,293	1.544
Money market account	232	0.003
Local Agency Investment Fund (LAIF)	120,399	0.003
Subtotal City pool	1,123,633	
Cash and deposits	220,376	
Outstanding checks	(21,507)	
Total City pool	<u>\$ 1,322,502</u>	
Non performing investment - short term	<u>\$ 429</u>	-
Non-pooled cash and investments		
Guaranteed Investment Contracts	\$ 45,116	19.31
Money market funds	49,283	-
U.S. Treasury notes	70,305	1.79
Federal agency securities	37,602	3.09
Time certificates of deposit	10,000	0.97
City bonds	2,002	5.68
Cash and deposits	565	-
Total non-pooled cash and investments	<u>\$ 214,873</u>	

<sup>1</sup>Loan authorized as a long-term investment by the City Council

Investments with Fair Values Highly Sensitive to Interest Rate Risk

The City had no investments that were highly sensitive to market interest rate changes as of September 30, 2013. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating requirements for commercial paper, asset-backed securities, and medium-term notes is an A rating. Mortgage-backed security issuers must have a minimum AAA rating. State warrants, state treasury notes, or bonds of the State are to be rated at a minimum of A1 / Sp-1 for short-term investments and Aa/AA for long-term investments.

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The following are the actual ratings as of September 30, 2013 for each investment type (in thousands):

Investment Type	Legal Rating	Rating as of Year End				
		Total	Not Required To Be Rated	AAA	AA+	Unrated
Cash and investments in City pool						
Inter-department loan (Health SAVRS)	N/A	\$ 1,555	\$ 1,555	\$ -	\$ -	\$ -
U.S. Treasury bills	N/A	36,996	36,996	-	-	-
U.S. Treasury notes	N/A	226,158	226,158	-	-	-
Federal agency securities	N/A	738,293	-	-	738,293	-
Money market account	N/A	232	-	-	232	-
Local Agency Investment Fund (LAIF)	N/A	120,399	-	-	-	120,399
Subtotal City pool		1,123,633	264,709	-	738,525	120,399
Cash and deposits		220,376	-	-	-	220,376
Outstanding checks		(21,507)	-	-	-	(21,507)
Total City pool		<u>\$ 1,322,502</u>	<u>\$ 264,709</u>	<u>\$ -</u>	<u>\$ 738,525</u>	<u>\$ 319,268</u>
Non-performing investment - short term	N/A	\$ 429	\$ -	\$ -	\$ -	\$ 429
Non-pooled cash and investments						
Guaranteed Investment Contracts	N/A	\$ 45,116	\$ 45,116	\$ -	\$ -	\$ -
Money market funds	N/A	49,283	49,283	-	-	-
U.S. Treasury notes	N/A	70,305	-	70,305	-	-
Federal agency securities	N/A	37,602	-	-	37,602	-
Time Certificates of Deposit	N/A	10,000	-	-	-	10,000
City bonds	N/A	2,002	-	-	-	2,002
Cash and deposits	N/A	565	-	-	-	565
Total non-pooled cash and investments		<u>\$ 214,873</u>	<u>\$ 94,399</u>	<u>\$ 70,305</u>	<u>\$ 37,602</u>	<u>\$ 12,567</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the City's total pooled investments are as follows (in thousands):

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$ 58,349
Federal Home Loan Bank	Federal agency securities	155,034
Federal Home Loan Mortgage Corporation	Federal agency securities	276,248
Federal National Mortgage Association	Federal agency securities	248,664
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	120,399
U.S. Treasuries	U.S. Treasury bills and notes	263,154



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Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank.

As of September 30, 2013, the City reported deposits of \$220.0 million, collateralized in compliance with California Government Code, less \$21.5 million for checks outstanding.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured basis.

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**NOTE 5 – RECEIVABLES**

Receivables at September 30, 2013 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	Nonmajor Governmental Funds	Internal Service Funds	Total
Governmental Activities:				
Receivables:				
Taxes	\$ 88,147	\$ 94	\$ -	\$ 88,241
Accounts, Unrestricted	38,749	3,467	1,638	43,854
Notes and Loans	1,861	-	-	1,861
Due from Other Governments	15,252	29,431	-	44,683
Total Receivables	144,009	32,992	1,638	178,639
Less Allowance for Receivables	(34,231)	(1,101)	(140)	(35,472)
Net Receivables	<u>\$ 109,778</u>	<u>\$ 31,891</u>	<u>\$ 1,498</u>	<u>\$ 143,167</u>

	Gas Utility	Tidelands	Tideland Oil Revenue	Harbor	Nonmajor Proprietary Funds	Total
Business-Type Activities:						
Receivables:						
Interest, Unrestricted	\$ 14	\$ 89	\$ -	\$ 203	\$ 78	\$ 384
Accounts, Unrestricted	4,704	3,263	53,629	41,003	18,293	120,892
Other Receivables	-	-	-	-	77	77
Due from Other Governments	-	624	-	129,171	2,819	132,614
Total Receivables	4,718	3,976	53,629	170,377	21,267	253,967
Less Allowance for Receivables	(463)	(368)	-	(1,748)	(1,026)	(3,605)
Net Receivables	<u>\$ 4,255</u>	<u>\$ 3,608</u>	<u>\$ 53,629</u>	<u>\$ 168,629</u>	<u>\$ 20,241</u>	<u>\$ 250,362</u>

1) Governmental activities interest receivable in the Statement of Net Assets differs from total interest receivable listed above by \$175 thousand due to the federal subsidy receivable for the Agency’s Build America and Recovery Zone Economic Development Bonds.

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**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of September 30, 2013 is as follows (in thousands):

	Receivable - Due to:						Total Due from
	General	Nonmajor Govern- mental	Gas Utility	Tidelands	Nonmajor Proprietary Funds	Internal Service Funds	
Payable- Due from:							
General	\$ -	\$ 3,000	\$ 738	\$ -	\$ 505	\$ 3,326	\$ 7,569
Nonmajor Governmental	6,242	28	-	-	-	396	6,666
Gas Utility	546	-	-	-	166	138	850
Tidelands	-	-	-	-	-	192	192
Tidelands Oil Revenue	-	-	-	4,935	-	27	4,962
Harbor	-	-	-	17,313	-	392	17,705
Nonmajor Proprietary	-	-	-	-	-	425	425
Internal Service	291	-	-	-	-	272	563
Total Due to	<u>\$ 7,079</u>	<u>\$ 3,028</u>	<u>\$ 738</u>	<u>\$ 22,248</u>	<u>\$ 671</u>	<u>\$ 5,168</u>	<u>\$ 38,932</u>

	Receivable - Advances from:				Total Advances to
	General	Nonmajor Govern- mental	Harbor	Nonmajor Proprietary Funds	
Payable - Advances to:					
General	\$ -	\$ -	\$ -	\$ 4,114	\$ 4,114
Nonmajor Governmental	2,000	29,507	-	-	31,507
Tidelands	-	-	1,300	-	1,300
Total Advances from	<u>\$ 2,000</u>	<u>\$ 29,507</u>	<u>\$ 1,300</u>	<u>\$ 4,114</u>	<u>\$ 36,921</u>

Due to / Due from Other Funds

The General Fund has provided \$6.2 million to non-major governmental funds. \$1.4 million was provided to the Community Development Grants Fund to cover operating expenses prior to receipt of grant funds from the Home Investment Partnership Act, Community Development Block Grant, and Workforce Investment Act. In addition, the General Fund provided the General Grants Fund \$4.8 million for temporary cash flow in order to cover expenses for the Urban Area Security Initiative Grant.

The General Fund has \$3 million payable to the General Capital Projects Fund, a non-major governmental fund, for pollution remediation and legal settlement related to the San Francisco Yard (SFY) as discussed in Note 21 – Pollution Remediation Obligations.

As of September 30, 2013, \$4.9 million is payable from the Tidelands Oil Revenue Fund to the Tidelands Fund. At fiscal year-end, \$2.9 million of the net oil profits and \$2.0 million, through the 1992 Optimized Waterflood Program Agreement whereby Tidelands Fund receives 8.5 percent of the incremental oil revenue generated by the injection of water into the Tidelands area oil fields, was due to the Tidelands Fund.

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 5 percent of the Harbor operating revenues to the Tidelands Fund. The amount accrued for the Harbor's 2013 operating revenues is \$17.3 million and will be paid in fiscal year 2014.

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Advances from Other Funds

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

The General Fund advanced the Health Special Revenue Fund, a non-major governmental fund, \$2.0 million to cover initial costs associated with the Health Special Revenue Fund's inception.

The Subsidence Fund advanced interest earning on reserves to the General fund in the amount of \$4.1 million in both fiscal year 2005 and 2006. This was allowed under State law passed in fiscal year 2004 to retain interest earned on that reserve for subsidence contingencies for the previous calendar year. In fiscal year 2007, the General Fund started repayment of \$500 thousand per year at zero percent interest. The balance outstanding as of September 30, 2013 is \$4.6 million, of which \$4.1 million is long-term and \$500 thousand is current.

During the period from 1986 through 2010, the Housing Development Fund through the deferral of housing set-aside funds made a series of advances to the former Redevelopment Agency. With the dissolution of the former Redevelopment Agency, the Agency, a non-major governmental fund, became responsible for the repayment of the advances. At September 30, 2013, inclusive of fiscal year 2013 payments of \$4.2 million, the remaining balance was \$25.7 million.

In fiscal year 2001, The Company, a subset of the Housing Development Fund, entered into a \$4.0 million zero interest loan agreement with the City for the acquisition of 26 parcels of land, each containing a four-plex apartment building 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 percent 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. The Company's outstanding loan balance with Community Development Grants Fund is \$3.8 million at September 30, 2013.

Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2013, interfund transfers are as follows (in thousands):

	Transfers To:					Total Transfers Out
	General	Nonmajor Government Funds	Tidelands	Nonmajor Proprietary Funds	Internal Service Funds	
Transfers Out of:						
General	\$ -	\$ 33,521	\$ -	\$ -	\$ 1,330	\$ 34,851
Nonmajor Governmental	830	51,325	-	24	2	52,181
Gas	11,173	1,850	-	-	-	13,023
Nonmajor Proprietary	7,041	1,450	-	-	-	8,491
Tideland Oil Revenue	-	-	46,909	-	-	46,909
Harbor	-	-	17,312	-	-	17,312
Internal Service Funds	5,225	2,200	-	-	-	7,425
Total Transfers In	<u>\$ 24,269</u>	<u>\$ 90,346</u>	<u>\$ 64,221</u>	<u>\$ 24</u>	<u>\$ 1,332</u>	<u>\$ 180,192</u>

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Significant transfers include the following:

The General Fund transferred a total of \$33.5 million to non-major governmental funds in fiscal year 2013. Of this \$6.8 million was transferred to the General Debt Service Fund for the payment of principal, interest, and fiscal agent fees; \$22.0 million was transferred to the General Capital Projects Fund for ongoing projects such as street and sidewalk construction and City building improvements, maintenance, and repair; \$4.7 million was transferred to the Agency to cover the administrative and other non-reimbursed costs associated with the wind down of the former Redevelopment Agency. Finally, the General Fund transferred \$1.3 million to General Services Fund to fund the acquisition of new software programs.

Non-major governmental funds transferred \$51.3 million to other non-major governmental funds. Significant transfers include the Agency Capital Projects Fund transferring \$28.8 million and \$16.7 to the Agency Debt Service Fund and the Housing Development Fund, respectively, for debt service payments.

The Gas Utility Fund transferred \$11.2 million to the General Fund as allowed by City Charter.

The Solid Waste Management Fund, a non-major proprietary fund, transferred \$2.8 million and \$2.4 million to the General Fund based on a Joint Powers Agreement between the City and the Los Angeles County Sanitation District Number 2 (District) and for the reimbursement of the over-collection of Refuse Disposal Fees paid by the City, respectively. Under the Joint Powers Agreement, net remaining retained earnings over the required amount as stipulated in the agreement can be distributed equally between the District and the City. In addition, \$1.8 million was transferred in fiscal year 2013 for support of street sweeping operations in accordance with a Street Sweeping Nexus Study.

The Tidelands Oil Revenue Fund shares revenue from tidelands oil operations under an optimized water flood program. In fiscal year 2013, \$23.5 million was transferred to the Tidelands Fund under this program. As a result of Measure D, Tidelands Oil Revenue Fund was able to transfer an additional amount of \$23.4 million from the West Wilmington Oilfield net profits, bringing total fiscal year 2013 transfers to \$46.9 million.

The Harbor accrued an operating transfer of \$17.3 million and due to the Tidelands Fund as allowed by the City Charter.

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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for governmental activity for the year ended September 30, 2013 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2012	Increase	Decrease	Transfers	Balance at September 30, 2013
<b>Capital Assets not being Depreciated:</b>					
Land	\$ 161,711	\$ 573	\$ (145)	\$ 1,529	\$ 163,668
Rights-of-way	81,334	-	-	-	81,334
Construction In Progress	33,528	28,066	(5,858)	(27,303)	28,433
Total Capital Assets not being Depreciated	<u>276,573</u>	<u>28,639</u>	<u>(6,003)</u>	<u>(25,774)</u>	<u>273,435</u>
<b>Capital Assets being Depreciated:</b>					
Buildings	281,218	299	(1,491)	11,690	291,716
Improvements Other than Buildings	102,136	-	(2,310)	4,551	104,377
Infrastructure	415,933	150	-	9,299	425,382
Machinery and Equipment	69,107	3,696	(3,279)	247	69,771
Vehicles and Aircraft	99,832	3,661	(9,123)	-	94,370
Other Assets	48	-	-	-	48
Total Capital Assets being Depreciated	<u>968,274</u>	<u>7,806</u>	<u>(16,203)</u>	<u>25,787</u>	<u>985,664</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings	(119,998)	(7,759)	1,078	-	(126,679)
Improvements Other than Buildings	(45,431)	(4,858)	1,511	-	(48,778)
Infrastructure	(261,144)	(12,883)	-	-	(274,027)
Machinery and Equipment	(53,530)	(5,068)	3,061	(2)	(55,539)
Vehicles and Aircraft	(68,167)	(6,699)	8,458	-	(66,408)
Other Assets	(48)	-	-	-	(48)
Total Accumulated Depreciation	<u>(548,318)</u>	<u>(37,267)</u>	<u>14,108</u>	<u>(2)</u>	<u>(571,479)</u>
Total Capital Assets being Depreciated, Net	<u>419,956</u>	<u>(29,461)</u>	<u>(2,095)</u>	<u>25,785</u>	<u>414,185</u>
Governmental Activities Capital Assets, Net	<u>\$ 696,529</u>	<u>\$ (822)</u>	<u>\$ (8,098)</u>	<u>\$ 11</u>	<u>\$ 687,620</u>

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

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

Legislative and Legal	\$ 8
General Government	309
Public Safety	4,200
Public Health	430
Community and Cultural	5,815
Public Works	14,539
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	<u>11,966</u>
Total governmental activities depreciation	<u>\$ 37,267</u>

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Capital asset activity for business-type activities for the year ended September 30, 2013 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2012	Increase	Decrease	Transfers	Balance at September 30, 2013
<b>Capital Assets not being Depreciated:</b>					
Land	\$ 966,561	\$ -	\$ (983)	\$ -	\$ 965,578
Rights-of-way	213,243	-	-	-	213,243
Water Rights	40	-	-	-	40
Construction In Progress	685,113	963,040	(7,396)	(211,903)	1,428,854
Total Capital Assets not being Depreciated	<u>1,864,957</u>	<u>963,040</u>	<u>(8,379)</u>	<u>(211,903)</u>	<u>2,607,715</u>
<b>Capital Assets being Depreciated:</b>					
Buildings	2,472,488	-	(4,862)	144,385	2,612,011
Improvements Other than Buildings	458,892	-	(1,655)	28,113	485,350
Infrastructure	1,130,862	-	(3,319)	39,405	1,166,948
Machinery and Equipment	54,653	5,474	(110)	(13)	60,004
Vehicles and Aircraft	27,261	3,087	(1,390)	-	28,958
Patents	815	-	-	-	815
Total Capital Assets being Depreciated	<u>4,144,971</u>	<u>8,561</u>	<u>(11,336)</u>	<u>211,890</u>	<u>4,354,086</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings	(1,306,835)	(92,756)	3,793	-	(1,395,798)
Improvements Other than Buildings	(237,721)	(15,092)	1,171	-	(251,642)
Infrastructure	(675,836)	(24,082)	2,311	-	(697,607)
Machinery and Equipment	(39,461)	(5,088)	107	2	(44,440)
Vehicles and Aircraft	(20,506)	(1,508)	1,372	-	(20,642)
Patents	(246)	(39)	-	-	(285)
Total Accumulated Depreciation	<u>(2,280,605)</u>	<u>(138,565)</u>	<u>8,754</u>	<u>2</u>	<u>(2,410,414)</u>
Total Capital Assets being Depreciated, Net	<u>1,864,366</u>	<u>(130,004)</u>	<u>(2,582)</u>	<u>211,892</u>	<u>1,943,672</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,729,323</u>	<u>\$ 833,036</u>	<u>\$ (10,961)</u>	<u>\$ (11)</u>	<u>\$ 4,551,387</u>

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

Gas	\$ 5,207
Tidelands	18,848
Harbor	90,850
Non-major Business-type Funds	
Water	9,566
Sewer	1,797
Solid Waste Management	3,539
Airport	8,758
Total Business-type Activities Depreciation	<u>\$ 138,565</u>

**Capitalized Interest**

The Harbor, Airport, Tidelands, Gas Fund, and Water Fund capitalized interest of \$29.1 million, \$2.8 million, \$1.1 million, \$75 thousand, \$1.1 million, respectively, in capital assets.

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**NOTE 8 – SHORT-TERM NOTES PAYABLE**

In October 2012, the City issued Tax Revenue Anticipation Notes for \$22.8 million. The short-term notes carried a 1.3 percent coupon rate. The notes are a general obligation of the City, payable from taxes, income, revenue, and other moneys attributable to its 2012-2013 fiscal year. Note proceeds may be used for General Fund expenditures, including current and capital expenditures. The entire balance and interest were due and paid in September 2013.



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**NOTE 9 – CHANGE IN LONG -TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2013 is as follows (in thousands):

	Balance at October 1, 2012	Additions	Reductions	Balance at September 30, 2013	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Bonds Payable:					
Revenue Bonds	\$ 161,620	\$ 69,750	\$ (92,285)	\$ 139,085	\$ 7,915
Tax Allocation Bonds	326,852	-	(11,453)	315,399	12,000
Plus (Less) Unamortized Amounts:					
Premium	7,536	10,104	(1,395)	16,245	-
Discount	(1,178)	-	505	(673)	-
Refunding	(2,312)	(1,411)	675	(3,048)	-
Issuance Costs	(8,366)	-	8,366	-	-
Total Bonds Payable	484,152	78,443	(95,587)	467,008	19,915
Notes Payable	8,118	130	(1,146)	7,102	426
Capital Leases	46,064	1,442	(5,637)	41,869	4,978
Refunding	(1,160)	-	80	(1,080)	-
Issuance Costs	(280)	-	280	-	-
Total Capital Leases Payable	44,624	1,442	(5,277)	40,789	4,978
Police and Fire Annuities	14,224	3,026	(3,067)	14,183	-
Estimated Oil Field Abandonment Costs	6,660	2,398	-	9,058	-
Environmental Remediation	3,616	582	(196)	4,002	800
Accrued Self-Insured Claims	123,317	22,750	(17,895)	128,172	24,549
Employee Benefits	154,548	21,404	(7,387)	168,565	8,119
Governmental Activities Long-Term Liabilities	<u>\$ 839,259</u>	<u>\$130,175</u>	<u>\$(130,555)</u>	<u>\$ 838,879</u>	<u>\$ 58,787</u>
<b><u>Business-Type Activities:</u></b>					
Bonds Payable:					
Revenue Bonds	\$ 1,640,665	\$ -	\$ (76,620)	\$ 1,564,045	\$ 76,020
Plus (Less) Unamortized Amounts:					
Premium	76,295	-	(7,046)	69,249	-
Discount	(197)	-	39	(158)	-
Refunding	(24,627)	-	2,389	(22,238)	-
Issuance Cost	(13,300)	-	13,300	-	-
Total Bonds Payable	1,678,836	-	(67,938)	1,610,898	76,020
Notes Payable	54,488	94,413	(1,881)	147,020	1,878
Discount and Issuance Costs	(139)	(1)	137	(3)	-
Total Notes Payable	54,349	94,412	(1,744)	147,017	1,878
Capital Leases	3,109	-	(442)	2,667	452
Due to State of California	88,927	313,230	(340,174)	61,983	61,983
Estimated Oil Field Abandonment Costs	27,400	13,800	-	41,200	-
Accrued Claims Liability	4,000	10,000	-	14,000	4,000
Site Restoration	1,000	-	-	1,000	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,857,621</u>	<u>\$431,442</u>	<u>\$(410,298)</u>	<u>\$ 1,878,765</u>	<u>\$144,333</u>

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**NOTE 10 – BONDS PAYABLE**

At September 30, 2013, bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding September 30, 2013
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>GENERAL CITY BONDS:</b>					
LB Bond Finance Auth LBBFA 2012A	11/28/12	08/01/31	4.0% - 5.0%	\$ 32,969	\$ 32,969
LB Bond Finance Auth LBBFA 2012B	11/28/12	08/01/18	0.95% - 2.45%	15,120	14,460
Parks and Open Spaces	11/07/06	05/01/31	4.0% - 5.0%	24,320	24,320
Total General City Bonds				72,409	71,749
<b>TAX ALLOCATION BONDS:</b>					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/17	2.9% - 6.0%	81,020	18,325
West Long Beach Industrial	12/01/92	11/01/17	2.9% - 6.0%	36,470	8,255
2002A West Beach	06/25/02	08/01/18	5.15%	8,895	3,588
2002A Downtown Project	06/25/02	08/01/24	5.25% - 7.1%	26,820	12,281
2002A North Long Beach	06/25/02	08/01/31	6.10%	40,290	6,383
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.0% - 5.5%	21,860	18,720
2002B Downtown	12/05/02	11/01/22	2.25% - 5.5%	25,920	22,615
2005A & B Central	03/02/05	08/01/40	3.52% - 5.34%	56,930	50,815
2005A Los Altos	03/02/05	08/01/20	2.2% - 4.0%	4,685	2,450
2005A & B North Long Beach	03/02/05	08/01/35	3.52% - 5.16%	64,080	54,605
2005A Poly High	03/02/05	08/01/24	3.79% - 4.9%	2,558	2,273
2005A West Beach	03/02/05	08/01/20	4.59% - 4.66%	840	840
2005B Housing	03/02/05	08/01/40	3.52% - 5.44%	55,665	49,725
2005C Downtown Project	02/01/06	08/01/24	3.25% - 5.50%	7,900	7,290
2005C North Long Beach Project	02/01/06	08/01/31	3.70% - 5.50%	27,145	26,049
2010A North Long Beach Recover Zone	04/28/10	08/01/40	7.90% - 8.36%	22,235	22,235
2010B North Long Beach Build America	04/28/10	08/01/25	2.39% - 7.90%	10,745	8,950
Total Tax Allocation Bonds				494,058	315,399
<b>INTERNAL SERVICE BONDS:</b>					
Fleet Services:					
2012A LB Bond Finance Authority	11/28/12	08/01/31	4.0% - 5.0%	21,661	21,661
Total Fleet Services				21,661	21,661
Employee Benefits Fund:					
2002 Pension Obligation Refunding Bonds	09/01/02	09/01/21	4.73% - 5.18%	76,550	45,675
Total Internal Service Funds				98,211	67,336
Total Governmental Activities Bonds Payable				\$ 664,678	\$ 454,484

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*(continued)*

Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued	Outstanding September 30, 2013
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
<b>ENTERPRISE BONDS:</b>					
<b>Gas Utility Fund:</b>					
2007A Natural Gas Purchase	10/18/07	11/15/37	4.25% - 5.5%	\$ 635,665	\$ 552,075
2007B Natural Gas Purchase	10/18/07	11/15/33	4.9% - 5.07%	251,695	69,005
Total Gas Utility Fund				<u>887,360</u>	<u>621,080</u>
<b>Water Fund:</b>					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	3,545
2010A Water	09/15/10	05/01/24	4.0% - 5.75%	22,740	22,125
2012 Water	08/30/12	05/01/27	2.0% - 5.0%	9,850	9,495
Total Water Fund				<u>79,535</u>	<u>35,165</u>
<b>Solid Waste Management Fund:</b>					
2003 SERRF	12/01/03	12/01/18	2.0% - 5.375%	120,235	57,610
<b>Tidelands Fund:</b>					
2006 Rainbow Harbor Refinancing	04/04/06	05/01/24	3.375% - 5.0%	50,785	33,975
2012 Aquarium Bonds	03/14/12	11/01/30	1.0% - 5.0%	102,580	97,020
Total Tidelands Fund				<u>153,365</u>	<u>130,995</u>
<b>Harbor Fund:</b>					
1998 Harbor	02/01/98	05/15/19	5.0% - 6.0%	206,330	86,515
2002B Harbor	06/19/02	05/15/27	3.0% - 5.5%	150,000	43,405
2004 Harbor	05/15/04	05/15/18	2.5% - 5.0%	113,410	45,185
2005 Harbor	05/15/05	05/15/25	3.5% - 5.0%	257,975	117,200
2010A Harbor	05/15/10	05/15/25	0.4% - 5.0%	200,835	170,900
2010B Harbor	05/15/10	05/15/27	3.0% - 5.0%	158,085	138,500
Total Harbor Fund				<u>1,086,635</u>	<u>601,705</u>
<b>Airport Fund:</b>					
2009A Airport	12/08/09	06/01/22	4.0% - 5.0%	9,795	9,465
2009B Airport	12/08/09	06/01/16	3.0% - 5.0%	6,755	3,110
2009C Airport	12/08/09	06/01/39	7.0% - 7.8%	44,890	44,890
2010A Airport	11/02/10	06/01/40	3.0% - 5.0%	48,435	47,550
2010B Airport	11/02/10	06/01/40	2.5% - 5.0%	12,965	12,475
Total Airport Fund				<u>122,840</u>	<u>117,490</u>
Total Business-Type Activities Bonds Payable				<u>2,449,970</u>	<u>1,564,045</u>
Total Primary Government Bonded Indebtedness				<u>\$ 3,114,648</u>	<u>\$ 2,018,529</u>

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

Year-Ending	Principal Payments Governmental Activities						Total Annual Debt Service Requirements		
	Parks Open Space	LBFFA 2012A	LBBFA 2012B	Tax Allocation	Fleet	Employee Benefits	Principal	Interest	Total
2014	\$ -	\$ -	\$ 3,155	\$ 12,000	\$ -	\$ 4,760	\$ 19,915	\$ 23,305	\$ 43,220
2015	-	-	3,210	12,583	-	5,000	20,793	22,429	43,222
2016	-	-	3,265	13,197	-	5,255	21,717	21,501	43,218
2017	-	-	3,345	13,866	-	5,530	22,741	20,501	43,242
2018	1,300	1,177	1,485	14,567	773	5,815	25,117	19,430	44,547
2019 - 2023	7,330	11,750	-	79,623	7,720	19,315	125,738	79,298	205,036
2024 - 2028	9,130	14,677	-	57,600	9,643	-	91,050	49,723	140,773
2029 - 2033	6,560	5,365	-	51,904	3,525	-	67,354	27,731	95,085
2034 - 2038	-	-	-	43,215	-	-	43,215	12,101	55,316
2039 - 2043	-	-	-	16,844	-	-	16,844	1,511	18,355
Totals	\$ 24,320	\$ 32,969	\$ 14,460	\$ 315,399	\$ 21,661	\$ 45,675	\$ 454,484	\$ 277,530	\$ 732,014

In November 2006, the City issued \$24.3 million in Long Beach Bond Finance Authority (LBFFA) Leases Revenue Bonds. The bonds were issued (a) to finance the acquisition and development costs of new parks and open spaces focusing on densely populated and underserved areas in Long Beach. The bonds bear interest rates ranging from 4.0 percent to 5.0 percent with maturing dates of May 1, 2018 through May 1, 2031. Annual debt service payments range from \$1.1 million to \$2.5 million.

In March 2005, the City issued \$192.4 million in LBBFA Bonds 2005 Series A Revenue Bonds and Series B Taxable Revenue Bonds. \$184.8 million of the bonds were issued (a) to provide funds to finance certain projects of the Agency, (b) to finance certain housing projects of the Authority, refinance certain indebtedness of the Agency, (c) to fund reserve accounts, and (d) to pay costs of issuance of the Series 2005 Bonds. The interest rates range from 2.2 percent to 5.4 percent. Refunding and defeasement of the 1993 Gas Utility Bonds was included in this issue.

The \$7.7 million Series 2005 refunding bonds for the Gas Utility, with a total debt service of \$8.7 million, are payable through August 2013 with interest rates ranging from 2.0 percent to 3.1 percent. The refunding issue resulted in an accounting gain of approximately \$50 thousand, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$908 thousand, thereby resulting in an economic gain of approximately \$474 thousand.

In April 2010, the City issued \$33.0 million in LBBFA Bonds 2010 Series A Taxable Recovery Zone Economic Development Bonds and Series B Taxable Build America Bonds. The bonds were issued (a) to finance Agency activities within or of benefit to the North Long Beach Redevelopment area, (b) to fund reserve requirements, and (c) to pay for issuance costs of the bonds. Interest rates on Series A range from 7.9 percent to 8.4 percent and Series B ranges from 2.4 percent to 7.9 percent. The Agency expects to receive a cash subsidy from the United States Treasury pursuant to the American Recovery and Reinvestment Act on or about each interest payment date of 45 percent and 35 percent, respectively, of the interest paid on the bonds.

In November 2012, the City issued \$69.7 million in LBBFA bonds consisting of \$54.6 million in 2012 Series A Lease Revenue Refunding bonds and \$15.1 million Series B Taxable Lease Revenue Refunding Bonds.

The 2012 Series A Bonds were issued to (a) refinance the costs of the acquisition, construction, installation and equipping of certain public capital improvements, (b) refund the outstanding 1998 Series B Temple and Willow Facility Bonds, (c) refund the 2001 Plaza Parking Facility Lease Revenue Bonds, (c) refund the outstanding 2002 Public Safety Facilities Projects Lease Revenue

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Bonds, and (d) advance refund the outstanding 2005 Temple and Willow Facility Refinancing Project Lease Revenue Bonds, and (e) pay a portion of the costs of issuance of the Bonds.

The Series B Bonds were issued to (a) refinance the costs of the acquisition, construction, installation and equipping of certain public capital improvements, (a) refund the outstanding 2003 Skylinks Golf Course Project Lease Revenue Bonds, (b) refund the outstanding 2004 Long Beach Towne Center Site Refinancing Project Taxable Variable Rate Demand Revenue Bonds, and (c) pay a portion of the costs of issuance of the bonds.

The Series A Bonds have fixed interest rates ranging from 4.0 percent to 5.0 percent with an average of 4.8 percent. The bonds are secured by a pledge of and lien on the Revenues consisting primarily of Lease Payments. The Series B Bonds have fixed interest rates ranging from 0.9 percent to 2.5 percent with an average of 1.9 percent. The bonds are secured by a pledge of and lien on the Revenues consisting primarily of Lease Payments. Aggregate debt service decreased by \$16.5 million resulting in an economic gain of \$14.7 million.

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-Ending	Principal Payments by Fund -- Business-Type Activities						Total Annual Debt Service Requirements		
	Gas Utility	Water	Solid Waste Management	Tidelands	Harbor	Airport	Principal	Interest	Total
2014	\$ 7,305	\$ 2,385	\$ 8,410	\$ 6,465	\$ 49,115	\$ 2,340	\$ 76,020	\$ 79,841	\$ 155,861
2015	6,840	2,510	8,860	6,680	51,920	2,420	79,230	76,081	155,311
2016	7,150	2,630	9,320	6,930	54,610	2,515	83,155	72,103	155,258
2017	8,120	2,730	9,805	7,200	57,360	2,625	87,840	68,022	155,862
2018	8,925	2,815	10,330	7,020	60,355	2,740	92,185	63,596	155,781
2019 - 2023	70,870	15,900	10,885	39,985	212,770	15,830	366,240	257,523	623,763
2024 - 2028	120,905	6,195	-	34,330	115,575	19,910	296,915	164,916	461,831
2029 - 2033	106,510	-	-	22,385	-	25,355	154,250	106,056	260,306
2034 - 2038	284,455	-	-	-	-	32,395	316,850	56,207	373,057
2039 - 2043	-	-	-	-	-	11,360	11,360	867	12,227
<b>Totals</b>	<b>\$621,080</b>	<b>\$35,165</b>	<b>\$ 57,610</b>	<b>\$130,995</b>	<b>\$601,705</b>	<b>\$117,490</b>	<b>\$1,564,045</b>	<b>\$ 945,212</b>	<b>\$2,509,257</b>

In October 2007, the LBBFA issued fixed and variable rate Natural Gas Purchase Revenue Bonds of \$635.7 million and \$251.7 million, respectively (the Bonds). The proceeds were used to prepay the costs of the acquisition of a specified supply of natural gas to be delivered over approximately 30 years under a Prepaid Natural Gas Purchase and Sale Agreement, between Merrill Lynch Commodities, Inc. (the Seller) and the Issuer. The daily quantity of gas to be purchased by the City during this period varies month to month, but not year to year. The City projected that the daily contract quantity to be delivered in any month represents between 80 and 90 percent of the City's projected natural gas requirements. For each British Thermal Unit (MMBtu) of contract gas delivered to the City, the City shall pay an applicable Index Price for the month the delivery occurs, less \$0.83 per MMBtu (the Contract Price).

In August 2009, the LBBFA redeemed \$48.3 million and \$182.7 million of Series A and B, respectively. The redemption resulted in a decrease in the gas supply of 60.3 million MMBtu's or 25 percent of the original volume purchased over the term of the agreement. The bonds are special obligations of the Issuer payable solely from, and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the Bonds, solely by the trust estate. The payment of the principal or redemption price of, or interest on, the Bonds does not constitute a debt, liability, or obligation of the Issuer, the City, the State, or any other public agency (other than the special obligation of the Issuer as provided in the Bonds).

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The 2007 Series A bonds have fixed interest rates ranging from 4.3 percent to 5.5 percent with an average of 4.7 percent. Series B are indexed at 67 percent of the three-month London Interbank Offered Rate (LIBOR), plus a spread between 1.4 percent to 1.6 percent.

In March of 2010, \$200.8 million Harbor 2010A Bonds were issued (a) to finance certain capital improvements at the Harbor, (b) to fund a reserve fund, and (c) to pay the costs of issuing the Bonds. The Serial bonds will mature on May 15 of each year from 2011 to 2025 in amounts ranging from \$1.5 million to \$18.3 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 0.4 percent to 5.0 percent. The City of Long Beach Harbor Revenue Bonds Series 2010A are secured by the Harbor's gross revenues.

In December 2009, the City issued \$61.4 million of Senior Airport Revenue Bonds. The proceeds of the Series 2009A and 2009B were used (a) to refund \$4.0 million of the Airport's outstanding commercial paper and prepaid all of 1993 Certificates of Participation (COPs). The call of the 1993 COPS resulted in a \$512 thousand accounting loss and an economic gain of \$213 thousand. Series 2009C are federally taxable Build America Bonds. Series 2009C proceeds and a portion of 2009A proceeds were used (b) to fund the design and construction of phase one of a new parking structure at the Airport. Interest rates on Series A range from 4.0 percent to 5.0 percent, Series B ranges from 3.0 percent to 5.0 percent, and Series C ranges from 7.0 percent to 7.8 percent. The Airport expects to receive a cash subsidy of 35 percent on the Series C bonds from the United States Treasury pursuant to the American Recovery and Reinvestment Act on or about each interest payment date. Debt service on the Series 2009 bonds will be paid through revenues generated by the Airport.

In November 2010, the City issued \$61.4 million of Senior Airport Revenue Bonds. The proceeds of the Series 2010A were used (a) to partially fund the construction of a new passenger concourse at the Airport and (b) to refund \$3.8 million of the Airport's outstanding commercial paper. The 2010A project includes the construction of permanent facilities for passengers hold rooms, restrooms, concessions, and the consolidation of passenger security screening in one central location. The series 2010B proceeds refunded \$13.3 million of the Airport's outstanding commercial paper. Debt service on the Series 2010 bonds will be paid through revenues generated by the Airport.

In August of 2012, the City issued \$9.9 million Water Revenue Bonds Series 2012A. The proceeds of the 2012A bonds, along with certain other available moneys, were issued (a) to pay at maturity all of the outstanding Series A Subordinate Water Commercial Paper Notes and (b) to pay the costs of issuance of the Series 2012A Bonds.

#### Advance Refundings

In December 2002, the Agency issued \$47.8 million in Long Beach Bond Finance Authority Downtown and West Long Beach Industrial Redevelopment Project Areas 2002 Series B Tax Allocation Revenue Bonds (Series B bonds). These 2002 Series B bonds were issued (a) to refund \$25.7 million of the outstanding Series 1992A Downtown and West Long Beach Industrial Bonds with interest rates ranging from 2.90 percent to 6.0 percent, (b) to repay certain amounts owed by the Agency to the Harbor, (c) to make a deposit to the reserve account and (d) to pay certain issuance costs for the 2002 Series B bonds. The 2002 Series B interest rates range from 2.0 percent to 5.5 percent for the West Long Beach Industrial Project and 2.3 percent to 5.5 percent for Downtown Project.

In February 2006, the Agency issued \$35.0 million in Long Beach Bond Finance Authority Tax Allocation Revenue Bonds Downtown and North Long Beach Redevelopment Project Areas 2005 Series C bonds (Series C bonds). These 2005 Series C bonds were issued to (a) purchase a portion of the outstanding Redevelopment Agency of the City of Long Beach 2002 Subordinate Tax Allocation

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Bonds (Downtown Redevelopment Project) and (b) the outstanding Redevelopment Agency of the City of Long Beach 2002 Tax Allocation bonds (North Long Beach Redevelopment Project) in order to advance refund a portion of the outstanding Long Beach Bond Finance Authority Tax Allocation Revenue Bonds (Downtown, North Long Beach, Poly High, and West Beach Redevelopment Project Areas) 2002 Series A and to finance certain Agency projects within or of benefit to the Downtown Project Area. The interest rates for the Series C bonds range from 3.3 percent to 5.5 percent.

In May 2005, the Long Beach Financing Authority issued \$8.0 million in Lease Revenue Bonds 2005 Series A (Temple and Willow Facility Refinancing Project) (a) to refinance the cost of new fleet services, towing, and lien sales operations and integrated resource operations facility, (b) to purchase a reserve surety bond, and (c) to pay costs of issuance on the bonds. The 2005 Series A bonds are payable through May 1, 2028 with a total debt service in the amount of \$13.0 million. The interest rates range from 2.8 percent to 4.5 percent. The refunding resulted in an accounting loss of \$598 thousand, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$316 thousand, thereby resulting in an economic gain of \$333 thousand.

Southeast Resource Recovery Facility Authority Bond Issue

In December 2003, The Southeast Resource Recovery Facility Authority (SERRF) issued \$120.2 million in lease revenue bonds Series A and Series B (Series 2003) (a) to refund the SERRF's Lease Revenue Refunding Bonds, Series 1995A and Series 1995B (Series 1995), (b) to finance certain public improvement projects in the City, (c) to fund a reserve fund for the Series 2003 Bonds, and (d) to pay certain costs of issuance. The Series 2003 bonds are payable through December 1, 2018 with a total debt service in the amount of \$170.0 million. The 2003 Bonds have interest rates ranging from 2.00 percent through 5.38 percent. The refunding issue resulted in an accounting loss of approximately \$2.1 million, which will be recognized over the life of the bonds. Aggregate debt service increased by approximately \$4.9 million over the next 15 years to level overall debt service requirements, thereby resulting in an economic loss of approximately \$6.4 million.

Tidelands Rainbow Harbor Refunding Bonds

In April 2006, the Long Beach Bond Finance Authority issued \$50.8 million in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (a) to refund Long Beach Bond Finance Authority Lease Revenue Bonds (Rainbow Harbor Refinancing Project) 1999 Series A, (b) to refund to the 1997 Certificates of Participation (Queensway Bay Parking Facility), (c) to fund a reserve fund and (d) to pay costs of issuance for the bonds. The 2006 Series A bonds are payable through May 1, 2024 with total debt service in the amount of \$73.2 million. The interest rates range from 3.38 percent to 5.00 percent. The refunding resulted in an accounting loss of \$3.5 million, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$2.2 million, thereby resulting in an economic gain of \$1.5 million.

Tidelands Aquarium of the Pacific Refunding Bonds

In March of 2012, the Long Beach Financing Authority issued \$102.6 million of Aquarium of the Pacific Project Refunding Revenue Bonds. Proceeds from the sale of the Series 2012 Bonds, along with certain other available moneys, were used to (a) refund all the Long Beach Bond Finance Authority Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001, which were outstanding in the aggregate principal amount of \$111.2 million, (b) fund a reserve fund for the Series 2012 Bonds, and (c) pay the costs of issuance of the Series 2012 Bonds. Aggregate debt service decreased by \$19.6 million, thereby resulting in an economic gain of \$13.6 million.

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Harbor Revenue Refunding Bonds

In May 2004, the City issued \$113.4 million of Harbor Revenue Refunding Bonds 2004 Series A and Series B bonds (a) to refund and defease all of the City's Harbor Revenue Bonds Series 1993, (b) to pay a bond insurance premium, (c) to fund a reserve fund, and (d) to pay certain costs of issuance. The refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$1.4 million. 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 May 2005, the City issued \$258.0 million of Harbor Revenue Refunding Bonds Series 2005A and B (the 2006 Bonds), (a) to current refund and to defease all of the City's Harbor Revenue Bonds Series 1995, (b) to pay the premium for the Bond Insurance Policies, (c) to fund a reserve for the Series 2005 Bonds, and (d) to finance the costs of issuance of the Series 2005 Bonds. The refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$4.2 million, which will be recognized over the life of the bonds. The aggregate debt service decreased by \$84.7 million thereby resulting in an economic gain of approximately \$24.2 million.

In April of 2009, the City issued \$158.1 million of Harbor Revenue Refunding Bonds Series 2010B (the 2010B Bonds). The bonds are secured by the Harbor Department's gross revenues. The 2010B Bonds, together with a Harbor contribution of \$5.3 million, were used (a) to purchase \$63.1 million aggregate principal amount of the City's Harbor Revenue Bonds, Series 2002B, (b) \$12.1 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2004A, and (c) \$78.4 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2005A, (d) to fund a reserve fund for the Series 2010B Bonds; and (e) to pay the costs of issuing the Bonds. The refunding resulting in an accounting loss of \$2.1 million, \$722 thousand, and \$4.0 million for the 2002, 2004, and 2005 bonds partial defeasements, respectively, and are being amortized over the shorter of the life of the original bonds and the 2010B bonds. The 2010B refundings resulted in an aggregate economic gain of \$4.0 million.

The Series 2010B Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The Series 2010B Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2020, at a redemption price equal to 100 percent of the principal amount of the Series 2010B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Water Revenue Refunding Bonds

In September 2010, the Water Fund issued \$22.7 million in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of 3.0 million, (a) to advance refund 82.4 percent or \$24.3 million of the outstanding 1997A Water Revenue Refunding Bonds at a redemption premium of 2.0 percent over par value, (b) to fund a reserve fund for the 2010 Bonds, and (c) to pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0 percent to 5.0 percent per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of \$2.7 million. This difference is considered to be a deferred loss on the refunding and is being amortized using the straight-line method over the life of the Series 2010A Bonds. The Refunded Series 1997A Bonds were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by \$3.3 million, with the refunding structured to achieve such savings upfront over fiscal



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years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was \$3.3 million.

The Series 2010A Bonds are secured by a pledge of all revenues of the Water Fund. The Board of Water Commissioners has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.1 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations (including the Series 1997A Bonds).

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.

At September 30, 2013, aggregate special assessment debt issued through the City consisted of eight issues and is summarized as follows:

- Dates Issued: 7/01/02 – 6/15/10
- Final Maturities: 9/02/15 – 10/1/40
- Range of Interest Rates: 2.0% – 6.30%
- Amounts Authorized and Issued: \$1,060,000 – \$43,000,000
- Range of Amounts Outstanding: \$955,000 – \$36,460,000
- Aggregate Outstanding at September 30, 2013: \$64,949,234

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 Tidelands Fund. Special assessment revenues used to repay these debt issues are accounted for in Agency Funds.

Pike Public Improvements

In June 2002, the City of Long Beach Community Facilities District No. 6 issued \$43.0 million of 2002 Special Tax Bonds (Pike Public Improvement Bonds) under the provisions of the Mello-Roos Community Facilities Act of 1982. The Pike Public Improvement Bonds were issued (a) 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 24.

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 \$17.4 million of City of Long Beach Earthquake Repair Assessment District No. 90-3 Limited Obligation Improvement Bonds (LOI Bonds) for the construction and installation of seismic resistance improvements to eligible commercial and residential properties within the City. The principal and interest were to be paid from the annual collection of special assessments on property within the District. As of September 30, 1996, \$10.1 million in LOI Bonds were outstanding. In September 1996, the LOI Bonds' Fiscal

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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 LOI 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 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 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 were used to repay the new debt. As foreclosure proceedings were completed and the properties become performing, the Series B Bonds will be converted to Series A Bonds and sold to private investors.

In July 2005, the District sold \$2.1 million in Series 2005A Bonds and \$1.2 million Series B Bonds. Series A was sold on the open market to private investors, the City purchased Series B bonds. The proceeds from the sale were used to fund an escrow to defease the 1997 Bonds.

CFD No. 2007-2 (Belmont Shore) 2009 Special Tax Bonds

In December 2009, Community Facilities District No. 2007-2 (Belmont Shore) issued \$3.7 million of Special Tax Bonds. The Bonds are payable solely from proceeds of a special assessment tax to be levied annually on land within the district and certain pledged Belmont Shore area parking meter revenues. Proceeds will be used to finance a new City parking lot in the Belmont Shore area and to finance other improvements to enhance parking. The Bonds will mature in October 2040 and carry interest rates ranging from 2.0 percent to 6.0 percent.

Toledo Utility Underground

In June 2010, Assessment District No. 08-01 (the Toledo Utility Undergrounding) issued \$1.1 million of Limited Obligation Improvement Bonds. The Bonds were issued under the provisions of the City Code, and where applicable, the Improvement Bond Act of 1915, which is a Division 10 of the California Streets and Highways Code. The Bonds are secured by the tax assessments levied against parcels within the District. Proceeds will be used to finance the costs of certain undergrounding of overhead electrical, telephone, and cable facilities between Second Street and the Geneva Walkway in the City. The Bonds will mature in September 2030 and bear interest rates from 2.0 percent to 5.5 percent.

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.

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Conduit Debt

The bond issues described below do not constitute general obligations of either the City, the Authority, or the 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.

Bonds have been issued in the City's name for Carnival Cruises to facilitate construction of pier and wharf improvements 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.

Several multi-family mortgage bonds have been issued under the auspices of the Authority and the Agency. These issues provided for the financing of acquisitions and construction of an apartment complex. The resulting bonds are not obligations of the City 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.

At September 30, 2013, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2013
Carnival Bonds	2022	\$ 30,000	\$ 28,200
Grisham Housing Bonds Series A	2035	10,245	1,381
Total Conduit Debt		<u>\$ 40,245</u>	<u>\$ 29,581</u>

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**NOTE 11 – NOTES, COMMERCIAL PAPER NOTES, AND OTHER LONG-TERM OBLIGATIONS**

At September 30, 2013, the City had notes and installments payable, certificates of participation, commercial paper, 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, 2013
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<b><u>NOTES PAYABLE:</u></b>					
Health Fund:					
Health Facility	04/22/05	04/22/19	Variable	\$ 3,586	\$ 1,554
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	1,016	1,015
Successor Agency Fund:					
Los Angeles County	01/21/92	12/10/31	3.75%	4,257	4,387
Cal-Can Holding, LLC	12/02/09	09/30/13	0.0%	146	146
Total Successor Agency Fund				4,403	4,533
<b><u>ANNUITY OBLIGATION:</u></b>					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	14,183
Governmental Activities Notes and Annuity Obligation				\$ 46,605	\$ 21,285
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>					
<b><u>NOTES PAYABLE:</u></b>					
Gas Utility Fund:					
Commercial Paper Notes	07/01/05	N/A	0.2-4.6%	\$ 17,259	\$ 3,000
Tidelands Fund:					
State of Calif DBAW/Seawalls	09/12/94	08/01/24	4.5%	1,151	680
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/37	4.5%	31,718	26,926
State of Calif DBAW/Basin 8	02/20/98	08/01/28	4.5%	2,650	1,901
State of Calif DBAW/Basin 4	12/17/07	08/01/37	4.5%	13,477	14,268
State of Calif DBAW - Lighthouse	06/23/00	08/01/30	4.5%	700	498
State of Calif DBAW - Basin 1	01/25/11	08/01/41	4.5%	1,277	9,236
State of Calif DBAW - Basin 20& 3	01/25/11	08/01/41	4.5%	70	641
Southern Calif Edison On-Bill Financing Proj 2417	04/06/12	10/20/21	0.0%	13	12
Southern Calif Edison On-Bill Financing Proj 2457	04/06/12	07/15/15	0.0%	95	56
Southern Calif Edison On-Bill Financing Proj 2419	08/15/13	06/15/16	0.0%	56	52
Total Tidelands Fund				51,207	54,270
Harbor Fund:					
Line of Credit	07/16/13	07/29/16	Variable	80,000	80,000
Sewer Fund:					
Revolving Line of Credit	05/05/11	05/26/17	0.88-0.92%	9,750	9,750
Business-type Activities Notes and Certificates of Participation				\$ 158,216	\$ 147,020

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Housing Development Fund Loan

In fiscal year 1992, the Housing Development Fund entered into a loan agreement totaling \$1.0 million with the State of California Department of Housing and Community Development for construction and rehabilitation. The project, Lois Apartments, was completed in fiscal year 1993. Interest on the loan accrues from the date the funds were disbursed at an annual simple interest rate of 3.0 percent. As of September 30, 2013, the outstanding balance of the loan was \$1.0 million.

Successor Agency Fund Loans

The Agency has an agreement with the Los Angeles County Office of Education and the County of Los Angeles (County Entities) whereby the County Entities' share of the net tax increment revenue generated by the Los Altos Project area shall be deferred through 2020. The deferral accrues simple interest at a rate of 3.8%. The outstanding balance of the deferral and any interest accrued thereon are due prior to the termination of the project area, which is 2031. The balance of the deferral at September 30, 2013 totaled \$4.5 million.

In the fiscal year ended September 30, 2010, the Agency executed a promissory note for \$146 thousand in favor of Cal-Can Holdings, LLC as partial consideration in the purchase of real property. This note was due and payable in full at the earlier of the resale of the real property or second anniversary of the date of the promissory note. Pursuant to California Assembly Bill 1484 (AB1484), the Agency is prohibited from disposing of properties until such time as it has received an approved Long Range Property Management Plan (LRPMP) from the California Department of Finance. The Agency anticipates receiving approval during fiscal year 2014, at which time sale of the parcel to Cal-Can Holdings, LLC can move forward and the obligation will be retired.

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

Year-ending	Governmental Activities					
	Principal Payments by Fund			Annual Debt Service Requirements		
	Health Fund	Housing Development Fund	Successor Agency Fund	Principal	Interest	Total
2014	\$ 280	\$ -	\$ 146	\$ 426	\$ 7	\$ 433
2015	281	-	-	281	6	287
2016	282	-	-	282	4	286
2017	283	-	-	283	3	286
2018	285	-	-	285	1	286
2019 - 2023	143	1,015	-	1,158	881	2,039
2024 - 2028	-	-	-	-	-	-
2029 - 2033	-	-	4,387	4,387	2,470	6,857
Totals	\$ 1,554	\$ 1,015	\$ 4,533	\$ 7,102	\$ 3,372	\$ 10,474

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Police and Fire Annuity Obligation Program

The City administers a Police and Fire Annuity Program (Program) under the City Charter Section 187. Enrollment in the program was terminated in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2013, there were 43 participants in this program.

Total expenditures to this closed group of individuals amounted to \$3.1 million for the fiscal year ended September 30, 2013. The City's accrued program liability was \$14.2 million at September 30, 2013. 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, 2012	\$ 14,224
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(3,067)
Estimated Change in Annualized Value of Benefits	3,026
Accrued Program Liability at September 30, 2013	\$ 14,183

The number of Program participants diminishes each year. Since 2004, the number of program participants has been reduced by 85 individuals. The following table presents additional information for the Program (dollars in thousands):

<u>Year-ending</u>	<u>Number of Participants</u>	<u>Annuity Benefits Paid</u>	<u>Accrued Program Liability</u>
2004	128	\$5,507	\$37,600
2005	109	4,966	32,962
2006	106	4,589	29,896
2007	81	4,277	27,432
2008	75	3,930	24,775
2009	67	3,721	21,494
2010	62	3,425	19,038
2011	53	3,044	16,234
2012	49	3,260	14,224
2013	43	3,067	14,183

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Business-Type Activities

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

Year-ending	Business-Type Activities						
	Principal Payments by Fund				Annual Debt Service Requirements		
	Gas Utility	Tidelands	Harbor	Sewer	Principal	Interest	Total
2014	\$ -	\$ 1,878	\$ -	\$ -	\$ 1,878	2,489	\$ 4,367
2015	-	1,960	-	-	1,960	2,405	4,365
2016	-	2,012	80,000	-	82,012	2,322	84,334
2017	-	2,094	-	9,750	11,844	2,226	14,070
2018	-	2,190	-	-	2,190	2,130	4,320
2019 - 2023	-	12,547	-	-	12,547	9,047	21,594
2024 - 2028	-	8,480	-	-	8,480	6,518	14,998
2029 - 2033	-	9,420	-	-	9,420	4,485	13,905
2034 - 2038	-	9,822	-	-	9,822	2,122	11,944
2039 - 2043	-	3,867	-	-	3,867	548	4,415
Indeterminant	3,000	-	-	-	3,000	-	3,000
Totals	\$ 3,000	\$ 54,270	\$ 80,000	\$ 9,750	\$ 147,020	\$ 34,292	\$ 181,312

Gas Commercial Paper

In July of 2005, the City authorized the Gas Department's issuance and sales, from time to time, of City's subordinate Gas Utility Revenue Commercial Paper Notes, Series A and Series B (taxable), in an aggregate principal amount not to exceed \$35.0 million. Commercial paper is used for pipeline integrity projects. The program termination date is July 1, 2020 unless earlier terminated or extended in accordance with program terms. In fiscal years 2006, 2007, and 2008, commercial paper issuances were \$7.8 million, \$7.5 million, and \$2.0 million, respectively, less a fiscal year 2010, 2011, and 2012 repayment of \$11.8 million, \$2.0 million, and \$500 thousand, respectively, for a balance outstanding of \$3.0 million as of September 30, 2013. Interest rates have ranged from 0.11 percent to 4.6 percent over the period of issuance. The Commercial Paper Notes shall not have maturities exceeding 270 days and shall not bear interest rate in excess of the lesser of (a) 12.0 percent per annum and (b) the maximum rate of interest permitted by law. The Gas Department has the ability and intent to refinance on a long-term basis by renewal of Commercial Paper Notes and the future issuance of revenue bonds; accordingly, the \$3.0 million has been classified as a long-term obligation.

Tidelands Loans

The Tidelands Fund entered into various loan agreements with Department of Boating and Waterways between September 1994 and January 2011 for construction and improvements to the Shoreline Marina, Downtown Marina, seawalls, and a lighthouse with a harbor master's office, with an aggregate authorized and issued amount of \$69.3 million as of September 30, 2013. The amount outstanding at September 30, 2013 is \$54.1 million. Principal payments in the amount of \$821 thousand were paid in fiscal year 2013 at an interest rate of 4.5 percent.

On April 6, 2012, the City entered into a loan agreement with Southern California Edison (SCE) totaling \$142 thousand to fund municipal energy efficiency projects. On August 2, 2013, SCE loan was increased by \$56 thousand. The amount outstanding at September 30, 2013 is \$120 thousand. Principal payments of \$61 thousand were paid in fiscal year 2013.

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Subordinate Sewer Revolving Line of Credit

On May 5, 2011, the Board of Water Commissioners approved Resolution WD-1282 authorizing the issuance from time to time of Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, which provides for a Revolving Line of Credit in an amount not to exceed \$20.0 million at any time. Obligations under the Revolving Line of Credit (LOC) are secured by and payable from a subordinate lien upon the City's Sewer Enterprise net revenues (gross revenues less operation and maintenance costs). The Line of Credit is for a term of three years with a commitment expiration in May 2014. Effective July 8, 2013, the Commitment Expiration Date was extended by an additional three years to May 26, 2017. The LOC was secured to pay off the outstanding principal on Senior Sewer Revenue Commercial Paper Notes and to continue to provide interim financing of sewer system improvements and sewer pipe rehabilitation and replacement programs. The Department will suspend the issuance of sewer commercial paper notes under the existing commercial paper program, but reserves the right issue obligations in the future senior to its obligations created under the LOC.

In May of 2011, the Department drew \$6.0 million on the Revolving LOC to retire \$4.0 million of outstanding Sewer Revenue Commercial Paper notes and fund \$2.0 million in sewer system improvements. In September of 2013, the Department drew \$3.8 million on the Revolving LOC to fund sewer system improvements.

Interest rates are based on 70 percent of the London Interbank Offered Rate (LIBOR) plus an applicable margin, and can be designated as fixed or variable for one-month, three-month, or six-month interest periods. Interest rates have ranged from 0.9 percent to 1.0 percent. At September 30, 2013, the total outstanding balance for the line of credit was \$9.8 million.

Harbor Revolving Lines of Credit

In July of 2013, the Harbor authorized the issuance and/or incurrence of \$200.0 million Subordinate Harbor Revenue Revolving Obligations.

Bank of America will provide a tax-exempt revolving line of credit that will allow the Harbor to borrow up to \$78.0 million at any one time. The interest rate for the Subordinate Harbor Revenue Revolving Obligations Series A (Tax Exempt) will be based on the Harbor choice of a percentage of the daily, one-month, two-month, three-month, or six-month London Interbank Offered Rate (LIBOR). At September 30, 2013, the outstanding balance on this LOC was \$40.0 million.

Union Bank will provide two revolving lines of credit (a tax-exempt revolving LOC and a taxable revolving LOC) that will allow the Harbor to borrow up to \$122.0 million at any one time. Interest rates for both the Subordinate Harbor Revenue Revolving Obligation Series B (Tax Exempt) and the Subordinate Harbor Revenue Revolving Obligation Series C (Taxable) will be based on a percentage of the one-month LIBOR rate. At September 30, 2013, the outstanding balance on this LOC was \$40.0 million.

The revolving LOCs will be available for three years (unless the revolving line of credit is terminated earlier or extended pursuant to its terms). Any amounts borrowed are secured with a subordinate lien on the Harbor revenues.



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**NOTE 12 – LEASING ARRANGEMENTS**

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

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2013
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
General Fund:					
City Light and Power (a)	05/01/96	10/03/19	8.73%	\$ 20,968	\$ 11,110
Ambulances (b)	03/24/10	03/24/16	3.08%	988	434
Modular Trailers (c)	11/15/11	11/15/16	1.94%	302	195
Digital X-Ray (d)	03/30/12	03/15/19	2.06%	311	248
Total General Fund				<u>22,569</u>	<u>11,987</u>
Internal Service Funds:					
Civic Center Fund:					
Parking System (e)	10/24/08	10/24/13	4.99%	421	8
Civic Center Projects (f)	08/01/10	04/01/27	4.30%	31,450	26,375
Total Civic Center Fund				<u>31,871</u>	<u>26,383</u>
Fleet Services Fund:					
Fire Equipment Lease (g)	10/01/05	09/30/15	3.50%	<u>5,279</u>	<u>1,209</u>
General Services Fund:					
Software (h)	03/15/07	03/15/14	3.93%	4,400	356
Disaster Recovery Hardware (i)	08/20/10	08/20/15	2.64%	470	188
Personal Computers and Server (j)	03/11/11	03/31/15	2.44%	1,250	381
Telecommunication Equipment (k)	07/15/11	07/15/15	1.96%	811	379
Virtual Storage Platform (l)	06/06/12	06/15/17	1.89%	261	198
Personal Computers (m)	07/20/12	07/15/16	1.85%	1,100	788
Total General Services Fund				<u>8,292</u>	<u>2,290</u>
Total Governmental Activities Leases				<u>\$ 68,011</u>	<u>\$ 41,869</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Gas Utility Fund:					
Utility Customer Information Software (o)	09/15/11	09/15/18	2.06%	<u>\$ 3,025</u>	<u>\$ 2,205</u>
Tidelands Fund:					
Convention Center (p)	10/01/05	10/01/26	4.99%	<u>649</u>	<u>462</u>
Total Business-type Activities Leases				<u>\$ 3,674</u>	<u>\$ 2,667</u>

- (a) 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 thousand per month and the maximum amount for the sixth through 25 years at \$169 thousand per month.
- (b) In March 2010, the City financed the purchase of ambulances through a capital lease with monthly installments of \$15 thousand through March 2016.
- (c) In November 2011, the City entered into a capital lease agreement to finance the acquisition of five modular trailers to provide office and meeting space in several City parks. The lease is payable in monthly installments of \$5 thousand through November 2016.

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- (d) The City entered into capital lease agreement in March 2012 to finance the acquisition of a digital x-ray system for use by the Health and Human Services Department. Monthly installments of \$4 thousand are due through March 2019.
- (e) The City entered into a capital lease agreement in October 2008 to finance the purchase and installation of parking equipment in the Civic Center parking structure. Monthly installments of \$8 thousand are due through October 2013.
- (f) The City entered into a private placement capital lease to redeem the 1997 Series A Lease Revenue and Refunding Bonds. The original bonds proceeds were used for Civic Center complex capital projects. Advanced refunding resulted in an accounting loss of \$1.3 million and an economic gain of \$1.2 million. The City pays annual debt service payment of approximately \$2.6 million per annum through 2027.
- (g) The City entered into a capital lease agreement to finance the acquisition of equipment for the Fire Department, including two ladder trucks, ten pumper trucks, and a life-saving boat in October 2005. The lease is payable in monthly installments of \$52 thousand through September 2015.
- (h) The City entered into a capital lease agreement to finance the development of a billing and collection system in March 2007. The lease is payable in monthly installments of \$60 thousand through March 2014.
- (i) In August 2010, the City entered into a capital lease agreement to finance computer hardware for the Emergency Communication & Operation Center to facilitate the City's disaster recovery strategy to maintain critical financial management and human resource operations. Monthly installments of \$8 thousand are due through August 2015.
- (j) The City entered into a capital agreement for the purchase of personal computer and server equipment in March 2011. The lease is payable in monthly installments of \$27 thousand through March 2015.
- (k) The City entered into a capital lease agreement to upgrade the City's telephone and voice mail system in July 2011. Lease payments are \$18 thousand a month through July 2015.
- (l) In June 2012, the City entered into a capital lease agreement to replace computer servers that support the City's business information systems. Lease payments are \$5 thousand a month through June 2017.
- (m) The City entered into a capital lease agreement for the purchase of personal computers in July 2012. The lease is payable in monthly installments of \$24 thousand through July 2016.
- (n) The City entered into a capital lease agreement for the purchase and implementation of a utility customer information system in September 2011. The lease is payable in monthly installments of \$39 thousand through September 2018.
- (o) The City entered into a capital lease agreement to finance the installation of a surface membrane to the Convention Center roof. The lease is payable in annual installments of \$52 thousand through October 2026.

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

Year-ending	Principal Payments by Fund - Governmental Activities				Annual Debt Service Requirements		
	General	Civic Center	Fleet Services	General Services	Principal	Interest	Total
2014	\$ 1,626	\$ 1,453	\$ 594	\$ 1,305	\$ 4,978	\$ 2,105	\$ 7,083
2015	1,804	1,505	615	655	4,579	1,864	6,443
2016	1,812	1,570	-	289	3,671	1,638	5,309
2017	1,866	1,645	-	41	3,552	1,414	4,966
2018	1,987	1,730	-	-	3,717	1,178	4,895
2019 - 2023	2,892	9,970	-	-	12,862	3,210	16,072
2024 - 2028	-	8,510	-	-	8,510	748	9,258
Totals	<u>\$ 11,987</u>	<u>\$ 26,383</u>	<u>\$ 1,209</u>	<u>\$ 2,290</u>	<u>\$ 41,869</u>	<u>\$ 12,157</u>	<u>\$ 54,026</u>

Annual debt service requirements to maturity for business-type activities capital leases are as follows (in thousands):

Year-ending	Principal Payments by Fund Business-type Activities		Annual Debt Service Requirements		
	Gas Utility	Tidelands	Principal	Interest	Total
2014	\$ 423	\$ 29	\$ 452	\$ 65	\$ 517
2015	432	30	462	54	516
2016	441	32	473	44	517
2017	450	34	484	33	517
2018	459	35	494	22	516
2019 - 2023	-	205	205	56	261
2024 - 2028	-	97	97	7	104
Totals	<u>\$ 2,205</u>	<u>\$ 462</u>	<u>\$ 2,667</u>	<u>\$ 281</u>	<u>\$ 2,948</u>

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The City is the lessor for a number of operating lease agreements. Future rental income under non-cancelable operating leases having an initial term in excess of one year is as follows (in thousands):

<u>Year-ending</u>	<u>Total</u>
2014	\$ 290,238
2015	293,845
2016	294,567
2017	291,176
2018	292,055
2019 - 2023	1,430,660
2024 - 2028	993,467
2029 - 2033	345,016
2034 - 2038	1,036,416
2039 - 2043	61,261
2044 - 2048	61,519
2049 - 2053	52,662
2054 - 2058	25,494
2059 - 2063	25,434
2064 - 2068	23,743
2069 - 2073	6,191
2074 - 2078	5,829
2079 - 2083	5,641
2084 - 2088	741
Total	<u><u>\$ 5,535,955</u></u>

**NOTE 13 – DERIVATIVE INSTRUMENTS**

At September 30, 2013, the City had the following hedging derivative instruments outstanding within business-type activities:

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Various Maturity Dates to:</u>	<u>Terms</u>
Pay-Fixed Interest Rate Swap	To reduce the risks associated with the change in interest rates related to the 2007 Series B Variable-rate Bonds.	\$69.0 million	11/18/2007	11/15/2033	Receive 67% LIBOR plus 1.432%, pay fixed at 4.931%
Commodity Forward Contract	To hedge against a reduction in revenues resulting from changes in monthly commodity prices.	139.3 million MMBtu <sup>1</sup>	11/18/2007	9/30/2037	Pay variable receive fixed for scheduled notional quantities.

<sup>1</sup> MMBtu is one million British Thermal Units.

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*Interest Rate Swap Objective and Terms:* As a means to lower financing costs and to reduce the risks associated with the fluctuation of market interest rates, the LBBFA entered into a series of interest rate swaps in connection with the 2007 Gas Prepay Bonds, Series B (Prepay Bonds) in the amount of \$251.7 million. In July of 2009, a tender offer was submitted to bondholders reducing the Prepay Bond's outstanding notional amounts to \$69.0 million as follows:

Maturity Date	Notional Amounts (in thousands)	Synthetic Fixed Rate	Variable Rate	Spread
11/15/2025	\$ 19,195	4.903%	1.577%	1.410%
11/15/2026	25,175	4.930%	1.597%	1.430%
11/15/2027	24,630	4.955%	1.617%	1.450%
11/15/2033	5	5.067%	1.717%	1.550%
	<u>\$ 69,005</u>	<u>4.931%</u> <sup>2</sup>	<u>1.598%</u> <sup>3</sup>	<u>1.432%</u> <sup>2</sup>

<sup>2</sup> Percentages are weighted average.

<sup>3</sup> The weighted average floating rate is based on the present value of 67% of the forward three-month LIBOR rate curve at 9/30/13, plus the indicative spread.

The objective of the swap was to effectively change the variable interest rate on the Prepay Bonds to a synthetic weighted average fixed rate of 4.9 percent (pay-fixed interest rate swap). The Prepay Bonds and the related swap agreements mature on the dates specified above and the swap's notional amount of \$69.0 million matches the \$69.0 million variable-rate Prepay Bonds. The swap was effective at the same time the Prepay Bonds were issued on October 18, 2007.

Starting in fiscal year 2008-09, under the swap agreement, LBBFA paid Merrill Lynch Capital Services, Inc. (MLCS) fixed payments based on the above schedule. In October 2007, the Alternative Floating Rate Option was used to calculate interest paid to LBBFA. The Alternate Floating Rate Option means a per annum rate, not to exceed the maximum interest rate payable on the Prepay Bonds, expressed as a decimal, equal to 67 percent of the three-month LIBOR, as quoted by the British Bankers Association (BBA), plus a spread as defined above, not to exceed a rate of 15 percent per annum for any calculation period.

*Commodity Swap Objective and Terms:* The City entered into a natural gas commodity price sale agreement with Royal Bank of Canada Capital Markets (RBC) to hedge against a reduction in its gas sale revenues resulting from changes in monthly market index prices. Under the swap agreement, the City pays a floating natural gas price over a 30-year period and receives specified fixed natural gas prices for notional quantities of natural gas as determined in the Prepaid Gas Agreement. In consideration for the agreement, the City remitted \$892.6 million to the seller. Settlement provisions of the contract permit the City to take delivery of the gas or to pay a settlement price equal to the applicable Index Price (NGI So Cal Border Index) for the month in which the gas delivery occurs, less \$0.83 per one million MMBtu. The swap was effective at the same time the Prepay Bonds were issued on October 18, 2007 and continues through September 30, 2037.

*Tender Offer:* In July of 2009, the City executed a tender offer for a portion of the underlying Prepay Bonds. The results of the tender offer reduced the amount of outstanding variable-rate Prepay Bonds associated with the interest rate swap by \$182.7 million and the City's purchase volume of natural gas over the life of the commodity swap agreement by 60 million MMBtu.

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*Fair Value:* The interest rate swap, with the market price quoted by MLCS, had a negative fair value of approximately \$18.5 million at October 1, 2012. During the current period, the fair value increased \$7.0 million to a negative fair value of \$11.5 million as of September 30, 2013.

The commodity swap, with the market price quoted by the RBC, had a fair value of \$244.5 million at October 1, 2012. During the current period, fair value increased \$17.2 million to a fair value of \$261.7 million as of September 30, 2013.

Fair values are based on mark-to-market valuations provided by the swap counterparties. The following table provides the details for the changes in fair value for both derivative instruments (in thousands):

Maturity Date	Fair Value, October 1, 2012	Change in Fair Value	Fair Value, September 30, 2013
Governmental Activities			
<i>Interest Rate Swap</i>			
11/15/2025	\$ (4,951)	\$ 1,828	\$ (3,123)
11/15/2026	(6,740)	2,554	(4,186)
11/15/2027	(6,831)	2,651	(4,180)
11/15/2033	(2)	1	(1)
	(18,524)	7,034	(11,490)
Commodity Swap			
11/1/2037	244,530	17,154	261,684
Total	\$ 226,006	\$ 24,188	\$ 250,194

Information on the affects of these transactions on the financial statement presentation can be found in Note 25 – Deferred outflows and Deferred Inflows of Resources.

*Credit Risks:* As of September 30, 2013, the interest rate swap counterparty was rated A- by Standard & Poor’s and Baa2 by Moody’s Investor Services. As of September 30, 2013, the commodity swap counterparty was rated AA- by Standard & Poor’s and Aa3 by Moody’s.

Merrill Lynch Commodities, Inc., a wholly owned subsidiary of Merrill Lynch and Co. Inc. (Guarantor), entered into a Prepaid Natural Gas Purchase and Sale Agreement with the LBBFA to sell and deliver gas to the LBBFA. In the event the Guarantor credit rating falls below a credit rating of BBB+ as rated by Standard & Poor’s or Fitch Ratings, or a Baa1 as rated by Moody’s Investor Services, Inc., the Guarantor will post acceptable market value of collateral equal to or greater than the current present value of the remaining savings as specified in the Agreement on the date of the credit downgrade. If the rating by any one of the rating agencies should be restored to a level greater than BBB+ or Baa1, LBBFA will return the collateral posted by the following month.

On June 21, 2012, Moody’s Investor Service downgraded Bank of America Corporation, the parent of Merrill Lynch Commodities, Inc., to Baa2 from Baa1. On July 12, 2012, the City of Long Beach, Merrill Lynch Commodities and the Bank of New York Mellon Trust Company, N.A. (Custodian) entered into a Pledge Collateral and Custodial Agreement, pursuant to Section 21.2 of the Prepaid Gas Agreement, for purposes of securing the obligations of the Seller and Guarantor to pay the Purchaser the Unearned Amount in the event an Early Termination Date occurs and the Unearned Amount is owed by the Seller or Guarantor to the Purchaser. The Custodian for benefit of the City holds a perfected interest in the collateral pledged.

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*Interest Rate Swap Payment and Associated Debt:* Using rates as of September 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming the current interest rate remains the same for their term, were as follows (in thousands):

Fiscal Year Ending September 30	Variable-Rate Bonds		Net Swap Payments	Total Interest
	Principal	Interest		
2014	\$ -	\$ 3,403	\$ 521	\$ 3,924
2015	-	3,403	394	3,797
2016	-	3,403	336	3,739
2017	-	3,403	305	3,708
2018	-	3,403	290	3,693
2019 - 2023	-	17,015	1,109	18,124
2024 - 2028	69,000	7,937	698	8,635
2029 - 2033	5	-	-	-
Total	\$ 69,005	\$ 41,967	\$ 3,653	\$ 45,620

As rates vary, variable-rate bond interest payments and net swap payments will vary.

*Termination Risks:* In accordance with the Trust Indenture and the Prepaid Natural Gas Purchase and Sale Agreement, the issuer has the right to optionally redeem Prepay Bonds either pursuant to the covered indenture at no market risk or a Triggering Event as described in the Prepaid Natural Gas Purchase and Sale Agreement.

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**NOTE 14 – RETIREMENT PROGRAMS**

**Plan Description – Public Employees’ Retirement System (CalPERS)**

The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by state statute and city ordinance. A copy of CalPERS’ annual financial report may be obtained from its executive office at 400 P. Street, Sacramento, California 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 consistent with CalPERS, 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.

“Classic” Safety: 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 3.0 percent of the employee’s highest paid year of employment for each year of credited service. Third-tier police and fire employees are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of the employee’s highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5.0 percent cost-of-living increase while those under the second tier are eligible to receive a maximum annual 2.0 percent cost-of-living increase.

“New” Safety: Effective January 1, 2013, safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 57, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7 percent of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For fiscal year 2013, salaries are capped at \$113.7 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas.

“Classic” Miscellaneous: 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 percent of their highest paid year of employment for each year of credited service. The City created tier three for non-safety employees hired after October 1, 2006. Vested tier three 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 2.5 percent of their highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5.0 percent cost-of-living increase while those under the second and third tier are eligible to receive a maximum annual 2.0 percent cost-of-living increase.

“New” Miscellaneous: Effective January 1, 2013, miscellaneous non-safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 62, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For fiscal year 2013, salaries are capped at \$113.7 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas.



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Audited annual financial statements and ten-year trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Policy

For the fiscal year ended September 30, 2013, Safety and Miscellaneous plan participants were required to contribute 9.0 percent and 8.0 percent of their annual covered salary, respectively. However, as a benefit to employees, the City, in some cases, has elected to pay a portion of the employees' portion of this required contribution. The following table details the contribution rates for the City and its employees as of September 30, 2013.

<u>Bargaining Unit</u>	<u>City Contributes</u>	<u>Employee Contributes</u>	<u>New Hires</u>
Unrepresented Management within the City Auditor's office	4.0%	4.0%	8.0%
City Attorney's Association	0.0%	8.0%	8.0%
City Prosecutor's Association	0.0%	8.0%	8.0%
Elected Officials and City Clerk:			
City Attorney	2.0%	6.0%	8.0%
City Prosecutor	2.0%	6.0%	8.0%
City Auditor	2.0%	6.0%	8.0%
City Clerk	2.0%	6.0%	8.0%
Mayor	0.0%	8.0%	8.0%
Council Districts 1 - 7 and 9	0.0%	8.0%	8.0%
Council District 8	0.0%	8.0%	8.0%
Unrepresented Management and Non-management	6.0%	2.0%	8.0%
Long Beach Association of Engineering Employees	6.0%	2.0%	8.0%
Long Beach Association of Confidential Employees	6.0%	2.0%	8.0%
Long Beach Management Association	6.0%	2.0%	8.0%
International Association of Machinists	0.0%	8.0%	8.0%
Safety Managers	7.0%	2.0%	9.0%
Long Beach Firefighters' Association	0.0%	9.0%	9.0%
Long Beach Police Officers' Association	0.0%	9.0%	9.0%
Long Beach Lifeguard Association	7.0%	2.0%	9.0%

In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll; the current rates are 15.159 percent for miscellaneous employees and 22.315 percent for safety employees. For fiscal year 2014, the contribution rates will be 15.324 percent for miscellaneous employees and 22.623 percent for safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2013, the City's annual pension cost (APC) of \$67.5 million for CalPERS was equal to the City's annual required contribution (ARC) of \$89.5 million less employee contributions of \$22.0 million. The ARC was determined as a part of the June 30, 2010 actuarial valuations.

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The City's APC, the percentage of APC contributed to the plans, and the net pension obligation for the miscellaneous and safety plans for the fiscal years ended September 30, 2011, 2012, and 2013 are as follows (dollars in thousands):

Fiscal Year	Miscellaneous Annual Pension Cost	Safety Annual Pension Cost	Annual Pension Cost (APC)	Percentage Contribution
2011	41,953	\$ 33,087	\$ 75,040	100%
2012	47,436	29,441	76,877	100%
2013	38,483	29,014	67,497	100%

Actuarial Methods and Assumptions

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2013 for miscellaneous and safety employees is shown below:

Assumptions	
Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Amortization Period	Closed
Average Remaining Period	26 Years for Miscellaneous and 25 Years for Safety as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

The schedule of funding progress, provided as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for pension benefits.

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Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the funding status for the miscellaneous and safety plans were as follows (dollars in thousands):

Plan	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAAL) (Excess of Assets over AAL) (b-a)	Funded Ratio Actuarial Value Basis (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
Miscellaneous	\$ 1,825,592	\$ 2,057,068	\$ 231,476	88.7%	\$ 220,939	104.8%
Safety	1,834,547	1,936,904	102,357	94.7%	124,868	82.0%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress provided as required supplementary information following the notes to the basic financial statements, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The initial unfunded actuarial accrued liability (or excess assets) associated with these retirement plans is being amortized as a level percentage of projected payroll on a closed basis.

Plan Description – 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 (Plans). During fiscal year 2003, the Plans were reported under a combined plan (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 1.5 percent 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 percent of earnings (Contractors Special Status) and 3.0 percent of earnings (Seasonal and Temporary Employees). All employees enter the Plan upon hire and all benefits are vested after five 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). Audited annual financial statements are available from PARS Public Agency Retirement Services, 4350 Von Karman Avenue, Ste. 100, Newport Beach, CA 92660.

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Funding Policy and Annual Pension Cost

The City's funding policy is to make the contribution as determined by the Plan's actuary valuation date. The following information describes the calculation methodology:

- The Plan's APC for the fiscal year ended September 30, 2013 is based on the period from October 1, 2011 to September 30, 2012. The APC for fiscal year ended September 30, 2013, is \$161 thousand, the same amount contributed for this period.
- The actuarial liabilities and assets are valued as of September 30, 2012.
- The actuarial cost 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 past years 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 dollar amount to determine the unfunded actuarial liability rate. The actuarial value of Plan assets is based on a five-year smoothing of gains and losses. The net pension obligation information below is based on periods from October 1 through September 30:

Fiscal Year	Annual Pension Costs	Actual Contribution	Percentage Contribution	Net Pension Obligation
2011	\$ 105,141	\$ 105,141	100%	\$ -
2012	113,320	113,320	100%	-
2013	161,072	161,072	100%	-

Funded Status and Funding Progress

As of the most recent actuarial valuation date, September 30, 2012, the Plan's funding status was (dollars in thousands):

Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Excess of Assets over AAL) (b-a)	Funded Ratio Actuarial Value Basis (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PARS	\$ 903	\$ 1,489	\$ 586	60.6%	\$ 8,526	6.9%

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Actuarial Methods and Assumptions

The following is a summary of September 30, 2012 actuarial assumptions:

Interest Rate:	4.75%
Actuarial Cost Method:	Entry Age Normal Cost Method
Mortality:	1983 Group Annuity Mortality (GAM83) table.
Turnover:	Sample rates are:

<u>Age</u>	<u>Turnover</u>
30	15%
40	15%
50	10%
60	5%

Seasonal and Temporary Employees' first five years of service assume the following turnover rates:

Years of Service	Turnover
0	50%
1	35%
2	30%
3	25%
4	20%

Salary Scale:	5.0%
Inflation	3.0%
Amortization Period	Closed
Average Remaining Period	10 years
Retirement Age:	Age 65 or attained age, if older.
Form of Benefit:	Participants are assumed to receive a lump sum upon termination.

**NOTE 15 – POSTEMPLOYMENT HEALTHCARE BENEFITS**

General Plan Description

The City's Retired Employees Health Insurance Program is a single-employer defined benefit healthcare plan.

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. 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.

The City has provided 2 one-time early retirement incentive programs. The first had a maximum value of \$25 thousand for employees, based on age, who retired during calendar year 1996, and the second incentive offered a 16-hour increase in sick leave per year of service to management employees who retired by June 30, 2004. In all cases, once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying the premiums at the retiree's expense.

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At September 30, 2013, there were 586 participants in the City's Retired Employees Health Insurance Program and their non-interest-bearing cash value equivalent of the remaining unused sick leave totaled \$20.6 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2013 were \$7.4 million and are included as an expense of the Employee Benefits Internal Service Fund.

Termination Benefits

As of September 30, 2013, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$123.3 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation, and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and 2009 negotiated public safety health benefit supplements as described below:

Fire Retirement Supplement Benefit

The Long Beach Fire Fighter's Association agreed to defer an October 1, 2009 general salary adjustment to October 1, 2010 and to extend all other adjustments by one year. The supplement eligibility is limited to Fire employees retiring on or before December 31, 2009. The benefit formula is equal to the difference between CalPERS retirement had the October 1, 2009 general salary adjustment been made for a full year and actual retirement benefits received by CalPERS. The supplement is credited annually to retirees Health account and is adjusted by CalPERS cost-of-living adjustment (COLA). Each account will be adjusted as long as retirees or beneficiaries are receiving CalPERS.

Police Retirement Supplement Benefit

The Long Beach Police Officers Association agreed to extend a September 30, 2009 midpoint adjustment of 3.2% for sergeants, 14.8% for lieutenants, and 9.3% for corporals and officers, to a 2.0% minimum increase per year. The midpoint adjustment is based on the Strategic Plan Cities Survey of salaries in similar cities. The supplement eligibility is limited to employees retiring on or after September 30, 2009 and before benefits level reaches what it would have been had the September 30, 2009 adjustment been made. The benefit formula is equal to the difference between CalPERS retirement had the September 30, 2009 midpoint adjustment been made and actual retirement benefits received by CalPERS. The supplement is credited annually to retirees Health account and is adjusted by CalPERS cost-of-living adjustment (COLA). Each account will be adjusted as long as retiree or beneficiaries are receiving CalPERS.

The actuarial study assumes an investment return of 4.3 percent; wage increases of 3.3 percent per year for both miscellaneous and safety employees, and insurance premium increases of 4.5 percent. The estimated current portion of such obligation of \$8.1 million has been fully funded and the long-term portion of the liability of \$115.2 million is being funded, over time, through burden rates charged to the various City funds, applied as a percentage of current productive salaries.

Other Postemployment Benefits

As of September 30, 2013, the City has also recorded a liability in the Employee Benefits Internal Service Fund of \$45.2 million based on an actuarial study of the "implicit subsidy" as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). While the City does not directly contribute any funding toward the cost of premiums for retirees, the ability to obtain coverage at an active employees rate constitutes an economic benefit to the retirees. The inclusion of the retirees in

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the City's healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an "implicit subsidy" under GASB 45.

The ability to participate in the City's plan by self-paying the premiums extends for the lifetime of the retiree. However, upon attaining the age of Medicare eligibility, the retiree may enter a plan coordinated by Medicare. Standard actuarial practice assumes that Medicare supplemental plans do not generally give rise to an implicit subsidy, and while the City has included Medicare eligible retirees in this valuation, their liability under GASB 45 and their implicit subsidy are both \$0. This plan does not issue a separate financial report.

Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2013, the City has not prefunded the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the ARC, an amount that is actuarially determined in accordance with the requirements of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

Annual required contribution	\$ 15,405
Interest on net OPEB obligation	1,776
Adjustment to annual required contribution	<u>(2,744)</u>
Annual OPEB cost	14,437
Contribution made	<u>(4,709)</u>
Increase in net OPEB obligation	9,728
Net OPEB obligation - beginning of year	<u>35,514</u>
Net OPEB obligation - end of year	<u><u>\$ 45,242</u></u>

The ARC was determined as part of the September 2012 actuarial valuation. For the year ended September 30, 2013, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$ 12,289	34.0%	\$ 26,139
9/30/2012	13,486	30.5%	35,514
9/30/2013	14,437	32.6%	45,242

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Funded Status and Funding Progress

The funded status of the plan as of September 30, 2013 as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 238,683
Actuarial value of Plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 238,683</u>
Funded ratio (actuarial value of Plan assets / AAL)	0.0%
Covered payroll	\$ 331,504
UAAL as a percentage of covered payroll	72.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, provided as required supplementary information following the notes to the basic financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

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

The September 30, 2012 actuarial valuation used the Entry Age Normal Cost method. The actuarial assumptions included a 4.3 percent investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 8.5 percent for non-Medicare plans and 8.9 percent for Medicare plans with both decreasing to 5.0 percent for all plans by September 30, 2021, and an inflation assumption of 3.0 percent. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The actuarial value of plan assets was \$0. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over 30 years.



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**NOTE 16 – SELF-INSURANCE PROGRAMS**

The City has adopted separate insurance programs for workers' compensation and general liability claims. The City is self-insured for workers' compensation for the first \$4 million per occurrence and has excess insurance coverage up to \$100 million. For general liability, the City is self-insured for the first \$3 million per occurrence and has excess coverage in the amount of \$50 million.

At September 30, 2013, the City accrued non-discounted estimates totaling \$128.1 million 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 \$24.5 million and a long-term liability of \$103.6 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2013 is dependent on future developments. Based upon actuary evaluation, City's management believes that the aggregate accrual adequately represents such losses. A summary of the City's claims activity for the fiscal years ended September 30, 2013 and 2012 is as follows (in thousands):

	Workers' Compensation Claims	General Liability Claims	Total
Balance at October 1, 2011	\$ 102,137	\$ 12,264	\$ 114,401
Additions (Reductions)	21,261	3,609	24,870
Payments	(12,345)	(3,609)	(15,954)
Balance at September 30, 2012	111,053	12,264	123,317
Additions	15,719	7,031	22,750
Payments	(15,342)	(2,553)	(17,895)
Balance at September 30, 2013	<u>\$ 111,430</u>	<u>\$ 16,742</u>	<u>\$ 128,172</u>

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**NOTE 17 – GOVERNMENTAL ACTIVITIES FUND BALANCE**

As of September 30, 2013, total fund balances for the City’s major and non-major governmental funds are as follows (in thousands):

	General	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Prepaid Expense and Deposits	\$ 43	\$ 8,009	\$ 8,052
Advances to Other Funds	2,000	-	2,000
Subtotal	<u>2,043</u>	<u>8,009</u>	<u>10,052</u>
<b>Restricted for:</b>			
Debt Service	-	34,266	34,266
Public Safety	2,311	946	3,257
Public Health	-	5,403	5,403
Community and Cultural	-	200,493	200,493
Public Works	-	52,459	52,459
Subtotal	<u>2,311</u>	<u>293,567</u>	<u>295,878</u>
<b>Committed to:</b>			
Public Safety	1,000	-	1,000
Community and Cultural	-	1,362	1,362
Oil Abandonment	4,711	-	4,711
Subtotal	<u>5,711</u>	<u>1,362</u>	<u>7,073</u>
<b>Assigned to:</b>			
Emergency Reserve	54,940	-	54,940
Operating Reserve	12,986	-	12,986
Subsequent Year's Appropriations	50,616	-	50,616
Infrastructure Reserve	1,000	-	1,000
Community and Cultural	-	258	258
Debt Service	-	917	917
Public Health	-	364	364
Public Works	-	22,894	22,894
Subtotal	<u>119,542</u>	<u>24,433</u>	<u>143,975</u>
<b>Unassigned</b>	<u>8,130</u>	<u>(30,112)</u>	<u>(21,982)</u>
<b>Total Fund Balances</b>	<u><u>\$ 137,737</u></u>	<u><u>\$ 297,259</u></u>	<u><u>\$ 434,996</u></u>

**Fund Deficits**

The Internal Service Funds include accumulated deficits in the Insurance and Employee Benefits Internal Service Funds, which aggregate \$92.9 million and \$167.3 million, respectively. The City’s management believes the cash position is sufficient to cover the current costs related to retired health insurance, workers’ compensation, general liability claims, and current operating costs in the Insurance and Employee Benefits Internal Service Funds. The City’s management intends to make reasonable adjustments to amounts charged to City departments to ensure that adequate cash positions are maintained.

The Tidelands Oil Revenue Fund, a proprietary fund, reported a deficit net assets of \$17.6 million as of September 30, 2013. Tidelands Oil Revenue Fund deficit net assets is due to a future oil field abandonment liability. City’s management intends to accumulate futures resources to pay for this liability.

The General Grants special revenue fund has an accumulated deficit fund balance of \$778 thousand. The deficit is the result of delayed submission of reimbursement claims for several parks-related grants.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**NOTE 18 – GAS UTILITY FUND**

The Gas Utility Fund is comprised of the Gas Operating and LBBFA Gas Prepay Functions and is used to account for the activities associated with the distribution of natural gas to the City's customers. The LBBFA Gas Prepay Function was formed to account for the 2007 A and B Natural Gas bonds that were issued in October 2007, for the purchase of gas at a predetermined price. The following schedules summarize the activity and account balances that comprise the Gas Utility Fund:

**City of Long Beach**  
**Gas Utility Fund**  
Consolidated Schedule of Net Position  
September 30, 2013  
(In Thousands)

	Gas Operating Function	LBBFA Gas Prepay Function	Total Before Elimination	Elimination Debit (Credit)	Gas Utility Fund
<b>ASSETS</b>					
<b>Current Assets:</b>					
Pooled Cash and Cash Equivalents	\$ 7,508	\$ 268	\$ 7,776	\$ -	\$ 7,776
Non-Pooled Cash and Cash Equivalents	6	37	43	-	43
Non Performing Investments	11	-	11	-	11
<b>Receivables:</b>					
Interest Receivable	-	14	14	-	14
Accounts Receivable	3,362	2,496	5,858	(1,154)	4,704
Due from Other Funds	1,371	-	1,371	(633)	738
Allowance for Receivables	(463)	-	(463)	-	(463)
Inventory	1,933	-	1,933	-	1,933
Prepaid Gas - Current	-	22,811	22,811	-	22,811
Other Assets	401	-	401	-	401
Total Current Assets	<u>14,129</u>	<u>25,626</u>	<u>39,755</u>	<u>(1,787)</u>	<u>37,968</u>
<b>Noncurrent Assets:</b>					
<b>Restricted Noncurrent assets</b>					
Non-Pooled Investments	-	20,635	20,635	-	20,635
<b>Capital Assets:</b>					
Land and Other Assets Not Being Depreciated	4,345	-	4,345	-	4,345
Capital Assets Net of Accumulated Depreciation	120,436	-	120,436	-	120,436
Prepaid Gas - Long-term	-	496,015	496,015	-	496,015
Total Noncurrent Assets	<u>124,781</u>	<u>516,650</u>	<u>641,431</u>	<u>-</u>	<u>641,431</u>
Total Assets	<u>138,910</u>	<u>542,276</u>	<u>681,186</u>	<u>(1,787)</u>	<u>679,399</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows	-	273,174	273,174	-	273,174
<b>LIABILITIES</b>					
<b>Current Liabilities Payable from Current Assets</b>					
Accounts Payable	3,402	-	3,402	1,154	2,248
Accrued Wages	280	-	280	-	280
Accrued Interest Payable	2	11,247	11,249	-	11,249
Due to Other Funds	850	633	1,483	633	850
Unearned Revenues	126	-	126	-	126
Customers Deposits	1,833	-	1,833	-	1,833
Obligations under Capital Leases - Current	423	-	423	-	423
Bonds Payable Due within One Year	-	7,305	7,305	-	7,305
Total Current Liabilities	<u>6,916</u>	<u>19,185</u>	<u>26,101</u>	<u>1,787</u>	<u>24,314</u>
<b>Noncurrent Liabilities:</b>					
Obligations under Capital Leases	1,782	-	1,782	-	1,782
Other Long-Term Obligations	3,000	-	3,000	-	3,000
Bonds Payable	-	613,775	613,775	-	613,775
Unamortized Discount	-	13,681	13,681	-	13,681
Total Noncurrent Liabilities	<u>4,782</u>	<u>627,456</u>	<u>632,238</u>	<u>-</u>	<u>632,238</u>
Total Liabilities	<u>11,698</u>	<u>646,641</u>	<u>658,339</u>	<u>1,787</u>	<u>656,552</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows	-	273,174	273,174	-	273,174
<b>NET POSITION (DEFICIT)</b>					
Net Investment in Capital Assets	119,576	-	119,576	-	119,576
Unrestricted	7,636	(104,365)	(96,729)	-	(96,729)
Total Net Position (Deficit)	<u>\$ 127,212</u>	<u>\$ (104,365)</u>	<u>\$ 22,847</u>	<u>\$ -</u>	<u>\$ 22,847</u>

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**City of Long Beach**  
Gas Utility Fund

Consolidated Schedule of Revenues, Expenses, and Changes in Fund Net Position  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	Gas Operating Function	LBBFA Gas Prepay Function	Total Before Elimination	Elimination Debit (credit)	Gas Utility Fund
Operating Revenues:					
Charges for Services	\$ 80,215	\$ 17,732	\$ 97,947	\$ 17,732	\$ 80,215
Total Revenues	<u>80,215</u>	<u>17,732</u>	<u>97,947</u>	<u>17,732</u>	<u>80,215</u>
Operating Expenses:					
Personnel Services	15,284	2	15,286	-	15,286
Purchases of Gas	27,341	988	28,329	(17,732)	10,597
Maintenance and Other Operations	11,384	7	11,391	-	11,391
Amortization	(5)	-	(5)	-	(5)
Depreciation	5,207	-	5,207	-	5,207
Total Operating Expenses	<u>59,211</u>	<u>997</u>	<u>60,208</u>	<u>(17,732)</u>	<u>42,476</u>
Operating Income	<u>21,004</u>	<u>16,735</u>	<u>37,739</u>	<u>-</u>	<u>37,739</u>
Non-Operating Income (Expense):					
Interest Income	(9)	656	647	-	647
Interest Expense	(4)	(31,973)	(31,977)	-	(31,977)
Loss on Disposition of Capital Assets	(874)	-	(874)	-	(874)
Capital Assets to / (from) Other Funds	(1,844)	-	(1,844)	-	(1,844)
Other Income	6,926	-	6,926	-	6,926
Other Expense	(5,245)	(677)	(5,922)	-	(5,922)
Total Non-Operating Income (Expense)	<u>(1,050)</u>	<u>(31,994)</u>	<u>(33,044)</u>	<u>-</u>	<u>(33,044)</u>
Income before Contributions and Transfers	19,954	(15,259)	4,695	-	4,695
Operating Transfers:					
Operating Transfers Out	<u>(13,023)</u>	<u>-</u>	<u>(13,023)</u>	<u>-</u>	<u>(13,023)</u>
Change in Net Position	6,931	(15,259)	(8,328)	-	(8,328)
Net Position (Deficit), October 1	120,296	(85,187)	35,109	-	35,109
Residual Equity Transfers, Net	<u>(15)</u>	<u>(3,919)</u>	<u>(3,934)</u>	<u>-</u>	<u>(3,934)</u>
Net Position (Deficit), September 30	<u>\$ 127,212</u>	<u>\$ (104,365)</u>	<u>\$ 22,847</u>	<u>\$ -</u>	<u>\$ 22,847</u>

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**City of Long Beach**  
Gas Utility Fund  
Consolidated Schedule of Cash Flows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Gas Operating Function	LBBFA Gas Prepay Function	Eliminations Increase (decrease)	Gas Utility Fund
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 79,411	\$ 17,391	\$ (17,391)	\$ 79,411
Payments for Employee Salaries	(15,231)	-	-	(15,231)
Payments for Goods and Services	(40,228)	(35)	17,391	(22,872)
Other Income	6,894	22,901	-	29,795
Other Expense	(5,411)	(478)	-	(5,889)
Net Cash Provided by Operating Activities	<u>25,435</u>	<u>39,779</u>	<u>-</u>	<u>65,214</u>
Cash Flows from Non-Capital Financing Activities:				
Operating Grants Received from Other Governments	31	-	-	31
Receipts from Prepayment of Gas Supply	-	(568)	-	(568)
Payments of Principal on Bonds Payable	-	(8,290)	-	(8,290)
Payments of Interest	-	(32,468)	-	(32,468)
Transfers Out	(13,023)	-	-	(13,023)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(12,992)</u>	<u>(41,326)</u>	<u>-</u>	<u>(54,318)</u>
Cash Flows from Capital and Related Financing Activities:				
Principal Received on Capital Leases from other funds	879	-	-	879
Payments for Capital Acquisitions	(15,866)	-	-	(15,866)
Payments of Principal on Bonds Payable	(750)	-	-	(750)
Payments of Principal on Other Long-Term Obligations	(414)	-	-	(414)
Payments of Interest, Net of Amounts Capitalized	(79)	-	-	(79)
Net Cash Used for Capital and Related Financing Activities	<u>(16,230)</u>	<u>-</u>	<u>-</u>	<u>(16,230)</u>
Cash Flows from Investing Activities:				
Proceeds from the Sale of Investments	-	1,114	-	1,114
Payments for Investments	650	-	-	650
Receipts of Interest	37	654	-	691
Net Cash Provided by Investing Activities	<u>687</u>	<u>1,768</u>	<u>-</u>	<u>2,455</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,100)	221	-	(2,879)
Cash and Cash Equivalents - October 1	10,614	84	-	10,698
Cash and Cash Equivalents - September 30	<u>\$ 7,514</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>\$ 7,819</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Gas</u> Operating Function	<u>LBBFA Gas</u> Prepay Function	<u>Eliminations</u> Increase (decrease)	<u>Gas Utility</u> Fund
Operating Income	\$ 21,004	\$ 16,735	\$ -	\$ 37,739
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization Expense	5,202	-	-	5,202
Other Income	6,727	22,901	-	29,628
Other Expense	(5,245)	(677)	-	(5,922)
(Increase) Decrease in Accounts Receivable, Net	(549)	(341)	1,154	264
Increase in Amounts Due from Other Governments	(31)	-	-	(31)
Decrease in Amounts Due from Other Funds	-	199	-	199
Increase in Inventory	(43)	-	-	(43)
(Increase) Decrease in Other Operating Assets/Gas Prepay	(371)	990	-	619
Decrease in Accounts Payable	(1,021)	(28)	(1,154)	(2,203)
Increase in Accrued Wages Payable	43	-	-	43
Decrease in Amounts Due to Other Funds	(58)	-	-	(58)
Decrease in Unearned Revenues	(228)	-	-	(228)
Increase in Collections Held in Trust	5	-	-	5
Total Adjustments	<u>4,431</u>	<u>23,044</u>	<u>-</u>	<u>27,475</u>
Net Cash Provided by Operating Activities	<u>\$ 25,435</u>	<u>\$ 39,779</u>	<u>\$ -</u>	<u>\$ 65,214</u>

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
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Gas Rates

The City of Long Beach Gas Enterprise Fund (LBGO) passes along the actual cost of natural gas it provides to its customers.

Effective October 1, 2007, LBGO renegotiated terms with local suppliers, which includes a purchase price equal to LBGO's lowest cost of gas purchased during the month of delivery and the understanding that their volumes will be supplemental to the prepay volumes purchased.

Effective November 1, 2007, LBGO entered into a long-term prepay contract with Merrill Lynch Commodities Inc. (MLCI). Under this new contract, MLCI became the primary provider of natural gas for LBGO. The contract price is equal to the applicable market index price for the month in which the gas delivery occurs, less \$0.83 per one million British thermal units (MMBtus) of gas delivered. LBGO reserves the gas prepay cost savings to facilitate funding of its gas utility's long-term infrastructure requirements.

**NOTE 19 – SOLID WASTE MANAGEMENT FUND**

The Solid Waste Management Fund is used to account for the City's refuse collection and resource recovery operations and includes the City's Solid Waste Management Function and the SERRF Function. SERRF was formed as a joint powers authority between the City 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 long-term receivable with a balance at September 30, 2013 of \$1.7 million.

In October 1995, the lease, between the joint powers authority and the City's SERRF operations, was revised as SERRF 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 \$25.0 million.

In October 2003, the lease was again revised since the SERRF refunded the 1995 Bonds with the 2003 Southeast Resource Recovery Facility Authority Bonds in the amount of \$120.2 million. Base rental payments are calculated to be sufficient to pay the principal and interest of the Series 2003 Bonds when due.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
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**City of Long Beach**  
Solid Waste Management Fund  
Consolidating Schedule of Net Position (Deficit)  
September 30, 2013  
(In Thousands)

	Solid Waste Management			Total Before Elimination	Eliminations Debit (Credit)	Solid Waste Management Fund
	Refuse Function	SERRF Function	SERRF Authority			
<b>ASSETS</b>						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 15,825	\$ 31,077	\$ -	\$ 46,902	\$ -	\$ 46,902
Non-Pooled Cash and Cash Equivalents	3	-	174	177	-	177
Non Performing Investments	7	-	-	7	-	7
Receivables:						
Interest Receivable	-	-	37	37	-	37
Accounts Receivable	2,520	4,490	991	8,001	(991)	7,010
Due from Other Governments	-	620	-	620	-	620
Due from Other Funds	166	-	-	166	-	166
Capital Leases Receivable - Current	-	-	8,410	8,410	(8,410)	-
Allowance for Receivables	(302)	(10)	-	(312)	-	(312)
<b>Total Current Assets</b>	<b>18,219</b>	<b>36,177</b>	<b>9,612</b>	<b>64,008</b>	<b>(9,401)</b>	<b>54,607</b>
Noncurrent Assets:						
Restricted Noncurrent assets						
Non-Pooled Investments	-	-	11,418	11,418	-	11,418
Noncurrent Receivables:						
Capital Lease Receivable	-	-	49,200	49,200	(49,200)	-
Other Noncurrent Receivables	-	1,689	413	2,102	(413)	1,689
Capital Assets:						
Land and Other Capital Assets not being Depreciated						
Capital Assets Net of Accumulated Depreciation	102	6,520	-	6,622	-	6,622
	71	16,738	-	16,809	-	16,809
<b>Total Noncurrent Assets</b>	<b>173</b>	<b>24,947</b>	<b>61,031</b>	<b>86,151</b>	<b>(49,613)</b>	<b>36,538</b>
<b>Total Assets</b>	<b>18,392</b>	<b>61,124</b>	<b>70,643</b>	<b>150,159</b>	<b>(59,014)</b>	<b>91,145</b>
<b>LIABILITIES</b>						
Current Liabilities Payable from Current Assets:						
Accounts Payable	937	4,434	-	5,371	991	4,380
Accrued Wages	162	8	-	170	-	170
Accrued Interest Payable	-	-	991	991	-	991
Due to Other Funds	79	4	-	83	-	83
Collections Held in Trust	589	64	-	653	-	653
Obligations under Capital Leases - Current	-	8,410	-	8,410	8,410	-
Bonds Payable Due within One Year	-	-	8,410	8,410	-	8,410
<b>Total Current Liabilities</b>	<b>1,767</b>	<b>12,920</b>	<b>9,401</b>	<b>24,088</b>	<b>9,401</b>	<b>14,687</b>
Noncurrent Liabilities:						
Deferred Credits and Other Deferred Liabilities	-	413	-	413	413	-
Obligations under Capital Leases	-	49,200	-	49,200	49,200	-
Bonds Payable	-	-	49,200	49,200	-	49,200
Unamortized Discount	-	-	2,136	2,136	-	2,136
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>49,613</b>	<b>51,336</b>	<b>100,949</b>	<b>49,613</b>	<b>51,336</b>
<b>Total Liabilities</b>	<b>1,767</b>	<b>62,533</b>	<b>60,737</b>	<b>125,037</b>	<b>59,014</b>	<b>66,023</b>
<b>NET POSITION (DEFICIT)</b>						
Net Investment in Capital Assets	173	(34,765)	-	(34,592)	(9,869)	(24,723)
Restricted for:						
Debt Service	-	-	9,905	9,905	-	9,905
Capital Projects	-	-	1	1	-	1
Unrestricted	16,452	33,356	-	49,808	9,869	39,939
<b>Total Net Position (Deficit)</b>	<b>\$ 16,625</b>	<b>\$ (1,409)</b>	<b>\$ 9,906</b>	<b>\$ 25,122</b>	<b>\$ -</b>	<b>\$ 25,122</b>

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
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**City of Long Beach**  
Solid Waste Management Fund  
Consolidating Schedule of Revenues, Expenses, and  
Changes in Fund Net Position (Deficit)  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	Solid Waste Management			Total Before Elimination	Eliminations Debit (Credit)	Solid Waste Management Fund
	Refuse Function	SERRF Function	SERRF Authority			
Operating Revenues:						
Fees, Concessions, and Rentals	\$ -	\$ -	\$ 3,044	\$ 3,044	\$ 3,044	\$ -
Charges for Services	40,160	46,725	-	86,885	7,558	79,327
Total Operating Revenues	<u>40,160</u>	<u>46,725</u>	<u>3,044</u>	<u>89,929</u>	<u>10,602</u>	<u>79,327</u>
Operating Expenses:						
Personnel Services	14,262	471	-	14,733	-	14,733
Maintenance and Other Operations	25,583	32,252	-	57,835	(7,558)	50,277
Rental Expense	-	3,044	-	3,044	(3,044)	-
Amortization	-	-	80	80	-	80
Depreciation	12	3,527	-	3,539	-	3,539
Total Operating Expenses	<u>39,857</u>	<u>39,294</u>	<u>80</u>	<u>79,231</u>	<u>(10,602)</u>	<u>68,629</u>
Operating Income (Loss)	<u>303</u>	<u>7,431</u>	<u>2,964</u>	<u>10,698</u>	<u>-</u>	<u>10,698</u>
Non-Operating Income (Expenses):						
Interest Income	23	80	20	123	-	123
Interest Expense	-	-	(2,625)	(2,625)	-	(2,625)
Capital Assets from Other Funds	(1,235)	-	-	(1,235)	-	(1,235)
Operating Grants	287	-	-	287	-	287
Other Income	3	212	-	215	-	215
Other Expenses	-	-	(106)	(106)	-	(106)
Total Non-Operating Income (Expenses)	<u>(922)</u>	<u>292</u>	<u>(2,711)</u>	<u>(3,341)</u>	<u>-</u>	<u>(3,341)</u>
Income (Loss) before Contributions and Transfers	<u>(619)</u>	<u>7,723</u>	<u>253</u>	<u>7,357</u>	<u>-</u>	<u>7,357</u>
Transfers:						
Transfers Out	(2,287)	(5,204)	-	(7,491)	-	(7,491)
Change in Net Position	<u>(2,906)</u>	<u>2,519</u>	<u>253</u>	<u>(134)</u>	<u>-</u>	<u>(134)</u>
Net Position (Deficit) - October 1	19,531	(3,928)	10,793	26,396	-	26,396
Adjustments for GASB 65 Implementation	-	-	(1,140)	(1,140)	-	(1,140)
Net Position (Deficit) - September 30	<u>\$16,625</u>	<u>\$ (1,409)</u>	<u>\$ 9,906</u>	<u>\$ 25,122</u>	<u>\$ -</u>	<u>\$ 25,122</u>



**The City of Long Beach**  
The Notes to the Basic Financial Statements  
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**City of Long Beach**  
Solid Waste Management Fund  
Consolidating Schedule of Cash Flows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Refuse Function</u>	<u>SERRF Function</u>	<u>SERRF Authority</u>	<u>Total Before Elimination</u>	<u>Eliminations Increase (Decrease)</u>	<u>Solid Waste Management Fund</u>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 40,134	\$ 49,829	\$ -	\$ 89,963	\$ -	\$ 89,963
Receipts from Capital Lease	-	-	3,171	3,171	(3,171)	-
Payments for Employee Salaries	(14,224)	(468)	-	(14,692)	-	(14,692)
Payments for Goods and Services	(25,160)	(35,289)	-	(60,449)	3,171	(57,278)
Other Income	3	212	-	215	-	215
Other Expense	-	-	(106)	(106)	-	(106)
Net Cash Provided by Operating Activities	<u>753</u>	<u>14,284</u>	<u>3,065</u>	<u>18,102</u>	<u>-</u>	<u>18,102</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	287	-	-	287	-	287
Transfers Out	(2,287)	(5,204)	-	(7,491)	-	(7,491)
Net Cash Used for Non-Capital Financing Activities	<u>(2,000)</u>	<u>(5,204)</u>	<u>-</u>	<u>(7,204)</u>	<u>-</u>	<u>(7,204)</u>
Cash Flows from Capital and Related Financing Activities:						
Payment of Contributed Capital	(1,235)	-	-	(1,235)	-	(1,235)
Payments of Principal on Bonds Payable	-	-	(8,005)	(8,005)	-	(8,005)
Payments of Principal on Other Long-Term Obligations	-	(8,005)	-	(8,005)	8,005	-
Payments of Interest	-	-	(3,165)	(3,165)	-	(3,165)
Net Cash Used for Capital and Related Financing Activities	<u>(1,235)</u>	<u>(8,005)</u>	<u>(11,170)</u>	<u>(20,410)</u>	<u>8,005</u>	<u>(12,405)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	70	70	-	70
Principal Received under Capital Lease	-	-	8,005	8,005	(8,005)	-
Receipts of Interest	51	80	48	179	-	179
Net Cash Provided by Investing Activities	<u>51</u>	<u>80</u>	<u>8,123</u>	<u>8,254</u>	<u>(8,005)</u>	<u>249</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,431)</u>	<u>1,155</u>	<u>18</u>	<u>(1,258)</u>	<u>-</u>	<u>(1,258)</u>
Cash and Cash Equivalents - October 1	<u>18,259</u>	<u>29,922</u>	<u>156</u>	<u>48,337</u>	<u>-</u>	<u>48,337</u>
Cash and Cash Equivalents - September 30	<u>\$ 15,828</u>	<u>\$ 31,077</u>	<u>\$ 174</u>	<u>\$ 47,079</u>	<u>\$ -</u>	<u>\$ 47,079</u>

*(Continued)*

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**City of Long Beach**  
Solid Waste Management Fund  
Consolidating Schedule of Cash Flows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)  
(Continued)

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Refuse Function	SERRF Function	SERRF Authority	Total before Elimination	Eliminations Increase (Decrease)	Solid Waste Management Fund
Operating Income (Loss)	\$ 303	\$ 7,431	\$ 2,964	\$ 10,698	\$ -	\$ 10,698
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	12	3,527	80	3,619	-	3,619
Other Income	3	212	-	215	-	215
Other Expense	-	-	(106)	(106)	-	(106)
(Increase) Decrease in Accounts Receivable, Net	121	3,440	127	3,688	(128)	3,560
Increase in Amounts Due from Other Governments	-	(334)	-	(334)	-	(334)
(Increase) in Amounts Due from Other Funds	(166)	-	-	(166)	-	(166)
Decrease (Increase) in Deferred Charges	-	-	-	-	(80)	(80)
Increase (Decrease) in Accounts Payable	423	85	-	508	128	636
Increase (Decrease) in Accrued Wages Payable	(41)	2	-	(39)	-	(39)
Increase in Amounts Due to Other Funds	79	1	-	80	-	80
Increase (Decrease) in Deferred Credits	-	(80)	-	(80)	80	-
Increase in Collections Held in Trust	19	-	-	19	-	19
Total Adjustments	450	6,853	101	7,404	-	7,404
Net Cash Provided by Operating Activities	<u>\$ 753</u>	<u>\$ 14,284</u>	<u>\$ 3,065</u>	<u>\$ 18,102</u>	<u>\$ -</u>	<u>\$ 18,102</u>

**NOTE 20 – OIL ABANDONMENT LIABILITY**

As mentioned in Note 1, the City is required to administer certain tideland properties in trust for the State. Significant enterprise operations are conducted in the 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 tidelands 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. Law restricts funds retained by the City for tidelands-related purposes. Eligible purposes include expenses of the City's marinas, beaches, waterways, and its convention center.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

Annually, the City estimates the State's share in the costs of future abandonment and site clearance of the oil properties. At September 30, 2013, the State's total estimated abandonment cost liability is \$474.7 million increasing by \$65.6 million from fiscal year 2012. 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. As of September 30, 2013, and as provided for in Assembly Bill (AB) 137, the State has put aside and deposited approximately \$290 million of the \$474.7 million estimated liability into the State's Oil Trust Fund - Abandonment Reserve.

At September 30, 2013, the Tidelands Fund recorded an estimated oil field abandonment cost liability of \$41.2 million increasing by \$13.8 million from fiscal year 2012. 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.

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 \$9.1 million of which \$4.7 million has been funded in the Upland Oil Properties Special Revenue Fund as of September 30, 2013.

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 \$40.0 million, 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 percent of the interest earnings on the Reserve for Subsidence Contingencies while the other 50 percent accrued to the Subsidence Fund. For a period of four years beginning January 1, 2000, 50 percent of the interest earnings were paid to the State of California while the other 50 percent accrued to the Subsidence Fund. After the expiration of the above provisions, 100 percent of the interest accrues to the Reserve for Subsidence. As of September 30, 2013, the reserve balance within the Subsidence Fund is \$166.8 million.

As part of the adoption of the State's 2005 fiscal year budget, 100 percent of this fund's interest earnings for calendar years 2004 and 2005 were eligible to be loaned to the City's General Fund, with repayment commencing in fiscal year 2008, without interest, in equal annual installments of \$500 thousand for up to 20 years. This action was taken to assist the City in making \$5 million contributions to the State in fiscal years 2005 and 2006. At September 30, 2013, total loan to the City's General Fund and interest retained amounts to \$4.6 million.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**NOTE 21 – POLLUTION REMEDIATION OBLIGATIONS**

BKK Sites

Victoria Golf Course: Between 1947 and 1949, the City disposed of municipal waste in a landfill owned by BKK Corp located in Carson, California. It has been determined that the site is the source of groundwater contamination. The State Department of Toxic Substances Control has identified the City as a potentially responsible party (PRP) under the Resources Conservation and Recovery Act and has threatened enforcement action. The County of Los Angeles has threatened a cross-claim against the City for contribution. As of September 30, 2013, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

West Covina: From the mid 1960s through 1987, the City disposed of municipal waste in a landfill owned by BKK Corp located in West Covina, California. It has been determined that the site is the source of groundwater contamination. The State Department of Toxic Substances Control has a cleanup order to PRPs under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The primary PRPs have entered into a consent decree. Those parties in turn have threatened to compel the City to contribute part of the clean-up costs. As of September 30, 2013, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

National Resources Defense Council

The County of Los Angeles filed a claim with the City, and more than 80 other cities in Los Angeles County, for contribution/indemnification in the lawsuit brought by the National Resources Defense Council (NRDC) against the County in 2009. The NRDC lawsuit was related to violations of the federal Clean Water Act that were allegedly caused by or contributed to by cities, including Long Beach. One or more of the sites is located in Long Beach. The Ninth Circuit has ruled against the County. That decision has been appealed to the U.S. Supreme Court. The County's claim for contribution against Long Beach has been stayed pending the outcome of the appeal. As of September 30, 2013, the effect of any potential remediation activity on the City was not estimable.

West Covina Site

Chevron (USA), Exxon Mobile Corporation, Conocophillips Company, Long Beach Oil Development Company (LBOD), and American Energy Operations, Inc. have been named in cleanup actions (Imminent and Substantial Endangerment Determination and Order and a Remedial Action Order from the California Department of Toxic Substance Control). The site is located in West Covina. In response, the parties have filed claims against the City seeking unspecified damages. In 2005 and 2006, the parties entered into tolling agreements with the City. To date, no costs have been incurred in this matter. As of September 30, 2013, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

Long Beach Oil Development Company

In 2003, LBOD, a contractor for the City responsible for managing oil operations, was named in a lawsuit. During the period from 1939 to February 1989, LBOD deposited oil operations materials at three approved disposal sites. LBOD was named in cleanup actions (Imminent and Substantial Endangerment Determination and Order and a Remedial Action Order from the California Department of Toxic Substance Control) for these sites and has sued the City seeking reimbursement

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

for costs expended. As of September 30, 2013, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City acts as a trustee for the State for the impacted lands and the funds for defense and settlement shall come from State of California Oil Revenue.

Housing Development Company

In 2006, the Agency purchased property at 2085 Atlantic Boulevard at a reduced price with the knowledge that remediation activities for soil and groundwater contamination would have to be undertaken. In August 2007, the property was conveyed to the Company. The remediation activities, as directed by the Los Angeles Regional Water Quality Control Board (Regional Board), have been completed; however, continued monitoring of the site has been ordered. In 2013, the Regional Board indicated that the case is a candidate for closure, pending review and has requested that annual monitoring continue until closure is received. The original estimated liability for the monitoring, based on a cost estimate from the monitoring service provider, was \$50 thousand. As of September 30, 2013, the remaining liability for the monitoring was \$9 thousand. There is no reasonable expectation of any recovery associated with these remediation efforts.

Paramount Landfill

The City operated the Paramount Landfill from 1945 to 1948. After closure, the landfill was partitioned and all but one parcel has been sold. The remaining parcel was developed into Davenport Park. In May 2009, the Regional Board notified the City that additional groundwater monitoring is required for this site. The original estimated remaining liability associated with the groundwater monitoring, based on a cost estimate from the monitoring service provider, is \$60 thousand. As of September 30, 2013, the remaining liability for the monitoring was \$14 thousand. There is a possibility that the cost of monitoring may increase if the mandated monitoring period is extended. There is no reasonable expectation of any recovery associated with these remediation efforts.

El Cortez (formerly El Ranchito)

In 2009, the Agency purchased property at 5301 Long Beach Blvd. In fiscal year 2012, the Agency initiated a voluntary remediation project at the site. The original estimated remaining liability associated with the groundwater monitoring, based on a cost estimate from the monitoring service provider, is \$485 thousand. As of September 30, 2013, the remaining liability for the monitoring was \$401 thousand. There is a possibility that the cost of monitoring may increase. There is no reasonable expectation of any recovery associated with these remediation efforts.

Cowelco

On November 8, 2012, the Los Angeles Regional Water Quality Control Board (Control Board) notified the Agency of the that additional groundwater monitoring was necessary at 1669 W. Anaheim Street based on the Control Board's review of the Site Assessment Report dated May 7, 2004. Compliance with the Control Board's current request is anticipated to cost approximately \$25 thousand. At this point in time it is not known if additional monitoring or remediation will be required. There is no reasonable expectation of any recovery associated with these remediation efforts.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

Metropolitan Transportation Authority (MTA) Bus Parking Lot

The Regional Board has notified the City that additional ground water monitoring for the former MTA bus parking lot may be required. MTA had requested site closure for the site prior to it being sold to the City. MTA pledged \$300 thousand to pay for any future monitoring costs when the City acquired the property. Management has not recorded a liability because it is believed that the costs associated with any future monitoring would be less than the pledge of the MTA. At September 30, 2013, the site is still being evaluated and the City is waiting for final determination from the Regional Board as to the extent of, if any, additional monitoring activities that may be required.

Leaking Underground Storage Tanks (LUST)

The City has been named a responsible party for a number of LUST by the Regional Board. The Regional Board has directed that these sites be evaluated for remediation and continued monitoring activities. As of September 30, 2013, the State approved the City's remediation efforts. The City remains under a Board order to continue monitoring the sites, with a suspended penalty of \$2.5 million, which could be imposed if the order is violated. The estimated related liability for the future remediation was \$3 million. Successful completion of the probationary term, to end in 2015, may decrease this liability.

San Francisco Yard

In June of 2010, the City exchanged land, known as the San Francisco Yard (SFY), to a developer in exchange for wetlands areas. As part of this transaction, the City agreed to financially support any potential pollution remediation that became necessary to allow further development within specified areas of the SFY. In 2013, the City was notified that contaminated soil remediation would be required. To help determine the potential remediation costs, the City requested and received proposals to remediate the soil contamination. Based on these estimates, the estimated related liability for the future remediation was \$557 thousand. There is no reasonable expectation of any recovery associated with these remediation efforts.

**NOTE 22 – INVESTMENT IN JOINT VENTURES**

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (the Venturers) have entered into a joint venture agreement to form ICTF for the purposes of financing and constructing an intermodal container transfer facility (the facility) to transfer cargo containers between trucks and railroad cars. The facility has been leased to Southern Pacific, now merged with Union Pacific (the Tenant). The facility was developed by the Tenant who assumed operational responsibility for the facility. The Venturers' share net income and equity distributions from ICTF equally. The ICTF financial statements for the year ended June 30, 2013 can be obtained from the Harbor.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**NOTE 23 – 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 24 – COMMITMENTS AND CONTINGENCIES**

**Commitments**

At September 30, 2013, business-type fund and governmental-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

**Governmental Activities:**

General Fund	\$ 724
Other Governmental funds	
Special Revenue Funds	2,609
Capital Projects Funds	5,636
Total	\$ 8,969

**Business-Type Activities:**

Gas Utility	\$ 326
Tidelands	10,905
Tidelands Oil Revenue	22
Harbor	82,583
Non-major business-type funds	10,441
Total	\$ 104,277

At September 30, 2013, the City's commitments for Internal Service Fund activity construction projects and for the purchase of goods and services aggregated to \$690 thousand.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

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 a trustee certain securities valued at approximately \$5.0 million 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 the City terminates its contract with the insurance company, any funds in excess of the actual terminal claims liability 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 16, 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 within the basic financial statements.

Potential Obligations Related to the Alameda Corridor Transportation Authority

The Alameda Corridor Use and Operating Agreement was executed by the Harbor, the Harbor Department of the City of Los Angeles (Port of Los Angeles), the Alameda Corridor Transportation Authority (ACTA), and the Burlington Northern Santa Fe and Union Pacific Railroads. This agreement provides for a payment of funds, known as a "Shortfall Advance," to be made, under certain circumstances, to ACTA by the Harbor and the Port of Los Angeles. Revenues generated by use fees and container charges, paid by the railroads, will be used to pay debt service on ACTA financing, to establish and maintain a reserve account, and to pay ACTA's reasonable expenses relating to administration of the rail corridor.

To the extent that the revenues from use and container charges are not sufficient to meet ACTA's obligations, the Harbor and the Port of Los Angeles have agreed 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 percent of the total annual required amount, with the Harbor and the Port of Los Angeles each responsible for one-half, or 20 percent of the required amount.

ACTA's latest Notice of Estimated Shortfall Advances and Reserve Accounting Funding (Notice) was transmitted to the Department on August 8, 2013. Estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. The projected shortfall for ACTA's fiscal year ended June 30, 2013, based on the Notice submitted by ACTA was negligible leaving the cumulative shortfall at \$5.9 million. Any shortfall advance made by the Harbor and the Port of Los Angeles is reimbursable, with interest, by ACTA. Reimbursement could begin as soon as 2018. The Harbor has funded, in prior years, a cash reserve to satisfy claims related to the shortfall advance potential obligation.



**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

New Gerald Desmond Bridge Matching Contribution

The Harbor continues to pursue the replacement of the Gerald Desmond Bridge. The total cost to replace the bridge is estimated at \$1.3 billion. The Harbor anticipates that funding of this project will come primarily from federal and state sources. Local matching funds will also be required.

Environmental Mitigation Credits

The Harbor disbursed \$39.4 million in fiscal year 1997 to secure environmental mitigation credits that would allow the Harbor to complete projects within its complex. The cost incurred in the acquisition of the environmental credits has been classified as a noncurrent asset. The balance of environmental mitigation credits will be adjusted in the future as landfill credits are used for Harbor development.

An agreement between the Harbor, the Port of Los Angeles, and several federal and state regulatory agencies provided for the Harbor's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. The 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 outer harbor area. During fiscal year 2006, the Department acquired \$11.4 million of environmental mitigation credits.

During fiscal year 2007, the Department completed landfills that required the utilization of \$6.5 million of the available credits. No acquisitions or utilization of credits occurred during fiscal year 2011. During fiscal year 2012, the Harbor utilized \$1.0 million of the available credits. The balance of the Environmental Mitigation Credits was \$43.3 million as of September 30, 2013.

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. Although the debt does not constitute an indebtedness of the City, in order to facilitate such financing, the parking facility was subleased to the City for the purposes of issuing 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 \$1.2 million through October 2032, 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.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**NOTE 25 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

Deferred Outflows of Resources

At September 30, 2013, Deferred Outflows of Resources and Deferred Inflows of Resources are as follows:

**City of Long Beach**  
Governmental Funds  
Schedule of Deferred Outflows and Deferred Inflows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	General	Nonmajor Governmental Funds	Total Governmental Funds	GASB 34 Conversion Adjustments	Total Government- wide Statements
<b>Deferred Outflows of Resources</b>					
Economic loss from the refunding of debt	\$ -	\$ -	\$ -	\$ 1,915	\$ 1,915
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,915</u>	<u>\$ 1,915</u>
<b>Deferred Inflows of Resources</b>					
Economic gain from the refunding of debt	\$ -	\$ -	\$ -	\$ 305	\$ 305
Unavailable revenue and property taxes	\$ 82,070	\$ 190,655	\$ 272,725	\$ (194,412)	\$ 78,313
Total deferred inflows of resources	<u>\$ 82,070</u>	<u>\$ 190,655</u>	<u>\$ 272,725</u>	<u>\$ (194,107)</u>	<u>\$ 78,618</u>

**City of Long Beach**  
Internal Service Funds  
Schedule of Deferred Outflows and Deferred Inflows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	Civic Center	Fleet Services	Employee Benefits	Total Internal Service Funds
<b>Deferred Outflows of Resources</b>				
Economic loss from the refunding of debt	\$ 1,080	\$ 1,438	\$ -	\$ 2,518
Total deferred outflows of resources	<u>\$ 1,080</u>	<u>\$ 1,438</u>	<u>\$ -</u>	<u>\$ 2,518</u>

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013

**City of Long Beach**  
Enterprise Funds  
Schedule of Deferred Outflows and Deferred Inflows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	Gas Utility	Tidelands	Harbor	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Deferred Outflows of Resources</b>					
Economic loss from the refunding of debt	\$ -	\$ 8,391	\$ 11,404	\$ 2,443	\$ 22,238
Negative fair value of derivative instrument					
Interest rate swap	11,490	-	-	-	11,490
Derivative instrument					
Commodity swap	261,684	-	-	-	261,684
Total deferred outflows of resources	<u>\$ 273,174</u>	<u>\$ 8,391</u>	<u>\$ 11,404</u>	<u>\$ 2,443</u>	<u>\$ 295,412</u>
<b>Deferred Inflows of Resources</b>					
Positive fair value of derivative instrument					
Commodity swap	\$ 261,684	\$ -	\$ -	\$ -	\$ 261,684
Derivative instrument					
Interest rate swap	11,490	-	-	-	11,490
Total deferred inflows of resources	<u>\$ 273,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,174</u>

**NOTE 26 – SUBSEQUENT EVENTS**

City of Long Beach Pension Reform

On November 5, 2013, the City approved amendments to all remaining bargaining group Memorandum of Understanding. The result of these amendments was that all City employee bargaining groups will pay the employee's portion of pension contributions at rates consistent with those established by CalPERS. Effective with the Pay period that began on November 16, 2013, all remaining Miscellaneous and Safety group members were required to contribute eight percent and nine percent of their pay, respectively, to CalPERS.

Long Beach Redevelopment Agency Asset Transfer Review

On February 27, 2014, the City received from the State the final report on "Assets Transfers" related to the disposition of the City's Former Redevelopment Agency. The report contains language that may result in the City transferring \$23.1 million from the Tidelands Trust to the Successor Agency. The City does not believe that this action is consistent with either the dissolution act or existing State law governing the Tidelands Trust and has not recorded a liability.

**The City of Long Beach**  
The Notes to the Basic Financial Statements  
September 30, 2013



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REQUIRED SUP-  
PLEMENTARY  
INFORMATION

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

June 30 Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal Accrued Liability (b)	Excess Funded (Deficit / Unfunded) Assets (a) - (b)	<u>Funded Status</u>		Annual Covered Payroll (c)	Excess Funded (Deficit / Unfunded) Assets as a % of Covered Payroll [(a) - (b)] / (c)
				(AVA) (a) / (b)	Market Value		
<u>Miscellaneous Employees</u>							
2010	\$ 1,692,444	\$ 1,888,325	\$ (195,881)	89.6%	70.1%	\$ 221,420	-88.5%
2011	1,765,236	1,971,682	(206,446)	89.5%	79.4%	222,312	-92.9%
2012	1,825,592	2,057,068	(231,476)	88.7%	79.4%	220,939	-104.8%
<u>Safety Employees</u>							
2010	\$ 1,713,418	\$ 1,786,693	\$ (73,275)	95.9%	75.0%	\$ 133,770	-54.8%
2011	1,783,951	1,868,031	(84,080)	95.5%	84.7%	132,176	-63.6%
2012	1,834,547	1,936,904	(102,357)	94.7%	84.7%	124,868	-82.0%

See accompanying independent auditors' report

City of Long Beach  
 Required Supplementary Information  
 Public Agency Retirement System  
Analysis of Funding Progress  
 (Unaudited)  
 (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Funded (Excess Assets)	Funded Ratio	Annual Covered Payroll	Rate of Funded Liability to Annual Covered Payroll
2003	\$1,704	\$517	\$1,187	329%	\$8,505	13.95%
2004	1,537	545	992	282%	8,266	12.00%
2005	1,388	675	713	206%	7,697	9.27%
2006	1,308	790	518	166%	7,928	6.53%
2007	1,421	860	561	165%	8,461	6.63%
2008	1,102	1,047	55	105%	9,178	0.60%
2009	889	1,123	(234)	79%	8,376	-2.79%
2010	966	1,176	(210)	82%	8,369	-2.51%
2011	879	1,354	(475)	65%	8,653	-5.49%
2012	903	1,486	(583)	61%	8,526	-6.84%

Postemployment Healthcare Benefits  
Analysis of Funding Progress  
 (Unaudited)

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a) - (b)	Funded Ratio (b) / (a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a) - (b)] / (c)
9/30/2008	\$ 110,324	\$ -	\$ 110,324	0.0%	\$ 328,205	33.6%
9/30/2010	120,714	-	120,714	0.0%	321,931	37.5%
9/30/2012	219,785	-	219,785	0.0%	321,013	68.5%

See accompanying independent auditors' report



ADDITIONAL  
FINANCIAL  
SECTION

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**City of Long Beach**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2013**  
(In Thousands)

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 80,630	\$ 48,984	\$ 2,436	\$ 132,050
Non-Pooled Cash and Cash Equivalents	149	31,655	3,155	34,959
Non Performing Investments	22	18	-	40
Non-Pooled Investments	-	-	31,376	31,376
Receivables:				
Property Taxes	94	-	-	94
Accounts Receivable	3,244	223	-	3,467
Due from Other Governments	19,930	9,501	-	29,431
Due from Other Funds	28	3,000	-	3,028
Allowance for Receivables	(1,101)	-	-	(1,101)
Other Assets	6,492	1,516	-	8,008
Advances to Other Funds	29,507	-	-	29,507
Land Held for Resale	6,223	95,189	-	101,412
Other Noncurrent Receivables	183,379	6,532	-	189,911
Total Assets	<u>\$328,597</u>	<u>\$196,618</u>	<u>\$36,967</u>	<u>\$562,182</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 12,696	\$ 11,642	\$ 493	\$ 24,831
Accrued Wages and Benefits Payable	641	129	-	770
Due to Other Funds	6,583	63	20	6,666
Unearned Revenues	3,443	3,635	-	7,078
Deposits and Collections Held in Trust	2,017	127	1,272	3,416
Advances from Other Funds	5,809	25,698	-	31,507
Total Liabilities	<u>31,189</u>	<u>41,294</u>	<u>1,785</u>	<u>74,268</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows (Note 25)	<u>184,047</u>	<u>6,608</u>	<u>-</u>	<u>190,655</u>
<b>FUND BALANCES</b>				
Nonspendable	6,493	1,516	-	8,009
Restricted	109,662	149,639	34,266	293,567
Committed	1,362	-	-	1,362
Assigned	258	23,259	916	24,433
Unassigned	(4,414)	(25,698)	-	(30,112)
Total Fund Balance	<u>113,361</u>	<u>148,716</u>	<u>35,182</u>	<u>297,259</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$328,597</u>	<u>\$196,618</u>	<u>\$36,967</u>	<u>\$562,182</u>

See accompanying independent auditors' report

**City of Long Beach**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Revenues:				
Taxes:				
Property	\$ 4,932	\$ 40,294	\$ -	\$ 45,226
Sales	1,969	-	-	1,969
Other Taxes	15,817	-	-	15,817
Licenses and Permits	5,518	534	-	6,052
Use of Money and Property	1,764	989	1,449	4,202
From Other Agencies	169,706	8,559	1,007	179,272
Charges for Services	1,997	-	-	1,997
Other Contributions	-	1,385	-	1,385
Other	9,728	512	-	10,240
Total Revenues	<u>211,431</u>	<u>52,273</u>	<u>2,456</u>	<u>266,160</u>
Expenditures:				
Current:				
General Government	522	213	-	735
Public Safety	21,549	-	-	21,549
Public Health	33,914	-	-	33,914
Community and Cultural	129,992	14,636	-	144,628
Public Works	35,805	-	-	35,805
Total Current Expenditures	<u>221,782</u>	<u>14,849</u>	<u>-</u>	<u>236,631</u>
Capital Improvements	-	26,199	-	26,199
Debt Service:				
Principal	-	-	16,358	16,358
Interest	-	-	23,776	23,776
Debt Administration Fees	-	10	532	542
Total Expenditures	<u>221,782</u>	<u>41,058</u>	<u>40,666</u>	<u>303,506</u>
Excess of Revenues over (under) Expenditures	<u>(10,351)</u>	<u>11,215</u>	<u>(38,210)</u>	<u>(37,346)</u>
Other Financing Sources (Uses):				
Debt Issuance	-	-	54,186	54,186
Payment to Refunded Bond Escrow Agent	-	-	(57,611)	(57,611)
Transfers In	19,067	33,568	37,711	90,346
Transfers Out	<u>(4,396)</u>	<u>(47,255)</u>	<u>(530)</u>	<u>(52,181)</u>
Total Other Financing Sources (Uses)	<u>14,671</u>	<u>(13,687)</u>	<u>33,756</u>	<u>34,740</u>
Net Change in Fund Balances	4,320	(2,472)	(4,454)	(2,606)
Fund Balances - October 1	<u>109,041</u>	<u>151,188</u>	<u>39,636</u>	<u>299,865</u>
Fund Balances - September 30	<u>\$ 113,361</u>	<u>\$ 148,716</u>	<u>\$ 35,182</u>	<u>\$ 297,259</u>

See accompanying independent auditors' report

## NONMAJOR SPECIAL REVENUE FUNDS

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

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

The Police and Fire Public Safety Oil Production Act Fund accounts for the impact fee assessed to oil producers on a per barrel basis and the associated police and fire expenditures that the revenue supports.

The Community Development Grants Fund accounts for federal grants providing job training and employment opportunities for economically disadvantaged, unemployed, and under-employed persons, and federal grants from the U.S. Department of Housing and Urban Development (HUD). HUD grants support the development of viable urban communities by providing housing, suitable living environments, and by expanding economic opportunities for persons of low and moderate-income.

The Health Fund was established to separately account for Federal, State, and other revenues related to health care programs that the City operates in lieu of Los Angeles County (County).

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 the City.

The Housing Assistance Fund is used to account for programs administered by the City's Housing Authority under regulations of HUD.

The Housing Development Fund is used to account for amounts designated for the development of low-and-moderate-income housing. The operations of the Company and the Housing Successor Agency are accounted for in the Housing Development Fund.

The Gasoline Tax Fund was established to account for the apportionment of Highway User Tax collected by the State to finance street-related projects, including the maintenance thereof. The fund also accounts Non Harbor, U.S. Department of Transportation, and Federal Highway Administration Grants that finance certain transportation projects.

The Transportation Fund was established to account for the City's apportionments of a 1/2 cent sales tax increases collected by the County under Proposition A, Proposition C, and Measure R, to finance transportation projects; the City's share of the State of California's Proposition 1B Transportation Bond to finance repairs to the City's local streets; and for the City's share of the South Coast Air Quality Management District vehicle registration fee to finance programs that reduce the impact of air pollution from motor vehicles on the community.

The Other Special Revenue Fund consists of the *Certified Unified Program Agency Fund*, a fund established by the City to account for services relating to hazardous waste material, the *Parking and Business Area Improvement Fund*, a fund used to account for special revenue received from businesses and property owners located within business improvement districts, and the *Special Advertising and Promotion Fund*, a fund required by the City's Municipal Code Section 3.64.100 to account for a portion of the transient occupancy tax revenue. The *Business Assistance Fund* is used to account for Agency monies used to fund commercial rehabilitation loans and rebates, business outreach, and commercial and retail services, including business attraction, retention, and expansion.

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**September 30, 2013**  
**(In Thousands)**

	General Grants	Police and Fire Public Safety Oil Production Act	Community Development Grants	Health	Belmont Shore Parking Meter Revenue	Housing Assistance
<b>ASSETS</b>						
Pooled Cash and Cash Equivalents	\$ 1,152	\$ 598	\$ 208	\$ 912	\$ 991	\$ 8,572
Non-Pooled Cash and Cash Equivalents	-	-	19	16	72	33
Non Performing Investments	-	-	-	-	-	-
Receivables:						
Property Taxes	-	-	-	-	-	-
Accounts Receivable	9	304	6	682	-	601
Due from Other Governments	7,250	-	3,186	6,713	-	394
Due from Other Funds	-	-	-	-	-	-
Allowance for Receivables	-	-	-	(495)	-	(247)
Other Assets-Current	-	-	46	-	-	-
Advances to Other Funds	-	-	3,809	-	-	-
Land Held for Resale	-	-	2,017	-	-	-
Other Noncurrent Receivables (net)	-	-	57,222	-	-	-
Total Assets	<u>\$ 8,411</u>	<u>\$ 902</u>	<u>\$ 66,513</u>	<u>\$ 7,828</u>	<u>\$ 1,063</u>	<u>\$ 9,353</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 526	\$ -	\$ 805	\$ 2,308	\$ 101	\$ 110
Accrued Wages	50	32	110	340	-	70
Due to Other Funds	4,608	15	1,504	403	-	34
Unearned Revenues	3,264	-	32	120	-	-
Deposits and Collections Held in Trust	741	-	5	79	-	938
Advances from Other Funds	-	-	-	2,000	-	-
Total Liabilities	<u>9,189</u>	<u>47</u>	<u>2,456</u>	<u>5,250</u>	<u>101</u>	<u>1,152</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows (Note 25)	-	296	57,390	13	-	127
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	-	-	46	1	-	-
Restricted	-	559	6,621	4,564	962	8,074
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	(778)	-	-	(2,000)	-	-
Total Fund Balances	<u>(778)</u>	<u>559</u>	<u>6,667</u>	<u>2,565</u>	<u>962</u>	<u>8,074</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 8,411</u>	<u>\$ 902</u>	<u>\$ 66,513</u>	<u>\$ 7,828</u>	<u>\$ 1,063</u>	<u>\$ 9,353</u>

See accompanying independent auditors' report

Housing Development	Gasoline Tax	Transportation	Other Special Revenue Funds	Total September 30, 2013	
ASSETS					
\$ 13,754	\$ 18,086	\$ 26,925	\$ 9,432	\$ 80,630	Pooled Cash and Cash Equivalents
9	-	-	-	149	Non-Pooled Cash and Cash Equivalents
9	2	10	1	22	Non Performing Investments
Receivables:					
-	-	-	94	94	Property Taxes
4	-	-	1,638	3,244	Accounts Receivable
68	1,732	587	-	19,930	Due from Other Governments
-	-	-	28	28	Due from Other Funds
-	-	-	(359)	(1,101)	Allowance for Receivables
6,400	-	45	1	6,492	Other Assets-Current
25,698	-	-	-	29,507	Advances to Other Funds
4,206	-	-	-	6,223	Land Held for Resale
125,285	-	-	872	183,379	Other Noncurrent Receivables
<u>\$ 175,433</u>	<u>\$ 19,820</u>	<u>\$ 27,567</u>	<u>\$ 11,707</u>	<u>\$ 328,597</u>	Total Assets
LIABILITIES AND FUND BALANCES					
\$ 39	\$ 1,000	\$ 5,901	\$ 1,906	\$ 12,696	Accounts Payable
12	-	-	27	641	Accrued Wages
6	-	-	13	6,583	Due to Other Funds
-	27	-	-	3,443	Unearned Revenues
16	-	-	238	2,017	Deposits and Collections Held in Trust
3,809	-	-	-	5,809	Advances from Other Funds
<u>3,882</u>	<u>1,027</u>	<u>5,901</u>	<u>2,184</u>	<u>31,189</u>	Total Liabilities
DEFERRED INFLOWS OF RESOURCE					
125,285	-	1	935	184,047	Deferred Inflows (Note 25)
Fund Balances:					
6,400	-	45	1	6,493	Nonspendable
41,082	18,793	21,620	7,387	109,662	Restricted
162	-	-	1,200	1,362	Committed
258	-	-	-	258	Assigned
(1,636)	-	-	-	(4,414)	Unassigned
<u>46,266</u>	<u>18,793</u>	<u>21,665</u>	<u>8,588</u>	<u>113,361</u>	Total Fund Balances
<u>\$ 175,433</u>	<u>\$ 19,820</u>	<u>\$ 27,567</u>	<u>\$ 11,707</u>	<u>\$ 328,597</u>	Total Liabilities, Deferred Inflows and Fund Balances

**City of Long Beach**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended September 30, 2013**  
**(In Thousands)**

	General Grants	Police and Fire Public Safety Oil Production Act	Community Development Grants	Health	Belmont Shore Parking Meter Revenue	Housing Assistance
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ 4,932	\$ -	\$ -
Sales	-	-	-	1,969	-	-
Other Taxes	-	3,563	-	-	-	-
Licenses and Permits	-	-	-	2,801	-	-
Use of Money and Property	8	-	371	29	574	16
From Other Agencies	18,731	-	22,706	21,842	-	74,202
Charges for Services	102	-	-	1,895	-	-
Other	710	-	1,111	27	-	4,165
<b>Total Revenues</b>	<b>19,551</b>	<b>3,563</b>	<b>24,188</b>	<b>33,495</b>	<b>574</b>	<b>78,383</b>
Expenditures:						
Current:						
General Government	-	-	295	-	-	11
Public Safety	17,586	3,963	-	-	-	-
Public Health	57	-	-	32,244	-	-
Community and Cultural	2,910	-	23,634	-	587	77,670
Public Works	276	-	-	-	-	-
<b>Total Current Expenditures</b>	<b>20,829</b>	<b>3,963</b>	<b>23,929</b>	<b>32,244</b>	<b>587</b>	<b>77,681</b>
Excess of Revenues over (under) Expenditures	(1,278)	(400)	259	1,251	(13)	702
Other Financing Sources (Uses)						
Transfers In	98	-	218	-	-	-
Transfers Out	(24)	-	(3,110)	(48)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>74</b>	<b>-</b>	<b>(2,892)</b>	<b>(48)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,204)</b>	<b>(400)</b>	<b>(2,633)</b>	<b>1,203</b>	<b>(13)</b>	<b>702</b>
Fund Balances - October 1	426	959	9,300	1,362	975	7,372
<b>Fund Balances - September 30</b>	<b>\$ (778)</b>	<b>\$ 559</b>	<b>\$ 6,667</b>	<b>\$ 2,565</b>	<b>\$ 962</b>	<b>\$ 8,074</b>

See accompanying independent auditors' report



Housing Development	Gasoline Tax	Transportation	Other Special Revenue Funds	Totals September 30, 2013	
					Revenues:
\$ -	\$ -	\$ -	\$ -	\$ 4,932	Taxes:
-	-	-	-	1,969	Property
-	-	-	12,254	15,817	Sales
70	-	-	2,647	5,518	Other Taxes
620	22	59	65	1,764	Licenses and Permits
88	12,483	19,568	86	169,706	Use of Money and Property
-	-	-	-	1,997	From Other Agencies
3,278	-	-	437	9,728	Charges for Services
<u>4,056</u>	<u>12,505</u>	<u>19,627</u>	<u>15,489</u>	<u>211,431</u>	Other
					Total Revenues
					Expenditures:
					Current:
216	-	-	-	522	General Government
-	-	-	-	21,549	Public Safety
-	-	-	1,613	33,914	Public Health
13,403	-	-	11,788	129,992	Community and Cultural
-	11,520	24,009	-	35,805	Public Works
<u>13,619</u>	<u>11,520</u>	<u>24,009</u>	<u>13,401</u>	<u>221,782</u>	Total Current Expenditures
					Excess of Revenues Over
<u>(9,563)</u>	<u>985</u>	<u>(4,382)</u>	<u>2,088</u>	<u>(10,351)</u>	(Under) Expenditures
					Other Financing Sources (Uses)
18,630	-	-	121	19,067	Transfers In
<u>(1,201)</u>	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>(4,396)</u>	Transfers Out
<u>17,429</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>14,671</u>	Total Other Financing Sources (Uses)
7,866	985	(4,382)	2,196	4,320	Net Change in Fund Balances
<u>38,400</u>	<u>17,808</u>	<u>26,047</u>	<u>6,392</u>	<u>109,041</u>	Fund Balances - October 1
<u>\$ 46,266</u>	<u>\$ 18,793</u>	<u>\$ 21,665</u>	<u>\$ 8,588</u>	<u>\$ 113,361</u>	Fund Balances - September 30

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>General Grants</b>			Variance with Final Budget - Favorable (unfavorable)
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	
	<u>Original</u>	<u>Final</u>		
<b>Sources:</b>				
Fines and Forfeitures	\$ 15	\$ 15	\$ -	\$ (15)
Use of Money and Property	1	1	8	7
From Other Agencies	26,300	37,153	18,731	(18,422)
Charges for Services	150	1,054	102	(952)
Other Revenues	324	324	710	386
Transfers In	1,803	3,929	98	(3,831)
Total Sources	<u>28,593</u>	<u>42,476</u>	<u>19,649</u>	<u>(22,827)</u>
<b>Uses:</b>				
General Government	509	509	-	509
Public Safety	22,470	30,954	19,392	11,562
Public Health	272	537	57	480
Community and Cultural	5,288	10,388	2,910	7,478
Public Works	-	-	295	(295)
Transfers Out	-	-	24	(24)
Total Uses	<u>28,539</u>	<u>42,388</u>	<u>22,678</u>	<u>19,710</u>
Net Change in Budgetary Fund Balance	<u>\$ 54</u>	<u>\$ 88</u>	<u>\$ (3,029)</u>	<u>\$ (3,117)</u>

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ (3,029)</u>
<b>Add:</b> Encumbrances	<u>1,825</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>(1,204)</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>426</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ (778)</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ (778)</u>
<b>Less:</b> Commitments to Grant Funded Programs	<u>(18,647)</u>
<b>Add:</b> Future Grant Funding	<u>18,529</u>
<b>Total Adjustments</b>	<u>(118)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ (896)</u>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Police and Fire Public Safety Oil Production Tax</b>			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
<b>Sources:</b>				
Other Taxes	\$ 3,217	\$ 3,217	\$ 3,563	\$ 346
Use of Money and Property	-	-	3	3
Total Sources	3,217	3,217	3,566	349
<b>Uses:</b>				
Public Safety	3,990	3,990	3,963	27
Total Uses	3,990	3,990	3,963	27
Net Change in Budgetary Fund Balance	\$ (773)	\$ (773)	\$ (397)	\$ 376

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ (397)
<b>Less: Change in Mark-to-Market and Other Adjustments</b>	(3)
<b>Change in Fund Balance - September 30, GAAP Basis</b>	(400)
<b>Fund Balance, October 1, GAAP Basis</b>	959
<b>Fund Balance, September 30, GAAP Basis</b>	\$ 559

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	\$ 559
<b>Total Adjustments</b>	-
<b>Budgetary Funds Available - September 30</b>	\$ 559

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Community Development Grants</b>			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
<b>Sources:</b>				
Use of Money and Property	\$ 243	\$ 243	\$ 371	\$ 128
From Other Agencies	39,235	40,056	22,706	(17,350)
Other Revenues	6,919	6,948	1,111	(5,837)
Transfers In	-	671	218	(453)
Total Sources	46,397	47,918	24,406	(23,512)
<b>Uses:</b>				
General Government	739	729	295	434
Community and Cultural	25,163	26,409	23,636	2,773
Transfers Out	2,200	2,200	3,110	(910)
Total Uses	28,102	29,338	27,041	2,297
Net Change in Budgetary Fund Balance	\$ 18,295	\$ 18,580	\$ (2,635)	\$ (21,215)

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ (2,635)
<b>Add:</b> Encumbrances	2
<b>Change in Fund Balance - September 30, GAAP Basis</b>	(2,633)
<b>Fund Balance, October 1, GAAP Basis</b>	9,300
<b>Fund Balance, September 30, GAAP Basis</b>	\$ 6,667

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	\$ 6,667
<b>Less:</b> Nonspendable Fund Balance	(46)
Amounts Restricted by Long-term Advances	(3,809)
Commitments to Grant Funded Programs	(23,631)
<b>Add:</b> Future Grant Funding	22,015
<b>Total Adjustments</b>	(5,471)
<b>Budgetary Funds Available - September 30</b>	\$ 1,196

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Health</b>			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
<b>Sources</b>				
Property Taxes	\$ 5,759	\$ 5,759	\$ 4,932	\$ (827)
Sales Taxes	2,151	2,151	1,969	(182)
Licenses and Permits	3,199	3,199	2,801	(398)
Use of Money and Property	30	30	33	3
From Other Agencies	48,582	50,284	21,842	(28,442)
Charges for Services	1,992	1,992	1,895	(97)
Other Revenues	47	47	27	(20)
Transfers In	1,307	1,331	-	(1,331)
Total Sources	<u>63,067</u>	<u>64,793</u>	<u>33,499</u>	<u>(31,294)</u>
<b>Uses</b>				
Public Health	76,692	77,531	32,267	45,264
Transfers Out	-	-	48	(48)
Total Uses	<u>76,692</u>	<u>77,531</u>	<u>32,315</u>	<u>45,216</u>
Net Change in Budgetary Fund Balance	<u>\$ (13,625)</u>	<u>\$ (12,738)</u>	<u>\$ 1,184</u>	<u>\$ 13,922</u>

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ 1,184</u>
<b>Add:</b> Encumbrances	23
<b>Less:</b> Change in Mark-to-Market and Other Adjustments	<u>(4)</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>1,203</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>1,362</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u><u>\$ 2,565</u></u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 2,565</u>
<b>Less:</b> Nonspendable Fund Balance	(1)
Commitments to Grant Funded Programs	(29,149)
<b>Add:</b> Future Grant Funding	<u>28,277</u>
<b>Total Adjustments</b>	<u>(873)</u>
<b>Budgetary Funds Available - September 30</b>	<u><u>\$ 1,692</u></u>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Belmont Shore Parking Meter Revenues</b>			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources				
Use of Money and Property	\$ 527	\$ 527	\$ 576	\$ 49
Total Sources	527	527	576	49
Uses				
Community and Cultural	456	711	587	124
Transfers Out	200	-	-	-
Total Uses	656	711	587	124
Net Change in Budgetary Fund Balance	\$ (129)	\$ (184)	\$ (11)	\$ 173

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ (11)
<b>Less: Change in Mark-to-Market and Other Adjustments</b>	(2)
<b>Change in Fund Balance - September 30, GAAP Basis</b>	(13)
<b>Fund Balance, October 1, GAAP Basis</b>	975
<b>Fund Balance, September 30, GAAP Basis</b>	\$ 962

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	\$ 962
<b>Total Adjustments</b>	-
<b>Budgetary Funds Available - September 30</b>	\$ 962

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Housing Assistance</b>			Variance with Final Budget - Favorable (unfavorable)
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	
	<u>Original</u>	<u>Final</u>		
<b>Sources</b>				
Use of Money and Property	\$ 48	\$ 48	\$ 16	\$ (32)
From Other Agencies	79,836	79,836	74,202	(5,634)
Other Revenues	241	241	4,165	3,924
Total Sources	<u>80,125</u>	<u>80,125</u>	<u>78,383</u>	<u>(1,742)</u>
<b>Uses</b>				
General Government	176	176	11	165
Community and Cultural	79,908	79,569	77,670	1,899
Total Uses	<u>80,084</u>	<u>79,745</u>	<u>77,681</u>	<u>2,064</u>
Net Change in Budgetary Fund Balance	<u>\$ 41</u>	<u>\$ 380</u>	<u>\$ 702</u>	<u>\$ 322</u>

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ 702</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>702</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>7,372</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 8,074</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 8,074</u>
<b>Less: Commitments to Grant Funded Programs</b>	<u>(807)</u>
<b>Total Adjustments</b>	<u>(807)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 7,267</u>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Housing Development</b>			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
<b>Sources</b>				
Licenses and Permits	\$ 50	\$ 50	\$ 70	\$ 20
Use of Money and Property	7,434	2,034	635	(1,399)
From Other Agencies	2,437	4,156	88	(4,068)
Other Revenues	6,278	9,130	3,278	(5,852)
Debt Issuance	10,848	1,538	-	(1,538)
Transfers In	3,420	24,041	18,630	(5,411)
Total Sources	<u>30,467</u>	<u>40,949</u>	<u>22,701</u>	<u>(18,248)</u>
<b>Uses</b>				
General Government	-	-	216	(216)
Community and Cultural	59,584	60,309	13,403	46,906
Transfers Out	6,536	5,811	1,201	4,610
Total Uses	<u>66,120</u>	<u>66,120</u>	<u>14,820</u>	<u>51,300</u>
Net Change in Budgetary Fund Balance	<u>\$ (35,653)</u>	<u>\$ (25,171)</u>	<u>\$ 7,881</u>	<u>\$ 33,052</u>

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ 7,881
<b>Less:</b> Change in Mark-to-Market and Other Adjustments	(15)
<b>Change in Fund Balance - September 30, GAAP Basis</b>	7,866
<b>Fund Balance, October 1, GAAP Basis</b>	38,400
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 46,266</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	\$ 46,266
<b>Less:</b> Nonspendable Fund Balance	(6,400)
Land Held for Resale	(3,948)
Amounts Restricted by Long-term Advances	(30,191)
Commitments to Grant Funded Programs	(4,337)
<b>Add:</b> Future Grant Funding	4,992
<b>Total Adjustments</b>	<u>(39,884)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 6,382</u>

See accompanying independent auditors' report



**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Gasoline Tax</b>			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
<b>Sources</b>				
Licenses and Permits	\$ 211	\$ -	\$ -	\$ -
Use of Money and Property	28	28	53	25
From Other Agencies	25,811	32,014	12,483	(19,531)
Total Sources	26,050	32,042	12,536	(19,506)
<b>Uses</b>				
Public Works	36,551	42,804	11,382	31,422
Transfers Out	6,309	6,309	-	6,309
Total Uses	42,860	49,113	11,382	37,731
Net Change in Budgetary Fund Balance	\$ (16,810)	\$ (17,071)	\$ 1,154	\$ 18,225
Fund Balances - October 1, Budgetary Basis	-	-	17,808	
Fund Balances - September 30, Budgetary Basis	\$ (16,810)	\$ (17,071)	\$ 18,962	

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ 1,154
<b>Less:</b> Encumbrances	(138)
Change in Mark-to-Market and Other Adjustments	(31)
<b>Change in Fund Balance - September 30, GAAP Basis</b>	985
<b>Fund Balance, October 1, GAAP Basis</b>	17,808
<b>Fund Balance, September 30, GAAP Basis</b>	\$ 18,793

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	\$ 18,793
<b>Less:</b> Commitments to Grant Funded Programs	(14,330)
<b>Add:</b> Future Grant Funding	14,330
<b>Total Adjustments</b>	-
<b>Budgetary Funds Available - September 30</b>	\$ 18,793

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Transportation</b>			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
<b>Sources</b>				
Use of Money and Property	\$ 173	\$ 269	\$ 114	\$ (155)
From Other Agencies	17,311	17,311	19,568	2,257
Charges for Services	2	2	-	(2)
Other Revenues	2	2	-	(2)
Transfers In	900	900	-	(900)
Total Sources	<u>18,388</u>	<u>18,484</u>	<u>19,682</u>	<u>1,198</u>
<b>Uses</b>				
Public Works	36,756	36,853	24,824	12,029
Transfers Out	-	-	-	-
Total Uses	<u>36,756</u>	<u>36,853</u>	<u>24,824</u>	<u>12,029</u>
Net Change in Budgetary Fund Balance	<u>\$ (18,368)</u>	<u>\$ (18,369)</u>	<u>\$ (5,142)</u>	<u>\$ 13,227</u>

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ (5,142)</u>
<b>Add:</b> Encumbrances	815
<b>Less:</b> Change in Mark-to-Market and Other Adjustments	<u>(55)</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>(4,382)</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>26,047</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 21,665</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 21,665</u>
<b>Less:</b> Nonspendable Fund Balance	(45)
Commitments to Projects	<u>(12,376)</u>
<b>Total Adjustments</b>	<u>(12,421)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 9,244</u>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Special Revenue Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Other Special Revenue Funds</b>			Variance with Final Budget - Favorable (unfavorable)
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	
	<u>Original</u>	<u>Final</u>		
<b>Sources</b>				
Other Taxes	\$ 12,028	\$ 12,043	\$ 12,254	\$ 211
Licenses and Permits	2,563	2,563	2,647	84
Use of Money and Property	108	108	76	(32)
From Other Agencies	400	486	86	(400)
Other Revenues	827	829	437	(392)
Transfers In	121	121	121	-
<b>Total Sources</b>	<u>16,047</u>	<u>16,150</u>	<u>15,621</u>	<u>(529)</u>
<b>Uses</b>				
Public Health	1,539	1,612	1,613	(1)
Community and Cultural	14,106	14,109	11,788	2,321
Transfers Out	-	-	13	(13)
<b>Total Uses</b>	<u>15,645</u>	<u>15,721</u>	<u>13,414</u>	<u>2,307</u>
<b>Net Change in Budgetary Fund Balance</b>	<u>\$ 402</u>	<u>\$ 429</u>	<u>\$ 2,207</u>	<u>\$ 1,778</u>

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ 2,207</u>
<b>Less: Change in Mark-to-Market and Other Adjustments</b>	<u>(11)</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>2,196</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>6,392</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 8,588</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 8,588</u>
<b>Less: Nonspendable Fund Balance</b>	<u>(1)</u>
<b>Total Adjustments</b>	<u>(1)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 8,587</u>

See accompanying independent auditors' report



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## NONMAJOR DEBT SERVICE FUND

Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The General Debt Service Fund was established to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest of City long-term debt.

The Successor Agency Debt Service Fund was established to account for financial resources that are restricted to expenditure for principal and interest of Successor Agency long-term debt.

**City of Long Beach**  
 Nonmajor Debt Service Funds  
 Combining Balance Sheet  
 September 30, 2013  
 (In Thousands)

	General Debt Service Fund	Successor Agency Debt Service Fund	<u>Total</u> September 30, 2013
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 1,429	\$ 1,007	\$ 2,436
Non-Pooled Cash and Cash Equivalents	2,163	992	3,155
Non-Pooled Investments	-	31,376	31,376
Total Assets	<u>\$ 3,592</u>	<u>\$ 33,375</u>	<u>\$ 36,967</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 493	\$ -	\$ 493
Due to Other Funds	20	-	20
Deposits and Collections Held in Trust	1,272	-	1,272
Total Liabilities	<u>1,785</u>	<u>-</u>	<u>1,785</u>
<b>FUND BALANCES</b>			
Restricted	891	33,375	34,266
Assigned	916	-	916
Total Fund Balance	<u>1,807</u>	<u>33,375</u>	<u>35,182</u>
Total Liabilities and Fund Balances	<u>\$ 3,592</u>	<u>\$ 33,375</u>	<u>\$ 36,967</u>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Debt Service Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	General Debt Service Fund	Successor Agency Debt Service Fund	Total September 30, 2013
Revenues:			
Use of Money and Property	\$ 27	\$ 1,422	\$ 1,449
From Other Agencies	-	1,007	1,007
Total Revenues	<u>27</u>	<u>2,429</u>	<u>2,456</u>
Expenditures:			
Debt Service:			
Principal	4,906	11,452	16,358
Interest	5,332	18,444	23,776
Debt Administration Fees	465	67	532
Total Expenditures	<u>10,703</u>	<u>29,963</u>	<u>40,666</u>
Excess of Revenues over (under) Expenditures	<u>(10,676)</u>	<u>(27,534)</u>	<u>(38,210)</u>
Other Financing Sources (Uses):			
Debt Issuance	54,186	-	54,186
Payment to Refunded Bond Escrow Agent	(57,611)	-	(57,611)
Transfers In	8,888	28,823	37,711
Transfers Out	-	(530)	(530)
Total Other Financing Sources	<u>5,463</u>	<u>28,293</u>	<u>33,756</u>
Net Change in Fund Balances	<u>(5,213)</u>	<u>759</u>	<u>(4,454)</u>
Fund Balances - October 1	<u>7,020</u>	<u>32,616</u>	<u>39,636</u>
Fund Balances - September 30	<u>\$ 1,807</u>	<u>\$ 33,375</u>	<u>\$ 35,182</u>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Debt Service Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>General Debt Service Fund</b>			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
<b>Sources:</b>				
Use of Money and Property	\$ 609	\$ 609	\$ 27	\$ (582)
Debt Issuance	-	54,194	54,186	(8)
Transfers In	10,217	10,513	8,888	(1,625)
Total Sources	10,826	65,316	63,101	(2,215)
<b>Uses:</b>				
Debt Service	10,466	11,189	10,703	486
Payment to Refunded Bond Escrow Agent	-	58,037	57,611	426
Total Uses	10,466	69,226	68,314	912
Net Change in Budgetary Fund Balance	\$ 360	\$ (3,910)	\$ (5,213)	\$ (1,303)

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

Change in Fund Balance - September 30, Budgetary Basis	\$ (5,213)
Change in Fund Balance - September 30, GAAP Basis	(5,213)
Fund Balance, October 1, GAAP Basis	7,020
Fund Balance, September 30, GAAP Basis	\$ 1,807

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

Fund Balance, September 30, GAAP Basis	\$ 1,807
Less: Mandated Bond Reserve Funds	(891)
Total Deductions	(891)
Budgetary Funds Available - September 30	\$ 916

See accompanying independent auditors' report



**City of Long Beach**  
 Nonmajor Debt Service Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Successor Agency Debt Service Fund</b>			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
<b>Sources:</b>				
Use of Money and Property	\$ -	\$ -	\$ 1,422	\$ 1,422
From Other Agencies	-	-	1,007	1,007
Transfers In	-	-	28,823	28,823
Total Sources	-	-	31,252	31,252
<b>Uses:</b>				
Debt Service	31,834	31,834	29,963	1,871
Transfers Out	-	-	530	(530)
Total Uses	31,834	31,834	30,493	1,341
Net Change in Budgetary Fund Balance	\$ (31,834)	\$ (31,834)	\$ 759	\$ 32,593

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ 759
<b>Change in Fund Balance - September 30, GAAP Basis</b>	759
<b>Fund Balance, October 1, GAAP Basis</b>	32,616
<b>Fund Balance, September 30, GAAP Basis</b>	\$ 33,375

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	\$ 33,375
<b>Less: Mandated Bond Reserve Funds</b>	(33,375)
<b>Total Adjustments</b>	(33,375)
<b>Budgetary Funds Available - September 30</b>	\$ -

See accompanying independent auditors' report



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## NONMAJOR CAPITAL PROJECTS FUND

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

The General Capital Projects Fund was established to account for the acquisition, construction, and improvement of facilities and infrastructure financed by grants, bond proceeds, and operating transfers from other City funds.

The Special Assessment Capital Projects Fund was established to account for the acquisition, construction, and improvement of capital facilities financed through special assessments.

The Successor Agency Capital Projects Fund was established to account for the wind-down of Redevelopment Agency operations. This includes the completion of authorized projects and the disposition of properties owned by the former Redevelopment Agency. The activities of this fund are primarily financed through remaining bond proceeds and Redevelopment Property Tax Trust Fund allocations provided through the County for this purpose.

**City of Long Beach**  
**Nonmajor Capital Project Funds**  
**Combining Balance Sheet**  
**September 30, 2013**  
(In Thousands)

	General Capital Projects	Special Assessment Projects	Successor Agency Capital Projects	Total Capital Projects Funds
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 24,507	\$ 1,553	\$ 22,924	\$ 48,984
Non-Pooled Cash and Cash Equivalents	7,198	689	23,768	31,655
Non Performing Investments	6	-	12	18
Receivables:				
Accounts Receivable	-	-	223	223
Due from Other Governments	9,501	-	-	9,501
Due from Other Funds	3,000	-	-	3,000
Other Assets	-	-	1,516	1,516
Land Held for Resale	-	-	95,189	95,189
Other Noncurrent Receivables	-	-	6,532	6,532
<b>Total Assets</b>	<b>\$ 44,212</b>	<b>\$ 2,242</b>	<b>\$ 150,164</b>	<b>\$ 196,618</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,469	\$ -	\$ 5,173	\$ 11,642
Accrued Wages and Benefits Payable	118	-	11	129
Due to Other Funds	58	-	5	63
Unearned Revenues	3,411	-	224	3,635
Deposits and Collections Held in Trust	1	-	126	127
Advances from Other Funds	-	-	25,698	25,698
<b>Total Liabilities</b>	<b>10,057</b>	<b>-</b>	<b>31,237</b>	<b>41,294</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows (Note 25)	-	-	6,608	6,608
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,516	1,516
Restricted	10,896	2,242	136,501	149,639
Assigned	23,259	-	-	23,259
Unassigned	-	-	(25,698)	(25,698)
<b>Total Fund Balance</b>	<b>34,155</b>	<b>2,242</b>	<b>112,319</b>	<b>148,716</b>
<b>Total Liabilities, Deferred Inflows     and Fund Balances</b>	<b>\$ 44,212</b>	<b>\$ 2,242</b>	<b>\$ 150,164</b>	<b>\$ 196,618</b>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Capital Project Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	General Capital Projects	Special Assessment Projects	Successor Agency Capital Projects	Total Capital Projects Funds
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ 40,294	\$ 40,294
Licenses and Permits	512	-	22	534
Use of Money and Property	18	4	967	989
From Other Agencies	8,559	-	-	8,559
Other Contributions	1,385	-	-	1,385
Other	56	-	456	512
Total Revenues	<u>10,530</u>	<u>4</u>	<u>41,739</u>	<u>52,273</u>
Expenditures:				
Current:				
General Government	-	-	213	213
Community and Cultural	119	-	14,517	14,636
Total Current Expenditures	<u>119</u>	<u>-</u>	<u>14,730</u>	<u>14,849</u>
Capital Improvements	26,196	3	-	26,199
Debt Service:				
Debt Administration Fees	-	-	10	10
Total Expenditures	<u>26,315</u>	<u>3</u>	<u>14,740</u>	<u>41,058</u>
Excess of Revenues oOver (under) Expenditures	<u>(15,785)</u>	<u>1</u>	<u>26,999</u>	<u>11,215</u>
Other Financing Sources (Uses):				
Transfers In	27,899	-	5,669	33,568
Transfers Out	(988)	-	(46,267)	(47,255)
Total Other Financing Sources (Uses)	<u>26,911</u>	<u>-</u>	<u>(40,598)</u>	<u>(13,687)</u>
Net Change in Fund Balances	11,126	1	(13,599)	(2,472)
Fund Balances - October 1	<u>23,029</u>	<u>2,241</u>	<u>125,918</u>	<u>151,188</u>
Fund Balances - September 30	<u>\$ 34,155</u>	<u>\$ 2,242</u>	<u>\$ 112,319</u>	<u>\$ 148,716</u>

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Capital Projects Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

<b>General Capital Projects Fund</b>				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
<b>Sources:</b>				
Licenses and Permits	\$ 2,808	\$ 2,808	\$ 512	\$ (2,296)
Use of Money and Property	1,239	1,239	32	(1,207)
From Other Agencies	30,093	38,358	8,559	(29,799)
Other Contributions	-	-	1,385	1,385
Other Revenues	8,059	(241)	56	297
Transfers In	(10,889)	6,360	27,899	21,539
Total Sources	31,310	48,524	38,443	(10,081)
<b>Uses:</b>				
Community and Cultural	-	237	119	118
Capital Improvements	50,813	71,679	31,832	39,847
Transfers Out	24,633	24,579	988	23,591
Total Uses	75,446	96,495	32,939	63,556
Net Change in Budgetary Fund Balance	\$ (44,136)	\$ (47,971)	\$ 5,504	\$ 53,475
Fund Balances - October 1, Budgetary Basis	16,603	16,603	23,029	
Fund Balances - September 30, Budgetary Basis	\$ (27,533)	\$ (31,368)	\$ 28,533	
<b>Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis</b>				
Change in Fund Balance - September 30, Budgetary Basis			\$ 5,504	
Add: Encumbrances			5,636	
Less: Change in Mark-to-Market and Other Adjustments			(14)	
Change in Fund Balance - September 30, GAAP Basis			11,126	
Fund Balance, October 1, GAAP Basis			23,029	
Fund Balance, September 30, GAAP Basis			\$ 34,155	
<b>Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis</b>				
Fund Balance, September 30, GAAP Basis			\$ 34,155	
Less: Commitments to Ongoing Projects			(52,966)	
Add: Future Grant Funding			28,431	
Total Adjustments			(24,535)	
Budgetary Funds Available - September 30			\$ 9,620	

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Capital Projects Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Special Assessment Capital Projects Fund</b>			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
<b>Sources:</b>				
Use of Money and Property	\$ 1,005	\$ 1,005	\$ 7	\$ (998)
Other Revenues	(735)	(735)	-	735
Transfers In	1,174	1,174	-	(1,174)
Total Sources	1,444	1,444	7	(1,437)
<b>Uses:</b>				
Capital Improvements	2,163	2,163	15	2,148
Total Uses	2,163	2,163	15	2,148
Net Change in Budgetary Fund Balance	\$ (719)	\$ (719)	\$ (8)	\$ 711
Fund Balances - October 1, Budgetary Basis	2,229	2,229	2,241	
Fund Balances - September 30, Budgetary Basis	\$ 1,510	\$ 1,510	\$ 2,233	
 <b>Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis</b>				
Change in Fund Balance - September 30, Budgetary Basis			\$ (8)	
Add: Encumbrances			12	
Less: Change in Mark-to-Market and Other Adjustments			(3)	
Change in Fund Balance - September 30, GAAP Basis			1	
Fund Balance, October 1, GAAP Basis			2,241	
Fund Balance, September 30, GAAP Basis			\$ 2,242	
 <b>Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis</b>				
Fund Balance, September 30, GAAP Basis			\$ 2,242	
Total Adjustments			-	
Budgetary Funds Available - September 30			\$ 2,242	

See accompanying independent auditors' report

**City of Long Beach**  
 Nonmajor Capital Projects Funds  
 Schedule of Sources, Uses, and Changes in Funds Available  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<b>Successor Agency Capital Projects Fund</b>			
	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Sources:</b>				
Property Taxes	\$ 40,468	\$ 40,468	\$ 40,294	\$ (174)
Licenses and Permits	-	-	22	22
Use of Money and Property	-	-	1,245	1,245
Other Revenues	-	-	456	456
Transfers In	135,498	141,946	5,669	(136,277)
	-	-	-	-
Total Sources	<u>175,966</u>	<u>182,414</u>	<u>47,686</u>	<u>(134,728)</u>
<b>Uses:</b>				
General Government	\$ 275	\$ 269	213	56
Community and Cultural	202,329	189,950	14,517	175,433
Debt Service:	-	-	10	(10)
Transfers Out	36,321	55,142	46,267	8,875
Total Uses	<u>238,925</u>	<u>245,361</u>	<u>61,007</u>	<u>184,354</u>
Net Change in Budgetary Fund Balance	<u>\$ (62,959)</u>	<u>\$ (62,947)</u>	<u>\$ (13,321)</u>	<u>\$ 49,626</u>
Fund Balances - October 1, Budgetary Basis	<u>(125,918)</u>	<u>(125,918)</u>	<u>125,918</u>	
Fund Balances - September 30, Budgetary Basis	<u>\$ (188,877)</u>	<u>\$ (188,865)</u>	<u>\$ 112,597</u>	

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

<b>Change in Fund Balance - September 30, Budgetary Basis</b>	<u>\$ (13,321)</u>
<b>Less: Change in Mark-to-Market and Other Adjustments</b>	<u>(278)</u>
<b>Change in Fund Balance - September 30, GAAP Basis</b>	<u>(13,599)</u>
<b>Fund Balance, October 1, GAAP Basis</b>	<u>125,918</u>
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 112,319</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 112,319</u>
<b>Less: Nonspendable Fund Balance</b>	<u>(1,516)</u>
Land Held for Resale	<u>(95,189)</u>
<b>Total Adjustments</b>	<u>(96,705)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 15,614</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 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 Sewer Fund is used to account for the maintenance and replacement of the City's sewer pipelines and sewage facilities.

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

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.

The Development Services Fund was established to segregate long-range planning and property use and development services and give visibility of the City's planning, building, and inspection fees and the associated cost the City incurs to provide these services.

**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Net Position**  
**September 30, 2013**  
**(In Thousands)**

	Water Utility	Sewer	Airport	Solid Waste Management	Towing	Subsidence	Development Services	Totals September 30, 2013
<b>ASSETS</b>								
Current Assets:								
Pooled Cash and Cash Equivalents	\$ 43,375	\$ 9,076	\$ 49,216	\$ 46,902	\$ 646	\$ 170,337	\$ 14,389	\$ 333,941
Non-Pooled Cash and Cash Equivalents	576	-	9,088	177	4	-	-	9,845
Non Performing Investments	3	1	5	7	-	40	-	56
Non-Pooled Investments	2,574	-	-	-	-	-	-	2,574
Receivables:								
Interest Receivable	9	-	32	37	-	-	-	78
Accounts Receivable	6,667	920	2,878	7,010	588	-	230	18,293
Due from Other Governments	-	-	2,199	620	-	-	-	2,819
Due from Other Funds	-	-	5	166	-	500	-	671
Other Receivables	-	-	77	-	-	-	-	77
Allowance for Receivables	(333)	(58)	(22)	(312)	(214)	-	(87)	(1,026)
Inventory	2,518	63	-	-	-	-	-	2,581
Other Assets - Current	629	-	48	-	-	-	-	677
<b>Total Current Assets</b>	<b>56,018</b>	<b>10,002</b>	<b>63,526</b>	<b>54,607</b>	<b>1,024</b>	<b>170,877</b>	<b>14,532</b>	<b>370,586</b>
Noncurrent Assets:								
Restricted Noncurrent Assets								
Non-Pooled Investments	-	-	9,259	11,418	-	2,002	-	22,679
Noncurrent Receivables								
Other Noncurrent Receivables	-	-	-	1,689	-	-	-	1,689
Advances to Other Funds	-	-	-	-	-	4,114	-	4,114
Capital Assets:								
Land and Other Capital Assets Not Being Depreciated	32,142	5,187	22,913	6,622	-	-	-	66,864
Capital Assets Net of Accumulated Depreciation	250,440	56,714	201,740	16,809	-	-	-	525,703
Other Assets - Long-Term	219	-	-	-	-	-	-	219
<b>Total Noncurrent Assets</b>	<b>282,801</b>	<b>61,901</b>	<b>233,912</b>	<b>36,538</b>	<b>-</b>	<b>6,116</b>	<b>-</b>	<b>621,268</b>
<b>Total Assets</b>	<b>338,819</b>	<b>71,903</b>	<b>297,438</b>	<b>91,145</b>	<b>1,024</b>	<b>176,993</b>	<b>14,532</b>	<b>991,854</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred Outflows (Note 25)	2,232	-	211	-	-	-	-	2,443
<b>LIABILITIES</b>								
Current Liabilities Payable from Current Assets:								
Accounts Payable	11,479	2,357	2,622	4,380	60	-	374	21,272
Accrued Wages	311	94	122	170	30	-	136	863
Accrued Interest Payable	626	-	2,309	991	-	-	-	3,926
Due to Other Funds	154	46	60	83	15	-	67	425
Unearned Revenues	45	-	381	-	-	4,614	6	5,046
Collections Held in Trust	-	-	122	653	-	-	4,759	5,534
Customers Deposits	706	-	-	-	-	-	2,074	2,780
Advances from Developers	355	93	-	-	-	-	-	448
Bonds Payable Due within One Year	2,385	-	2,340	8,410	-	-	-	13,135
<b>Total Current Liabilities</b>	<b>16,061</b>	<b>2,590</b>	<b>7,956</b>	<b>14,687</b>	<b>105</b>	<b>4,614</b>	<b>7,416</b>	<b>53,429</b>
Noncurrent Liabilities:								
Unearned Revenues	-	-	5,245	-	-	-	-	5,245
Site Restoration	1,000	-	-	-	-	-	-	1,000
Other Long-Term Obligations	-	9,750	-	-	-	-	-	9,750
Bonds Payable	32,780	-	115,150	49,200	-	-	-	197,130
Unamortized Discount / Deferred cost	3,486	-	(30)	2,136	-	-	-	5,592
<b>Total Noncurrent Liabilities</b>	<b>37,266</b>	<b>9,750</b>	<b>120,365</b>	<b>51,336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218,717</b>
<b>Total Liabilities</b>	<b>53,327</b>	<b>12,340</b>	<b>128,321</b>	<b>66,023</b>	<b>105</b>	<b>4,614</b>	<b>7,416</b>	<b>272,146</b>
<b>NET POSITION</b>								
Net Investment in Capital Assets	249,254	52,601	120,239	(24,723)	-	-	-	397,371
Restricted for:								
Debt Service	1,656	-	162	9,905	-	-	-	11,723
Capital Projects	-	-	26,829	1	-	-	-	26,830
Airport	-	-	7,354	-	-	-	-	7,354
Subsidence	-	-	-	-	-	172,379	-	172,379
Unrestricted	36,814	6,962	14,744	39,939	919	-	7,116	106,494
<b>Total Net Position</b>	<b>\$287,724</b>	<b>\$59,563</b>	<b>\$169,328</b>	<b>\$ 25,122</b>	<b>\$ 919</b>	<b>\$172,379</b>	<b>\$ 7,116</b>	<b>\$ 722,151</b>

See accompanying independent auditors' report

**City of Long Beach**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended September 30, 2013**  
**(In Thousands)**

	Water Utility	Sewer	Airport	Solid Waste Management	Towing	Subsidence	Development Services	Totals September 30, 2013
<b>Operating Revenues:</b>								
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,831	\$ 15,831
Fines and Forfeitures	-	-	-	-	-	-	2	2
Fees, Concessions and Rentals	-	-	34,760	-	-	-	-	34,760
Charges for Services	91,949	17,311	-	79,327	6,445	-	1,688	196,720
Other	-	-	-	-	-	-	25	25
<b>Total Operating Revenues</b>	<b>91,949</b>	<b>17,311</b>	<b>34,760</b>	<b>79,327</b>	<b>6,445</b>	<b>-</b>	<b>17,546</b>	<b>247,338</b>
<b>Operating Expenses:</b>								
Personnel Services	18,309	4,122	9,443	14,733	2,148	-	8,952	57,707
Purchases of Gas and Water	29,753	-	-	-	-	-	-	29,753
Maintenance and Other Operations	28,155	9,246	17,070	50,277	3,640	-	5,700	114,088
Amortization	-	-	79	80	-	-	-	159
Depreciation	9,566	1,797	8,758	3,539	-	-	-	23,660
<b>Total Operating Expenses</b>	<b>85,783</b>	<b>15,165</b>	<b>35,350</b>	<b>68,629</b>	<b>5,788</b>	<b>-</b>	<b>14,652</b>	<b>225,367</b>
<b>Operating Income (Loss)</b>	<b>6,166</b>	<b>2,146</b>	<b>(590)</b>	<b>10,698</b>	<b>657</b>	<b>-</b>	<b>2,894</b>	<b>21,971</b>
<b>Non-Operating Income (Expenses):</b>								
Interest Income	58	11	81	123	2	1,505	22	1,802
Interest Expense	(363)	(2)	(4,190)	(2,625)	-	-	-	(7,180)
Gain (Loss) on Disposition of Capital Asset	196	2	(1,403)	-	-	-	-	(1,205)
Capital Assets from Other Funds	(977)	(718)	-	(1,235)	-	-	-	(2,930)
Operating Grants	-	-	325	287	-	-	-	612
Other Income	1,087	-	9,057	215	-	-	-	10,359
Other Expense	(2,153)	(54)	-	(106)	-	(4)	-	(2,317)
<b>Total Non-Operating Income (Expenses)</b>	<b>(2,152)</b>	<b>(761)</b>	<b>3,870</b>	<b>(3,341)</b>	<b>2</b>	<b>1,501</b>	<b>22</b>	<b>(859)</b>
<b>Income Before Contributions</b>	<b>4,014</b>	<b>1,385</b>	<b>3,280</b>	<b>7,357</b>	<b>659</b>	<b>1,501</b>	<b>2,916</b>	<b>21,112</b>
<b>Capital Grants and Contributions</b>	<b>131</b>	<b>-</b>	<b>8,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,493</b>
<b>Operating Transfers:</b>								
Operating Transfers In	-	-	-	-	-	-	24	24
Operating Transfers Out	-	-	-	(7,491)	(1,000)	-	-	(8,491)
<b>Change in Net Position</b>	<b>4,145</b>	<b>1,385</b>	<b>11,642</b>	<b>(134)</b>	<b>(341)</b>	<b>1,501</b>	<b>2,940</b>	<b>21,138</b>
<b>Net Position - October 1</b>	<b>284,119</b>	<b>58,314</b>	<b>159,349</b>	<b>26,396</b>	<b>1,260</b>	<b>170,878</b>	<b>4,176</b>	<b>704,492</b>
<b>Adjustments for GASB 65 Implementation</b>	<b>(540)</b>	<b>(136)</b>	<b>(1,663)</b>	<b>(1,140)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,479)</b>
<b>Net Position - September 30</b>	<b>\$ 287,724</b>	<b>\$ 59,563</b>	<b>\$ 169,328</b>	<b>\$ 25,122</b>	<b>\$ 919</b>	<b>\$ 172,379</b>	<b>\$ 7,116</b>	<b>\$ 722,151</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, 2013**  
**(In Thousands)**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	Water Utility	Sewer	Airport	Solid Waste Management	Towing	Subsidence	Development Services	Totals September 30, 2013
Cash Flows from Operating Activities:								
Receipts from Customers	\$ 91,798	\$ 17,427	\$ 34,459	\$ 89,963	\$ 6,273	\$ -	\$ 18,741	\$ 258,661
Payments for Employee Salaries	(18,222)	(4,089)	(9,428)	(14,692)	(2,142)	-	(8,889)	(57,462)
Payments for Goods and Services	(50,669)	(4,365)	(18,965)	(57,278)	(1,932)	-	(5,587)	(138,796)
Payments in Lieu of Taxes	(5,567)	(4,284)	-	-	(1,700)	-	-	(11,551)
Other Income	(2,223)	(804)	1,724	215	-	-	-	(1,088)
Other Expense	-	-	-	(106)	-	-	-	(106)
Net Cash Provided by (Used for) Operating Activities	15,117	3,885	7,790	18,102	499	-	4,265	49,658
Cash Flows from Non-Capital Financing Activities:								
Operating Grants Received from Other Governments	-	-	325	287	-	-	-	612
Transfers In	-	-	-	-	-	10,800	24	10,824
Transfers Out	-	-	-	(7,491)	(1,000)	-	-	(8,491)
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	-	325	(7,204)	(1,000)	10,800	24	2,945
Cash Flows from Capital and Related Financing Activities:								
Receipt of Capital Grants	-	-	8,571	-	-	-	-	8,571
Proceeds from the Sale of Capital Assets	377	33	-	-	-	-	-	410
Proceeds from Issuance of Long-Term Obligations	-	3,750	-	-	-	-	-	3,750
Receipts of Contributed Capital	-	-	-	(1,235)	-	-	-	(1,235)
Payments to Developers	115	-	-	-	-	-	-	115
Principal Received on Other Long-term Receivable	-	-	76	-	-	-	-	76
Payments for Capital Acquisitions	(17,547)	(5,174)	(21,446)	-	-	-	-	(44,167)
Payments of Principal on Bonds Payable	(2,110)	-	(2,260)	(8,005)	-	-	-	(12,375)
Receipts from Passenger Facility Charges	-	-	5,897	-	-	-	-	5,897
Payments of Interest, Net of Amounts Capitalized	(1,484)	(55)	(7,005)	(3,165)	-	-	-	(11,709)
Receipt of Federal Subsidy	-	-	1,119	-	-	-	-	1,119
Net Cash Used for Capital and Related Financing Activities	(20,649)	(1,446)	(15,048)	(12,405)	-	-	-	(49,548)
Cash Flows from Investing Activities:								
Proceeds from the Sale of Investments	21	-	9,361	70	-	-	-	9,452
Proceeds from Other Government Entities	-	-	-	-	-	(3)	-	(3)
Receipts of Interest	65	12	219	179	1	1,578	26	2,080
Net Cash Provided by Investing Activities	86	12	9,580	249	1	1,575	26	11,529
Net Increase (Decrease) in Cash and Cash Equivalents	(5,446)	2,451	2,647	(1,258)	(500)	12,375	4,315	14,584
Cash and Cash Equivalents - October 1	49,397	6,625	55,657	48,337	1,150	157,962	10,074	329,202
Cash and Cash Equivalents - September 30	\$ 43,951	\$ 9,076	\$ 58,304	\$ 47,079	\$ 650	\$ 170,337	\$ 14,389	\$ 343,786
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>								
Operating Income (Loss)	\$ 6,166	\$ 2,146	(590)	\$ 10,698	\$ 657	\$ -	\$ 2,894	\$ 21,971
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:								
Operating Activities:								
Depreciation and Amortization Expense	9,566	1,797	8,837	3,619	-	-	-	23,819
Other Income	(2,223)	(804)	1,724	215	-	-	-	(1,088)
Other Expense	-	-	-	(106)	-	-	-	(106)
(Increase) Decrease in Accounts Receivable, Net	(417)	102	(97)	3,560	(173)	-	(37)	2,938
Increase in Amounts Due from Other Governments	-	-	-	(334)	-	-	-	(334)
(Increase) Decrease in Amounts Due from Other Funds	226	-	-	(166)	-	-	-	60
(Increase) Decrease in Inventory	(105)	45	-	-	-	-	-	(60)
Decrease in Other Operating Assets	(26)	-	-	-	-	-	-	(26)
Decrease in Environmental Liabilities:	-	-	(28)	-	-	-	-	(28)
Increase (Decrease) in Accounts Payable	1,802	552	(1,894)	636	9	-	113	1,218
Increase (Decrease) in Accrued Wages Payable	87	33	16	(39)	5	-	45	147
Increase (Decrease) in Amounts Due to Other Funds	-	14	(5)	80	1	-	18	108
Increase in Unearned Revenues	45	-	3	-	-	-	805	853
Decrease in Deferred Credits	-	-	-	(80)	-	-	-	(80)
Increase (Decrease) in Collections Held in Trust	(4)	-	(176)	19	-	-	427	266
Total Adjustments	8,951	1,739	8,380	7,404	(158)	-	1,371	27,687
Net Cash Provided by Operating Activities	\$ 15,117	\$ 3,885	\$ 7,790	\$ 18,102	\$ 499	\$ -	\$ 4,265	\$ 49,658
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>								
Capitalized Interest	\$ 1,114	\$ 53	2,783	\$ -	\$ -	\$ -	\$ -	\$ 3,950
Accrued Capital Asset Costs	1,492	598	-	-	-	-	-	2,090
Amortization of Bond Premium, Net	87	-	-	-	-	-	-	87
Accrued Cost of Water Purchases	5,740	-	-	-	-	-	-	5,740

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 Position (Deficit)**  
**September 30, 2013**  
**(In Thousands)**

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals September 30 2013
<b>ASSETS</b>						
<b>Current Assets:</b>						
Pooled Cash and Cash Equivalents	\$ 7,064	\$ 10,022	\$ 32,701	\$ 36,422	\$ 83,049	\$ 169,258
Non-Pooled Cash and Cash Equivalents	-	5	8	-	-	13
Non Performing Investments	2	1	2	4	17	26
<b>Receivables:</b>						
Accounts Receivable	9	1,483	145	1	-	1,638
Due from Other Funds	-	-	20	-	5,148	5,168
Allowance for Receivables	-	-	(140)	-	-	(140)
Deposits	-	-	-	-	617	617
Inventory	-	203	1,777	-	-	1,980
Other Assets - Current	-	6	-	-	-	6
Total Current Assets	<u>7,075</u>	<u>11,720</u>	<u>34,513</u>	<u>36,427</u>	<u>88,831</u>	<u>178,566</u>
<b>Noncurrent Assets:</b>						
<b>Noncurrent Receivables:</b>						
Other Noncurrent Receivables	-	10	-	-	-	10
<b>Capital Assets:</b>						
Land and Other Capital Assets Not Being Depreciated	3,442	11,085	-	-	-	14,527
Capital Assets Net of Accumulated Depreciation	42,040	4,784	37,981	24	-	84,829
Total Noncurrent Assets	<u>45,482</u>	<u>15,879</u>	<u>37,981</u>	<u>24</u>	<u>-</u>	<u>99,366</u>
Total Assets	<u>52,557</u>	<u>27,599</u>	<u>72,494</u>	<u>36,451</u>	<u>88,831</u>	<u>277,932</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows (Note 25)	<u>1,080</u>	<u>-</u>	<u>1,438</u>	<u>-</u>	<u>-</u>	<u>2,518</u>
<b>LIABILITIES</b>						
<b>Current Liabilities Payable from Current Assets:</b>						
Accounts Payable	631	802	1,273	893	892	4,491
Accrued Wages and Benefits	34	258	103	161	37,725	38,281
Accrued Interest Payable	-	2	152	-	2,162	2,316
Due to Other Funds	17	417	50	79	-	563
Collections Held in Trust	-	-	-	-	1,225	1,225
Employee Benefits - Current	-	-	-	-	8,119	8,119
Accrued Claims - Current	-	-	-	24,549	-	24,549
Environmental Remediation - Current	-	-	182	-	-	182
Obligations under Capital Leases - Current	1,453	1,305	594	-	-	3,352
Bonds Payable Due within One Year	-	-	-	-	4,760	4,760
Total Current Liabilities	<u>2,135</u>	<u>2,784</u>	<u>2,354</u>	<u>25,682</u>	<u>54,883</u>	<u>87,838</u>
<b>Noncurrent Liabilities:</b>						
Employee Benefits	-	-	-	-	160,446	160,446
Accrued Self-Insurance Claims	-	-	-	103,623	-	103,623
Environmental Remediation	-	-	2,829	-	-	2,829
Obligations under Capital Lease	24,930	985	615	-	-	26,530
Unamortized Premium	-	-	3,793	-	-	3,793
Bonds Payable	-	-	21,661	-	40,915	62,576
Unamortized Discount / Deferred Cost	-	-	-	-	(109)	(109)
Total Noncurrent Liabilities	<u>24,930</u>	<u>985</u>	<u>28,898</u>	<u>103,623</u>	<u>201,252</u>	<u>359,688</u>
Total Liabilities	<u>27,065</u>	<u>3,769</u>	<u>31,252</u>	<u>129,305</u>	<u>256,135</u>	<u>447,526</u>
<b>NET POSITION (DEFICIT):</b>						
Net Investment in Capital Assets	20,179	13,590	12,757	24	-	46,550
<b>Restricted for:</b>						
Debt Service	-	-	-	-	59	59
Capital Projects	-	1,646	-	-	-	1,646
Healthcare Insurance	-	-	-	-	16,583	16,583
Unrestricted	<u>6,393</u>	<u>8,594</u>	<u>29,923</u>	<u>(92,878)</u>	<u>(183,946)</u>	<u>(231,914)</u>
Total Net Position (Deficit)	<u>\$ 26,572</u>	<u>\$ 23,830</u>	<u>\$ 42,680</u>	<u>\$ (92,854)</u>	<u>\$ (167,304)</u>	<u>\$ (167,076)</u>

See accompanying independent auditors' report

**City of Long Beach**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)**  
**For the Fiscal Year Ended September 30, 2013**  
**(In Thousands)**

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals September 30, 2013
<b>Operating Revenues:</b>						
Billing to Other Departments	\$ 9,514	\$ 35,689	\$ 29,080	\$ 39,211	\$ 200,907	\$ 314,401
Other	391	4,716	935	-	-	6,042
<b>Total Operating Revenues</b>	<b>9,905</b>	<b>40,405</b>	<b>30,015</b>	<b>39,211</b>	<b>200,907</b>	<b>320,443</b>
<b>Operating Expenses:</b>						
Personnel Services	2,398	16,707	7,831	7,662	3,573	38,171
Maintenance and Other Operations	4,850	18,150	12,012	6,256	2,397	43,665
Insurance Premiums	-	-	-	2,973	-	2,973
Self-Insured Losses	-	-	-	22,749	-	22,749
Compensated Absences	-	-	-	3,863	44,621	48,484
Employee Benefits	-	-	-	-	151,913	151,913
Amortization	80	-	-	-	37,956	38,036
Depreciation	2,701	2,461	6,801	3	-	11,966
<b>Total Operating Expenses</b>	<b>10,029</b>	<b>37,318</b>	<b>26,644</b>	<b>43,506</b>	<b>240,460</b>	<b>357,957</b>
<b>Operating Income (Loss)</b>	<b>(124)</b>	<b>3,087</b>	<b>3,371</b>	<b>(4,295)</b>	<b>(39,553)</b>	<b>(37,514)</b>
<b>Non-Operating Income (Expenses):</b>						
Interest Income	-	-	-	40	-	40
Interest Expense	(1,195)	(101)	(969)	-	(2,457)	(4,722)
Gain on Disposition of Capital Assets	-	17	74	-	-	91
Capital Assets to Other Funds	-	4,775	-	-	-	4,775
Other Income	1	31	583	1,340	31	1,986
Other Expense	-	(1)	(248)	(24)	(10)	(283)
<b>Total Non-Operating Income (Expenses)</b>	<b>(1,194)</b>	<b>4,721</b>	<b>(560)</b>	<b>1,356</b>	<b>(2,436)</b>	<b>1,887</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>(1,318)</b>	<b>7,808</b>	<b>2,811</b>	<b>(2,939)</b>	<b>(41,989)</b>	<b>(35,627)</b>
Capital Grants and Contributions	173	1,185	-	-	-	1,358
<b>Transfers:</b>						
Transfers In	-	1,330	-	-	2	1,332
Transfers Out	-	(6,425)	(1,000)	-	-	(7,425)
<b>Change in Net Position</b>	<b>(1,145)</b>	<b>3,898</b>	<b>1,811</b>	<b>(2,939)</b>	<b>(41,987)</b>	<b>(40,362)</b>
Net Position (Deficit) - October 1	27,997	19,932	41,354	(89,915)	(124,635)	(125,267)
Adjustments for GASB 65 Implementation	(280)	-	(485)	-	(682)	(1,447)
<b>Net Position (Deficit) - September 30</b>	<b>\$ 26,572</b>	<b>\$ 23,830</b>	<b>\$ 42,680</b>	<b>\$ (92,854)</b>	<b>\$ (167,304)</b>	<b>\$ (167,076)</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, 2013**  
**(In Thousands)**

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals September 30, 2013
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers	\$ 388	\$ 4,716	\$ 1,025	\$ -	\$ -	\$ 6,129
Receipts from Other Funds	9,514	35,548	29,100	39,211	200,348	313,721
Payments for Employee Salaries	(2,393)	(16,631)	(7,813)	(7,635)	(3,456)	(37,928)
Payments for Goods and Services	(4,656)	(18,321)	(11,875)	(10,872)	(2,263)	(47,987)
Payments for Compensated Absences	-	-	-	(19,203)	(43,213)	(62,416)
Payments for Employee Benefits	-	-	-	-	(140,729)	(140,729)
Payments for Liability Claims	-	-	-	(2,553)	-	(2,553)
Other Income	1	31	583	1,369	31	2,015
Other Expense	-	(1)	(392)	(24)	(10)	(427)
Net Cash Provided by Operating Activities	<u>2,854</u>	<u>5,342</u>	<u>10,628</u>	<u>293</u>	<u>10,708</u>	<u>29,825</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Operating Subsidies Received from Other Funds	-	1,330	-	-	2,514	3,844
Transfers Out	-	(6,425)	(1,000)	-	-	(7,425)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>(5,095)</u>	<u>(1,000)</u>	<u>-</u>	<u>2,514</u>	<u>(3,581)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Receipt of Capital Grants	-	1,185	-	-	-	1,185
Proceeds from the Sale of Capital Assets	-	17	203	-	-	220
Proceeds from Issuance Of Long-Term Obligations	-	-	21,661	-	-	21,661
Payment of Cost of Issuance	-	-	(20)	-	-	(20)
Receipts of Contributed Capital	173	-	-	-	-	173
Refunding Premium	-	-	4,006	-	-	4,006
Proceeds from (Payments for) Capital Acquisitions	(380)	80	(1,358)	-	-	(1,658)
Payments of Principal on Bonds Payable	-	-	(1,510)	-	-	(1,510)
Payments of Principal on Other Long-Term Obligations	(1,477)	(2,020)	(20)	-	(4,530)	(8,047)
Payments to Defeasement Bonds	-	-	(27,917)	-	-	(27,917)
Payments of Interest	(1,195)	(106)	(1,568)	-	(2,587)	(5,456)
Net Cash Used for Capital and Related Financing Activities	<u>(2,879)</u>	<u>(844)</u>	<u>(6,523)</u>	<u>-</u>	<u>(7,117)</u>	<u>(17,363)</u>
<b>Cash Flows from Investing Activities:</b>						
Payment for Investments	-	-	2,707	-	-	2,707
Receipts of Interest	6	6	-	57	3	72
Net Cash Provided by (Used for) Investing Activities	<u>6</u>	<u>6</u>	<u>2,707</u>	<u>57</u>	<u>3</u>	<u>2,779</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(19)</u>	<u>(591)</u>	<u>5,812</u>	<u>350</u>	<u>6,108</u>	<u>11,660</u>
Cash and Cash Equivalents - October 1	7,083	10,618	26,897	36,072	76,941	157,611
Cash and Cash Equivalents - September 30	<u>\$ 7,064</u>	<u>\$ 10,027</u>	<u>\$ 32,709</u>	<u>\$ 36,422</u>	<u>\$ 83,049</u>	<u>\$ 169,271</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>						
Operating Income (Loss)	\$ (124)	\$ 3,087	\$ 3,371	\$ (4,295)	\$ (39,553)	\$ (37,514)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>						
Depreciation and Amortization Expense	2,781	2,461	6,801	3	37,956	50,002
Other Income	1	31	583	1,369	31	2,015
Other Expense	-	(1)	(248)	(24)	(10)	(283)
(Increase) Decrease in Accounts Receivable, Net	-	(161)	86	-	-	(75)
(Increase) Decrease in Amounts Due from Other Governments	(4)	-	3	-	-	(1)
(Increase) Decrease in Amounts Due from Other Funds	-	21	20	5	(559)	(513)
Increase in Inventory	-	-	(369)	-	-	(369)
Decrease in Other Operating Assets	-	19	-	-	-	19
Decrease in Environmental Liabilities	-	-	(144)	-	-	(144)
Increase (Decrease) in Accounts Payable	195	(191)	508	(1,648)	132	(1,004)
Increase in Accrued Wages Payable	4	57	14	22	14,728	14,825
Increase in Amounts Due to Other Funds	1	19	3	5	-	28
Increase in Accrued Claims Payable	-	-	-	4,856	-	4,856
Decrease in Collections Held in Trust	-	-	-	-	(2,017)	(2,017)
Total Adjustments	<u>2,978</u>	<u>2,255</u>	<u>7,257</u>	<u>4,588</u>	<u>50,261</u>	<u>67,339</u>
Net Cash Provided by Operating Activities	<u>\$ 2,854</u>	<u>\$ 5,342</u>	<u>\$ 10,628</u>	<u>\$ 293</u>	<u>\$ 10,708</u>	<u>\$ 29,825</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 maintain and purchase materials for 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 population.

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 position  
 September 30, 2013  
 (In Thousands)

	<u>Miller Library</u>	<u>Mayor's Fund for the Homeless</u>	<u>Total September 30, 2013</u>
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 806	\$ 90	\$ 896
<b>NET POSITION</b>			
Held in Trust for Private Purpose Trust Funds	\$ 806	\$ 90	\$ 896

**City of Long Beach**  
 Fiduciary Funds  
 Private Purpose Trust Funds  
 Combining Statement of Changes in Net Position  
 Fiscal Year Ended September 30, 2013  
 (In Thousands)

	<u>Miller Library</u>	<u>Mayor's Fund for the Homeless</u>	<u>Total September 30, 2013</u>
<b>Additions:</b>			
Use of Money and Property	\$ 1	\$ -	\$ 1
Contributions from Citizens	-	24	24
Total Additions	1	24	25
<b>Deductions:</b>			
Community and Cultural	24	16	40
Change in Net Position	(23)	8	(15)
Net Position, October 1	829	82	911
Net Position, September 30	\$ 806	\$ 90	\$ 896

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, 2013**  
(In Thousands)

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<b><u>BELMONT SHORE PARKING 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	\$ 1,644	\$ 8	\$ 3	\$ 1,649
Non Performing Investments	2	-	2	-
Total Assets	<u>\$ 1,646</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ 1,649</u>
<b>LIABILITIES</b>				
Collections Held in Trust	\$ 1,646	\$ 6	\$ 3	\$ 1,649
<b><u>SPECIAL ASSESSMENT DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 6,279	\$ 14,156	\$ 19,560	\$ 875
Non Performing Investments	4	-	3	1
Investments at Par - Nonpooled	2,713	2,174	2,712	2,175
Interest Receivable	8	8	8	8
Property Taxes Receivable	5	3	4	4
Non-Pooled Cash and Cash Equivalents	6,263	6,250	6,451	6,062
Total Assets	<u>\$ 15,272</u>	<u>\$ 22,591</u>	<u>\$ 28,738</u>	<u>\$ 9,125</u>
<b>LIABILITIES</b>				
Accounts/Voucher Payable	\$ -	\$ 116	\$ -	\$ 116
Due to Special Assessment Bondholders	7,090	11,927	16,329	2,688
Collections Held in Trust	8,182	2,785	4,646	6,321
Total Liabilities	<u>\$ 15,272</u>	<u>\$ 14,828</u>	<u>\$ 20,975</u>	<u>\$ 9,125</u>
<b><u>INTERMODAL CONTAINER TRANSFER FACILITY</u></b>				
<b><u>JOINT POWER AUTHORITY FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 4,421	\$ 3,952	\$ 4,011	\$ 4,362
Non Performing Investments	6	-	5	1
Total Assets	<u>\$ 4,427</u>	<u>\$ 3,952</u>	<u>\$ 4,016</u>	<u>\$ 4,363</u>
<b>LIABILITIES</b>				
Collections Held in Trust	\$ 4,427	\$ 3,944	\$ 4,008	\$ 4,363
<b><u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$1,020	\$586	\$ 719	\$ 887
Non Performing Investments	2	-	2	-
Property Taxes Receivable	67	25	23	69
Total Assets	<u>\$ 1,089</u>	<u>\$ 611</u>	<u>\$ 744</u>	<u>\$ 956</u>
<b>LIABILITIES</b>				
Due to Special Assessment Bondholders	\$ 784	\$ 561	\$ 694	\$ 651
Collections Held in Trust	305	-	-	305
Total Liabilities	<u>\$ 1,089</u>	<u>\$ 561</u>	<u>\$ 694</u>	<u>\$ 956</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, 2013**  
(In Thousands)

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<b><u>LOS CERRITOS WETLANDS AUTHORITY</u></b>				
<b>ASSETS</b>				
Non-Pooled Cash and Cash Equivalents	\$ 54	\$ 455	\$ 347	\$ 162
Accounts Receivable	-	28	-	28
Prepaid Expense	6	7	12	1
Land	11,000	-	-	11,000
Total Assets	<u>\$ 11,060</u>	<u>\$ 490</u>	<u>\$ 359</u>	<u>\$ 11,191</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 81	\$163	\$ 157	\$ 87
Collections Held in Trust	10,979	707	582	11,104
Total Liabilities	<u>\$ 11,060</u>	<u>\$ 870</u>	<u>\$ 739</u>	<u>\$ 11,191</u>
<b><u>OTHER AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$1,551	\$1,162	\$1,036	\$ 1,677
Accounts Receivable	-	14	14	-
Total Assets	<u>\$ 1,551</u>	<u>\$ 1,176</u>	<u>\$ 1,050</u>	<u>\$ 1,677</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 169	\$121	\$ 274	\$ 16
Collections Held in Trust	1,382	\$1,155	876	1,661
Total Liabilities	<u>\$ 1,551</u>	<u>\$ 1,276</u>	<u>\$ 1,150</u>	<u>\$ 1,677</u>
<b><u>TOTAL AGENCY FUND</u></b>				
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 15,004	\$ 19,864	\$ 25,329	\$ 9,539
Non Performing Investments	14	-	12	2
Investments at Par - Nonpooled	2,713	2,174	2,712	2,175
Non-Pooled Cash and Cash Equivalents	6,317	6,705	6,798	6,224
Property Taxes Receivable	72	28	27	73
Accounts Receivable	-	42	14	28
Interest receivable	8	8	8	8
Prepaid Expense	6	7	12	1
Land	11,000	-	-	11,000
Total Assets	<u>\$ 35,134</u>	<u>\$ 28,828</u>	<u>\$ 34,912</u>	<u>\$ 29,050</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 339	\$ 400	\$ 431	\$ 308
Due to Special Assessment Bondholders	7,874	12,488	17,023	3,339
Collections Held in Trust	26,921	8,597	10,115	25,403
Total Liabilities	<u>\$ 35,134</u>	<u>\$ 21,485</u>	<u>\$ 27,569</u>	<u>\$ 29,050</u>

See accompanying independent auditors' report

OTHER  
SUPPLEMENTARY  
INFORMATION

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**City of Long Beach**  
**General Fund**  
**Combining Balance Sheet**  
**September 30, 2013**  
(In Thousands)

	General Fund	Uplands Oil Fund	Combined General Fund September 30, 2013
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 114,323	\$ 21,034	\$ 135,357
Non-Pooled Cash and Cash Equivalents	374	-	374
Non Performing Investments	20	-	20
Receivables:			
Property Taxes	88,147	-	88,147
Accounts Receivable	34,807	3,942	38,749
Notes and Loans Receivable	1,861	-	1,861
Due from Other Governments	15,252	-	15,252
Due from Other Funds	7,079	-	7,079
Allowance for Receivables	(34,231)	-	(34,231)
Other Assets	43	-	43
Advances to Other Funds	2,000	-	2,000
Total Assets	<u>\$ 229,675</u>	<u>\$ 24,976</u>	<u>\$ 254,651</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 10,784	\$ 280	\$ 11,064
Accrued Wages and Benefits Payable	4,984	-	4,984
Due to Other Funds	7,569	-	7,569
Unearned Revenues	4,324	-	4,324
Deposits and Collections Held in Trust	2,789	-	2,789
Advances from Other Funds	4,114	-	4,114
Total Liabilities	<u>34,564</u>	<u>280</u>	<u>34,844</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows (Note 25)	82,070	-	82,070
<b>FUND BALANCES</b>			
Nonspendable	2,043	-	2,043
Restricted	2,311	-	2,311
Committed	1,000	4,711	5,711
Assigned	104,042	15,500	119,542
Unassigned	3,645	4,485	8,130
Total Fund Balances	<u>113,041</u>	<u>24,696</u>	<u>137,737</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 229,675</u>	<u>\$ 24,976</u>	<u>\$ 254,651</u>

**City of Long Beach**  
**General Fund**  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	General Fund	Uplands Oil General	Eliminations	Combined General Fund September 30, 2013
<b>Revenues:</b>				
Taxes:				
Property	\$ 169,590	\$ -	\$ -	\$ 169,590
Sales	61,474	-	-	61,474
Utility Users	38,026	-	-	38,026
Other Taxes	30,629	-	-	30,629
Franchise Fees	25,243	-	-	25,243
Licenses and Permits	13,889	-	-	13,889
Fines and Forfeitures	16,394	-	-	16,394
Use of Money and Property	14,369	39,870	-	54,239
From Other Agencies	1,767	-	-	1,767
Charges for Services	26,295	-	-	26,295
Other	8,337	-	-	8,337
<b>Total Revenues</b>	<b>406,013</b>	<b>39,870</b>	<b>-</b>	<b>445,883</b>
<b>Expenditures:</b>				
Legislative and Legal	9,673	-	-	9,673
General Government	17,050	-	-	17,050
Public Safety	267,430	-	-	267,430
Public Health	5,383	-	-	5,383
Community and Cultural	40,750	-	-	40,750
Public Works	29,679	-	-	29,679
Oil Operations	-	4,722	-	4,722
<b>Total Current Expenditures</b>	<b>369,965</b>	<b>4,722</b>	<b>-</b>	<b>374,687</b>
<b>Debt Service:</b>				
Debt Administration Fees	-	-	-	-
<b>Total Expenditures</b>	<b>369,965</b>	<b>4,722</b>	<b>-</b>	<b>374,687</b>
<b>Excess of Revenues over     Expenditures</b>	<b>36,048</b>	<b>35,148</b>	<b>-</b>	<b>71,196</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	52,540	-	(28,271)	24,269
Transfers Out	(30,451)	(32,671)	28,271	(34,851)
<b>Total Other Financing Sources (Uses)</b>	<b>22,089</b>	<b>(32,671)</b>	<b>-</b>	<b>(10,582)</b>
<b>Net Change in Fund Balances</b>	<b>58,137</b>	<b>2,477</b>	<b>-</b>	<b>60,614</b>
Fund Balances - October 1	54,904	22,219	-	77,123
Fund Balances - September 30	<b>\$ 113,041</b>	<b>\$ 24,696</b>	<b>\$ -</b>	<b>\$ 137,737</b>



**City of Long Beach**  
**General Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2013**  
**(In Thousands)**

	Final Amended Budget			Combined	Actual on Budgetary Basis		Combined Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	General	Uplands	Eliminations		General	Uplands		
<b>Sources:</b>								
Property Taxes	\$ 127,628	\$ -	\$ -	\$ 127,628	\$ 169,590	\$ -	\$ 169,590	\$ 41,962
Sales Taxes	60,872	-	-	60,872	61,474	-	61,474	602
Utility Users Taxes	36,846	-	-	36,846	38,026	-	38,026	1,180
Other Taxes	27,710	-	-	27,710	30,629	-	30,629	2,919
Franchise Fees	21,507	-	-	21,507	25,243	-	25,243	3,736
Licenses and Permits	20,084	-	-	20,084	13,889	-	13,889	(6,195)
Fines and Forfeitures	15,797	-	-	15,797	16,394	-	16,394	597
Use of Money and Property From Other Agencies	14,306	23,073	-	37,379	14,528	39,870	54,398	17,019
Charges for Services	1,206	-	-	1,206	1,767	-	1,767	561
Other	24,897	-	-	24,897	26,295	-	26,295	1,398
Transfers In	6,263	-	-	6,263	8,337	-	8,337	2,074
	52,831	-	(28,285)	24,546	24,269	-	24,269	(277)
<b>Total Sources</b>	<b>409,947</b>	<b>23,073</b>	<b>(28,285)</b>	<b>404,735</b>	<b>430,441</b>	<b>39,870</b>	<b>470,311</b>	<b>65,576</b>
<b>Uses:</b>								
<b>Current:</b>								
<b>Legislative and Legal</b>								
Mayor and City Council	4,880	-	-	4,880	4,768	-	4,768	112
City Attorney	1,962	-	-	1,962	1,828	-	1,828	134
City Clerk	3,387	-	-	3,387	3,079	-	3,079	308
<b>General Government</b>								
City Auditor	2,385	-	-	2,385	2,330	-	2,330	55
City Manager	2,194	-	-	2,194	2,638	-	2,638	(444)
Civil Service	2,723	-	-	2,723	2,315	-	2,315	408
Financial Management	15,916	-	-	15,916	9,018	-	9,018	6,898
Planning and Building	1,377	-	-	1,377	1,073	-	1,073	304
<b>Public Safety</b>								
Police	188,946	-	-	188,946	185,167	-	185,167	3,779
Fire	72,728	-	-	72,728	71,415	-	71,415	1,313
City Prosecutor	4,970	-	-	4,970	4,832	-	4,832	138
Planning and Building-Code Enforcement	3,140	-	-	3,140	2,950	-	2,950	190
Police and Fire Annuity	-	-	-	-	3,067	-	3,067	(3,067)
Public Health	5,348	-	-	5,348	5,383	-	5,383	(35)
<b>Community and Cultural</b>								
Community Development	1,567	-	-	1,567	1,525	-	1,525	42
Library	14,046	-	-	14,046	13,996	-	13,996	50
Parks and Recreation	25,359	-	-	25,359	25,246	-	25,246	113
Public Works	30,475	-	-	30,475	30,059	-	30,059	416
Oil Operations	-	6,887	-	6,887	-	4,722	4,722	2,165
Debt Service:	-	-	-	-	-	-	-	-
Transfers Out	42,218	32,685	(28,285)	46,618	30,451	4,400	34,851	11,767
<b>Total Uses</b>	<b>423,621</b>	<b>39,572</b>	<b>(28,285)</b>	<b>434,908</b>	<b>401,140</b>	<b>9,122</b>	<b>410,262</b>	<b>24,646</b>
<b>Net Change in Budgetary Fund Balance:</b>	<b>\$ (13,674)</b>	<b>\$ (16,499)</b>	<b>\$ -</b>	<b>\$ (30,173)</b>	<b>\$ 29,301</b>	<b>\$ 30,748</b>	<b>\$ 60,049</b>	<b>\$ 90,222</b>

**Reconciliation of Fund Balances, Budgetary Basis to GAAP Basis**

	General	Uplands	Combined
<b>Change in Fund Balance - September 30, Budgetary Basis</b>	\$ 29,301	\$ 30,748	\$ 60,049
<b>Add:</b> Encumbrances	724	-	724
<b>Less:</b> Change in Mark-to-Market and Other Adjustments	(159)	-	(159)
<b>Adjust for:</b> Eliminations	28,271	(28,271)	-
<b>Change in Fund Balance - September 30, GAAP Basis</b>	58,137	2,477	60,614
<b>Fund Balance, October 1, GAAP Basis</b>	54,904	22,219	77,123
<b>Fund Balance, September 30, GAAP Basis</b>	<u>\$ 113,041</u>	<u>\$ 24,696</u>	<u>\$ 137,737</u>

**Reconciliation from GAAP Basis Fund Balance to Funds Available, Budgetary Basis**

	General	Uplands	Combined
<b>Fund Balance, September 30, GAAP Basis</b>	\$ 113,041	\$ 24,696	\$ 137,737
<b>Less:</b> Nonspendable Fund Balance	(2,043)	-	(2,043)
Restricted for Public Safety	(2,311)	-	(2,311)
Committed for Public Safety	(1,000)	-	(1,000)
Committed for Oil Field Abandonment	-	(4,711)	(4,711)
Assigned for Emergencies	(42,858)	-	(42,858)
Assigned for Operations	(10,486)	(2,500)	(12,986)
Assigned for Future Infrastructure	(1,000)	-	(1,000)
Assigned for Subsequent Year's Appropriations	(49,698)	(13,000)	(62,698)
<b>Total Adjustments</b>	<u>(109,396)</u>	<u>(20,211)</u>	<u>(129,607)</u>
<b>Budgetary Funds Available - September 30</b>	<u>\$ 3,645</u>	<u>\$ 4,485</u>	<u>\$ 8,130</u>

**City of Long Beach**  
**Insurance Fund**  
Combining Schedule of Net Position  
September 30, 2013  
(In Thousands)

	Workers' Compensation Fund	General Liability Fund	Total Insurance Fund
<b>ASSETS</b>			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 11,602	\$ 24,820	\$ 36,422
Non Performing Investments	3	1	4
Receivables:			
Accounts Receivable	1	-	1
Total Current Assets	<u>11,606</u>	<u>24,821</u>	<u>36,427</u>
Noncurrent Assets:			
Capital Assets Net of Accumulated Depreciation	<u>24</u>	<u>-</u>	<u>24</u>
Total Noncurrent Assets	<u>24</u>	<u>-</u>	<u>24</u>
Total Assets	<u>11,630</u>	<u>24,821</u>	<u>36,451</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Current Assets:			
Accounts Payable	219	674	893
Accrued Wages and Benefits	115	46	161
Due to Other Funds	56	23	79
Accrued Claims - Current	19,371	5,178	24,549
Total Current Liabilities	<u>19,761</u>	<u>5,921</u>	<u>25,682</u>
Noncurrent Liabilities:			
Accrued Self-Insurance Claims	<u>92,059</u>	<u>11,564</u>	<u>103,623</u>
Total Noncurrent Liabilities	<u>92,059</u>	<u>11,564</u>	<u>103,623</u>
Total Liabilities	<u>111,820</u>	<u>17,485</u>	<u>129,305</u>
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	24	-	24
Unrestricted	<u>(100,214)</u>	<u>7,336</u>	<u>(92,878)</u>
Total Net Position (Deficit)	<u>\$ (100,190)</u>	<u>\$ 7,336</u>	<u>\$ (92,854)</u>

**City of Long Beach**

Insurance Fund

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

For the Fiscal Year Ended September 30, 2013

(In Thousands)

	Workers' Compensation Fund	General Liability Fund	Total Insurance Fund
Operating Revenues:			
Billing to Other Departments	\$ 25,902	\$ 13,309	\$ 39,211
Total Operating Revenues	<u>25,902</u>	<u>13,309</u>	<u>39,211</u>
Operating Expenses:			
Personnel Services	4,569	3,093	7,662
Maintenance and Other Operations	3,192	3,064	6,256
Insurance Premiums	380	2,593	2,973
Self-Insured Losses	15,718	7,031	22,749
Compensated Absences	3,863	-	3,863
Depreciation	3	-	3
Total Operating Expenses	<u>27,725</u>	<u>15,781</u>	<u>43,506</u>
Operating Income (Loss)	<u>(1,823)</u>	<u>(2,472)</u>	<u>(4,295)</u>
Non-Operating Income (Expenses):			
Interest Income	10	30	40
Other Income	515	825	1,340
Other Expense	-	(24)	(24)
Total Non-Operating Income	<u>525</u>	<u>831</u>	<u>1,356</u>
Change in Net Position	<u>(1,298)</u>	<u>(1,641)</u>	<u>(2,939)</u>
Net Position (Deficit) - October 1	<u>(98,892)</u>	<u>8,977</u>	<u>(89,915)</u>
Net Position (Deficit) - September 30	<u><u>\$ (100,190)</u></u>	<u><u>\$ 7,336</u></u>	<u><u>\$ (92,854)</u></u>

**City of Long Beach**  
**Fleet Services Fund**  
**Combining Schedule of Net Position (Deficit)**  
**September 30, 2013**  
**(In Thousands)**

	Fleet Operations	Fleet Vehicle Acquisitions	Fleet Debt Service	Fleet Other	Adjustments and Eliminations	Totals September 30 2013
<b>ASSETS</b>						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 3,376	\$ 28,504	\$ 152	\$ 669	\$ -	\$ 32,701
Non-Pooled Cash and Cash Equivalents	8	-	-	-	-	8
Non Performing Investments	2	-	-	-	-	2
Receivables:						
Accounts Receivable	145	-	-	-	-	145
Due from Other Funds	-	-	20	-	-	20
Allowance for Receivables	(140)	-	-	-	-	(140)
Inventory	1,777	-	-	-	-	1,777
Total Current Assets	<u>5,168</u>	<u>28,504</u>	<u>172</u>	<u>669</u>	<u>-</u>	<u>34,513</u>
Noncurrent Assets:						
Capital Assets Net of Accumulated Depreciation	37,981	-	-	-	-	37,981
Total Noncurrent Assets	<u>37,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,981</u>
Total Assets	<u>43,149</u>	<u>28,504</u>	<u>172</u>	<u>669</u>	<u>-</u>	<u>72,494</u>
<b>LIABILITIES</b>						
Current Liabilities Payable from Current Assets:						
Accounts Payable	844	429	-	-	-	1,273
Accrued Wages and Benefits	142	12	-	-	(51)	103
Accrued Interest Payable	-	-	152	-	-	152
Due to Other Funds	4,179	(4,179)	-	-	51	51
Environmental Remediation - Current	-	-	-	182	-	182
Obligations Under Capital Leases - Current	-	594	-	-	-	594
Total Current Liabilities	<u>5,165</u>	<u>(3,144)</u>	<u>152</u>	<u>182</u>	<u>-</u>	<u>2,355</u>
Noncurrent Liabilities:						
Environmental Remediation	-	-	-	2,829	-	2,829
Obligations Under Capital Lease	-	615	-	-	-	615
Bonds Payable	-	-	24,015	-	-	24,015
Total Noncurrent Liabilities	<u>-</u>	<u>615</u>	<u>24,015</u>	<u>2,829</u>	<u>-</u>	<u>27,459</u>
Total Liabilities	<u>5,165</u>	<u>(2,529)</u>	<u>24,167</u>	<u>3,011</u>	<u>-</u>	<u>29,814</u>
<b>NET POSITION (DEFICIT)</b>						
Net Investment in Capital Assets	37,981	(1,209)	(25,453)	-	-	11,319
Restricted for:						
Unrestricted	3	32,242	1,458	(2,342)	-	31,361
Total Net Position (Deficit)	<u>\$ 37,984</u>	<u>\$ 31,033</u>	<u>\$ (23,995)</u>	<u>\$ (2,342)</u>	<u>\$ -</u>	<u>\$ 42,680</u>

**City of Long Beach**  
**Fleet Service Funds**  
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position (Deficit)  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

	Fleet Operations	Fleet Vehicle Acquisitions	Fleet Debt Service	Fleet Other	Adjustments and Eliminations	Totals September 30, 2013
Operating Revenues:						
Billing to Other Departments	\$ 19,548	\$ 9,532	\$ -	\$ -	\$ -	\$ 29,080
Other	935	-	-	-	-	935
Total Operating Revenues	20,483	9,532	-	-	-	30,015
Operating Expenses:						
Personnel Services	7,042	789	-	-	-	7,831
Maintenance and Other Operations	9,491	2,494	-	27	-	12,012
Depreciation	6,801	-	-	-	-	6,801
Total Operating Expenses	23,334	3,283	-	27	-	26,644
Operating Income (Loss)	(2,851)	6,249	-	(27)	-	3,371
Non-Operating Income (Expenses):						
Interest Expense	(1,040)	(54)	150	(25)	-	(969)
Gain (Loss) on Disposition of Capital Assets	(129)	203	-	-	-	74
Other Income	583	-	-	-	-	583
Other Expense	(29)	-	(219)	-	-	(248)
Total Non-Operating Income (Expenses)	(615)	149	(69)	(25)	-	(560)
Income (Loss) Before Contributions and Transfers	(3,466)	6,398	(69)	(52)	-	2,811
Transfers:						
Transfers In	(340)	-	-	340	-	-
Transfers Out	868	(1,000)	(868)	-	-	(1,000)
Change in Net Position	(2,938)	5,398	(937)	288	-	1,811
Net Position (Deficit) - October 1	40,922	25,635	(22,573)	(2,630)	-	41,354
Adjustment to Beginning Net Position	-	-	(485)	-	-	(485)
Net Position (Deficit) - September 30	<u>\$ 37,984</u>	<u>\$ 31,033</u>	<u>\$(23,995)</u>	<u>\$ (2,342)</u>	<u>\$ -</u>	<u>\$ 42,680</u>

## **TIDELANDS FUND**

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 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 Marina segment is used to account for the operations and development of the City's marinas in the Tidelands area. The Queen Mary segment is used to account for the operations related to the Queen Mary.

The City has issued revenue bonds to finance the purchase of the Aquarium of the Pacific 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.

Summary financial information for the consolidated Tidelands Business-type Enterprise Fund is presented on following pages (in thousands) as of September 30, 2013:

**City of Long Beach**  
**Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project**  
**Consolidated Schedule of Net Position**  
**September 30, 2013**  
**(In Thousands)**

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Eliminations Debit (Credit)	Consolidated Tidelands Total
<b>ASSETS</b>							
<b>Current Assets:</b>							
Pooled Cash and Cash Equivalents	\$179,618	\$ 4,332	\$ 2,042	\$ 7,525	\$193,517	\$ -	\$ 193,517
Non-Pooled Cash and Cash Equivalents	8,029	16	-	49	8,094	-	8,094
Non Performing Investments	29	2	-	1	32	-	32
<b>Receivables:</b>							
Interest Receivable	26	-	-	63	89	-	89
Accounts Receivable	2,525	530	22	186	3,263	-	3,263
Due from Other Governments	590	34	-	-	624	-	624
Due from Other Funds	23,748	-	-	-	23,748	(1,500)	22,248
Allowance for Receivables	(2)	(364)	-	(2)	(368)	-	(368)
Other Assets	1	-	-	-	1	-	1
<b>Total Current Assets</b>	<b>214,564</b>	<b>4,550</b>	<b>2,064</b>	<b>7,822</b>	<b>229,000</b>	<b>(1,500)</b>	<b>227,500</b>
<b>Noncurrent Assets:</b>							
<b>Restricted Noncurrent Assets</b>							
Non-Pooled Investments	8,106	-	-	4,245	12,351	-	12,351
<b>Capital Assets:</b>							
Land and Other Capital Assets Not Being Depreciated	43,693	2,676	-	11,322	57,691	-	57,691
Capital Assets Net of Accumulated Depreciation	139,502	83,522	10,013	53,986	287,023	-	287,023
<b>Total Noncurrent Assets</b>	<b>191,301</b>	<b>86,198</b>	<b>10,013</b>	<b>69,553</b>	<b>357,065</b>	<b>-</b>	<b>357,065</b>
<b>Total Assets</b>	<b>405,865</b>	<b>90,748</b>	<b>12,077</b>	<b>77,375</b>	<b>586,065</b>	<b>(1,500)</b>	<b>584,565</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Outflows	8,288	-	-	103	8,391	-	8,391
<b>LIABILITIES</b>							
<b>Current Liabilities payable from Current Assets:</b>							
Accounts Payable	6,278	943	-	737	7,958	-	7,958
Accrued Wages	249	124	-	19	392	-	392
Accrued Interest Payable	1,901	406	-	611	2,918	-	2,918
Due to Other Funds	122	61	-	1,509	1,692	1,500	192
Unearned Revenues	111	1,541	-	-	1,652	-	1,652
Collections Held in Trust	55	50	25	-	130	-	130
Obligations under Capital Leases - Current	29	-	-	-	29	-	29
Bonds Payable Due Within One Year	3,670	-	-	2,795	6,465	-	6,465
Other Long Term Obligation - Current	99	1,759	-	20	1,878	-	1,878
<b>Total Current Liabilities</b>	<b>12,514</b>	<b>4,884</b>	<b>25</b>	<b>5,691</b>	<b>23,114</b>	<b>1,500</b>	<b>21,614</b>
<b>Current Liabilities Payable from Restricted Assets:</b>							
Accounts Payable	-	-	292	-	292	-	292
<b>Total Liabilities Payable from Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>292</b>	<b>-</b>	<b>292</b>	<b>-</b>	<b>292</b>
<b>Noncurrent Liabilities:</b>							
Advances from Other Funds	1,300	-	-	-	1,300	-	1,300
Unearned Revenues	5,010	-	-	-	5,010	-	5,010
Obligations under Capital Leases	433	-	-	-	433	-	433
Other Long Term Obligations	701	51,210	-	478	52,389	-	52,389
Bonds Payable	93,350	-	-	31,183	124,533	-	124,533
Unamortized Discount (Premium) Deferred Cost	10,614	-	-	69	10,683	-	10,683
<b>Total Noncurrent Liabilities</b>	<b>111,408</b>	<b>51,210</b>	<b>-</b>	<b>31,730</b>	<b>194,348</b>	<b>-</b>	<b>194,348</b>
<b>Total Liabilities</b>	<b>123,922</b>	<b>56,094</b>	<b>317</b>	<b>37,421</b>	<b>217,754</b>	<b>1,500</b>	<b>216,254</b>
<b>NET POSITION</b>							
Net Investment in Capital Assets	90,812	33,226	10,013	35,125	169,176	-	169,176
<b>Restricted for:</b>							
Debt Service	8,256	-	-	79	8,335	-	8,335
Capital Projects	87	-	-	159	246	-	246
Tidelands	7,900	1,273	-	-	9,173	-	9,173
Unrestricted	183,176	155	1,747	4,694	189,772	-	189,772
<b>Total Net Position</b>	<b>\$290,231</b>	<b>\$34,654</b>	<b>\$11,760</b>	<b>\$40,057</b>	<b>\$376,702</b>	<b>\$-</b>	<b>\$376,702</b>

**City of Long Beach**  
**Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project**  
**Consolidated Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended September 30, 2013**  
(In Thousands)

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Eliminations Debit (Credit)	Consolidated Tidelands Total
<b>Operating Revenues:</b>							
Licenses and Permits	\$ 207	\$ 9	\$ -	\$ 45	\$ 261	\$ -	\$ 261
Fines and Forfeitures	308	-	-	-	308	-	308
Fees, Concessions, and Rentals	7,983	19,868	189	9,504	37,544	1,500	36,044
From Other Agencies	-	164	-	-	164	-	164
Charges for Services	22,857	99	-	-	22,956	-	22,956
Other	126	23	-	29	178	-	178
<b>Total Revenues</b>	<b>31,481</b>	<b>20,163</b>	<b>189</b>	<b>9,578</b>	<b>61,411</b>	<b>1,500</b>	<b>59,911</b>
<b>Operating Expenses:</b>							
Personnel Services	16,972	8,484	-	1,298	26,754	-	26,754
Maintenance and Other Operations	29,952	4,912	385	8,772	44,021	(1,500)	42,521
Amortization	485	-	-	29	514	-	514
Depreciation	10,462	4,300	419	3,667	18,848	-	18,848
<b>Total Operating Expenses</b>	<b>57,871</b>	<b>17,696</b>	<b>804</b>	<b>13,766</b>	<b>90,137</b>	<b>(1,500)</b>	<b>88,637</b>
<b>Operating Income</b>	<b>(26,390)</b>	<b>2,467</b>	<b>(615)</b>	<b>(4,188)</b>	<b>(28,726)</b>	<b>-</b>	<b>(28,726)</b>
<b>Non-Operating Income (Expense):</b>							
Interest Income	242	7	6	64	319	-	319
Interest Expense	(3,453)	(1,546)	-	(1,530)	(6,529)	-	(6,529)
Operating Grants	493	-	-	-	493	-	493
Other Income	18	-	-	-	18	-	18
<b>Total Non-Operating Income (Expense)</b>	<b>(2,700)</b>	<b>(1,539)</b>	<b>6</b>	<b>(1,466)</b>	<b>(5,699)</b>	<b>-</b>	<b>(5,699)</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>(29,090)</b>	<b>928</b>	<b>(609)</b>	<b>(5,654)</b>	<b>(34,425)</b>	<b>-</b>	<b>(34,425)</b>
Capital Grants and Contributions	119	34	-	-	153	-	153
<b>Operating Transfers:</b>							
Operating Transfers In	64,221	-	-	6,355	70,576	6,355	64,221
Operating Transfers Out	(6,355)	-	-	-	(6,355)	(6,355)	-
<b>Change in Net Position</b>	<b>28,895</b>	<b>962</b>	<b>(609)</b>	<b>701</b>	<b>29,949</b>	<b>-</b>	<b>29,949</b>
Net Position, October 1	262,233	33,692	12,369	39,803	348,097	-	348,097
Adjustments for GASB 65 Implementation	(897)	-	-	(447)	(1,344)	-	(1,344)
<b>Net Position, September 30</b>	<b>\$290,231</b>	<b>\$ 34,654</b>	<b>\$ 11,760</b>	<b>\$ 40,057</b>	<b>\$376,702</b>	<b>\$ -</b>	<b>\$ 376,702</b>



**City of Long Beach**  
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Area  
Schedule of Cash Flows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Queen Mary</u>	<u>Rainbow Harbor Area</u>	<u>Eliminations Increase (Decrease)</u>	<u>Consolidated Tidelands Total</u>
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers	\$ 31,492	\$ 19,450	\$ 233	\$ 9,626	\$ -	\$ 60,801
Receipts from Other Governments	5,292	242	-	-	-	5,534
Payments for Employee Salaries	(16,846)	(9,237)	-	(1,292)	-	(27,375)
Payments for Goods and Services	(28,149)	(5,679)	(93)	(9,011)	-	(42,932)
Payments to Other Entities	(1)	-	-	-	-	(1)
Other Income	18	-	-	-	-	18
Net Cash Provided by (Used for) Operating Activities	(8,194)	4,776	140	(677)	-	(3,955)
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers In	69,235	-	-	6,355	(6,355)	69,235
Transfers Out	(7,277)	-	-	119	6,355	(803)
Net Cash Provided by Non-Capital Financing Activities	61,958	-	-	6,474	-	68,432
<b>Cash Flows from Capital and Related</b>						
Proceeds from Issuance Of Long-Term Obligations	54	9,599	-	-	-	9,653
Changes Related to Capital Acquisitions	(14,260)	(15,033)	-	(251)	-	(29,544)
Payments of Principal on Bonds Payable	(5,560)	-	-	(2,680)	-	(8,240)
Payments of Principal on Other Long-Term Obligations	(136)	(755)	-	(19)	-	(910)
Payments of Interest, Net of Amounts Capitalized	(4,655)	(2,079)	-	(1,593)	-	(8,327)
Net Cash Used for Capital and Related Financing Activities	(24,557)	(8,268)	-	(4,543)	-	(37,368)
<b>Cash Flows from Investing Activities:</b>						
Payments for Investments	53	-	-	56	-	109
Payments of Interest and of Amounts Capitalized	372	14	6	29	-	421
Net Cash Provided by Investing Activities	425	14	6	85	-	530
Net Increase (Decrease) in Cash and Cash Equivalents	29,632	(3,478)	146	1,339	-	27,639
Cash and Cash Equivalents - October 1	158,015	7,826	1,896	6,235	-	173,972
Cash and Cash Equivalents - September 30	<u>\$ 187,647</u>	<u>\$ 4,348</u>	<u>\$ 2,042</u>	<u>\$ 7,574</u>	<u>\$ -</u>	<u>\$ 201,611</u>

*(Continued)*

**City of Long Beach**  
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project  
Schedule of Cash Flows  
For the Fiscal Year Ended September 30, 2013  
(In Thousands)  
(Continued)

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Eliminations Increase (Decrease)	Total
Operating Income (Loss)	\$ (26,390)	\$ 2,467	\$ (615)	\$ (4,188)	\$ -	\$ (28,726)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	10,947	4,300	419	3,696	-	19,362
Other Income	629	34	-	-	-	663
(Increase) Decrease in Accounts Receivable, Net	106	(155)	44	74	-	69
Decrease in Amounts Due from Other Governments	4,681	44	-	-	-	4,725
Increase (Decrease) in Accounts Payable	1,802	(768)	292	(239)	-	1,087
Increase in Accrued Wages Payable	89	12	-	4	-	105
Increase (Decrease) in Amounts Due to Other Funds	37	(764)	-	2	-	(725)
Decrease in Unearned Revenues	(83)	(394)	-	(1)	-	(478)
Decrease in Collections Held in Trust	(12)	-	-	(25)	-	(37)
Total Adjustments	18,196	2,309	755	3,511	-	24,771
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,194)</u>	<u>\$ 4,776</u>	<u>\$ 140</u>	<u>\$ (677)</u>	<u>\$ -</u>	<u>\$ (3,955)</u>
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u>						
Capitalized Interest	<u>\$ 472</u>	<u>\$ 657</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 1,139</u>

# STATISTICAL SECTION

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## STATISTICAL SECTION

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The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for use in evaluating the information contained with the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

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These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant fiscal year.

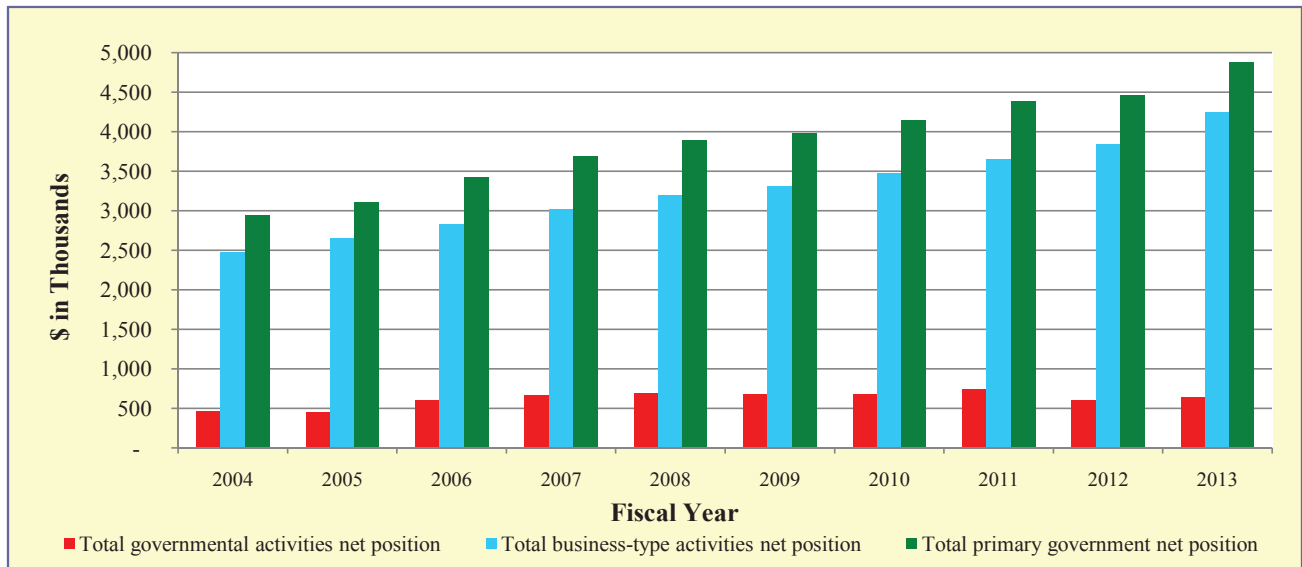


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**City of Long Beach**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(In Thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities:</b>										
Net Investment in capital assets	\$ 261,014	\$ 99,122	\$ 209,230	\$ 215,097	\$ 217,866	\$ 203,709	\$ 170,432	\$ 215,317	\$ 237,998	\$ 242,105
Restricted	286,745	474,313	496,094	291,468	285,937	289,658	346,412	631,729	470,723	458,167
Unrestricted	(78,179)	(118,328)	(106,380)	157,870	182,007	185,296	157,316	(104,327)	(100,337)	(61,528)
Total governmental activities net position	469,580	455,107	598,944	664,435	685,810	678,663	674,160	742,719	608,384	638,744
<b>Business-type activities:</b>										
Net Investment in capital assets	1,534,595	1,564,750	1,572,117	1,684,580	1,875,911	1,954,565	2,184,850	2,547,605	2,769,461	3,547,110
Restricted	498,341	505,875	523,769	366,018	359,364	367,477	603,007	289,999	289,864	297,694
Unrestricted	446,833	586,327	733,495	969,574	964,333	982,105	683,114	809,277	787,926	399,890
Total business-type activities net position	2,479,769	2,656,952	2,829,381	3,020,172	3,199,608	3,304,147	3,470,971	3,646,881	3,847,251	4,244,694
<b>Primary government</b>										
Net Investment in capital assets	1,795,609	1,663,872	1,781,347	1,899,677	2,093,777	2,158,274	2,355,282	2,762,922	3,007,459	3,789,215
Restricted	785,086	980,188	1,019,863	657,486	645,301	657,135	949,419	921,728	760,587	755,861
Unrestricted	368,654	467,999	627,115	1,127,444	1,146,340	1,167,401	840,430	704,950	687,589	338,362
Total primary government net position	\$2,949,349	\$3,112,059	\$3,428,325	\$3,684,607	\$3,885,418	\$3,982,810	\$4,145,131	\$4,389,600	\$4,455,635	\$4,883,438

**Note:** Effective fiscal year 2010 and beyond, unrestricted net position amounts have been changed to reflect the effects of the implementation of GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions.



See accompanying independent auditors' report

**City of Long Beach**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(In Thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental Activities:										
Legislative and Legal	\$ 9,721	\$ 10,313	\$ 12,003	\$ 12,911	\$ 13,210	\$ 12,866	\$ 11,527	\$ 10,106	\$ 10,998	\$ 10,957
General Government	23,179	25,808	13,988	13,376	16,871	16,292	19,792	22,653	22,128	23,342
Public Safety	227,601	280,415	255,188	276,391	294,916	302,025	291,399	284,986	290,542	303,872
Public Health	42,184	43,874	44,024	47,189	48,330	47,134	44,731	44,428	42,712	41,966
Community and Cultural	164,982	177,210	186,528	207,566	227,274	227,772	258,512	193,886	331,170	173,239
Public Works	67,425	58,783	55,009	67,794	83,232	95,354	91,375	89,942	92,058	102,979
Oil Operations	6,215	6,367	7,192	8,175	8,630	8,004	6,923	7,318	9,256	7,101
Interest on Long-Term Debt	22,652	30,831	34,554	36,187	38,418	35,831	32,744	35,273	28,492	26,941
Total Governmental Activities Expenses	563,959	633,601	608,486	669,589	730,881	745,278	757,003	688,592	827,356	690,397
Business-type Activities:										
Gas	76,408	89,463	99,656	89,021	137,263	90,364	77,531	84,003	77,157	82,693
Water	57,849	62,075	62,480	68,704	70,571	76,895	71,442	82,050	81,377	89,767
Sewer	7,787	7,337	7,612	11,486	11,989	13,224	14,607	15,357	15,042	15,542
Airport	19,476	22,465	24,816	27,994	31,698	32,113	37,762	39,530	41,764	41,616
Development Services	-	-	-	-	-	-	-	11,126	11,617	15,404
Solid Waste Management	70,658	70,493	73,679	78,305	82,590	83,245	71,632	71,330	69,506	71,708
Towing	6,762	6,858	8,520	8,838	9,863	7,883	8,916	6,670	6,743	5,915
Tidelands	83,501	94,033	105,671	111,156	123,258	124,711	117,071	124,830	100,602	96,881
Tideland Oil Revenue	102,098	188,250	264,355	199,542	486,759	178,636	276,850	393,317	390,602	362,144
Subsidence	441	4,054	4,061	-	-	-	-	5	5	3
Harbor	198,084	207,689	214,349	247,860	242,822	225,991	218,262	217,335	193,773	195,335
Total Business-Type Activities Expenses	623,064	752,717	865,199	842,906	1,196,813	833,062	894,073	1,045,553	988,188	977,008
Total Primary Government Expenses	1,187,023	1,386,318	1,473,685	1,512,495	1,927,694	1,578,340	1,651,076	1,734,145	1,815,544	1,667,405
Program Revenues:										
Governmental Activities:										
Charges for services:										
Legislative and Legal	415	98	1,256	119	801	264	862	104	714	61
General Government	26,952	27,289	20,174	13,406	14,049	14,679	14,968	16,501	17,521	16,093
Public Safety	36,678	39,768	36,694	40,326	42,516	37,078	40,072	35,110	34,617	32,371
Public Health	7,397	7,557	6,565	7,099	7,599	9,644	8,422	8,725	9,538	11,856
Community and Cultural	18,292	23,649	23,291	26,131	28,905	26,322	26,186	20,825	13,978	14,656
Public Works	15,179	16,878	17,840	17,722	19,382	25,803	25,985	21,072	26,876	25,011
Oil Operations	13,274	17,253	21,481	22,612	32,956	19,011	25,556	31,552	39,156	39,869
Operating Grants and Contributions	143,818	142,011	166,426	169,190	172,478	172,281	185,899	198,198	175,647	171,937
Capital Grants and Contributions	13,285	11,489	13,726	16,908	7,424	3,595	10,395	7,588	6,147	10,778
Total Governmental Activities Program Revenues	\$ 275,290	\$ 285,992	\$ 307,453	\$ 313,513	\$ 326,110	\$ 308,677	\$ 338,345	\$ 339,675	\$ 324,194	\$ 322,632

(continued)

See accompanying independent auditors' report



**City of Long Beach**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(In Thousands)**

(continued)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business-Type activities:</b>										
<b>Charges for Services:</b>										
Gas	\$ 88,717	\$ 104,450	\$ 113,053	\$ 100,421	\$ 123,580	\$ 113,910	\$ 80,605	\$ 88,240	\$ 83,633	\$ 87,141
Water	64,984	65,813	67,198	70,258	72,527	81,380	87,151	88,576	87,073	93,036
Sewer	9,283	9,729	9,245	10,812	11,785	12,707	15,186	16,447	17,325	17,311
Airport	27,905	29,121	29,086	30,985	35,080	35,004	38,820	40,395	43,893	43,817
Development Services	-	-	-	-	-	-	-	12,160	13,812	17,546
Solid Waste Management	71,198	70,128	80,015	83,865	85,958	87,032	78,772	74,019	78,613	79,542
Towing	6,770	7,622	7,846	8,126	8,816	8,516	8,529	7,297	6,583	6,445
Tidelands	53,887	55,436	73,013	83,085	81,511	83,245	82,948	83,018	56,726	59,929
Tideland Oil Revenue	131,035	208,488	266,992	214,157	522,956	143,336	295,680	449,819	452,863	397,301
Subsidence	-	-	-	500	500	492	496	-	-	-
Harbor	280,782	338,167	354,125	370,832	382,119	336,930	341,744	345,389	333,887	346,244
Operating Grants and Contributions	1,066	2,520	1,184	2,116	1,241	1,213	597	2,723	1,413	1,105
Capital Grants and Contributions	23,500	25,787	8,947	24,580	14,984	25,210	32,001	26,406	26,552	259,188
<b>Total Business-Type Activities</b>										
Program Revenues	759,127	917,261	1,010,704	999,737	1,341,057	928,975	1,062,529	1,234,489	1,202,373	1,408,605
<b>Total Primary Government</b>										
Program Revenues	1,034,417	1,203,253	1,318,157	1,313,250	1,667,167	1,237,652	1,400,874	1,574,164	1,526,567	1,731,237
<b>Net Revenues (expenses):</b>										
Governmental Activities	(288,669)	(347,609)	(301,033)	(356,076)	(404,771)	(436,601)	(418,658)	(348,917)	(503,162)	(367,765)
Business-Type Activities	136,063	164,544	145,505	156,831	144,244	95,913	168,456	188,936	214,185	431,597
<b>Total Net Expenses</b>	<b>(152,606)</b>	<b>(183,065)</b>	<b>(155,528)</b>	<b>(199,245)</b>	<b>(260,527)</b>	<b>(340,688)</b>	<b>(250,202)</b>	<b>(159,981)</b>	<b>(288,977)</b>	<b>63,832</b>
<b>General Revenues and Other Changes in Net Position:</b>										
<b>Governmental Activities:</b>										
<b>Taxes:</b>										
Property	107,796	123,924	141,335	162,342	173,184	196,402	180,262	218,570	179,746	203,770
Sales	42,383	48,216	51,557	55,848	55,261	51,585	53,144	60,159	60,414	63,443
Utility Users	45,339	39,216	40,637	41,694	41,028	39,901	39,240	38,739	37,097	38,026
Other	46,616	51,238	58,291	65,206	73,715	61,250	62,889	43,254	43,360	46,446
Franchise Fees	-	-	-	-	-	-	-	24,184	23,143	25,243
<b>Grants and Contributions not</b>										
Restricted to Specific Programs	28,693	39,205	115,668	44,086	46,330	48,364	46,058	-	-	150
Unrestricted Investment Earnings	12,325	16,213	23,520	23,374	24,357	14,712	7,837	10,291	4,349	3,417
Gain (Loss) on Sales of Capital Assets	317	810	806	649	(49)	(1,024)	8,539	-	-	-
Capital Asset Transfers	926	-	-	(257)	(1,142)	(1,337)	(101)	1,266	5,090	4,786
Transfers	12,584	14,314	13,056	28,625	13,462	19,601	16,287	21,601	15,628	21,490
<b>Total Governmental Activities</b>	<b>296,979</b>	<b>333,136</b>	<b>444,870</b>	<b>421,567</b>	<b>426,146</b>	<b>429,454</b>	<b>414,155</b>	<b>418,064</b>	<b>368,827</b>	<b>406,771</b>
<b>Business-type Activities:</b>										
Unrestricted Investment Earnings	25,280	27,599	42,021	62,329	47,512	26,890	14,554	9,253	6,903	5,557
Loss on Sales of Capital Assets	(2,539)	(665)	(2,041)	-	-	-	-	-	-	-
Capital Asset Transfers	(926)	19	-	257	1,142	1,337	101	(1,266)	(5,090)	(4,786)
Transfers	(12,584)	(14,314)	(13,056)	(28,625)	(13,462)	(19,601)	(16,287)	(21,601)	(15,628)	(21,490)
<b>Total Business-type Activities</b>	<b>9,231</b>	<b>12,639</b>	<b>26,924</b>	<b>33,961</b>	<b>35,192</b>	<b>8,626</b>	<b>(1,632)</b>	<b>(13,614)</b>	<b>(13,815)</b>	<b>(20,719)</b>
<b>Total Primary Government</b>	<b>306,210</b>	<b>345,775</b>	<b>471,794</b>	<b>455,528</b>	<b>461,338</b>	<b>438,080</b>	<b>412,523</b>	<b>404,450</b>	<b>355,012</b>	<b>386,052</b>
<b>Change in Net Position</b>										
Government activities	8,310	(14,473)	143,837	65,491	21,375	(7,147)	(4,503)	69,147	(134,335)	39,006
Business-type Activities	145,294	177,183	172,429	190,792	179,436	104,539	166,824	175,322	200,370	410,878
<b>Total Primary Government</b>	<b>\$ 153,604</b>	<b>\$ 162,710</b>	<b>\$ 316,266</b>	<b>\$ 256,283</b>	<b>\$ 200,811</b>	<b>\$ 97,392</b>	<b>\$ 162,321</b>	<b>\$ 244,469</b>	<b>\$ 66,035</b>	<b>\$ 449,884</b>

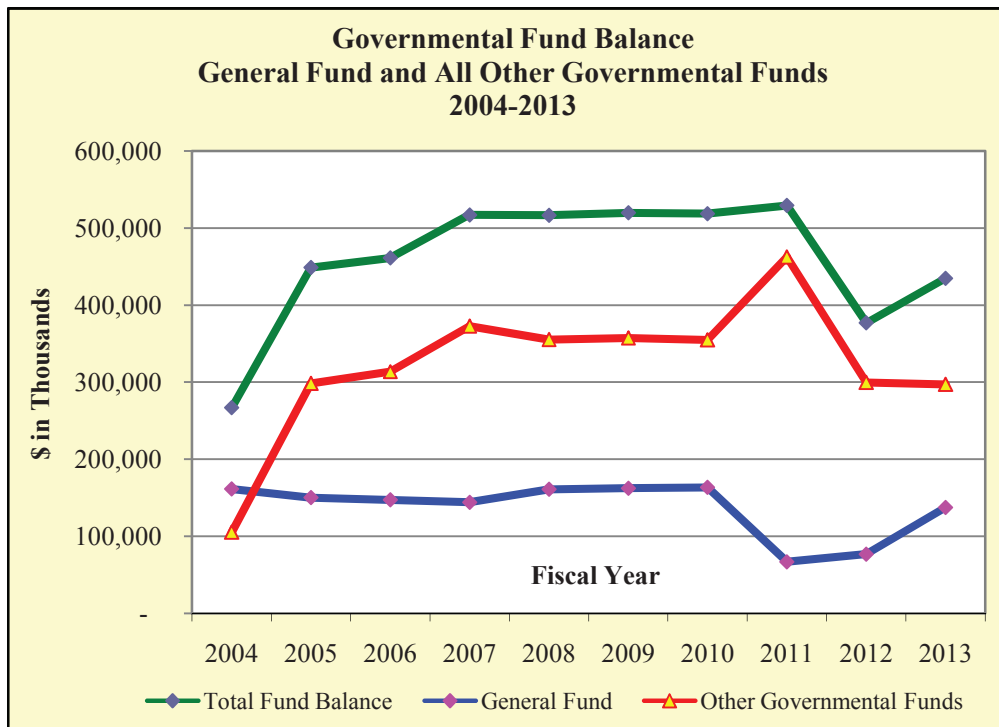
**Note:** With the implementation of GASB 54- Fund Balance Reporting and Governmental Fund Type Definitions, effective fiscal year 2010, the presentation of some financial data have changed in compliance with the aforementioned GASB standard.

See accompanying independent auditors' report

**City of Long Beach**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(In Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund:</b>										
Reserved	\$ 114,006	\$ 111,825	\$ 111,959	\$ 114,254	\$ 115,088	\$ 116,569	\$ -	\$ -	\$ -	\$ -
Unreserved	47,516	38,404	35,478	29,960	46,042	45,899	-	-	-	-
* Nonspendable	-	-	-	-	-	-	104,591	2,083	2,008	2,043
* Restricted	-	-	-	-	-	-	8,673	675	2,929	2,311
* Committed	-	-	-	-	-	-	1,486	4,108	5,394	5,711
* Assigned	-	-	-	-	-	-	3,798	59,445	61,935	119,542
* Unassigned	-	-	-	-	-	-	45,155	682	4,857	8,130
<b>Total General Fund</b>	<b>161,522</b>	<b>150,229</b>	<b>147,437</b>	<b>144,214</b>	<b>161,130</b>	<b>162,468</b>	<b>163,703</b>	<b>66,993</b>	<b>77,123</b>	<b>137,737</b>
<b>Other Governmental Funds:</b>										
Reserved	196,602	377,560	358,094	389,518	390,061	424,108	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	18,227	30,346	40,843	57,974	56,166	56,848	-	-	-	-
Capital Project Funds	(109,292)	(109,326)	(85,187)	(74,598)	(90,741)	(123,512)	-	-	-	-
* Nonspendable	-	-	-	-	-	-	24,902	1,654	45	8,009
* Restricted	-	-	-	-	-	-	514,588	489,841	320,310	293,567
* Committed	-	-	-	-	-	-	2,594	161	1,362	1,362
* Assigned	-	-	-	-	-	-	41,581	10,664	10,791	24,433
* Unassigned	-	-	-	-	-	-	(228,576)	(39,867)	(32,643)	(30,112)
<b>Total Other Governmental Funds</b>	<b>105,537</b>	<b>298,580</b>	<b>313,750</b>	<b>372,894</b>	<b>355,486</b>	<b>357,444</b>	<b>355,089</b>	<b>462,453</b>	<b>299,865</b>	<b>297,259</b>
<b>Total All Governmental Funds</b>	<b>\$267,059</b>	<b>\$448,809</b>	<b>\$461,187</b>	<b>\$517,108</b>	<b>\$516,616</b>	<b>\$519,912</b>	<b>\$518,792</b>	<b>\$529,446</b>	<b>\$376,988</b>	<b>\$434,996</b>

\* Note: In accordance with GASB No. 54, Fund Balance types from fiscal year 2010 and onward were reclassified to reflect the requirements of this statement. The Development Services Fund was reclassified from a Special Revenue Fund to a Proprietary Fund. The Upland Oil Fund was reclassified from a Special Revenue



See accompanying independent auditors' report

**City of Long Beach**  
**Change in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(In Thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
<b>Taxes:</b>										
Property	\$ 107,825	\$ 124,463	\$ 141,081	\$ 162,449	\$ 172,741	\$ 195,128	\$ 216,922	\$ 218,593	\$ 181,041	\$ 214,816
Sales	42,383	48,216	51,557	55,848	55,261	51,585	53,144	60,159	60,414	63,443
Utility Users	45,339	39,216	40,637	41,694	41,028	39,901	39,240	38,739	37,097	38,026
Other Taxes	46,616	51,237	58,292	65,205	73,715	61,250	42,465	43,254	43,360	46,446
Franchise Fees	-	-	-	-	-	-	24,040	24,184	23,143	25,243
Licenses and Permits	22,878	26,269	30,008	32,240	33,899	32,239	24,864	24,812	24,278	19,941
Fines and Forfeitures	13,581	14,744	16,387	17,644	18,509	19,501	17,042	16,193	17,762	16,394
Use of Money and Property	36,856	48,849	57,964	59,516	71,586	47,841	47,526	56,415	58,398	58,441
From Other Agencies	186,426	192,722	219,946	230,838	228,427	227,060	195,940	208,167	184,470	181,039
Charges for Services	45,948	46,633	29,071	26,168	27,609	30,742	26,264	28,549	28,586	28,292
Other Land Proceeds	-	-	716	-	-	-	-	-	-	-
Other Contributions	-	-	-	-	-	-	2,898	-	-	1,385
Other	13,106	15,987	13,892	13,711	17,587	11,667	13,599	25,256	19,544	18,577
Interfund Charges	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>560,958</b>	<b>608,336</b>	<b>659,551</b>	<b>705,313</b>	<b>740,362</b>	<b>716,914</b>	<b>703,944</b>	<b>744,321</b>	<b>678,093</b>	<b>712,043</b>
<b>Expenditures:</b>										
Legislative and Legal	10,359	10,037	12,464	13,602	12,481	11,649	10,806	9,683	10,316	9,673
General Government	23,407	25,209	15,123	15,765	16,081	11,993	15,480	20,035	17,441	17,785
Public Safety	227,176	257,869	266,057	279,382	285,366	290,615	291,618	289,538	285,807	288,979
Public Health	41,927	41,651	44,734	47,409	47,383	45,181	37,644	43,665	41,449	39,297
Community and Cultural	177,114	179,859	199,777	209,946	253,432	238,090	264,171	263,625	289,597	185,378
Public Works	43,589	42,885	42,647	42,586	50,221	53,358	46,002	44,178	60,368	65,484
Oil Operations	5,512	6,164	7,089	8,171	8,625	6,888	6,718	7,173	9,146	4,722
<b>Total Current Expenditures</b>	<b>529,084</b>	<b>563,674</b>	<b>587,891</b>	<b>616,861</b>	<b>673,589</b>	<b>657,774</b>	<b>672,439</b>	<b>677,897</b>	<b>714,124</b>	<b>611,318</b>
Capital Improvements	55,565	30,106	39,062	40,790	25,328	27,721	38,956	29,630	17,183	26,199
Loss on Disposition of Land										
Held for Resale	12	4,090	-	9,184	4,459	1,526	9,524	519	79,311	-
<b>Debt Service:</b>										
Principal	11,001	11,942	14,822	15,451	15,819	17,456	13,804	13,475	14,379	16,358
Interest	16,282	20,806	25,289	27,349	30,477	28,300	24,847	28,984	23,298	23,776
Debt Administration Fees	247	320	147	81	397	259	195	391	494	542
<b>Total Expenditures</b>	<b>612,191</b>	<b>630,938</b>	<b>667,211</b>	<b>709,716</b>	<b>750,069</b>	<b>733,036</b>	<b>759,765</b>	<b>750,896</b>	<b>848,789</b>	<b>678,193</b>
(Deficiency) of Revenues over (under) Expenditures	(51,233)	(22,602)	(7,660)	(4,403)	(9,707)	(16,122)	(55,821)	(6,575)	(170,696)	33,850
<b>Other Financing Sources (Uses):</b>										
Other Deferred Payments	229	221	220	291	-	-	-	-	-	-
Proceeds from Other Long- Term Obligations	-	-	-	-	-	-	-	-	-	-
Debt Issuance	17,360	188,344	40,402	25,748	280	311	34,417	297	753	54,186
Discount on Debt Issuance	-	-	-	(122)	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	(10,729)	(3,526)	(36,135)	-	-	-	-	-	-	(57,611)
Reconveyance of Land	-	-	-	-	(13,296)	(3,677)	(41)	-	-	-
Advances - Capitalized Interest	13	491	-	-	-	-	-	-	-	-
Land Transfers	-	-	-	-	-	-	-	(6,233)	-	-
Transfers In	73,563	52,782	55,900	91,967	84,353	60,163	56,406	271,094	409,802	114,615
Transfers Out	(50,729)	(33,960)	(40,349)	(57,560)	(62,122)	(37,379)	(36,306)	(247,930)	(392,317)	(87,032)
<b>Total Other Financing Sources</b>	<b>29,707</b>	<b>204,352</b>	<b>20,038</b>	<b>60,324</b>	<b>9,215</b>	<b>19,418</b>	<b>54,476</b>	<b>17,228</b>	<b>18,238</b>	<b>24,158</b>
<b>Net Change in Fund Balances</b>	<b>\$ (21,526)</b>	<b>\$ 181,750</b>	<b>\$ 12,378</b>	<b>\$ 55,921</b>	<b>\$ (492)</b>	<b>\$ 3,296</b>	<b>\$ (1,345)</b>	<b>\$ 10,653</b>	<b>\$ (152,458)</b>	<b>\$ 58,008</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>5.0%</b>	<b>5.5%</b>	<b>6.4%</b>	<b>6.4%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>5.4%</b>	<b>5.9%</b>	<b>4.6%</b>	<b>6.2%</b>

Effective 2011, the City implemented GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions, the City reviewed all governmental fund revenue streams. As a result, fiscal year 2010 financial data was reclassified.

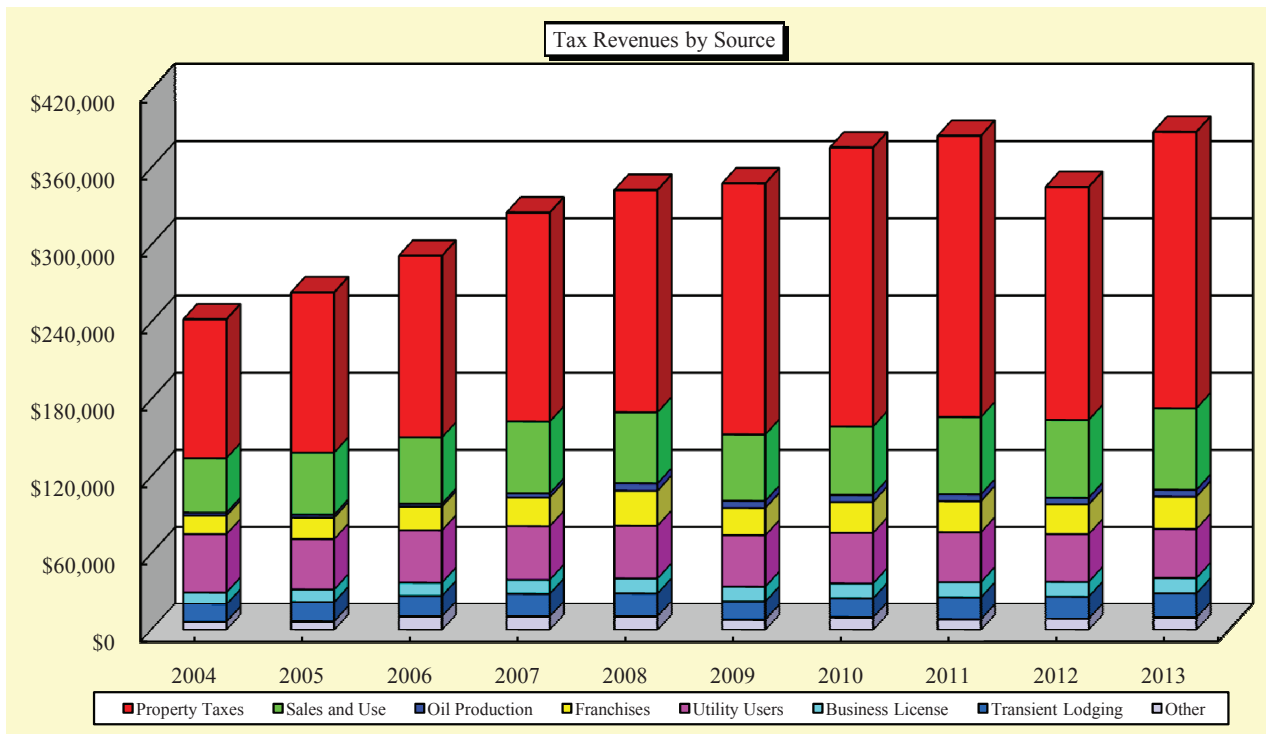
See accompanying independent auditors' report

**City of Long Beach**  
 Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (In Thousands)

Fiscal Year-end (1)	Property Taxes	Sales and Use Taxes	Oil Production Taxes	Franchises Taxes	Utility Users Taxes	Business License Taxes	Transient Lodging Taxes	Other (1) Taxes	Totals
2004	107,825	42,383	2,306	14,460	45,339	9,284	14,089	6,478	242,164
2005	124,463	48,216	2,335	16,670	39,216	9,879	15,527	6,826	263,132
2006	141,081	51,557	2,245	18,501	40,637	10,345	16,548	10,653	291,567
2007	162,449	55,848	3,123	22,340	41,694	10,909	18,309	10,524	325,196
2008	172,741	55,261	5,767	27,147	41,028	11,681	18,324	10,796	342,745
2009	195,128	51,585	5,557	21,274	39,901	11,647	14,635	8,137	347,864
2010	216,922	53,144	5,517	24,040	39,240	11,686	15,461	9,801	375,811
2011	218,593	60,159	5,331	24,184	38,739	11,956	17,603	8,364	384,929
2012	181,041	60,414	5,259	23,143	37,097	11,537	17,759	8,805	345,055
2013	214,816	63,443	5,301	25,243	38,026	11,981	19,451	9,713	387,974

Notes:

- (1) Includes Real Property Transfer, Special Parking, Miscellaneous Taxes, and transfers from funds in lieu of taxes. Tax revenues by source include all Governmental Fund Types (General, Special Revenue, Debt Service Funds, Capital Projects Funds, and Successor Agency Funds), including property tax for the former Long Beach Redevelopment Agency in accordance with generally accepted accounting principles.



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

See accompanying independent auditors' report

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

Fiscal Year-end	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2004	27,334,246	2,278,983	(783,201)	28,830,028	1.00%
2005	29,650,613	2,419,098	(678,462)	31,391,249	1.00%
2006	32,881,116	2,638,789	(916,457)	34,603,448	1.00%
2007	37,042,813	2,834,656	(961,500)	38,915,969	1.00%
2008	40,310,054	3,035,367	(1,072,806)	42,272,615	1.00%
2009	43,819,413	2,802,330	(1,047,919)	45,573,824	1.00%
2010	42,549,483	2,916,792	(1,239,013)	44,227,262	1.00%
2011	42,014,055	2,575,570	(1,593,660)	42,995,965	1.00%
2012	42,641,685	2,780,087	(1,318,100)	44,103,672	1.00%
2013	45,184,614	2,767,496	(1,025,398)	46,926,712	1.00%

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is reassessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and are subject to the limitations described above.

Source: Los Angeles County Office of Assessor.

See accompanying independent auditors' report

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

Overlapping Rates						
Fiscal Year-end	City Direct Rate	Los Angeles County	Unified Schools	Community College	Special Districts	Total
2004	1.000000	0.000992	0.042849	0.011705	0.006562	1.062108
2005	1.000000	0.000923	0.046671	0.012394	0.006045	1.066033
2006	1.000000	0.000795	0.040750	0.018569	0.005249	1.065363
2007	1.000000	0.000663	0.106814	0.021462	0.004752	1.133691
2008	1.000000	-	0.123342	0.008794	0.004500	1.136636
2009	1.000000	-	0.124782	0.022115	0.004300	1.151197
2010	1.000000	-	0.151809	0.023112	0.004300	1.179221
2011	1.000000	-	0.186954	0.040310	0.003700	1.230964
2012	1.000000	-	0.168187	0.035296	0.003700	1.207183
2013	1.000000	-	0.175606	0.048750	0.003500	1.227856

Note:

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

Source: County of Los Angeles

See accompanying independent auditors' report

**City of Long Beach**  
Principal Property Taxpayers  
Current Year and Nine Fiscal Years Ago  
(In Thousands)

Taxpayer	Fiscal Year 2013		Fiscal Year 2004	
	Assessed Valuation	Percentage of Total Net Assessed Valuation	Assessed Valuation	Percentage of Total Net Assessed Valuation
The Boeing Company	\$ 396,342	0.95 %	\$ 547,223	2.06 %
AES Alamitos LLC	219,500	0.53	629,000	2.37
Legacy Partners II LB World Trade LLC	153,840	0.37	-	-
2009 CUSA Community Owner LLC	140,537	0.34	-	-
BOP Landmark Square Co. LLC	123,053	0.29	141,639	0.53
GRE Shoreline Square LP	96,993	0.23	-	-
Noble Utah Long Beach LLC	92,828	0.22	-	-
Linwood Avenue LP	84,347	0.20	-	-
Molina Center LLC	81,000	0.19	-	-
Long Beach Generation LLC	64,100	0.15	44,900	0.17
HEI Long Beach LLC	62,059	0.15	-	-
Arco Terminal Services Corp.	61,792	0.15	86,225	0.32
City Place Long Beach LLC	60,870	0.15	-	-
Alamitos Bay Partnership	57,913	0.14	56,307	0.21
Sunstone Ocean LLC	55,901	0.13	-	-
Pacific Pipeline System LLC	52,835	0.13	-	-
Lyon West Gateway LLC	52,211	0.12	-	-
EQR Fresca 2009 LP	51,468	0.12	-	-
Plain West Coast Terminals LLC	49,232	0.12	-	-
Los Altos Gateway LLC	49,227	0.12	-	-
Pacific Towers Associates	-	-	59,322	0.22
Arden Realty LP	-	-	45,603	0.17
Essex Portfolio LP	-	-	45,427	0.17
Atlantic Richfield Company	-	-	43,592	0.16
	<u>\$2,006,048</u>	<u>4.80 %</u>	<u>\$1,699,238</u>	<u>6.38 %</u>

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report

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

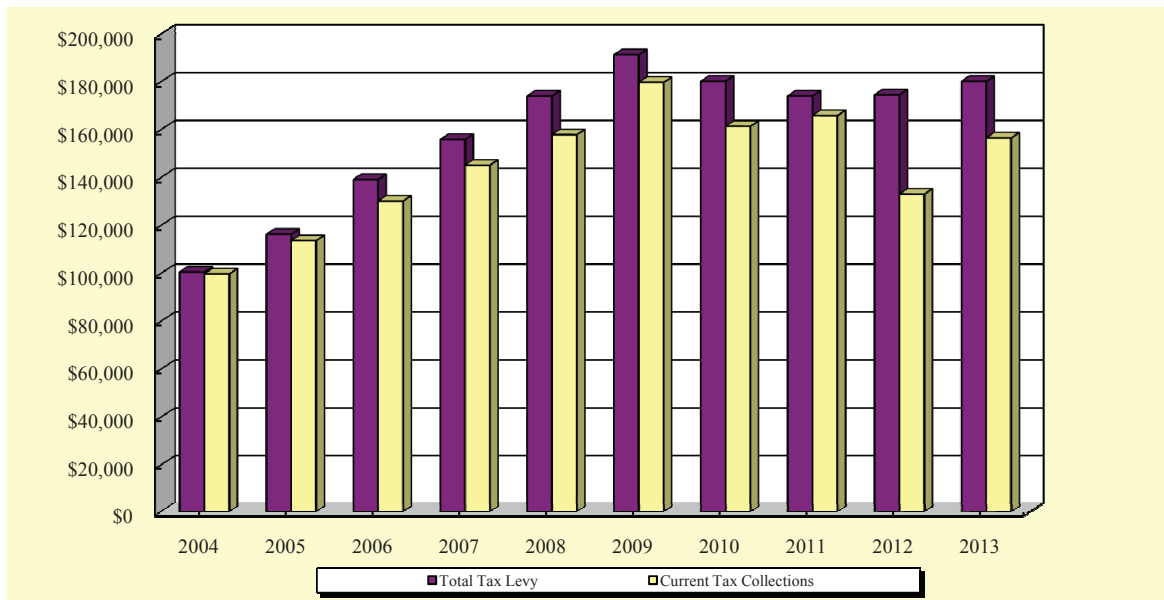
Fiscal Year-end (1)	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections (2)	Collections as Percentage of Levy	Outstanding Delinquent Taxes	Delinquent Tax as Percentage of Current Levy
2004	100,538	99,745	99.2%	8,634	108,379	107.8%	9,321	9.3%
2005	116,299	113,610	97.7%	11,388	124,998	107.5%	9,024	7.8%
2006	139,172	130,147	93.5%	12,093	142,240	102.2%	10,164	7.3%
2007	155,850	145,113	93.1%	17,819	162,932	104.5%	11,447	7.3%
2008	174,002	157,865	90.7%	14,877	172,742	99.3%	11,369	6.5%
2009	191,251	179,716	94.0%	15,412	195,128	102.0%	13,760	7.2%
2010	180,159	161,354	89.6%	9,542	170,896	94.9%	11,857	6.6%
2011	174,025	165,851	95.3%	7,468	173,319	99.6%	10,874	6.2%
2012	174,505	133,062	76.3%	4,169	137,231	78.6%	10,698	6.1%
2013	180,137	156,530	86.9%	3,049	159,579	88.6%	8,915	4.9%

Notes:

(1) Total tax collections for fiscal years 2004 through 2013 include redevelopment/successor agency tax increment collections in accordance with generally accepted accounting principles as follows:

Fiscal Year-end	Collections (in thousands)
2004	\$ 41,718
2005	50,977
2006	63,406
2007	73,011
2008	77,460
2009	92,762
2010	83,609
2011	77,470
2012	36,337
2013	40,294

(2) Excludes motor vehicle and vehicle license fees in-lieu taxes, interests, penalties, and Los Angeles County administrative cost.



Source: City of Long Beach, Department of Financial Management and County of Los Angeles Auditor-Controller

See accompanying independent auditors' report



**City of Long Beach**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(In Thousands, Except Per Capita Amount)

Fiscal Year-end	Governmental Activities					Total Governmental Activities
	Revenue Bonds	Tax Allocation Bonds	Notes Payable	Capital Leases	Other	
2004	\$ 249,290	\$ 175,292	\$ 9,269	\$ 40,682	\$ 42,400	\$ 516,933
2005	242,685	355,444	11,971	31,957	37,962	680,019
2006	231,470	348,626	11,146	35,131	34,996	661,369
2007	246,500	340,813	10,734	39,481	32,532	670,060
2008	236,535	332,562	8,888	32,992	29,875	640,852
2009	222,770	323,890	9,057	27,227	27,704	610,648
2010	178,895	347,740	8,415	54,159	25,448	614,657
2011	167,940	337,557	8,560	49,712	22,784	586,553
2012	161,620	326,852	8,118	46,064	20,884	563,538
2013	139,085	315,399	7,102	41,869	23,241	526,696

Fiscal Year-end	Business-type Activities					Total Business-type Activities
	Revenue Bonds	Certificates of Participation	Notes Payable (1)	Capital Leases	Other (3)	
2004	\$ 1,491,930	\$ 15,985	\$ 89,581	\$ 9,484	\$ 316,100	\$ 1,923,080
2005	1,409,610	15,025	188,150	7,572	328,700	1,949,057
2006	1,367,640	9,960	104,958	6,119	343,100	1,831,777
2007	1,312,585	9,175	119,641	3,767	399,800	1,844,968
2008	2,012,545	8,350	132,395	1,237	450,170	2,604,697
2009	1,728,770	7,480	117,597	565	48,324	1,902,736
2010	1,714,810	-	73,797	541	38,615	1,827,763
2011	1,709,685	-	56,687	3,541	28,274	1,798,187
2012	1,640,665	-	54,488	3,109	28,400	1,726,662
2013	1,564,045	-	147,020	2,667	42,200	1,755,932

Fiscal Year-end	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2004	\$ 2,440,013	2.392%	\$ 5,169
2005	2,629,076	2.536%	5,584
2006	2,493,146	2.749%	5,332
2007	2,515,028	2.843%	5,408
2008	3,245,549	2.897%	7,006
2009	2,513,384	2.784%	5,438
2010	2,442,420	2.763%	5,279
2011	2,384,740	2.808%	5,159
2012	2,290,200	2.820%	4,919
2013	2,282,628	2.876%	4,881

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

- (1) Notes payable in fiscal year 2005 included \$97,354,000 abandonment reserve payable to the California State Lands Commission.
- (2) See Schedule of Demographic and Economic Statistics for personal income and population data. Restated prior years due to the data's annual revision.
- (3) Includes Estimated Oil Field Abandonment Costs and starting with 2007 environmental remediation and site restoration are also included in this category.

See accompanying independent auditors' report

**City of Long Beach**  
Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(In Thousands, except Per Capita)

Fiscal Year-end	Outstanding General Bonded Debt				Ratio of Net Bonded Debt to Assessed Value (2)	Per Capita (3)
	Pension Obligation Bonds	Tax Allocation Bonds	Less: Amounts Restricted for Debt Service (1)	Net Bonded Debt (1)		
2004	\$ 102,195	\$ 175,292	\$ 26,258	\$ 251,229	85%	\$ 532.25
2005	97,255	355,444	39,059	413,640	129%	878.63
2006	89,465	348,626	36,936	401,155	113%	857.93
2007	83,635	340,813	42,945	381,503	96%	820.41
2008	77,275	332,562	45,796	364,041	84%	785.84
2009	70,340	323,890	53,895	340,335	73%	736.32
2010	62,775	347,740	57,937	352,578	78%	762.03
2011	54,520	337,557	48,360	343,717	77%	743.56
2012	50,205	326,852	32,615	344,442	76%	739.82
2013	45,675	315,399	33,375	327,699	68%	700.74

Notes:

- (1) Includes Redevelopment bonds issued during fiscal years 2002, 2003, 2005, and 2006.
- (2) Assessed value can be found in the Schedule of Assessed Value and Actual Value of Taxable Property. Percentage calculated using the following formula: Net bonded Debt / (Assessed Value - Exemptions)
- (3) Population data can be found in the Schedule of Demographic and Economic Statistics.

See accompanying independent auditors' report

**City of Long Beach**  
**Schedule of Direct and Overlapping Debt**  
**September 30, 2013 (In Thousands)**

2012-13 Assessed Valuation: \$44,481,455

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds		\$ 93,410	\$ -	\$ 93,410
Tax Allocation Bonds		315,399	-	315,399
Notes Payable		7,102	-	7,102
Capital Leases		41,869	-	41,869
Pension Obligations		45,675	-	45,675
Total Direct Debt		<u>\$ 503,455</u>	<u>\$ -</u>	<u>\$ 503,455</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>			
Cerritos Community College District	0.342 %	\$ 187,115	\$ 186,475	\$ 640
Compton Community College District	2.397	61,611	60,134	1,477
Long Beach Community College District	85.708	415,743	59,418	356,325
Los Angeles Community College District	0.055	3,642,560	3,640,557	2,003
ABC Unified School District	1.027	42,160	41,727	433
Compton Unified School District	0.024	53,955	53,942	13
Long Beach Unified School District	85.710	536,547	76,672	459,875
Los Angeles Unified School District	0.069	10,618,110	10,610,784	7,326
Paramount Unified School District	8.449	114,079	104,440	9,639
Los Angeles County Flood Control District	4.102	19,770	18,959	811
Metropolitan Water District	2.119	165,085	161,587	3,498
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT(1)		<u>\$ 15,856,735</u>	<u>\$ 15,014,695</u>	<u>\$ 842,040</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	4.086	\$ 1,701,926	\$ 1,632,385	\$ 69,541
Los Angeles County Superintendent of Schools Certificates of Participation	4.082	9,530	9,141	389
Compton Unified School District Certificates of Participation	0.026	27,175	27,168	7
Los Angeles Unified School District Certificates of Participation	0.069	394,131	393,859	272
Paramount Unified School District Certificates of Participation	8.449	24,265	22,215	2,050
County Sanitation District No. 1 Certificates of Participation	1.225	15,676	15,484	192
County Sanitation District No. 2 Certificates of Participation	0.198	24,205	24,157	48
County Sanitation District No. 3 Certificates of Participation	85.951	10,008	1,406	8,602
County Sanitation District No. 8 Certificates of Participation	2.387	9,553	9,325	228
County Sanitation District No. 19 Certificates of Participation	28.394	4,360	3,122	1,238
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$ 2,220,829</u>	<u>\$ 2,138,262</u>	<u>\$ 82,567</u>
TOTAL GROSS OVERLAPPING COMBINED DEBT		\$ 18,077,564	\$ 17,152,957	\$ 924,607
Less: Los Angeles County General Fund Obligations supported by landfill revenues supported by period payments to investment accounts)		26,040	25,816	224
		10,000	9,997	3
TOTAL NET OVERLAPPING COMBINED DEBT		<u>\$ 18,041,524</u>	<u>\$ 17,117,144</u>	<u>\$ 924,380</u>
TOTAL NET DIRECT AND OVERLAPPING COMBINED DEBT		<u>\$ 18,544,979</u>	<u>\$ 17,117,144</u>	<u>\$ 1,427,835</u>

**Notes:**

(1) Excludes 1915 Act and Mello-Roos Act Bonds

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report

**City of Long Beach**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(In Thousands)**

	Fiscal Year				
	2004	2005	2006	2007	2008
Assessed valuation	\$29,613,229	\$32,069,711	\$35,519,905	\$39,877,469	\$43,345,421
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	7,403,307	8,017,428	8,879,976	9,969,367	10,836,355
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	1,110,496	1,202,614	1,331,996	1,495,405	1,625,453
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 1,110,496</u>	<u>\$ 1,202,614</u>	<u>\$ 1,331,996</u>	<u>\$ 1,495,405</u>	<u>\$ 1,625,453</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

	Fiscal Year				
	2009	2010	2011	2012	2013
Assessed valuation	\$46,621,743	\$45,466,275	\$44,589,625	\$45,421,772	\$47,952,110
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	11,655,436	11,366,569	11,147,406	11,355,443	11,988,028
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	1,748,315	1,704,985	1,672,111	1,703,316	1,798,204
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 1,748,315</u>	<u>\$ 1,704,985</u>	<u>\$ 1,672,111</u>	<u>\$ 1,703,316</u>	<u>\$ 1,798,204</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15 percent of gross assessed valuation. This provision was enacted when assessed valuation was based on 25 percent of market value. Effective with fiscal year 1982, each parcel is assessed at 100 percent of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 percent level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Long Beach, Department of Financial Management.  
County of Los Angeles, Department of Auditor-Controller.

See accompanying independent auditors' report

**City of Long Beach**  
**Pledged Revenue Coverage**  
**Gas Fund Revenue Bond Coverage**  
**Last Ten Fiscal Years (5)**  
**(In Thousands)**

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non-Operating Income (Loss) (1)	Net Revenue Available for Debt Service	Debt Service Requirements (4)			Times Coverage
						Principal	Interest	Total	
2004	\$ 83,752	\$ 73,059	\$ 10,693	\$ 5,360	\$ 16,053	\$ 625	\$ 424	\$ 1,049	15.3
2005	98,998	84,109	14,889	5,858	20,747	655	394	1,049	19.8
2006	107,481	96,786	10,695	5,807	16,502	885	195	1,080	15.3
2007	99,648	85,151	14,497	1,389	15,886	905	173	1,078	14.7
2008	123,085	89,115	33,970	993	34,963	925	29,697	30,622	1.1
2009	87,736	41,232	46,504	26,983	73,487	1,050	46,548	47,598	1.5
2010	79,732	39,803	39,929	1,566	41,495	9,480	33,918	43,398	1.0
2011	87,730	45,922	41,808	227	42,035	10,400	33,444	43,844	1.0
2012	82,671	38,902	43,769	(348)	43,421	10,035	32,955	42,990	1.0
2013	80,215	37,274	42,941	(1,067)	41,874	9,040	32,492	41,532	1.0

**Water Fund Revenue Bond Coverage**  
**Last Ten Fiscal Years (2)**  
**(In Thousands)**

2004	\$ 63,185	\$ 47,752	\$ 15,433	\$ 2,055	\$ 17,488	\$ 1,645	\$ 1,954	\$ 3,599	4.9
2005	64,522	50,146	14,376	1,710	16,086	1,110	1,884	2,994	5.4
2006	66,074	53,059	13,015	1,564	14,579	1,155	1,836	2,991	4.9
2007	70,259	55,965	14,294	823	15,117	1,210	1,785	2,995	5.0
2008	71,604	57,239	14,365	1,417	15,782	1,265	1,731	2,996	5.3
2009	80,933	61,637	19,296	861	20,157	1,330	1,661	2,991	6.7
2010	87,151	67,091	20,060	10,075	30,135	1,405	1,588	2,993	10.1
2011	88,576	70,565	18,011	(207)	17,804	-	861	861	20.7
2012	86,515	69,982	16,533	(702)	15,831	490	1,249	1,739	9.1
2013	91,949	76,217	15,732	(1,789)	13,943	2,110	1,484	3,594	3.9

**Solid Waste Management Fund**  
**SERRF Authority Revenue Bond Coverage**  
**Last Ten Fiscal Years (3)**  
**(In Thousands)**

2004	\$ 71,198	\$ 56,169	\$ 15,029	\$ (2,424)	\$ 12,605	\$ 4,500	\$ 4,914	\$ 9,414	1.3
2005	70,128	58,046	12,082	1,819	13,901	6,185	4,985	11,170	1.2
2006	78,173	65,218	12,955	5,385	18,340	6,355	4,813	11,168	1.6
2007	81,412	68,982	12,430	6,747	19,177	6,540	4,635	11,175	1.7
2008	83,628	72,102	11,526	6,342	17,868	6,690	4,478	11,168	1.6
2009	84,151	73,976	10,175	4,163	14,338	6,860	4,312	11,172	1.3
2010	77,419	64,608	12,811	4,228	17,039	7,050	4,121	11,171	1.5
2011	73,797	64,198	9,599	1,867	11,466	7,305	3,860	11,165	1.0
2012	77,111	62,718	14,393	662	15,055	7,635	3,535	11,170	1.3
2013	79,327	65,010	14,317	(716)	13,601	8,005	3,165	11,170	1.2

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.
- (2) The Water Revenue Refunding Bonds Series 1997A were refunded by the Water Revenue Refunding Bonds Series 2010A. Current debt service payments for the 1997 Bonds were covered by the 2010 Bonds refunding issue proceeds.
- (3) 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.
- (4) The 2009 increase of Non-Operating Income for Gas was due to the \$25.6 million savings attributable to the tender of 2007 Gas Prepay Bonds of \$231 million.
- (5) Gas Fund Revenue Bond Coverage for Debt Service Requirement for FY 2007-FY 2010 were restated to include the 2007 Gas Prepay Series A and B payments.

Source: City of Long Beach, Department of Financial Management.  
See accompanying independent auditors' report

**City of Long Beach**  
**Pledged Revenue Coverage**  
**Airport Revenue Bond Coverage**  
**Last Ten Fiscal Years**  
**(In Thousands)**

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (Loss) (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
2004	-	-	-	-	-	-	-	-	0.0
2005	-	-	-	-	-	-	-	-	0.0
2006	-	-	-	-	-	-	-	-	0.0
2007	-	-	-	-	-	-	-	-	0.0
2008	-	-	-	-	-	-	-	-	0.0
2009	-	-	-	-	-	-	-	-	0.0
2010	31,033	26,157	4,876	7,301	12,177	855	1,998	2,853	4.3
2011	32,416	28,150	4,266	7,224	11,490	905	5,668	6,573	1.7
2012	34,405	27,142	7,263	8,772	16,035	1,330	7,046	8,376	1.9
2013	34,760	26,513	8,247	8,060	16,307	2,260	7,004	9,264	1.8

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

2004	\$ 24,684	\$ 15,557	\$ 9,127	\$ 656	\$ 9,783	\$ 740	\$ 1,749	\$ 2,489	3.9
2005	25,900	17,399	8,501	1,809	10,310	770	1,717	2,487	4.1
2006	26,926	18,598	8,328	789	9,117	940	1,526	2,466	3.7
2007	28,306	21,229	7,077	402	7,479	865	1,571	2,436	3.1
2008	28,408	21,088	7,320	908	8,228	900	1,534	2,434	3.4
2009	30,941	20,491	10,450	1,900	12,350	945	1,494	2,439	5.1
2010	33,028	20,396	12,632	36	12,668	980	1,449	2,429	5.2
2011	33,460	22,348	11,112	1,011	12,123	1,025	1,493	2,518	4.8
2012	32,620	19,547	13,073	319	13,392	1,035	1,410	2,445	5.5
2013	30,015	19,843	10,172	409	10,581	820	1,512	2,332	4.5

Notes:

(1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.

Prior year adjustments to operating expenses were made to exclude amortization.

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

See accompanying independent auditors' report

**City of Long Beach**  
**Pledged Revenue Coverage**  
**Rainbow Harbor Area Segment**  
**Revenue Bond Coverage**  
**Last Ten Fiscal Years (2)**  
**(In Thousands)**

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non-Operating Income (Loss) (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
2004	4,609	5,537	(928)	154	(774)	90	2,434	2,524	-
2005	5,386	8,897	(3,511)	337	(3,174)	1,455	2,430	3,885	-
2006	6,404	8,728	(2,324)	338	(1,986)	1,515	2,369	3,884	-
2007	7,230	10,305	(3,075)	465	(2,610)	2,070	2,184	4,254	-
2008	7,212	9,739	(2,527)	210	(2,317)	2,235	2,025	4,260	-
2009	6,880	9,498	(2,618)	2,275	(343)	2,325	1,936	4,261	-
2010	7,421	9,255	(1,834)	(20)	(1,854)	2,410	1,846	4,256	-
2011	8,780	9,869	(1,089)	69	(1,020)	2,500	1,761	4,261	-
2012	9,206	9,747	(541)	49	(492)	2,590	1,666	4,256	-
2013	9,578	10,070	(492)	64	(428)	2,680	1,570	4,250	-

**Tidelands Operating Segment**  
**Revenue Bond Coverage**  
**Last Ten Fiscal Years (3)**  
**(In Thousands)**

2004	32,390	37,600	(5,210)	1,679	(3,531)	2,434	6,558	8,992	-
2005	33,593	43,633	(10,040)	1,679	(8,361)	2,430	6,558	8,988	-
2006	48,859	57,923	(9,064)	4,732	(4,332)	2,369	6,558	8,927	-
2007	56,663	61,199	(4,536)	3,516	(1,020)	2,765	6,504	9,269	-
2008	52,739	69,138	(16,399)	6,563	(9,836)	2,870	6,393	9,263	-
2009	55,684	72,880	(17,196)	6,335	(10,861)	2,985	6,274	9,259	-
2010	55,288	65,736	(10,448)	1,055	(9,393)	3,105	6,147	9,252	-
2011	55,287	73,809	(18,522)	1,524	(16,998)	3,240	6,010	9,250	-
2012	28,075	51,697	(23,622)	1,555	(22,067)	3,380	5,622	9,002	-
2013	31,481	46,924	(15,443)	753	(14,690)	5,560	4,578	10,138	-

**Harbor Fund**  
**Revenue Bond Coverage**  
**Last Ten Fiscal Years (4)**  
**(In Thousands)**

2004	280,782	54,208	226,574	12,987	239,561	32,590	60,474	93,064	2.6
2005	329,208	62,016	267,192	26,524	293,716	34,215	58,444	92,659	3.2
2006	353,294	75,541	277,753	27,741	305,494	34,935	54,556	89,491	3.4
2007	370,832	96,964	273,868	28,246	302,114	38,335	51,216	89,551	3.4
2008	359,345	116,166	243,179	55,866	299,045	40,090	49,432	89,522	3.3
2009	311,351	97,880	213,471	27,160	240,631	42,150	47,488	89,638	2.7
2010	321,639	98,026	223,613	44,166	267,779	40,120	42,427	82,547	3.2
2011	345,389	81,423	263,966	(12,490)	251,476	42,175	37,247	79,422	3.2
2012	333,887	87,637	246,250	(2,522)	243,728	44,815	35,193	80,008	3.0
2013	346,244	97,696	248,548	(818)	247,730	46,965	33,026	79,991	3.1

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.
- (2) 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.
- (3) The Long Beach Aquarium of the Pacific Lease Revenue Refunding Bonds Series 2012 were issued to (1) refund the Long Beach Aquarium of the Pacific Revenue Bonds 2001 Series bonds, (2) to fund a reserve fund for the Series 2012 Bonds, and (3) pay the costs of issuance of the Series 2012 Bonds.
- (4) Harbor 2000 Revenue Bonds Series A was paid off in fiscal year 2010 and a new Harbor 2010 Revenue Bonds Series A was issued. Prior year adjustments are being made to reflect these bond changes.

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

See accompanying independent auditors' report

**City of Long Beach**  
Demographic Statistics  
Last Ten Fiscal Years

Fiscal Year-end	Estimated Population (1)	Personal Income (in millions) (2) (5)	Per Capita Personal Income (2) (5)	Public School Enrollment (3)	Unemployment Rate (4)
2004	472,013	11,290	23,919	97,560	7.2
2005	470,781	11,939	25,360	96,319	5.9
2006	467,586	12,854	27,490	93,589	5.3
2007	465,017	13,222	28,434	90,663	5.6
2008	463,250	13,422	28,974	88,186	8.2
2009	462,211	12,866	27,836	87,509	12.8
2010	462,685	12,783	27,627	86,283	13.9
2011	462,257	12,981	28,081	84,812	13.4
2012	465,576	13,129	28,199	83,691	12.2
2013	467,646	13,451	28,764	82,256	10.3

Sources:

(1) California Department of Finance

(2) Bureau of Economic Analysis (BEA).

Personal income and per capita personal income with exception of 1999 and 2005 are based on percentage change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistical Area). The BEA's report does not have personal income and per capita personal income available for 2013, so an average of the last five years was used.

(3) California Department of Education Educational Demographic Unit. Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.

(4) Average annual rate reported by California Employment Development Department (EDD). Each rate from 2004 through 2013 is noted not adjusted, not preliminary.

(5) Restated prior years due to the data's annual revision.

See accompanying independent auditors' report



**City of Long Beach**  
Principal Employers  
Current Year and Nine Years Ago

Ranking	Employer	Fiscal Year 2013		Fiscal Year 2004		
		Number of Employees (1)	Percentage of Total City Employment (2)	Ranking	Number of Employees (1)	Percentage of Total City Employment (2)
1	Long Beach Unified School District	10,389	4.31%	2	9,064	3.91%
2	Long Beach Memorial Medical Center	5,693	2.36%	5	3,500	1.51%
3	The Boeing Company	5,042	2.09%	1	10,500	4.53%
4	City of Long Beach	5,028	2.09%	3	6,289	2.72%
5	California State University Long Beach	2,679	1.11%	4	6,007	2.59%
6	Veteran Affairs Medical Center	2,413	1.00%	9	1,700	0.73%
7	Long Beach City College	2,137	0.89%	6	2,000	0.86%
8	California State Univ Long Beach Research Foundation	1,464	0.61%		N/A	N/A
9	St. Mary Medical Center	1,200	0.50%	10	1,634	0.71%
10	Molina Healthcare Inc	841	0.35%		N/A	N/A
	Verizon	N/A	N/A	7	2,000	0.86%
	United States Postal Service	N/A	N/A	9	1,900	0.82%

Sources:

(1) Department of Financial Management Accounting and Business License.

(2) State of California Employment Development Department Labor Market Info for 2004 and 2013.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report

**City of Long Beach**  
 Full-Time Equivalent City Government Employees by Function  
 Last Nine Fiscal Years

Function	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Legislative and Legal	139	143	148	144	138	138	133	130	129
General Government	433	447	451	522	506	483	438	424	513
Public Safety	2,125	2,143	2,127	2,120	2,022	1,927	1,826	1,796	1,765
Public Health	414	399	405	390	337	322	311	262	263
Community and Cultural	1,119	1,100	1,194	1,219	1,107	1,131	1,094	1,038	889
Public Works	375	373	373	298	326	321	336	287	273
Gas	169	178	181	185	181	178	195	194	202
Water	215	217	229	212	208	219	216	225	223
Airport	85	90	98	88	61	60	57	96	88
Solid Waste Management	134	143	135	184	209	200	205	189	177
Towing	42	38	42	38	35	32	34	29	22
Tideland Oil Revenue	35	34	35	34	31	22	22	19	15
Harbor	327	337	345	378	409	433	445	466	469
Total	5,612	5,642	5,763	5,812	5,570	5,466	5,312	5,155	5,028

Source: City of Long Beach, Department of Financial Management as of September 30, 2013

See accompanying independent auditors' report



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**City of Long Beach**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
<b>Public Safety:</b>					
Police priority one calls response time in minutes	N/A	N/A	4.5	4.3	4.4
Violent crime rate - per 1,000 residents	N/A	N/A	6.99	6.82	6.53
Fire on-scene arrival for emergency calls within six minutes	N/A	N/A	73.6%	73.9%	71.6%
<b>Public Health:</b>					
Percentage of beach days that are safe for swimming in summer	N/A	N/A	94%	93%	87%
Homeless population ratio vs. total population (1)	N/A	N/A	0.91%	0.93%	0.80%
<b>Community and Cultural</b>					
Public library computer session log-ons	N/A	N/A	305,130	348,982	437,211
Parks, recreation programs - youth and teen attendance	N/A	N/A	647,705	646,035	726,812
<b>Public Works:</b>					
Number of trees trimmed	14,908	25,629	28,401	34,342	25,682
Curbs and alleys swept in miles	164,253	157,976	165,706	176,542	163,298
Sidewalk repaired in square feet	426,559	379,070	436,505	363,089	260,742
Storm drain catch basins cleaned	10,202	3,911	5,110	4,744	5,800
<b>Gas:</b>					
Gas consumption in sales dollars-total	\$ 79,665,000	\$ 91,575,000	\$ 100,336,000	\$ 92,323,000	\$ 101,834,000
Gas consumption in cubic feet ( In 000's)	11,982,873	11,792,301	10,659,740	10,924,000	10,122,000
Average daily gas consumption (MCF)	32,830	32,308	30,186	29,928	27,655
Gas mains installed/replaced/relocated in feet (2)	14,838	60,460	83,086	80,096	69,026
Gas meters installed/removed/replaced	4,716	5,482	6,880	7,352	7,416
<b>Water:</b>					
Water daily demand in thousand gallons	63,331	53,118	59,317	60,969	55,302
Water annual demand in thousand gallons	23,115,870	19,388,070	21,650,844	22,253,636	20,185,133
Available supply total in thousand gallons	25,071,954	22,960,765	23,607,579	24,253,546	22,346,927
<b>Sewer:</b>					
Sewer mains cleaned in miles	437	338	474	361	365
Sewer mains and laterals repaired in number of jobs	316	246	296	270	278
<b>Airport:</b>					
Number of commercial passengers enplaned	1,479,623	1,520,918	1,412,636	1,446,120	1,439,598
Number of commercial passengers deplaned	1,462,348	1,506,953	1,402,379	1,434,463	1,438,407
Number of aircraft landings and take offs	343,993	344,377	360,811	399,622	354,727
<b>Solid Waste Management:</b>					
Number of refuse tons collected	224,331	225,467	216,725	199,995	201,816
Number of recycling tons collected	N/A	N/A	31,413	178,773	195,291
SERRF tons of refuse received	490,196	463,956	495,794	502,558	485,207
SERRF energy sold to So Cal Edison megawatt-hours	233,062	206,640	236,384	241,839	229,664
<b>Harbor:</b>					
Number of container movements in twenty-foot equivalent units	5,355,972	6,644,080	7,166,771	7,361,881	6,736,756
Cargo in thousands of metric revenue tons	138,023	158,136	168,416	173,037	162,910
Number of ship calls	4,997	5,301	5,588	5,653	5,140

Sources: City Departments.

(1) The homeless population count is biannual.

See accompanying independent auditors' report

Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Function
					Public Safety:
4.07	4.00	4.20	4.35	4.35	Police priority one calls response time in minutes
6.51	6.42	5.90	6.18	5.85	Violent crime rate - per 1,000 residents
70.5%	67.7%	62.9%	60.8%	55.1%	Fire on-scene arrival for emergency calls within six minutes
80%	83%	85%	91%	94%	Percentage of beach days that are safe for swimming in summer
0.80%	0.79%	0.93%	0.93%	0.93%	Homeless population ratio vs. total population (1)
					Community and Cultural
420,100	385,514	330,375	331,028	N/A	Public library computer session log-ons
652,953	699,391	744,103	745,052	636,796	Parks, recreation programs - youth and teen attendance
19,300	21,618	19,986	28,021	24,668	Number of trees trimmed
154,152	142,000	151,743	156,537	150,804	Curbs and alleys swept in miles
203,805	348,394	179,641	481,497	382,536	Sidewalk repaired in square feet
3,122	163,618	3,550	3,800	3,004	Storm drain catch basins cleaned
					Gas:
\$ 71,294,000	\$ 67,674,000	\$ 78,663,000	\$ 70,193,000	\$ 68,229,000	Gas consumption in sales dollars-total
9,137,000	8,902,000	9,388,000	9,135,000	9,092,000	Gas consumption in cubic feet ( In 000's)
25,034	24,389	25,721	24,959	24,910	Average daily gas consumption (MCF)
91,217	61,855	66,567	84,594	108,646	Gas mains installed/replaced/relocated in feet (2)
7,290	8,713	7,150	8,664	6,093	Gas meters installed/removed/replaced
50,688	50,653	50,910	52,260	53,079	Water daily demand in thousand gallons
18,501,135	18,488,492	18,581,979	19,074,861	19,373,993	Water annual demand in thousand gallons
20,523,106	20,687,237	20,604,243	21,330,532	21,538,947	Available supply total in thousand gallons
					Sewer:
424	547	470	414	535	Sewer mains cleaned in miles
215	182	259	261	241	Sewer mains and laterals repaired in number of jobs
					Airport:
1,466,499	1,460,041	1,532,442	1,643,383	1,497,503	Number of commercial passengers enplaned
1,464,412	1,461,890	1,549,164	1,634,345	1,492,430	Number of commercial passengers deplaned
302,672	317,328	302,763	287,699	284,193	Number of aircraft landings and take offs
					Solid Waste Management:
217,349	209,289	194,462	187,505	187,146	Number of refuse tons collected
197,104	193,820	180,160	172,143	169,264	Number of recycling tons collected
488,999	485,207	460,906	474,689	470,510	SERRF tons of refuse received
226,866	229,664	208,663	220,867	226,592	SERRF energy sold to So Cal Edison megawatt-hours
					Harbor:
5,282,385	5,936,066	6,298,840	5,857,218	6,647,975	Number of container movements in twenty-foot equivalent units
135,255	147,357	154,417	144,230	144,230	Cargo in thousands of metric revenue tons
4,933	4,826	4,758	4,158	4,158	Number of ship calls

See accompanying independent auditors' report

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

Function	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
<b>Public Safety:</b>					
Number of police stations	1	1	1	1	1
Number of police substations (full facility)	2	2	2	3	3
Number of police storefront stations	4	4	4	4	4
Number of fire stations	23	23	23	23	23
<b>Community and Cultural:</b>					
Number of parks	103	108	115	116	150
Parks and golf courses in acres	2,814	2,817	2,855	2,873	3,061
Number of libraries	12	12	12	12	12
Number of library holdings (books, videos, tapes)	1,013,730	998,330	984,727	972,499	977,197
Number of library circulations	1,536,968	1,467,069	1,396,443	1,458,862	1,695,540
<b>Public Works:</b>					
Street in miles	815	815	815	815	815
Storm drain lines in miles	180	180	180	180	181
Number of street lights (1)	30,839	31,582	31,582	31,582	31,000
<b>Gas:</b>					
Gas mains in miles	920	922	922	921	920
<b>Water:</b>					
Water mains in miles	907	907	907	905	904
Number of fire hydrants	6,640	6,501	6,505	6,489	6,507
Number of water services	94,730	94,860	N/A	N/A	95,432
<b>Sewer:</b>					
Sanitary sewers in miles	712	712	712	711	711
Number of manholes	16,031	16,041	16,044	16,055	16,078
Sanitary sewer pump stations	28	28	28	28	28
Storm drain pump stations	23	23	23	23	23
<b>Harbor:</b>					
Sanitary sewer pump stations	N/A	N/A	N/A	N/A	N/A
Storm drain pump stations	N/A	N/A	N/A	N/A	N/A
<b>Solid Waste Management:</b>					
Number of waste-to-energy facilities	N/A	N/A	1	1	1

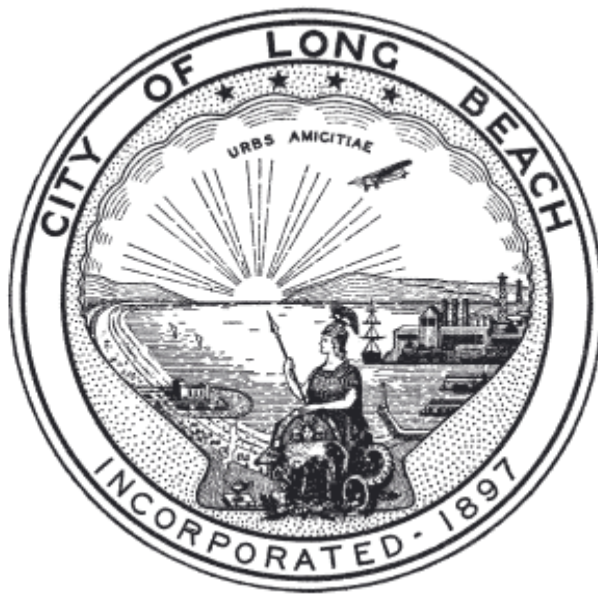
(1) In 2008, the number of street lights changed from 34,000 to 31,000 due to updated reports.

Sources: City Departments.

See accompanying independent auditors' report

Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Function
					Public Safety:
1	1	1	1	1	Number of police stations
3	3	3	3	3	Number of police substations (full facility)
3	3	3	-	-	Number of police storefront stations
23	23	23	23	23	Number of fire stations
					Community and Cultural:
155	159	160	162	161	Number of parks
3,063	3,120	3,120	3,124	3,121	Parks and golf courses in acres
12	12	12	12	12	Number of libraries
916,504	889,669	888,975	818,390	782,571	Number of library holdings (books, videos, tapes)
1,562,913	1,644,125	1,561,713	1,551,997	1,391,825	Number of library circulations
					Public Works:
815	815	823	823	823	Street in miles
181	180	180	180	180	Storm drain lines in miles
31,000	31,000	31,000	31,000	31,550	Number of street lights
					Gas:
918	921	931	937	945	Gas mains in miles
					Water:
908	909	911	911	912	Water mains in miles
6,525	6,529	6,603	6,594	6,589	Number of fire hydrants
95,424	95,398	95,629	95,643	95,607	Number of water services
712	712	712	712	714	Sanitary sewers in miles
16,129	16,135	16,147	16,148	16,158	Number of manholes
28	28	28	28	28	Sanitary sewer pump stations
23	23	23	23	23	Storm drain pump stations
					Harbor:
32	34	36	34	37	Sanitary sewer pump stations
20	20	20	23	21	Storm drain pump stations
					Solid Waste Management:
1	1	1	1	1	Number of waste-to-energy facilities

See accompanying independent auditors' report



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**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Comprehensive Annual Financial Report

Years ended September 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

Al Moro

Interim Executive Director

Steven B. Rubin

Managing Director

# THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

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**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

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## **INTRODUCTORY SECTION**

## **Letter of Transmittal**

March 28, 2014

The Board of Harbor Commissioners  
The Harbor Department of the City of Long Beach  
Long Beach, California

Members of the Board of Harbor Commissioners:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California (the City), for the fiscal year ended September 30, 2013. The Department's operations are included in the City's reporting entity as an enterprise fund.

This report consists of management's representations concerning the finances of the Department. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. The costs of internal controls should not exceed their benefits; therefore, the 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. Management asserts that, to the best of its knowledge and belief, this financial report is complete and reliable in all material aspects.

The Department's basic financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended September 30, 2013 are free of material misstatement. The independent audit entails 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, based upon the audit performed, that there was a reasonable basis for rendering an unmodified opinion, and that the Department's financial statements for the fiscal year ended September 30, 2013 are fairly presented, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this CAFR.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A, and should be read in conjunction with it. The Department's MD&A immediately follows the report of the independent auditors.

### **Profile of the Department**

The State of California has conveyed, in trust, to the City certain tidal and submerged lands for the establishment and maintenance of the Harbor District (which includes the Port of Long Beach). Consistent with this grant, the City Charter confers on the Board of Harbor Commissioners (the Board) exclusive control and management of the Department (or the Port). The Board has authority, on behalf of the City, to provide for the needs of commerce, navigation, recreation, and fishery; to develop and maintain all waterfront properties; to dredge and reclaim land; and to construct and operate terminals, railroad tracks, and other facilities both inside and outside the Department's jurisdiction.

The City Charter provides for the establishment of the Harbor Revenue Fund to account for the administration of the Harbor District by the Department. The Department generates funds through leases, tariffs, and other assessments to its customers. It can disburse these funds only for activities attributable to the trust.

The Department maintains a financial and cost accounting system independent of other City departments. The focus of the statement of activities is on inflows and outflows of economic resources using the accrual basis of accounting. Changes in net assets are recognized as soon as the cause of the change occurs, regardless of the timing of related cash flows; that is, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred. All the assets and liabilities associated with the Department's operations are included in the statement of net position. Net position is segregated into invested in capital assets, net of related debt, restricted, and unrestricted. The City, through some of its departments, provides police, fire protection, and other administrative services to the Department, which, in turn, reimburses the provider for the cost of the services received.

### **Summary of Operations**

#### ***Operating Revenues***

Gross operating revenue increased 4% from previous year to \$346.2 million. This is a result of the increase in main cargo categories carried by the Port: containerized cargo increased 4.8% to \$268.3 million; dry bulk by 10.8% to \$26.4 million, and other terminals by 0.50% to \$3.3 million. The following categories decreased: liquid bulk by 2.6% to \$16.9 million, steel by 5.2% to \$7.9 million, lumber by 5.3% to \$0.7 million, vehicles by 4.1% to \$12.4 million, rentals 2.1% to \$9.4 million, and miscellaneous income by 46.9% to \$1.0 million.

***Cargo Volumes***

In terms of cargo volumes, measured in metric revenue tons (MRTs), cargo handled by Port terminals increased 11.8% to 162.3 million. Containerized cargo increased 15.3% to 121.7 million; dry bulk increased 8.8% to 8.4 million; steel increased 51.0% to 1.2 million; vehicles increased 2.3% to 0.3 million; on the other hand liquid bulk decreased 0.2% to 30.6 million, and lumber decreased 5.2% to 0.16 million. Containerized cargo measured in Twenty-Foot Equivalent units (TEUs) increased 13.5% to 6.6 million.

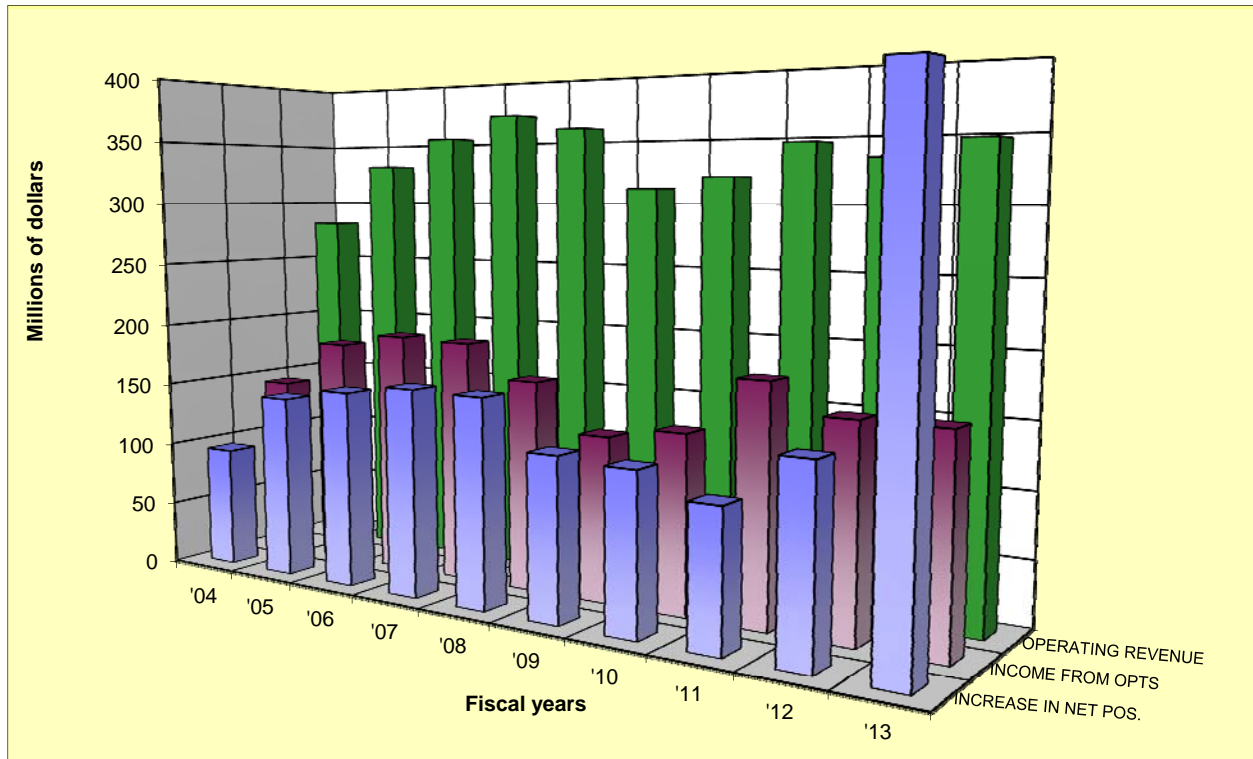
**Cargo Highlights**

	<b>September 30</b>		<b>Percentage change</b>
	<b>2013</b>	<b>2012</b>	
	(In thousands)		
Container revenue (\$)	\$ 268,295	255,992	4.8%
Total tonnage (MRTs)	162,257	145,144	11.8
Container tonnage (MRTs)	121,683	105,494	15.3
Containers (TEUs)	6,648	5,857	13.5

***Net Income***

Net income, shown in the financial statements as increase in net position, increased by 175.1% to \$390.0 million. The following chart depicts operating revenue, income from operations, and net income for the last 10 fiscal years.

**Operating Revenue, Income from Operations, and Change in Net Position**



**Operating Expense, and Other Income and Expense**

Port operating expenses include facilities and infrastructure maintenance, fire and safety, indirect terminal operation, and general and administration expenses. These expenses increased by 11.50%, or \$10.1 million, to \$97.7 million. The primary reason for this increase is the higher expenses devoted to maintain infrastructure and higher disbursements for fire and safety, additionally higher general and administrative expenses. Depreciation expense changes are triggered by changes in the amount of completed capital projects, the acquisition/retirement of operating assets, and the number of years that operating assets have been in service. During fiscal year 2013, the depreciation expense category increased by 2.6% or \$2.3 million, to \$90.8 million. This change is supported by the increase in facilities and infrastructure completed and transferred from the Construction in Progress accounts to the Capital Assets accounts.

Actual interest expense increased due to additional fees and interest on the pending Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and the newly opened lines of credit with Union Bank and Bank of America, which was affected by interest capitalized on eligible capital construction projects and the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

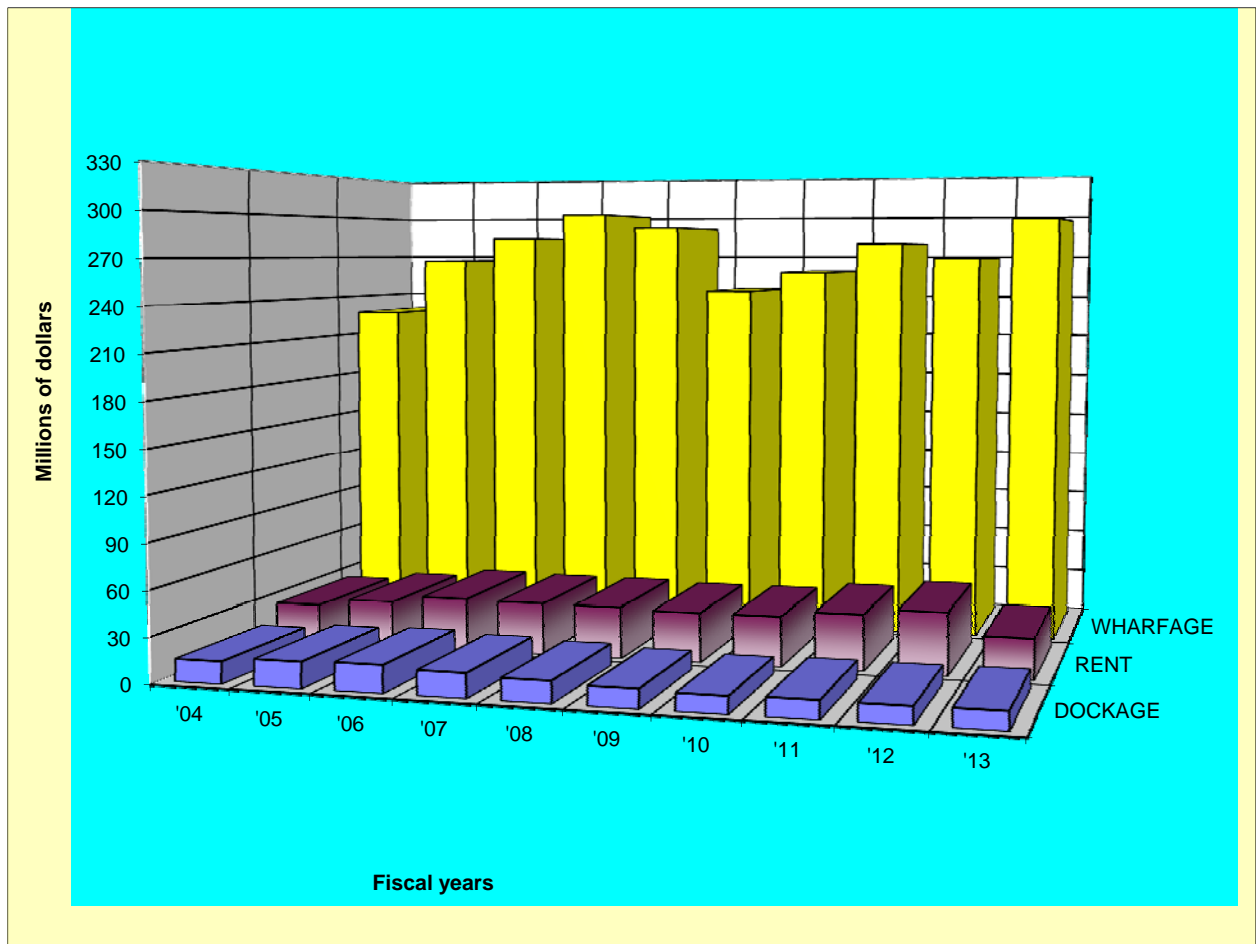
Investment income decreased by \$513,325 in fiscal year 2013 due to lower earning rates resulting from the overall downturn in the economy, the holding of lower average investment balance, and the net effect of the mark-to-market computations and adjustment.



The City Charter, as amended, provides for a transfer of 5% of the Department's operating revenue to the City's Tideland's Operating Fund. This transfer is classified as Transfer to the City of Long Beach. For fiscal year 2013, the Board approved a transfer in the amount of \$17.3 million.

During fiscal year 2013, the Department did not make any payment towards the projected Shortfall Advance to the Alameda Corridor Transportation Authority (the ACTA), under the ACTA Use and Operating Agreement. The agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), the ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads. Any shortfall advance made by the Department and the Port of Los Angeles is reimbursable, with interest, by ACTA. The Department has funded, in prior years, a cash reserve to satisfy claims related to the shortfall advance potential obligation, but no longer believes a reserve is needed. The reserve was eliminated in fiscal year 2012.

### Operating Revenue by Type



The following table summarizes financial and cargo highlights:

	<b>Financial Highlights</b>		<b>Percentage change</b>
	<b>September 30</b>		
	<b>2013</b>	<b>2012</b>	
	(In thousands)		
Port operating revenue	\$ 346,244	333,887	3.7%
Operating expenses	97,696	87,637	11.5
Depreciation	90,850	88,523	2.6
Income from operations	157,699	157,727	—
Increase in net position	390,046	141,797	175.1
Clean Air Action Plan	(3,420)	(3,926)	(12.9)
Capital grants	250,543	13,627	1,738.6
Transfers to the City	(17,312)	(16,694)	3.7
Other nonoperating revenue (expenses)	2,536	(8,937)	(128.4)

### **Operating Revenue by Type**

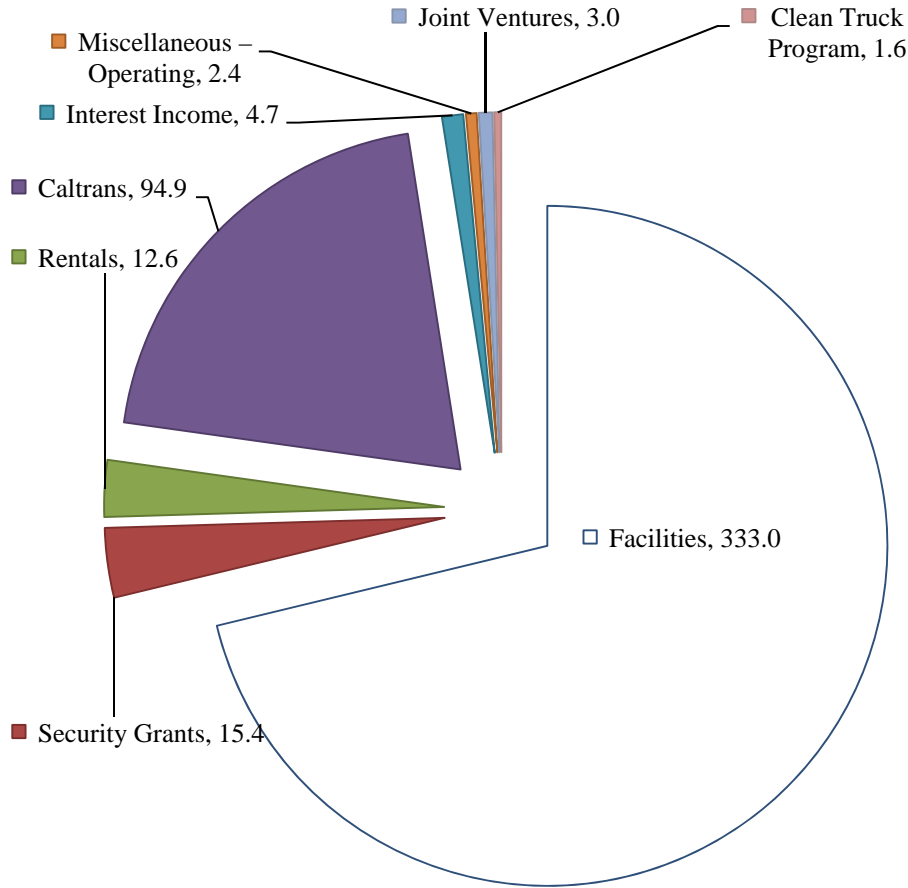
#### ***Annual Budget***

The budget constitutes an appropriation covering expected revenues and expenditures of the Department; Section 1210 of the City Charter requires the Board to adopt a budget not later than 60 days before the beginning of each fiscal year. The City Charter also provides that the City Council may approve or amend the Department's budget before the first day of the fiscal year.

#### ***Revenues Budget to Actual***

Fiscal year 2013 reflected the increase in traffic through the Port terminals and actual revenues were lower than budgeted. Fiscal year 2012, on the other hand, reflected a reduction through the Port terminals and actual revenues were lower than budgeted. Operating revenues reached 102.7% of the budgeted amount. The U.S. economy continues its way to recovery and the decrease in operating revenue is a reflection of this effort. Cargo volumes increased 11.8% to 162 million metric revenue tons when compared to last fiscal year. Capital grant revenues, a part of the nonoperating income, increased 1,738.6% to \$250.5 million from \$13.6 million recognized last year. The Port has embarked upon additional projects that were awarded grant funds. Interest earnings were lower because of declining interest rates obtained from financial markets paired with the declining on the market-to-market computations.

***Fiscal Year 2013 Budgetary Sources of Funds***



The following table shows revenues budgetary performance for fiscal year 2013:

**Actual to Budget Comparison for Fiscal Year 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Percentage of budget</u>
	(In thousands)		
Operating revenues	\$ 346,244	337,210	102.7%
Clean Air Action Plan	1,420	1,000	142.0
Interest income	740	3,549	20.9
Infrastructure and Security grants	250,543	191,716	130.7
ICTF	2,049	3,000	68.3
Total revenues	<u>\$ 600,996</u>	<u>536,475</u>	<u>112.0%</u>

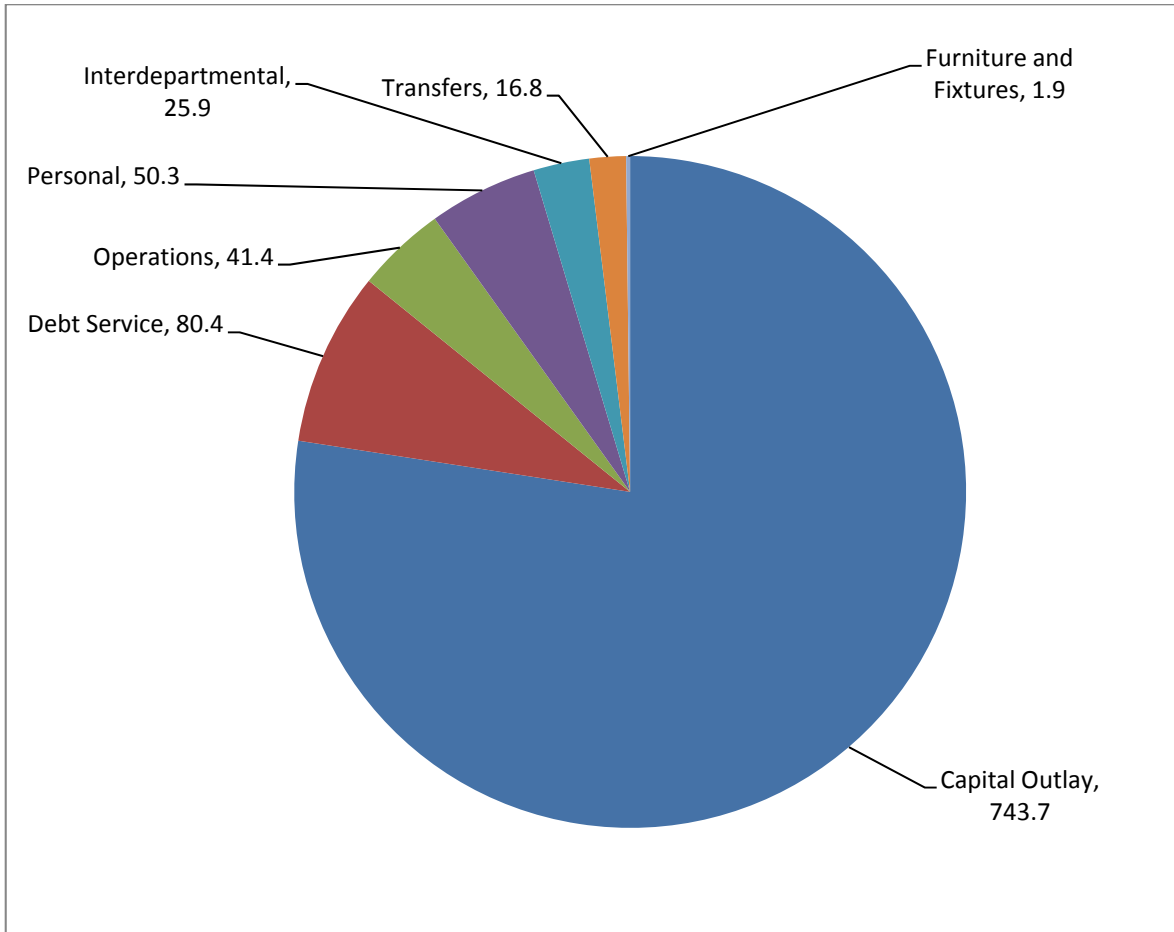
***Expenses Budget to Actual***

The following table shows expenditures and employee headcount budgetary performance for fiscal year 2013:

**Actual to Budget Comparison for Fiscal Year 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Percentage of Budget</u>
Expenditures:			
Capital outlay (includes labor and benefits)	\$ 752,798	743,715	101.22%
CAAP and infrastructure	4,211	4,315	97.59
Debt service	81,504	80,398	101.38
Personnel services-ops (benefits included)	45,292	50,325	90.00
Nonpersonnel	30,459	37,056	82.20
Interdepartmental charges	26,700	25,858	103.26
Transfers to the City	17,312	16,825	102.89
Furniture, fixtures, and equipment	1,019	1,875	54.35
Total expenditures	<u>\$ 959,295</u>	<u>960,367</u>	<u>99.89%</u>
Employee headcount:			
Regular	433	480	90.21%
Part time/temporary	29	30	96.67
Total employees	<u>462</u>	<u>510</u>	<u>90.59%</u>

***Fiscal Year 2013 Expenditure Budget***



The Department moved to increase the number of permanent positions and reduced the part time/temporary positions. Actual figures reflect the change and show a decrease of 3.1% in the number of positions filled from 447 in 2012 to 433 in 2013; the change, even when positive, fell short of achieving the staffing levels proposed in the budget. Nonpersonnel expenses were slightly lower than budgeted and for purposes of this document; they are considered to be on target.

Debt service expenses, including principal and interest, were close to the budget; the variance has to do with the timing difference created by the accrual and the actual payments made. Interest expense, before capitalized interest, and amortization of debt issuance-related items amounted to \$29.1 million, a reduction of \$2.3 million, or 7.5% when compared to prior year.

Capital outlay has picked up the pace and experienced a sizable increase from \$357.1 million to \$752.8 million; an increase of \$395.7 million or 110.8%. The Port continues its ambitious realignment of cargo terminals in order to improve cargo operations and to contribute to an overall cleaner environment around the port complex. It is anticipated that, when completed, this realignment will bring an increase in

operational revenue in the years to come. The construction of the bridge that will replace the Gerald Desmond Bridge is also in full swing. Both factors contributed to the increase in the capital outlays.

***Debt Administration***

The following table shows bond issuance information and long-term changes (exclusive of unamortized bond premium or discount). Note 9 to the financial statements provides additional information related to the Department's long-term debt program.

	<u>1998</u>	<u>2000</u>	<u>2002B</u>	<u>2004</u>
	(In thousands, except for rates and dates of issuance)			
Original issue	\$ 206,330	275,000	144,240	113,410
Date of issue	02/01/98	11/01/00	06/26/02	03/10/04
Original coupon rate	6.0%	5.25% – 5.75%	5.1% – 5.5%	4.0% – 5.0%
Beginning balance	\$ 98,215	—	48,455	45,685
Fiscal year 2013 redemptions	(11,700)	—	(5,050)	(500)
Ending balance	<u>\$ 86,515</u>	<u>—</u>	<u>43,405</u>	<u>45,185</u>
		<u>2005</u>	<u>2010A</u>	<u>2010B</u>
Original issue	\$	257,975	200,835	158,085
Date of issue		03/23/05	03/31/2010	04/29/2010
Original coupon rate		5.0%	0.04% – 5.00%	3.0% – 5.0%
Beginning balance	\$	117,200	181,355	157,760
Fiscal year 2013 redemptions		—	(10,455)	(19,260)
Ending balance	\$	<u>117,200</u>	<u>170,900</u>	<u>138,500</u>

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA, stable outlook; Moody's Investors Service: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook. A high credit rating recognizes good financial management by the Port and lowers the cost of borrowing in the future.

Since 1994, the Department continuously carried a commercial paper program; at its highest point, the Department issued \$148,000,000 of Series A notes to pay for acquisition costs of property, facilities, and oil rights on the North Harbor District; historically, all the notes matured not later than 270 days after date of issuance. The commercial paper and related interest obligations were fully paid during the 2010 fiscal year.

***Lines of Credit***

In July 2013, the Board of Harbor Commissioners authorized the issuance of \$200,000,000 Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt), Series B (Tax-Exempt) and Series C (Taxable).

The Harbor Department will secure the borrowings under the revolving lines of credit with a subordinate lien on the revenues of the Department.

*Bank of America, N.A.-Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt)*

Bank of America will provide tax-exempt revolving line of credit that will allow the Harbor Department to borrow up to \$78,000,000 at any one time.

The Harbor Department’s obligations to repay any loans made by Bank of America under the Bank of America Credit Agreement will be evidenced by a promissory note (the Bank of America Note) to be issued by the Harbor Department to Bank of America.

*Union Bank, N.A.-Subordinate Harbor Revenue Revolving Obligations Series B (Tax-Exempt) and Series C (Taxable)*

Union Bank will provide two revolving lines of credit (a tax-exempt revolving line of credit and a taxable revolving line of credit) that will allow the Harbor Department to borrow up to \$122,000,000 at any one time.

The Harbor Department’s obligations to repay any loans made by Union Bank under the Union Bank Credit Agreement will be evidenced by two promissory notes (one for tax-exempt loans and one for taxable loans) (the Union Bank Notes) to be issued by the Harbor Department to Union Bank.

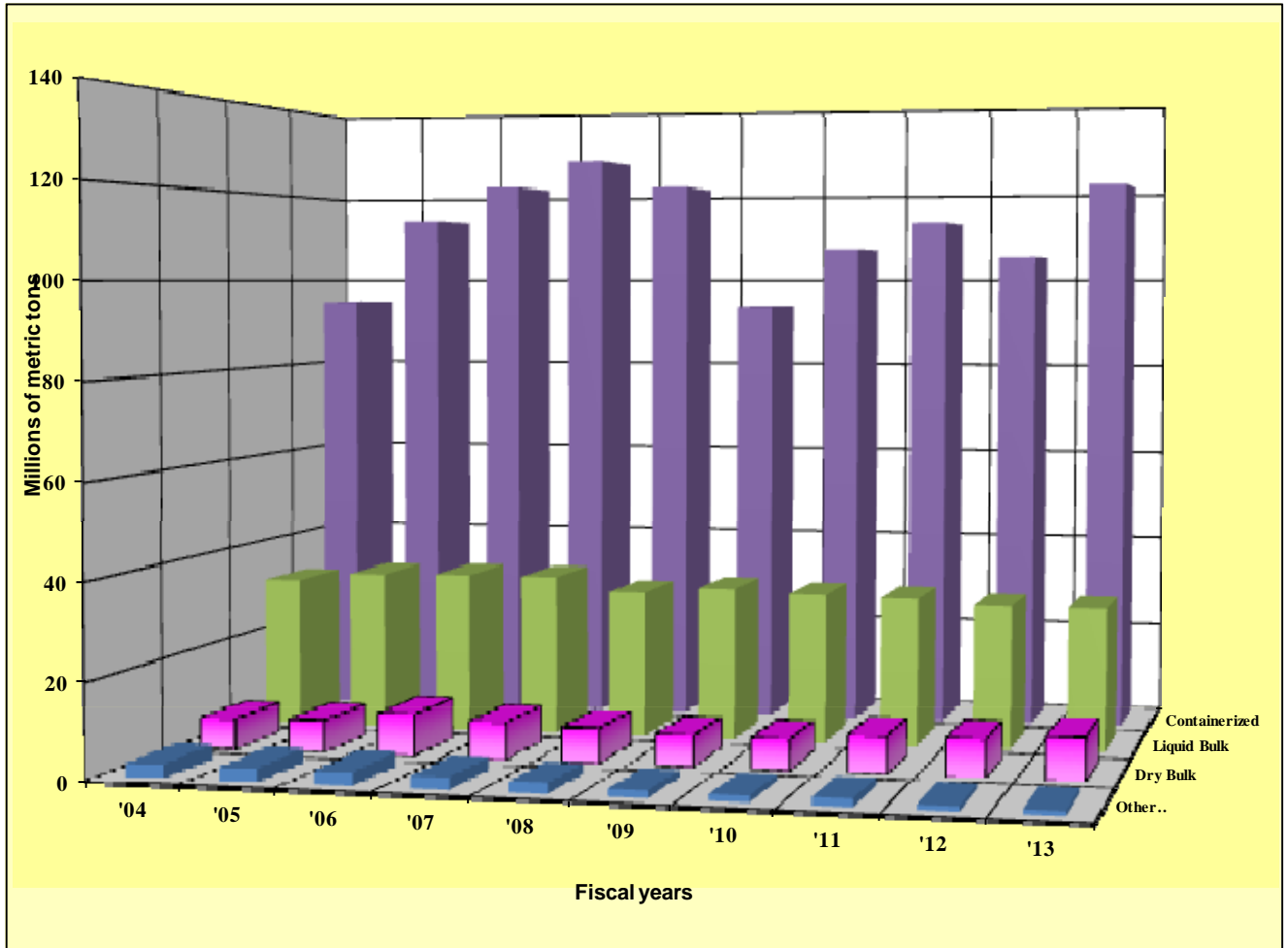
Outstanding lines of credit indebtedness as of September 30 was as follows:

	<u>2013</u>	<u>2012</u>
Line of Credit – Bank of America	\$ 40,000,000	—
Line of Credit – Union Bank	<u>40,000,000</u>	<u>—</u>
Total current	<u>\$ 80,000,000</u>	<u>—</u>

***Responsible Growth***

The Port’s revenue derived from cargo facilities increased by 38.7% between 2003 and 2013 from \$249.5 million to \$346.2 million; cargo volumes measured in metric revenue tons grew by 37.3% during the same period of time from 118.20 million tons to 162.3 million tons. The Port continues its realignment of cargo terminals in advance of an anticipated growth in trade volumes. Its terminals and installations continue to provide the best alternative for shipping lines to move cargo in and out of the continental United States.

**Tonnage by Commodity Group**



***Economic Outlook***

In 1911, the State of California established the Long Beach tidelands area as a State Trust and designated the City of Long Beach as a trustee for the people of the State of California. The Port of Long Beach, located in the Tidelands Trust and overseen by the City of Long Beach Harbor Department under direction of the Long Beach Board of Harbor Commissioners, has succeeded and become a landlord port providing the region, state, and nation with state-of-the-art seaport facilities and serving as a safe international gateway for trade. The Port of Long Beach has evolved into the second-busiest container seaport in North America.

The City of Long Beach Harbor Department generates revenues through leases, tariffs, and other charges assessed to Port of Long Beach tenants and other customers. No local, state, or federal taxes support Port operations. The Harbor Department does not fund general City of Long Beach governmental activities, but compensates the City of Long Beach for services such as public safety, human resources, civil service, and



centralized financial, legal, and audit services. The expansion or contraction of foreign trade directly affects local, regional, and national economies. The Port, as a crucial economic engine for the region and beyond, must continually strengthen its competitiveness by anticipating and responding to economic challenges, and seizing opportunities to continue to be the preferred seaport for trans-Pacific trade.

### *Trade and Commerce*

Trade at the Port of Long Beach and internationally rebounded in 2013 after a flat 2012. Cargo traffic has been so strong that within two more years, the Port of Long Beach could be back to the peak, pre-recession trade levels of 2007. In general, economic forecasts and cargo projections suggest that at least moderate growth in the U.S. will continue in 2014.

The Port of Long Beach provides state-of-the-art seaport facilities for its customers and the region. Maintaining and improving its infrastructure is more critical than ever in today's competitive operating environment. Investing in modern facilities and transportation infrastructure is conducive to significant increases in goods movement efficiency. Increased efficiency leads to greater regional economic benefits as well as a safer and cleaner Port environment.

Economic forecasts predict that cargo passing through the Port of Long Beach will maintain a moderate-increase trend in the immediate future. Factors contributing to this increase are the continued U.S. consumer demand for products manufactured in Asia and increased vessel capacity supplied by the new generation of container ships, which have reached 14,000 TEUs. As a landlord, the City of Long Beach's Harbor Department has the responsibility to maintain much of the infrastructure within the Long Beach Harbor District. Building modern facilities and infrastructure and providing proper maintenance for such assets is essential to the Port's financial success, and key to meeting the environmental protection needs of the surrounding communities. The Harbor Department is committed to facilitating and promoting international goods movement, to build modern, secure, and efficient facilities and infrastructure, to reduce negative impacts on the environment, and to be a good partner with the community.

To accommodate the increase in trade volume expected during the next 20 years, the Port will continue to seek innovative solutions for developing facilities and related infrastructure while ensuring that air, water, and soil quality continue to improve.

Projects underway that will increase cargo capacity and/or improve Port infrastructure include:

- **Gerald Desmond Bridge Replacement:** A \$1.234 billion project to build a new bridge to span the Port's Main Channel. The new bridge will be higher, to allow additional clearance for ships, and will also be wider, to ease the flow of cars and trucks that use the bridge. Construction began in early 2013 and will continue through 2016.
- **Middle Harbor Redevelopment Project:** A \$1.31 billion modernization of two aging shipping terminals. The project more than quintuples on-dock rail capacity, adds shore power hookups and advanced technology that will allow the new terminal to move twice the cargo with half the air pollution. Construction began in 2011 and will continue through 2019.
- **Pier G modernization:** The Harbor Department has nearly completed a multiyear, \$470 million renovation of the ITS container terminal. Construction of a new terminal administration and operations complex, new maintenance, and repair facility and an expanded on-dock rail yard is complete. Additional container yard space is also being added.

- Back Channel deepening and Pier S dike realignment: The Harbor Department is planning to improve navigational safety in its Back and Cerritos Channel with a \$65 million program. The project is timed to take the opportunity for beneficial reuse of the excavated and dredged material in the Middle Harbor Terminal project. Elsewhere in the Port, the Harbor Department is planning additional deepening for berths to accommodate the latest generation of mega-ships.

### **Environmental Protection**

The optimal utilization of Port resources brings environmental issues that need to be addressed to guarantee economic growth with responsible stewardship of the environment.

In 2005, the Long Beach Board of Harbor Commissioners adopted the Green Port Policy, a five-point commitment to reducing the Port's impact on the environment and the community. In 2006, at a historic joint board session of Long Beach and Los Angeles Boards of Harbor Commissioners (the Ports), the San Pedro Bay Clean Air Action Plan (CAAP) was approved. This ambitious plan addresses all port-related emission sources. The CAAP has led to major air-quality successes at the Ports. Diesel particulate matter, for example, has been reduced by 81% from 2005 levels, based on 2013 emissions studies. As landlords, the Long Beach and Los Angeles harbor departments do not operate terminals, ships, yard equipment, trucks, or trains. Nor do the harbor departments have legal powers to mandate new regulations. However, the harbor departments will continue to exert all efforts in order to reduce air pollution derived from goods movement activities by maximizing the utilization of all available means. The Port of Long Beach has established itself as a world leader in sustainable seaport operations and development by adopting the industry-leading Green Port Policy.

Under the Green Port Policy and the Clean Air Action Plan, the Port of Long Beach has:

- Cut diesel particulates by 81%, sulfur oxides by 88%, smog-forming nitrogen oxides by 54%, and greenhouse gases by 24% from 2005 levels, based on a 2013 emissions study. The improvements occurred during a period when cargo volume declined; however, cargo volumes were only down by 10% and, therefore, only account for a small portion of the pollution reductions.
- Supported the use of lower-sulfur, cleaner fuels in oceangoing ships.
- Completed a successful changeover of the truck fleet through the landmark Clean Trucks Program, which has achieved a 90% reduction in diesel particulate pollution from the truck fleet.
- Continued the Green Flag Vessel Speed Reduction Program (where most ships slow down to 12 knots) within 20 nautical miles to 40 miles of the Port, to reduce air pollution emissions.
- Completed the building of shore power facilities to allow the shipping lines to comply with the state's new shore power regulation, requiring half of all vessel calls to plug in at berth for cleaner air.
- Nurtured the development of new clean air technologies through the Technology Advancement Program – including the world's first diesel-electric hybrid tugboats.

The Port has developed and is managing a comprehensive, all-hazard Business Continuity Plan that facilitates the efficient and environmentally sound movement of cargo by maintaining the land and water infrastructure; maintains a safe and secure Port environment, and meets legal, regulatory, and financial requirements. The primary purpose of the Business Continuity Plan is to ensure Port business partners have available infrastructure and resources necessary to continue business operations prior to, during, and following a major incident.

### **Security**

The Port of Long Beach continues its commitment to safety and security and is dedicated to being the safest, most secured Port in the world. The Port takes an above the water, on the water, and below the water approach to Maritime Domain Awareness using the latest integrated, high-tech surveillance systems to maintain vigilance and share data with the many agencies responsible for Port Security. More than 130 surveillance cameras are deployed throughout the Port complex, including long-range and night-vision units. Strategically deployed underwater sonar machines monitor the waters as well. And the Port of Long Beach is the only port in the United States with its own deep-water dive team capable of performing heavy-duty underwater salvage and rescue operations.

Since 2001, the Port has secured more than \$120 million in grants to aid in those efforts. The Port is protected by multiple layers of security, including the Long Beach Police Department, U.S. Coast Guard; U.S. Customs and Border Protection, other federal, state, and local law enforcement agencies; and the Port's Harbor Patrol, a cadre of 60-plus trained, armed, public officers who are responsible for security, and public safety on the property owned by the Port and any public roadways within its boundaries 24/7.

The City of Long Beach Harbor Department maintains a "fusion center" to link up the various elements of security, safety and business continuity. The Port's Joint Command and Control Center (JCCC) is a state-of-the-art communications and command center, which brings together Federal and local agencies to coordinate security measures. It coalesces security related information and surveillance data from across the Port complex and allows sharing by a variety of stakeholders and partner agencies including the Coast Guard, FBI, and Long Beach Police Department. The Harbor Department maintains an Emergency Management System, which includes the Business Continuity plan to ensure uninterrupted key Port operations in the event of an emergency.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Harbor Department of the City of Long Beach, California, for its CAFR for the fiscal year ended September 30, 2012. This was the 30th consecutive year that the Department has received this prestigious award. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Board of Harbor Commissioners  
The Harbor Department of the City of Long Beach  
March 28, 2014  
Page 16 of 16

We would like to acknowledge the dedicated service of the Finance Division staff members, through whose efforts the timely preparation of this report was made possible. Additionally, we would like to thank the Communications Division for providing artwork and editing services.

Respectfully submitted:



Al Moro



Steven B. Rubin



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

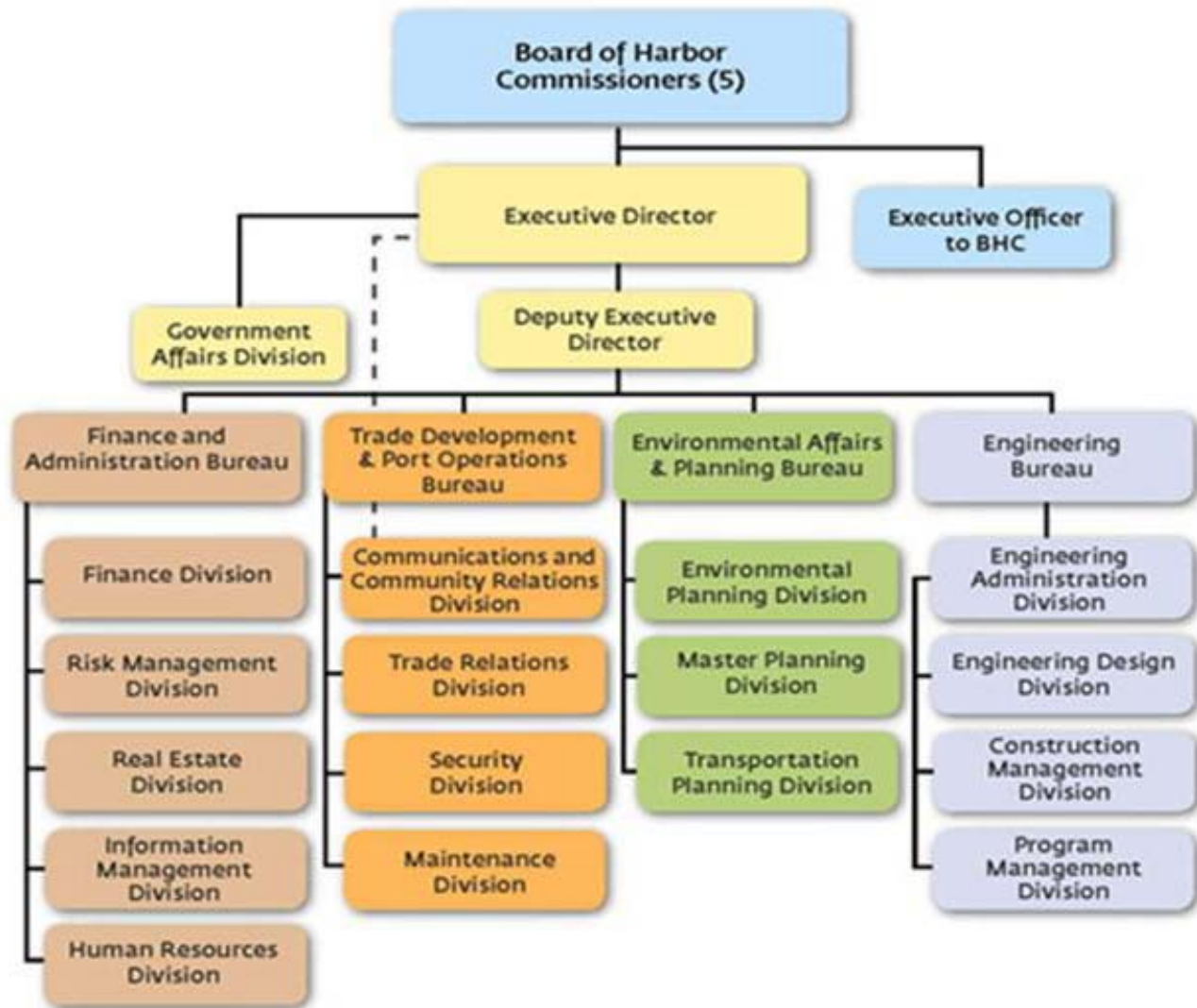
**The Harbor Department  
of the City of Long Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# Organizational Chart



**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Board of Harbor Commissioners and Senior Management

September 30, 2013

Board of Harbor Commissioners

Doug Drummond, President  
Susan E. Anderson Wise, Vice President  
Rich Dines, Secretary  
Lori A. Farrell, Commissioner  
Vacant, Commissioner

Executive Officer to the Board	Vacant
Executive Offices	
Executive Director	Al Moro, Acting
Deputy Executive Director	Noel Hacegaba, Acting
Government Affairs Division	Samara Ashley, Director
Finance and Support Services Bureau	
Managing Director	Steven B. Rubin
Finance Division	Tom Franklin, Acting Chief Financial Officer
Human Resources Division	Margaret Huebner, Director
Information Management Division	Douglas L. Albrecht, Director
Real Estate Division	Karl J. Adamowicz, Director
Risk Management Division	Richard S. Baratta, Director
Trade Development and Port Operations Bureau	
Managing Director	Vacant
Communications and Community Relations Division	Michael Gold, Director
Maintenance Division	Vacant
Security Division	Randy Parsons, Director
Trade Development Division	Donald B. Snyder, Director
Environmental Affairs and Planning Bureau	
Managing Director	Richard D. Cameron, Acting
Environmental Planning Division	Heather Tomley
Master Planning Division	Larry Cottrill, Director
Transportation Planning Division	Eric Shen, Director
Engineering Bureau	
Managing Director	Douglas A. Thiessen
Engineering Administration Division	Sean Gamette, Acting Chief Harbor Engineer
Construction Management Division	Suzanne Plezia
Engineering Design Division	Neil D. Morrison, Director
Program Management Division	Douglas Sereno, Director



KPMG LLP  
Suite 2000  
355 South Grand Avenue  
Los Angeles, CA 90071-1568

## Independent Auditors' Report

The Honorable Members of the Board of Harbor Commissioners  
The Harbor Department of the City of Long Beach  
Long Beach, California

We have audited the accompanying financial statements of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harbor Department of the City of Long Beach, California as of September 30, 2013 and 2012, and the respective changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.





***Emphasis of Matter***

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Long Beach, California that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Long Beach, California as of September 30, 2013 and 2012, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**Other Matters**

***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management’s Discussion and Analysis on pages 22–31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department’s basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 on our consideration of the Department’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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department’s internal control over financial reporting and compliance.

**KPMG LLP**

Los Angeles, California  
March 28, 2014

# THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

## Management's Discussion and Analysis

September 30, 2013 and 2012

(Unaudited)

The management of the Harbor Department of the City of Long Beach, California (the Department), offers readers of the financial statements this discussion and analysis of the financial activities for the fiscal years ended September 30, 2013 and 2012.

### Overview of the Financial Statements

The Department's financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the financial statements. This discussion is intended to serve as an introduction to the Department's financial statements.

### Condensed Financial Position Information

The statements of net position present information concerning the Department's assets, liabilities, and net position.

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2013, 2012, and 2011:

#### Statements of Net Position

September 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Capital assets, net	\$ 3,476,794,062	2,699,086,270	2,498,946,250
Other assets	<u>575,983,275</u>	<u>904,491,185</u>	<u>993,141,143</u>
Total assets	<u>4,052,777,337</u>	<u>3,603,577,455</u>	<u>3,492,087,393</u>
Deferred outflows on debt refunding	11,404,155	12,921,455	14,438,755
Total assets and deferred outflows	<u>4,064,181,492</u>	<u>3,616,498,910</u>	<u>3,506,526,148</u>
Liabilities:			
Long-term obligations, net of current portion	671,722,135	641,326,425	692,865,902
Current liabilities	<u>213,773,319</u>	<u>181,853,805</u>	<u>162,138,602</u>
Total liabilities	<u>885,495,454</u>	<u>823,180,230</u>	<u>855,004,504</u>
Net position:			
Invested in capital assets	2,848,455,730	2,104,914,537	1,916,200,675
Restricted	61,654,324	157,537,654	177,536,448
Unrestricted	<u>268,575,984</u>	<u>530,866,489</u>	<u>557,784,521</u>
Total net position	<u>\$ 3,178,686,038</u>	<u>2,793,318,680</u>	<u>2,651,521,644</u>

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Management's Discussion and Analysis

September 30, 2013 and 2012

(Unaudited)

#### *Analysis of Fiscal Year 2013*

At the end of fiscal year 2013, the assets of the Department exceeded its liabilities by \$3,178,686,038 (net position). Total net position, including impacts of implementing GASB 65, increased by \$385,367,358. This change consists mainly of \$157,698,809 current year operating income, \$250,542,833 income derived from grants received from federal and state governments, less \$18,195,834 from other nonoperating expenses, including financing costs and transfers to the City's Tidelands Operating Fund of \$17,312,204.

The Department's investment in capital assets (land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights-of-way) is \$2,848,455,730 or 89% of the aggregate net position. The increase from fiscal year 2012 is the result of the increase in Port construction projects during the year. Capital assets facilitate tenants' cargo operations. The Department does not intend to liquidate them to fund ongoing port operations.

The Department holds \$61,654,324 of net assets subject to restrictions, a decrease of \$95,883,330 from last year. The decrease is due to the elimination of the reserves for rail projects; for matching requirements for the construction of the Gerald Desmond Bridge; a federally funded project, and for the reserve for the security projects. Restricted net assets are thus identified in the statements of net position and represent 2% of the Department's total net assets.

At the end of fiscal year 2013, the Department reported unrestricted net assets of \$268,575,984, a decrease of \$262,290,505 when compared to 2012. This is primarily the result of \$282,225,018 decrease in unrestricted balance of pooled cash and cash equivalents; \$9,376,366 decrease in accounts receivable, and \$22,576,560 increase in accounts payable.

The decrease in the unrestricted balance of pooled cash and cash equivalents of \$282,225,018 is primarily attributed to the substantial increase in disbursements related to the capital projects such as the new Gerald Desmond Bridge and the remodeling and upgrading of terminals around the port complex.

The \$9,376,366 decrease in accounts receivable is attributed to increased efforts to collect receivables from tenants in order to enhance the Port's cash position, while the \$22,576,560 increase in accounts payable is attributed to higher volumes of services and supplies acquired from vendors working in the capital projects that the Port is pushing forward.

#### *Analysis of Fiscal Year 2012*

At the end of fiscal year 2012, the assets of the Department exceeded its liabilities by \$2,793,318,680 (net position). Total net position increased by \$141,797,036. This change consists mainly of \$157,727,282 current year operating income, \$13,626,625 income derived from grants received from federal and state governments, less \$29,556,865 from other nonoperating expenses, including financing costs and transfers to the City's Tidelands Operating Fund of \$16,694,347.

The Department's investment in capital assets (land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights-of-way) less any related debt is \$2,104,914,537 or 75% of the aggregate net assets. The increase from fiscal year 2011 is the result of the increase in Port construction projects during the

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Management's Discussion and Analysis

September 30, 2013 and 2012

(Unaudited)

year. Capital assets facilitate tenants' cargo operations and the Department does not intend to liquidate them to fund ongoing port operations.

The Department holds \$157,537,654 of net assets subject to restrictions, a decrease of \$19,998,794 from last year. The decrease is primarily due to a \$19,908,014 decrease in matching requirements for the construction of the Gerald Desmond Bridge, a federally funded project. Restricted net assets are thus identified in the statements of net position and represent 6% of the Department's total net assets.

At the end of fiscal year 2012, the Department reported unrestricted net assets of \$530,866,489, a decrease of \$26,918,032 when compared to 2011. This is primarily the result of \$27,403,638 decrease in operating cash; \$8,212,176 increase in accounts receivable, and an \$18,486,952 increase in accounts payable.

The decrease in the unrestricted balance of pooled cash and cash equivalents of \$27,403,638 is primarily attributed to the increase in the volume of capital projects that the Port started pushing this fiscal year.

The \$27,403,638 increase in accounts receivable is attributed to the collection of the receivables generated by higher levels of revenue during fiscal year 2011, while the \$8,212,176 increase in accounts payable is primarily attributed to higher volumes of services and supplies acquired from vendors working in the capital projects that the Port is pushing forward.

#### **Summary of Operations and Changes in Net Position**

The statements of revenues, expenses, and changes in net position illustrate the Department's change in net position from prior to current fiscal year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows; for example: uncollected receivables and earned, but unused, vacation leave. The table below summarizes the operations for fiscal years 2013, 2012, and 2011.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

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(Unaudited)

**Changes in Net Position**

Years ended September 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Berth and special facilities	\$ 335,869,457	322,425,435	328,986,839
Miscellaneous	10,374,625	11,461,496	16,402,867
Total operating revenues	<u>346,244,082</u>	<u>333,886,931</u>	<u>345,389,706</u>
Operating expenses:			
Facility and infrastructure	(63,922,886)	(57,003,046)	(50,671,577)
General and administrative	(33,772,806)	(30,633,789)	(30,751,029)
Depreciation and amortization	(90,849,581)	(88,522,820)	(85,005,356)
Total operating expenses	<u>(188,545,273)</u>	<u>(176,159,655)</u>	<u>(166,427,962)</u>
Operating income	<u>157,698,809</u>	<u>157,727,276</u>	<u>178,961,744</u>
Nonoperating revenues (expenses):			
Intergovernmental transfer	(17,312,204)	(16,694,347)	(22,847,938)
Gain on transfer of oil operations to City	—	—	12,468,504
Interest income, net of interest expense	2,723,773	(7,039,199)	(15,556,686)
Income from oil operations	—	—	1,525,061
Gain (loss) on sale of capital assets	(6,247)	7,268	74,459
Loss from Clean Trucks Program	(3,419,528)	(3,926,198)	(3,572,859)
Other income (loss), net	(181,628)	(1,904,389)	(27,979,213)
Write-off of long-term receivables from the Redevelopment Agency	—	—	(27,000,000)
Net nonoperating expenses	<u>(18,195,834)</u>	<u>(29,556,865)</u>	<u>(82,888,672)</u>
Income before capital grants	139,502,975	128,170,411	96,073,072
Capital grants	<u>250,542,833</u>	<u>13,626,625</u>	<u>7,443,539</u>
Change in net position	390,045,808	141,797,036	103,516,611
Total net position – beginning of year	2,793,318,680	2,651,521,644	2,548,005,033
Cumulative effect resulting from adoption of GASB 65	<u>(4,678,450)</u>	—	—
Total adjusted net position – beginning of year	2,788,640,230	2,651,521,644	2,548,005,033
Total net position – end of year	<u>\$ 3,178,686,038</u>	<u>2,793,318,680</u>	<u>2,651,521,644</u>

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Management's Discussion and Analysis

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(Unaudited)

#### *Analysis of Fiscal Year 2013*

A comparison of the operating revenues for fiscal years 2013 and 2012 shows an overall increase of 4%. The following revenue categories experienced increases: containerized cargo 5%, dry bulk 11%, and other terminals 1%; the following categories decreased: liquid bulk 3%, steel/break-bulk 5%, vehicle 4%, and lumber 5%.

In terms of volume (measured in metric revenue tons), the following categories experienced increases from last year: containerized 15%, dry bulk 9%, steel-break 51%, vehicles 2%; the following types of cargo decreased during fiscal year 2013: liquid bulk 1%, lumber 5%.

Operating expenses (excluding depreciation and amortization) increased \$10,058,857. Cargo facilities maintenance expense decreased \$288,622 due to lower maintenance performed at the containerized facilities; infrastructure maintenance, which includes bridges, freeways, streets, and utilities maintenance and expenses related to environmental control, increased \$3,108,614. The primary reason for this increase is higher expenses related to the operation of the water systems and higher street maintenance expenses. Fire and safety costs increased by \$3,601,337 due to higher costs of the services provided by the police and fire departments and higher training costs incurred by the security division.

Depreciation expense is affected by acquisition/retirement of long-term assets, their useful lives, and the dates when such assets are placed in service. Depreciation expense for fiscal year 2013 was \$2,326,761 higher than that of 2012. The reason for this change is the increase of assets placed in service during 2013.

Intergovernmental transfer increased by \$617,857 in fiscal year 2013. During the current fiscal year, the Department transferred \$17,312,204 as a regular operating transfer to the City of Long Beach.

Investment income decreased by \$513,325 in fiscal year 2013 due to lower earning rates resulting from the overall downturn in the economy, the holding of lower average investment balance, and the net effect of the mark-to-market computations and adjustment.

Actual interest expense increased due to additional fees and interest on the pending Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and the newly opened lines of credit with Union Bank and Bank of America, which was affected by interest capitalized on eligible capital construction projects and the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The Clean Air Action Plan (CAAP) continues to wind down and collects less revenue and incurs lower expenses. Overall, this program experienced a decreased loss of \$506,670 when compared to that of fiscal year 2012.

Other expense decreased as a result of a reduction on the writing off of expenses related to abandoning planning studies. All of the expenses related to the potential construction of a new administration building were written off during fiscal year 2012.

#### *Analysis of Fiscal Year 2012*

A comparison of the operating revenues for fiscal years 2012 and 2011, shows an overall decrease of 3%. The following revenue categories experienced increases: liquid bulk 6%, dry bulk 7%, steel/break-bulk 2%, vehicle

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### Management's Discussion and Analysis

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26%, and other terminals 10%; the following categories decreased: containerized 4%, lumber 49%, rental 32%, and miscellaneous income 17%.

In terms of volume (measured in metric revenue tons), the following categories experienced increases from last year: vehicles 70%, lumber 1%; the following types of cargo decreased during fiscal year 2012: containerized 7%, liquid bulk 3%, dry bulk 1%, steel/break-bulk 35%.

Operating expenses (excluding depreciation and amortization) increased \$6,214,229. Cargo facilities expense increased \$1,787,632 due to higher maintenance required mostly by the vehicle and the rental facilities; infrastructure maintenance, which includes bridges, freeways, streets, and utilities maintenance and expenses related to environmental control, increased \$4,655,299. The primary reason for this increase is the one-time write-off during fiscal year 2011 of the remaining liability related to IR Site 7 mitigation that was completed in fiscal year 2011 at a cost that was significantly lower than the original estimate. A reduction in bridge and freeway maintenance in fiscal year 2012 of \$1,818,732 helped to offset the increase in infrastructure maintenance expense. Fire and safety costs decreased by \$342,702 due to efforts aimed to reduce expenses related to the Port's Security Division.

Depreciation expense is affected by acquisition/retirement of long-term assets, their useful lives, and the dates when such assets are placed in service. Depreciation expense for fiscal year 2012 was \$3,517,464 higher than that of 2011. The reason for this change is the capitalizing of assets placed in service during 2012.

Intergovernmental transfer decreased by \$6,153,591 in fiscal year 2012. During the current fiscal year the Department transferred \$16,694,347 as a regular operating transfer to the City of Long Beach.

Interest expense, net of investment income, decreased by \$8,517,487 in fiscal year 2012. Investment income was lower due to lower earning rates resulting from the overall downturn in the economy in addition to lower average investment balance. Interest expense was lower because of the principal reductions in long-term debt balances due to ongoing annual debt service arrangements, and the continuation of the capitalization of interest policy that allocates some of the interest expense to capital projects.

The Clean Air Action Plan (CAAP), as anticipated, experienced an increased loss of \$353,339 when compared to that of fiscal year 2011. The increased loss is the result of lower revenues generated by the program as it winds down into its final stage.

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Management's Discussion and Analysis

September 30, 2013 and 2012

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**Capital Assets and Debt Administration**

*Capital Assets*

The Department's investments in capital assets, net of accumulated depreciation, as of September 30, 2013, 2012, and 2011 are as follows:

**Capital Assets, Net**

September 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Nondepreciable capital assets:			
Land	\$ 903,778,818	904,761,885	867,894,358
Construction in progress	1,367,213,130	603,250,900	489,936,597
Rights-of-way	<u>207,823,264</u>	<u>207,823,264</u>	<u>207,823,264</u>
Total nondepreciable capital assets	<u>2,478,815,212</u>	<u>1,715,836,049</u>	<u>1,565,654,219</u>
Depreciable capital assets (net):			
Structures and facilities	984,887,991	971,117,488	921,213,659
Furniture, fixtures, and equipment	<u>13,090,859</u>	<u>12,132,733</u>	<u>12,078,372</u>
Total depreciable capital assets (net)	<u>997,978,850</u>	<u>983,250,221</u>	<u>933,292,031</u>
Total capital assets, net	<u>\$ 3,476,794,062</u>	<u>2,699,086,270</u>	<u>2,498,946,250</u>

***Analysis of Fiscal Year 2013***

The Department's investments in capital assets include land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights-of-way. The net effect on the capital asset accounts was an increase of \$777,707,792 from fiscal year 2012 primarily due to the substantial increase in construction in progress related to major infrastructure projects taking place at the Port.

***Analysis of Fiscal Year 2012***

The Department's investments in capital assets include land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights-of-way. The net effect on the capital asset accounts was an increase of \$200,140,020 from fiscal year 2011, primarily due to asset acquisitions offset by depreciation. Information regarding the Department's capital assets can be found in note 6 of the financial statements.



# THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

## Management's Discussion and Analysis

September 30, 2013 and 2012

(Unaudited)

### *Debt Administration*

The following table summarizes the Department's debt, originally incurred as long term, as of September 30, 2013, 2012, and 2011.

#### **Debt Originally Incurred as Long-Term Debt**

September 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Bond debt (principal and net premiums)	\$ 640,837,135	688,291,425	723,242,147
Line of credit	80,000,000	—	—
Total	<u>\$ 720,837,135</u>	<u>688,291,425</u>	<u>723,242,147</u>

### *Analysis of Fiscal Year 2013*

The Department's total long-term debt decreased by \$32,545,710, or 5%. The decrease was primarily the result of scheduled principal reductions on the bond debt and the amortization of the premiums, which was offset by a fresh line of credit obtained by the Department in the current year.

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA, stable outlook; Moody's Investors Services: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook.

The debt service coverage ratio for both fiscal years ended 2013 and 2012 was 3.1 and 3.1, respectively. The minimum rate required by the Department's various bond indenture documents is 1.25.

### *Analysis of Fiscal Year 2012*

The Department's total long-term debt decreased by \$34,950,722, or 5%. The decrease was primarily the result of scheduled principal reductions on the bond debt.

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA, stable outlook; Moody's Investors Services: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook. In May 2012, Fitch Ratings affirmed the AA with a stable outlook rating on the Port's outstanding debt. The Fitch report states, "The Port's terminal facilities are modern and contiguous, and have excellent access to intermodal transportation facilities, including on-dock rail, near-dock rail, and direct connections to the national rail network through the Alameda Corridor, and the Southern California system of freeways. The Port has a healthy balance sheet with a very strong liquidity position, of \$550 million, representing 2,463 days cash on hand. In addition, the Port's board has passed an ordinance requiring management to a minimum of 2.0x DSCR and 600 days cash on hand. Port leverage is also currently very low at 0.1x net debt/cash flow available for debt service (CFADS), though this may rise to the 3x-4x range if the full capital plan is executed through 2016. The Port is exposed to fluctuations in international trade as evidenced by shrinking trade volumes through the recent recession due to overall weakness in the global economy, fuel cost volatility and U.S. dollar values. In addition, there are growing

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competitive pressures from cost-conscious shipping lines exploring services at competitor ports. POLB revenues are insulated from trade-related volatility due to long-term guaranteed contracts with most tenants.”

In December 2012, Moody's Investors Service report was released that “maintains the Aa2 rating on Long Beach Port Facility's (CA) Harbor Revenue Bonds, Series 2010A and Harbor Revenue Bonds, Series 2010B. Moody's also affirmed the Aa2 rating on Long Beach's \$648.7 million outstanding Harbor Revenue bonds. The outlook is stable.” The report pointed to the Port's strengths as:

- “Strong market position as the second largest port in the US, by TEU (twenty-foot equivalent) count. The port also benefits from a naturally deep harbor, a 50-foot channel depth, state-of-the-art facilities, and good road access and intermodal connectivity through the Alameda Corridor and Intermodal Transport Facility.
- A robust local market contributes to the Port's competitive position, giving it a large, relatively stable demand base for imports and by generating ‘backhaul’ cargo to partially balance the large import operations.
- Track record of well-maintained and stable finances with the DSCRs averaging 3.2 times in recent years and ample operating cash reserves equivalent to over seven years of operations.
- Revenue stability is enhanced by long-term contracts with the Port's major tenants (that contribute 95% of revenues) that include minimum annual guarantees (MAGS) amounting to 70% of operating revenue in FY2012.”

The debt service coverage ratio for both fiscal years ended 2012 and 2011 was 3.1 and 3.4, respectively. The minimum rate required by the Department's various bond indenture documents is 1.25.

#### ***Factors That May Affect the Port's Operations***

The availability of alternate ports and competition affects the use of the Port's facilities and, therefore, operating revenues of the Port. There is significant competition for container trade among North American ports. The Port cannot predict the impact of this competition. West Coast ports, in the U.S., Canada, and Mexico, compete for discretionary intermodal cargo headed from the Far East to mid-western and eastern U.S., which is more heavily populated. This discretionary cargo moves eastward primarily by rail. Discretionary cargo makes up more than half of the container cargo arriving at the Port of Long Beach.

The use of all-water routes to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through West Coast ports. All water services from Asia to the Gulf of Mexico and East Coast ports move primarily through the Panama Canal. The Panama Canal is in the process of expanding its locks. Although recent reports indicate that the opening of the new locks will be delayed to mid-2015 from the original scheduled date in 2014, the widening and deepening of the locks will allow larger vessels to transit the Canal. The expansion creates a potential route to the East Coast and Gulf of Mexico for vessels with larger capacity than the current “Panamax” ships. While the effects of an expanded Canal are unknown, the Port of Long Beach has an existing ability to handle ships that are larger than the expanded-Panamax ships, and continues to maintain and improve its terminals, infrastructure, and intermodal capabilities.

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The Port is subject to legal and regulatory requirements relating to air emissions that may be generated by ships, trains, trucks, and other operational activities within the Port. Paying for mandated air pollution reduction, infrastructure and other measures has become a significant portion of the Port's capital and operating budgets. Such expenditures are necessary even if the Port does not undertake any new revenue-generating capital improvements, and the Port cannot provide assurances that the actual cost of the required measures will not exceed the amounts forecasted.

#### ***Notes to Financial Statements***

The notes to the Department's financial statements can be found on pages 37 – 79 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

#### ***Requests for Information***

This financial report is designed to provide a general overview of the Department's finances for people or entities interested in the financial aspects of the Port. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 4801 Airport Plaza Drive, Long Beach, CA 90815.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statements of Net Position

September 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Pooled cash and cash equivalents (note 2)	\$ 239,891,340	522,116,358
Trade accounts receivable, net of allowance (note 3)	39,254,750	48,631,116
Interest receivable	202,823	202,823
Nonperforming investments	241,571	1,229,017
Due from other governmental agencies (note 3)	129,170,528	66,954,612
Prepaid – dredging services (note 4)	1,725,644	2,140,122
Inventories of supplies	519,820	603,497
Subtotal	411,006,476	641,877,545
Harbor Revenue Bond Funds and other funds restricted as to use (notes 2 and 9):		
Pooled cash and cash equivalents	29,901,850	31,066,145
Total current assets	440,908,326	672,943,690
Noncurrent assets:		
Capital assets (notes 6 and 11):		
Land:		
Purchased	448,936,517	448,936,517
Constructed	454,842,301	455,825,368
Total land	903,778,818	904,761,885
Structures and facilities	2,337,755,926	2,240,185,567
Less accumulated depreciation	(1,352,867,935)	(1,269,068,079)
Net structures and facilities	984,887,991	971,117,488
Furniture, fixtures, and equipment	44,893,742	39,997,728
Less accumulated depreciation	(31,802,883)	(27,864,995)
Net furniture, fixtures, and equipment	13,090,859	12,132,733
Construction in progress	1,367,213,130	603,250,900
Right-of-way (note 5)	207,823,264	207,823,264
Net capital assets	3,476,794,062	2,699,086,270
Other assets:		
Long-term receivables (note 3)	1,300,000	1,300,000
Environmental mitigation credits (note 15)	43,236,207	43,236,207
Investment in joint venture (note 12)	3,216,783	3,167,925
Restricted pooled cash and cash equivalents (notes 2 and 9)	17,596,976	113,212,631
Restricted nonpooled cash and cash equivalents (note 2)	259,371	94,610
Restricted nonpooled investments (note 2)	63,238,300	63,511,123
Other noncurrent assets	6,227,312	7,024,999
Total other assets	135,074,949	231,547,495
Total noncurrent assets	3,611,869,011	2,930,633,765
Total assets	4,052,777,337	3,603,577,455
Deferred outflows on debt refunding	11,404,155	12,921,455
Total assets and deferred outflows	\$ 4,064,181,492	3,616,498,910

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statements of Net Position

September 30, 2013 and 2012

<b>Liabilities</b>	<b>2013</b>	<b>2012</b>
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	\$ 108,228,976	85,652,416
Liability claims (note 13)	14,000,000	4,000,000
Tenant credits and unearned revenue	13,633,406	13,821,205
Due to City of Long Beach (note 14)	17,312,204	19,030,359
Total current liabilities payable from current assets	<u>153,174,586</u>	<u>122,503,980</u>
Current liabilities payable from restricted assets:		
Current portion of bonded indebtedness (note 9)	49,115,000	46,965,000
Accrued interest – bonds	11,483,733	12,384,825
Total current liabilities payable from restricted assets	<u>60,598,733</u>	<u>59,349,825</u>
Total current liabilities	<u>213,773,319</u>	<u>181,853,805</u>
Long-term obligations net of current portion:		
Bonded indebtedness (note 9)	591,722,135	641,326,425
Line of credit (note 8)	80,000,000	—
Total noncurrent liabilities	<u>671,722,135</u>	<u>641,326,425</u>
Total liabilities	<u>885,495,454</u>	<u>823,180,230</u>
<b>Net Position (note 16)</b>		
Net investment in capital assets	2,848,455,730	2,104,914,537
Restricted – nonrelated-party debt service contingency and matching contribution for federally funded projects (note 12)	—	95,620,127
Restricted – capital projects	43,236,207	43,236,207
Restricted – debt service	18,418,117	18,681,320
Unrestricted	268,575,984	530,866,489
Total net position	<u>3,178,686,038</u>	<u>2,793,318,680</u>
Total liabilities and net position	<u>\$ 4,064,181,492</u>	<u>3,616,498,910</u>

See accompanying notes to financial statements.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Port operating revenues:		
Berths and special facilities	\$ 335,869,457	322,425,435
Rental properties	9,374,145	9,576,890
Miscellaneous	1,000,480	1,884,606
Total Port operating revenues	<u>346,244,082</u>	<u>333,886,931</u>
Port operating expenses:		
Facility maintenance	4,463,037	4,751,659
Infrastructure maintenance	20,348,800	17,240,186
Fire and safety	31,124,642	27,523,305
Other indirect operating	7,986,407	7,487,896
General and administrative	33,772,806	30,633,789
Total Port operating expenses before depreciation and amortization	<u>97,695,692</u>	<u>87,636,835</u>
Depreciation and amortization	<u>90,849,581</u>	<u>88,522,820</u>
Total Port operating expenses	<u>188,545,273</u>	<u>176,159,655</u>
Income from Port operations	<u>157,698,809</u>	<u>157,727,276</u>
Nonoperating revenues (expenses):		
Investment income, net	2,788,773	3,302,098
Interest expense	(65,000)	(10,341,297)
Gain (loss) on disposition of capital assets	(6,247)	7,268
Clean Trucks Program (net)	(3,419,528)	(3,926,198)
Other income (expense)	(181,628)	(1,904,389)
Total nonoperating revenues (expenses)	<u>(883,630)</u>	<u>(12,862,518)</u>
Income before capital grants and transfers	156,815,179	144,864,758
Capital grants	250,542,833	13,626,625
Transfers to the City of Long Beach (note 14)	(17,312,204)	(16,694,347)
Increase in net position	<u>390,045,808</u>	<u>141,797,036</u>
Total net position – beginning of year	2,793,318,680	2,651,521,644
Cumulative effect resulting from adoption of GASB 65 (note 1)	(4,678,450)	—
Total adjusted net position – beginning of year	<u>2,788,640,230</u>	<u>2,651,521,644</u>
Total net position – end of year	<u>\$ 3,178,686,038</u>	<u>2,793,318,680</u>

See accompanying notes to financial statements.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Cash Flows

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 355,528,275	328,416,552
Cash paid to employees	(44,665,579)	(43,204,866)
Cash paid to suppliers	<u>(41,118,944)</u>	<u>(44,704,887)</u>
Net cash provided by operating activities	<u>269,743,752</u>	<u>240,506,799</u>
Cash flows from investing activities:		
Interest received	2,000,184	4,232,836
Return on investment in joint venture	<u>2,000,000</u>	<u>3,000,000</u>
Net cash provided by investing activities	<u>4,000,184</u>	<u>7,232,836</u>
Cash flows from non capital/financing activities:		
Clean Air Action Plan	(3,419,528)	(3,303,154)
Transfers to City for Tidelands operations	(16,694,347)	(17,269,486)
Cash advances received from / (made to) ACTA	<u>702,063</u>	<u>(3,700,000)</u>
Net cash used in noncapital financing activities	<u>(19,411,812)</u>	<u>(24,272,640)</u>
Cash flows from capital and related financing activities:		
Grant revenues received / (expensed)	188,326,917	(7,629,746)
Interest paid	(33,670,719)	(14,211,024)
Principal payments – bond	(46,965,000)	(44,815,000)
Proceeds from line of credit	80,000,000	—
2010A Bond Construction Funds	—	(59,241,419)
Payments for capital acquisitions	(820,992,501)	(250,178,724)
Proceeds from sales of capital assets	<u>128,972</u>	<u>30,785</u>
Net cash used in capital and related financing activities	<u>(633,172,331)</u>	<u>(376,045,128)</u>
Net decrease in cash and cash equivalents	(378,840,207)	(152,578,133)
Cash and cash equivalents, October 1	<u>666,489,744</u>	<u>819,067,877</u>
Cash and cash equivalents, September 30	\$ <u>287,649,537</u>	<u>666,489,744</u>
Reconciliation of cash and cash equivalents:		
Unrestricted pooled cash and cash equivalents	\$ 239,891,340	522,116,358
Restricted pooled cash and cash equivalents	47,498,826	144,278,776
2000 bond reserve held by the City Treasurer	<u>259,371</u>	<u>94,610</u>
	\$ <u>287,649,537</u>	<u>666,489,744</u>

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statement of Cash Flows

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of income from Port operations to net cash provided by operating activities:		
Income from Port operations	\$ 157,698,808	157,727,280
Adjustments to reconcile income from Port operations to net cash provided by operating activities:		
Depreciation and amortization	90,849,581	88,522,820
Bad debt expense	95,923	17,062
Decrease (increase) in accounts receivable	9,376,070	(7,477,952)
Decrease (increase) in inventory	83,677	(101,588)
(Decrease) increase in accounts payable	4,163,504	(220,287)
(Decrease) increase in deferred revenues	(187,799)	(205,244)
(Decrease) increase in customer deposits	—	(88,029)
(Decrease) increase in due to other funds	(2,336,012)	2,332,737
(Decrease) increase in liability claims	10,000,000	—
Total adjustments	<u>112,044,944</u>	<u>82,779,519</u>
Net cash provided by operating activities	\$ <u>269,743,752</u>	<u>240,506,799</u>
Supplemental disclosure of noncash transactions:		
Change in accrued capital assets costs (purchased but unpaid at year-end)	\$ 18,231,428	12,405,578
Amortization of bond premium	3,650,440	3,057,176
Amortization of deferred outflows on debt refunding	1,517,300	1,517,300
Bad debt expense	95,923	17,062

See accompanying notes to financial statements.



## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2013 and 2012

### (1) Summary of Significant Accounting Policies

#### (a) *The Reporting Entity*

Article XII of the City Charter of the City of Long Beach, California (the City) created the Harbor Department of the City of Long Beach (the Department) to promote and develop the Port of Long Beach (the Port). The Department's operations are included in the City's reporting entity as an enterprise fund; its activities are conducted in the Tidelands Trust area of the City and are subject to coastal area laws of the State of California and to the terms of the trust agreement between the City and the State of California. The financial statements present only the financial activities of the Department and are not intended to present fairly the financial position and results of operations of the City in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

The Harbor Facilities Corporation (the Corporation), a nonprofit public benefit corporation, has been inactive since 1995 and did not have any activity during the 2013 and 2012 fiscal years. If the Corporation would have any transactions with financial implications, they would be included in the Department's financial statements.

The Department, together with the Harbor Department of the City of Los Angeles, formed a joint venture to finance the construction of the Intermodal Container Transfer Facility (ICTF). The ICTF venture has been recorded as an investment under the equity method of accounting in the accompanying financial statements (see note 12).

In 1989, the cities of Los Angeles and Long Beach entered into a Joint Exercise of Powers Agreement to create the Alameda Corridor Transportation Authority (ACTA). This agreement was amended and restated in 1996. The purpose of ACTA was to acquire, construct, finance, and operate the Alameda Corridor. The Alameda Corridor consists of a 20-mile-long rail cargo expressway connecting the ports in San Pedro Bay to the transcontinental rail yards near downtown Los Angeles and it began operating in April 2004. ACTA prepares its own financial statements, and its transactions are not included as part of the Department's financial statements.

#### (b) *Basis of Accounting and Measurement Focus*

Disbursement of funds derived from the Department's operations is restricted to Harbor Trust Agreement purposes. The costs of providing port services are recovered entirely through leases, tariffs, and other charges assessed to Department's tenants. Consistent with U.S. generally accepted accounting principles for enterprise funds, the accounting policies of the Department conform to the accrual basis of accounting. The measurement focus of the accompanying financial statements is on the determination of changes in net position and changes in financial position. Operating revenues and expenses are generated and incurred through cargo activities performed by port tenants; operating expenses include maintenance of facilities and infrastructure, security, and payments to other City departments for services provided to the Port. Administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as nonoperating income (expense). The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations.

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

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The Department recognizes operating revenues when they are earned. Proceeds from federal or state grants are considered as nonoperating revenues, recognized as such when reimbursable expenses are incurred, and are identified as capital grants in the statements of revenues, expenses, and changes in net position. Operating revenues or capital grant funds that have either been billed or received but not earned are identified as deferred credits and unearned revenue in the statements of net position.

**(c) *Pooled Cash and Cash Equivalents***

In accordance with City Charter requirements, the Department pools its available cash with that of the City. The City's cash management pool is used essentially as a demand deposit account by the participating City organizational units. For purposes of the statements of cash flows, the Department defines cash and cash equivalents as pooled cash and investments, including restricted pooled cash and investments and short-term, easily convertible to cash, nonpooled investments. Investment decisions are made by the City Treasurer and approved by an investment committee whose membership includes members of the Department's management ranks.

Investment income and gains/losses arising from such pooled cash and investments are apportioned to each participating unit based on the relationship of the unit's average daily cash balances to the aggregate pooled cash and investments. The Department's share of pooled cash and investments, as of September 30, 2013 and 2012, is stated at fair value (see note 2).

**(d) *Nonpooled Cash and Cash Equivalents***

The Department considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

**(e) *Investments***

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statements of revenues, expenses, and changes in net position as investment income, net.

**(f) *Inventories***

Inventories of supplies are valued at the lower of average cost or market.

**(g) *Capital Assets***

An asset is classified as a capital asset if it is a nonconsumable, tangible item, valued at a single amount greater than \$5,000, and with a useful life of more than one year. Capital assets are valued at historical costs. The historical cost of acquiring an asset includes the cost necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures is a part of the historical cost of acquiring the asset. Depreciation is determined using the straight-line method with no allowance for salvage values. Identifiable intangible assets are recognized as such if they are separable or when they arise from contractual or other legal right, regardless of whether those rights are transferable or separable from the entity, or from other rights and obligations. An intangible asset will be capitalized if the asset has a useful life of more than one year and an acquisition cost exceeding the

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capitalization threshold of \$100,000. Amortization of intangible assets will follow the policies set for tangible assets with the following additional considerations: there is no mandated maximum amortization period; intangible assets with indefinite useful life should not be amortized; and the carrying value of the intangible asset, if any, following the recognition of any impairment loss should be amortized in subsequent reporting periods over the remaining estimated useful life of the asset. When appropriate, provision for obsolescence is recognized by charging depreciation at an accelerated rate on specific assets. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision, if appropriate, to assure that the cost of the respective assets will be written off over their economic lives. Estimated useful lives used in the computation of depreciation of capital assets are as follows:

Structures and facilities:	
Bridges and overpasses	50 – 75 years
Wharves and bulkheads	40 years
Transit sheds and buildings	20 – 50 years
State highway connections	10 – 50 years
Others	5 – 50 years
Intangible assets	3 – 30 years
Furniture, fixtures, and equipment	2 – 30 years

The Harbor Department incurred interest cost in fiscal year 2013 of \$29,119,187; this amount was capitalized almost in its entirety. The Harbor Department incurred interest cost in fiscal year 2012 of \$31,357,957 of which \$21,016,661 was capitalized.

**(h) Investments in Joint Ventures**

Investments in joint power authorities are accounted for using the equity method.

**(i) Compensated Absences**

The Department records all accrued employee benefits, including accumulated vacation and sick leave, as a liability in the period when the benefits are earned. Accrued employee benefits are treated as a current liability for financial statement presentation.

**(j) Pension Plan and Postretirement Benefits**

All full-time Department employees are members of the State of California Public Employees' Retirement System (CalPERS). The Department's policy is to fund all accrued pension costs. These costs are determined annually as of October 1 by CalPERS and are incorporated into the payroll burden rate reimbursable to the City's Employee Benefits Internal Service Fund. The Department participates in the City's Retired Employee Health Insurance Program. This program is a single-employer defined benefit healthcare plan.

**(k) Allowance for Doubtful Accounts Receivable**

The allowance for doubtful accounts (allowance) is estimated at a level to absorb expected accounts receivable losses. Allowance is established to reflect the amount of the Department's receivables that management estimates will be uncollectible. The allowance is set at the greater of: (1) one half of

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one percent (0.5%) of estimated annual operating revenues or (2) the sum of 75% of aged receivable amounts over 120 days delinquent, plus 50% of amounts over 90 days delinquent, plus 25% of amounts over 60 days delinquent, plus 10% of amounts over 30 days delinquent. In addition, management reviews the adequacy of the allowance on a monthly basis by reviewing the aging report and assesses whether any further adjustment is necessary.

To determine uncollectibility, the Department's Finance Division reviews all delinquent accounts in August of each year. Amounts deemed uncollectible are proposed to be written off. The balances of the allowance for uncollectible accounts receivable for the fiscal years 2013 and 2012 were \$1,748,161 and \$1,678,273, respectively (see note 3).

**(l) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

**(m) Reclassifications**

Certain amounts reported in fiscal year 2012 have been reclassified to conform to the fiscal year 2013 presentation.

**(n) Net Position**

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position is classified into the following categories:

Net investment in capital position – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Expendable – Net position subject to externally imposed conditions or constraints that can be fulfilled by the actions of the Department or by the passage of time. The restrictions are externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Unrestricted – All other categories of net position. Additionally, unrestricted net position may be designated for use by management of the Department. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas. The future funding commitments of the Department related to the Clean Air Action Plan (CAAP) are a primary example of unrestricted net position with designated uses (see note 13).

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Notes to Financial Statements

September 30, 2013 and 2012

(o) **Recent Accounting Pronouncements**

**New GASB Pronouncements**

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Issued in December 2010, this statement incorporates into the FASB'S authoritative literature certain accounting and financial reporting guidance and pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board, opinions issued by the Accounting Principles Board as well as accounting research bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures. The Department implemented this statement in fiscal year 2013. This statement has no material impact on the Department's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Issued in June 2011, this statement provides guidance for reporting deferred outflows and inflows of resources, and net position in a statement of financial position and related disclosures. Transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods are now identified as deferred outflows or inflows of resources, respectively, and hence, are distinguished from assets and liabilities. This statement requires reporting of net position as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The Department implemented this statement in fiscal year 2013. This statement has no material impact on the Department's financial statements.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Application of this Statement was effective for the City during the fiscal year ended September 30, 2013. The Department did not consider it practical to restate the financial statements for all periods presented. The implementation of this Statement resulted in cumulative adjustments to the Department's net position as of September 30, 2012 to remove deferred charges related to the issuance of debt totaling \$4,678,450.

Further, GASB Statement No. 65 requires separate disclosure in the financial statements as deferred outflows for any unamortized loss incurred on debt refunding. Accordingly, the Department presented deferred outflows on debt refunding as a separate line item in the statement of net position.

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**(2) Cash, Cash Equivalents, and Other Investments**

The Department’s cash and cash equivalents and investments as of September 30, 2013 and 2012 are classified in the accompanying statements of net position as follows:

	<u>2013</u>	<u>2012</u>
Pooled cash and cash equivalents	\$ 239,891,340	522,116,358
Pooled cash and cash equivalents, restricted	47,498,826	144,278,776
Total pooled cash and cash equivalents	<u>287,390,166</u>	<u>666,395,134</u>
Bond reserves held by fiscal agents:		
Nonpooled cash and cash equivalents	259,371	94,610
Nonpooled investments	63,238,300	63,511,123
Total bond reserves held by fiscal agents	<u>63,497,671</u>	<u>63,605,733</u>
Total pooled cash and cash equivalents and bond reserves held by fiscal agents	<u>\$ 350,887,837</u>	<u>730,000,867</u>

The majority of the Department’s cash and investments, including restricted cash and investments, are pooled with other City funds and maintained by the City Treasurer. The City Charter requires the Department to participate in the City Treasurer’s pool. The Department’s portion of the City’s total pooled cash and cash equivalents amount as of September 30, 2013 and 2012, was \$287,390,166 or 21.7% and \$666,395,134 or 39.0%, respectively.

The Department’s bond reserves held by fiscal agents, as of September 30, 2013, were \$63,497,671 for the 2004, 2005, 2010A, and 2010B bonds. The Department’s bond reserves held by fiscal agents, as of September 30, 2012, were \$63,605,733; for the 2004, 2005, 2010A, and 2010B bonds. The City’s investment policy authorizes the pool to invest in obligations issued or guaranteed by the federal government and its agencies and instrumentalities as well as in commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, reverse repurchase agreements, bank certificate of deposits, the State Treasurer’s Local Agency Investment Fund, and shares of beneficial interest (mutual funds) issued by diversified management companies. It is the policy of the City Treasurer to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and its Departments and to conform to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety of principal, liquidity, yield, and maintaining the public trust. Individual departmental cash deposits and investments within this pool cannot be specifically identified among the participating units. Interest income and gains and losses earned on pooled cash and investments are allocated monthly to the various pool participants based on their average daily cash balances.

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

The table below identifies the investment types that are authorized by the City’s investment policy. The table also identifies certain provisions of the City’s investment policy that address interest rate risk, credit

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risk, and concentration of credit risk. This table does not address debt proceeds held by bond trustees, which are governed by the provisions of debt agreements.

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio</u>	<u>Maximum investment in one issuer</u>
Bonds issued by the City	5 years *	30%	None
U.S. Treasury notes, bonds, or bills	5 years *	None	None
Registered state warrants or treasury notes or bonds of the State of California	5 years *	30%	None
Local agency bonds	5 years *	30%	None
Federal agency securities	5 years *	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years *	30%	10%
Time certificates of deposit	5 years *	100%	10%
Repurchase agreements	90 days	100%	None
Reverse repurchase agreements	92 days	20%	None
Securities lending program	92 days	20%	None
Medium-term notes	5 years *	30%	10%
Money market funds	N/A	20%	10%
Local agency investment fund (LAIF)	N/A	None	\$40 million per account
Asset-backed securities	5 years	20%	None
Mortgage-backed securities	5 years	20%	None

\* Maximum maturity of (5) years unless a longer maturity is approved by the City Council either specifically or as part of an investment program, at least (3) months prior to purchase.

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements.

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***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturing evenly over time as necessary to provide cash flow and liquidity need for operations. The following schedule indicates the interest rate risk of the City's investments as of September 30 (in thousands):

<b>Investment type</b>	<b>2013</b>		<b>2012</b>	
	<b>Fair value</b>	<b>Weighted average maturity (in years)</b>	<b>Fair value</b>	<b>Weighted average maturity (in years)</b>
Cash and investments in city pool:				
Interdepartment loan (Health SAVERS)	\$ 1,555	5.562	\$ 1,833	6.562
U.S. Treasury bills	36,996	0.361	111,962	0.247
U.S. Treasury notes	226,158	0.759	405,979	0.917
Federal agency securities	738,293	1.544	902,310	1.183
Money market account	233	0.003	536	0.003
Local Agency Investment Fund (LAIF)	120,399	0.003	70,163	0.003
Subtotal City Pool	1,123,634		1,492,783	
Cash and deposits	220,376		210,021	
Outstanding checks	(21,507)		(15,527)	
Deposit in transit	—		20,315	
Total City Pool	\$ 1,322,503		\$ 1,707,592	
Nonperforming short-term investment	\$ 429		\$ 2,185	



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The following schedule indicated the interest rate risk of the Department's cash held by fiscal agent:

<u>Investment type</u>	<u>2013</u>		<u>2012</u>	
	<u>Fair value (000's)</u>	<u>Weighted average maturity (in years)</u>	<u>Fair value (000's)</u>	<u>Weighted average maturity (in years)</u>
Nonpooled investments - fiscal agent:				
2004 Reserve:				
AIG Matched Funding	\$ 11,373	4.62	\$ 11,373	6.62
	<u>11,373</u>		<u>11,373</u>	
2005 Reserve:				
Federal agency securities	1,708	1.05	9,729	1.48
U.S. Treasury notes	14,910	1.83	7,030	2.37
	<u>16,618</u>		<u>16,759</u>	
2010A Reserve:				
Federal agency securities	19,304	3.22	19,376	4.22
	<u>19,304</u>		<u>19,376</u>	
2010B Reserve:				
Federal agency securities	15,943	3.22	16,002	4.22
	<u>15,943</u>		<u>16,002</u>	
Total	\$ <u>63,238</u>		\$ <u>63,510</u>	

***Investments with Fair Values Highly Sensitive to Interest Rate Risk***

The City had no investments with values that were highly sensitive to interest rate changes risk as of September 30, 2013 and 2012. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

***Risks and uncertainties***

The City may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market rate, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The City invests in securities with contractual cash flows, such as asset-backed securities and mortgage backed-securities. The value, liquidity, and related income of these securities are sensitive to change in

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economic conditions, including real estate value, delinquencies or defaults, or both and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

***Disclosures relating to Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating requirements for commercial paper, asset-backed securities, and medium-term notes is an A rating. Mortgage-backed security issuers must have a minimum AAA rating. State warrants, state treasury notes, or bonds of the State are to be rated at a minimum of A1/Sp-1 for short-term investments and Aa/AA for long-term investments.

Presented below is the minimum rating required by the California Government Code, the City's investment policy, and the actual rating as of year-end for each investment type (in thousands):

City's pooled investments investment type	Rating as of year-end 2013				
	Minimum legal rating	Total	Not required to be rated	AA+	Unrated
Cash and investments in City Pool:					
Interdepartment loan (Health SAVERS)	N/A	\$ 1,555	1,555	—	—
U.S. Treasury bills	N/A	36,996	36,996	—	—
U.S. Treasury notes	N/A	226,158	226,158	—	—
Federal agency securities	N/A	738,293	—	738,293	—
Money market account	N/A	233	—	233	—
Local Agency Investment Fund (LAIF)	N//A	120,399	—	—	120,399
Subtotal City Pool		1,123,634	264,709	738,526	120,399
Cash and deposits		220,376	—	—	220,376
Outstanding checks		(21,507)	—	—	(21,507)
Deposit in transit		—	—	—	—
Total City Pool		\$ 1,322,503	264,709	738,526	319,268
Nonperforming short-term investment	N//A	\$ 429	—	—	429

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City's pooled investments investment type	Rating as of year-end 2012				
	Minimum legal rating	Total	Not required to be rated	AA+	Unrated
Cash and investments in City pool:					
Interdepartment loan (Health SAVERS)	N/A	\$ 1,833	1,833	—	—
U.S. Treasury bills	N/A	111,962	111,962	—	—
U.S. Treasury notes	N/A	405,979	405,979	—	—
Federal agency securities	N/A	902,310	—	—	—
Money market account	N/A	536	—	902,310	—
Local Agency Investment Fund (LAIF)	N/A	70,163	—	536	70,163
Subtotal City Pool		1,492,783	519,774	902,846	70,163
Cash and deposits		210,021	—	—	210,021
Outstanding checks		(15,527)	—	—	(15,527)
Deposit in transit		20,315	—	—	20,315
Total City Pool		\$ 1,707,592	519,774	902,846	284,972
Nonperforming short-term investment	N/A	\$ 2,185	—	—	2,185

***Concentration of Credit Risk***

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represents 5% or more of the City's total pooled investments are as follows (in thousands):

Issuer	Investment type	Reported amount	
		2013	2012
Federal Farm Credit Bank	Federal agency securities	\$ 58,349	161,174
Federal Home Loan Bank Federal Home Loan Mortgage Corporation	Federal agency securities	155,034	245,103
Federal National Mortgage Association	Federal agency securities	276,246	181,000
U.S. Treasury	Federal agency securities	248,664	315,033
Local Agency Investment Fund	U.S. Treasury notes and bills State pool investment	263,154	517,941
		120,399	70,163

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able

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to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank except for one City-issued bond and investment in the State of California's Local Agency Investment Fund (LAIF).

As of September 30, 2013, the City reported deposits of \$220,376,000, collateralized in compliance with California Government Code, less \$21,507,000 for checks outstanding. As of September 30, 2012, the City's deposits were \$210,021,000 less \$15,527,000 for checks outstanding.

***Investment in State Investment Pool***

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the treasurer of the State of California. The fair value of the City's investment in this pool is reported in the City's financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized-cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured basis.

**(3) Accounts Receivable and Other Receivables**

Accounts receivable as of September 30 included the following:

	<u>2013</u>	<u>2012</u>
Trade accounts receivable	\$ 41,002,911	50,309,389
Less allowance for doubtful accounts	<u>(1,748,161)</u>	<u>(1,678,273)</u>
Accounts receivable, net	<u>\$ 39,254,750</u>	<u>48,631,116</u>

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Other receivables as of September 30 included the following:

	<u>2013</u>	<u>2012</u>
Due from other governmental agencies:		
Current:		
Federal and state grants	\$ 129,170,528	66,954,612
Total current	<u>129,170,528</u>	<u>66,954,612</u>
Long term:		
Tidelands – Beaches and Waterways	<u>1,300,000</u>	<u>1,300,000</u>
Total long term	<u>1,300,000</u>	<u>1,300,000</u>
Total due from other governmental agencies	\$ <u><u>130,470,528</u></u>	<u><u>68,254,612</u></u>

***Accounts Receivable and Other Receivables***

The Harbor Department is the recipient of numerous grants and other funding appropriations associated with the Gerald Desmond Bridge Replacement Project and various Port Security projects, which include, but are not limited to: The Federal Highway Bridge Program (HBP); the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU); the State Highway Operations and Protection Program (SHOPP); the Trade Corridor Improvement Program – Prop 1B (TCIP); the LA Metro Call for Projects (RSTI); the Surface Transportation Program (STP); the Surface Transportation Program Local Regional Funds (STIP-R); The American Recovery and Reinvestment Act (ARRA); the Port Security Grant Program (PSGP); and the Urban Area Security Initiative (USAI).

Funds from these programs are available to the Department on a reimbursement basis. Most, but not all, of these programs require a matching contribution and thus reimbursement is on a percentage basis, different for each program. As eligible expenditures under each program are incurred, the Department submits invoices for reimbursement of the applicable portion of such expenditures.

**(4) Long Beach Harbor Dredging**

The Harbor Department is undertaking an approximately \$54 million dredging project to improve navigation in harbor waters. The project began in 2010. Although there are four separate locations involved in the dredging project, the primary focus is deepening the inner turning basin south of the BP oil terminal to 76 feet, the same depth as the main channel. The project will be funded with approximately \$5.9 million of federal stimulus moneys and approximately \$48.1 million of revenues of the Harbor Department. During 2009, the Harbor Department advanced \$43.5 million to the Army Corps of Engineers as prepayment for the dredging costs of which \$3.6 million was subsequently refunded back to the Harbor Department; \$0.4 million and \$3.9 million of the advanced money was used during fiscal years 2013 and 2012, leaving a remaining balance of \$1.7 million and \$2.1 million, which is recorded as a prepaid expense at September 30, 2013 and 2012, respectively.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2013 and 2012

**(5) Alameda Corridor Right-of-Way Purchase**

In December 1994, the Department and the Harbor Department of the City of Los Angeles (collectively, the Ports) executed the purchase of the rights-of-way needed for the development of the Alameda Corridor Project (the Project), which is a comprehensive transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost on a 50/50 basis, from the three railroad companies then serving the Ports: Union Pacific Railroad Company (Union Pacific), Southern Pacific Railroad Company (Southern Pacific), and Atchison, Topeka and Santa Fe Railroad Companies (Atchison, Topeka and Santa Fe). After the purchase, Southern Pacific merged into Union Pacific and Atchison, Topeka and Santa Fe merged with Burlington Northern to form the Burlington Northern Santa Fe.

The total purchase comprised the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right-of-way to access local businesses along the Project. As of September 30, 2013 and 2012, total costs to the Department related to the rights-of-way purchase amounted to \$207.8 million for both years.

Construction of the Project began in 1997 and it was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from issuance of debt.

Repayment to the Ports for their investments in the right-of-way and for any advances provided to the Project will occur only after the Project has generated revenues sufficient to retire all debt and to fund a maintenance reserve (see note 13).

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Notes to Financial Statements

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**(6) Capital Assets**

Description	2013				Balance, September 30, 2013
	Balance, October 1, 2012	Additions	Disposals/ Adjustments	Transfers	
Nondepreciable capital assets:					
Purchased land	\$ 448,936,517	—	—	—	448,936,517
Constructed land	455,825,368	—	(983,067)	—	454,842,301
Construction in progress	603,250,900	867,673,476	983,067	(104,694,313)	1,367,213,130
Right-of-way (note 5)	207,823,264	—	—	—	207,823,264
Subtotal	1,715,836,049	867,673,476	—	(104,694,313)	2,478,815,212
Depreciable capital assets:					
Structures and facilities	2,240,185,567	—	(2,584,644)	100,155,003	2,337,755,926
Furniture, fixtures, and equipment	39,997,728	1,019,118	(662,414)	4,539,310	44,893,742
Subtotal	2,280,183,295	1,019,118	(3,247,058)	104,694,313	2,382,649,668
Total capital assets	3,996,019,344	868,692,594	(3,247,058)	—	4,861,464,880
Less accumulated depreciation:					
Structures and facilities	1,269,068,079	86,260,360	(2,460,504)	—	1,352,867,935
Furniture, fixtures, and equipment	27,864,995	4,589,221	(651,333)	—	31,802,883
Total accumulated depreciation	1,296,933,074	90,849,581	(3,111,837)	—	1,384,670,818
Net capital assets	\$ 2,699,086,270	777,843,013	(135,221)	—	3,476,794,062

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September 30, 2013 and 2012

Description	2012				Balance, September 30, 2012
	Balance, October 1, 2011	Additions	Disposals	Transfers	
Nondepreciable capital assets:					
Purchased land	\$ 448,936,517	—	—	—	448,936,517
Constructed land	418,957,841	—	—	36,867,527	455,825,368
Construction in progress	489,936,597	287,960,559	—	(174,646,256)	603,250,900
Rights-of-way (note 5)	207,823,264	—	—	—	207,823,264
Subtotal	1,565,654,219	287,960,559	—	(137,778,729)	1,715,836,049
Depreciable capital assets:					
Structures and facilities	2,105,748,451	—	—	134,437,116	2,240,185,567
Furniture, fixtures, and equipment	36,415,502	725,799	(485,186)	3,341,613	39,997,728
Subtotal	2,142,163,953	725,799	(485,186)	137,778,729	2,280,183,295
Total capital assets	3,707,818,172	288,686,358	(485,186)	—	3,996,019,344
Less accumulated depreciation:					
Structures and facilities	1,184,534,792	84,533,287	—	—	1,269,068,079
Furniture, fixtures, and equipment	24,337,130	3,989,533	(461,668)	—	27,864,995
Total accumulated depreciation	1,208,871,922	88,522,820	(461,668)	—	1,296,933,074
Net capital assets	\$ 2,498,946,250	200,163,538	(23,518)	—	2,699,086,270

**(7) Commercial Paper Notes**

In 1994, the Board of Harbor Commissioners authorized the issuance of up to \$383,500,000 in commercial paper notes of Series A, B, and C, and the Department issued \$148,000,000 of Series A notes to pay for acquisition costs of property, facilities, and oil rights in the North Harbor District. The notes are designated as follows:

Series A – Subject to Internal Revenue Service Code Alternative Minimum Tax (AMT)

Series B – Not subject to AMT

Series C – Taxable

The Department's gross revenues secured the notes. The obligation to pay the principal portion of outstanding notes was further supported by a \$175,000,000 revolving line of credit that was terminated by the Department in 2010. The commercial paper and related interest obligations were fully paid during the 2010 fiscal year.



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Notes to Financial Statements

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**(8) Lines of Credit**

In July, 2013, the Board of Harbor Commissioners authorized the issuance of \$200,000,000 Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt), Series B (Tax-Exempt), and Series C (Taxable).

The Harbor Department will secure the borrowings under the revolving lines of credit with a subordinate lien on the revenues of the Department.

***Bank of America, N.A.-Subordinate Harbor Revenue Revolving Obligations Series A (Tax-Exempt)***

Bank of America will provide tax-exempt revolving line of credit that will allow the Harbor Department to borrow up to \$78,000,000 at any given point of time. The tax-exempt interest rate to be paid by the Harbor Department for borrowings under the revolving line of credit will be based on a percentage of the daily, one-month, two-month, three-month, or six-month (as selected by the Harbor Department) London Interbank Offered Rate (Libor). Bank of America will make the revolving line of credit available to the Harbor Department for three years (unless the revolving line of credit is terminated earlier or extended pursuant to its terms. Borrowings under the Bank of America revolving line of credit will be incurred by the Harbor Department in the form of City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series A (Tax-Exempt) (Series A Obligations.)

The Harbor Department's obligations to repay any loans made by Bank of America under the Bank of America Credit Agreement will be evidenced by a promissory note (the Bank of America Note) to be issued by the Harbor Department to Bank of America.

***Union Bank, N.A.-Subordinate Harbor Revenue Revolving Obligations Series B (Tax-Exempt) and Series C (Taxable)***

Union Bank will provide two revolving lines of credit (a tax-exempt revolving line of credit and a taxable revolving line of credit) that will allow the Harbor Department to borrow up to \$122,000,000 at any given point of time. The tax-exempt and taxable interest rates to be paid by the Harbor Department for borrowings under the revolving lines of credit to be provided by Union Bank will be based on a percentage of the one-month Libor rate. Union bank will make the revolving lines of credit available to the Harbor Department for three years (unless the revolving line of credit is terminated earlier or extended pursuant to its terms), Borrowings under the union Bank revolving lines of credit will be incurred by the Harbor Department in the form of City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series B (Tax-Exempt) (Series B Obligations), and City of Long Beach, California Subordinate Harbor Revenue Revolving Obligations, Series C (Taxable) (Series C Obligations).

The Harbor Department's obligations to repay any loans made by Union Bank under the Union Bank Credit Agreement will be evidenced by two promissory notes (one for tax-exempt loans and one for taxable loans) (the Union Bank Notes) to be issued by the harbor Department to Union Bank.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

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Outstanding obligation against line of credit as of September 30 was as follows:

	<u>2013</u>	<u>2012</u>
Long term:		
Line of Credit – Bank of America	\$ 40,000,000	—
Line of Credit – Union Bank	40,000,000	—
Total current	<u>\$ 80,000,000</u>	<u>—</u>

**(9) Bonded Indebtedness**

Outstanding bonded indebtedness as of September 30 was as follows:

	<u>2013</u>	<u>2012</u>
1998 Harbor Revenue Refunding Bonds:		
Maturing 2012 through 2019 at 6.0% interest	\$ 86,515,000	98,215,000
Plus unamortized premium, net of refunding charges	3,598,366	3,742,969
Total 1998 Harbor Revenue Refunding Bonds	<u>90,113,366</u>	<u>101,957,969</u>
2002B Harbor Revenue Bonds (fixed rate portion):		
Maturing 2012 through 2024 at 5.1% to 5.5% interest	43,405,000	48,455,000
Plus unamortized premium	2,515,537	2,253,035
Total 2002B Harbor Revenue Bonds	<u>45,920,537</u>	<u>50,708,035</u>
2004A & B Harbor Revenue Refunding Bonds:		
Maturing 2012 through 2018 at 4.0% to 5.0% interest	45,185,000	45,685,000
Plus unamortized premium, net of refunding charges	1,920,061	2,310,903
Total 2004A & B Harbor Revenue Refunding Bonds	<u>47,105,061</u>	<u>47,995,903</u>
2005A & B Harbor Revenue Refunding Bonds:		
Maturing 2012 through 2025 at 5.0% interest	117,200,000	117,200,000
Plus unamortized premium, net of refunding charges	7,149,913	7,159,345
Total 2005A & B Harbor Revenue Refunding Bonds	<u>124,349,913</u>	<u>124,359,345</u>
2010A Harbor Revenue Bonds:		
Maturing 2012 through 2025 at 0.4 to 5.0% interest	170,900,000	181,355,000
Plus unamortized premium, net of refunding charges	12,541,363	12,897,346
Total 2010A Harbor Revenue Refunding Bonds	<u>183,441,363</u>	<u>194,252,346</u>

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	<u>2013</u>	<u>2012</u>
2010B Harbor Revenue Refunding Bonds:		
Maturing 2012 through 2027 at 3.0% to 5.0% interest	138,500,000	157,760,000
Plus unamortized premium, net of refunding charges	<u>11,406,895</u>	<u>11,257,827</u>
Total 2010B Harbor Revenue Refunding Bonds	<u>149,906,895</u>	<u>169,017,827</u>
Principal	601,705,000	648,670,000
Net premium	39,132,135	39,621,425
Less current portion	<u>(49,115,000)</u>	<u>(46,965,000)</u>
Net long-term bonded indebtedness	<u>\$ 591,722,135</u>	<u>641,326,425</u>

The Department had the following activity in bonded indebtedness for the fiscal years ended September 30, 2013 and 2012:

<u>Description</u>	<u>Balance, October 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, September 30, 2013</u>	<u>Amounts due within one year</u>
1998	\$ 98,215,000	—	11,700,000	86,515,000	12,405,000
2002 B	48,455,000	—	5,050,000	43,405,000	5,315,000
2004 A and B	45,685,000	—	500,000	45,185,000	6,930,000
2005 A and B	117,200,000	—	—	117,200,000	11,605,000
2010A	181,355,000	—	10,455,000	170,900,000	10,725,000
2010B	<u>157,760,000</u>	<u>—</u>	<u>19,260,000</u>	<u>138,500,000</u>	<u>2,135,000</u>
	<u>\$ 648,670,000</u>	<u>—</u>	<u>46,965,000</u>	<u>601,705,000</u>	<u>49,115,000</u>

<u>Description</u>	<u>Balance, October 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, September 30, 2012</u>	<u>Amounts due within one year</u>
1998	\$ 109,250,000	—	11,035,000	98,215,000	11,700,000
2002 B	53,255,000	—	4,800,000	48,455,000	5,050,000
2004 A and B	53,785,000	—	8,100,000	45,685,000	500,000
2005 A and B	127,730,000	—	10,530,000	117,200,000	—
2010A	191,510,000	—	10,155,000	181,355,000	10,455,000
2010B	<u>157,955,000</u>	<u>—</u>	<u>195,000</u>	<u>157,760,000</u>	<u>19,260,000</u>
	<u>\$ 693,485,000</u>	<u>—</u>	<u>44,815,000</u>	<u>648,670,000</u>	<u>46,965,000</u>

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Scheduled annual principal maturities and interest are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending September 30:			
2014	\$ 49,115,000	30,623,278	79,738,278
2015	51,920,000	28,083,402	80,003,402
2016	54,610,000	25,394,303	80,004,303
2017	57,360,000	22,638,878	79,998,878
2018	60,355,000	19,629,315	79,984,315
2019 – 2023	212,770,000	59,932,400	272,702,400
2024 – 2028	115,575,000	10,877,300	126,452,300
	<u>\$ 601,705,000</u>	<u>197,178,876</u>	<u>798,883,876</u>

Details of each outstanding debt issue are as follows:

**(a) 1998 Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Refunding Bonds Series 1998A (the 1998 Bonds) are secured by the Department's gross revenues. The 1998 Bonds, dated February 1, 1998, amounting to \$206,330,000 were issued to current refund all of the City's Harbor Revenue Bonds Series 1989A (the 1989 Bonds). The 1989 Bonds were defeased and the liability for those bonds was removed from the Department's statements of net assets. No amounts remain outstanding as of September 30, 2013 and 2012. Serial bonds aggregating to \$86,515,000 are outstanding and will mature on May 15 of each year from 2014 to 2019 in amounts ranging from \$12,405,000 to \$16,600,000 with interest payable semiannually on May 15 and November 15 at coupon rates of 6.0%. The 1998 Bonds are not subject to optional or mandatory redemption before their respective maturity dates.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

	<u>2013</u>	<u>2012</u>
Service account (amount reserved to meet current debt service requirements)	\$ 6,598,462	6,594,137
Reserve account (amount reserved for maximum annual debt service requirements)	17,596,976	17,592,504
	<u>\$ 24,195,438</u>	<u>24,186,641</u>

The refunding of the 1989 Bonds resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$8,569,501. This difference, reported in the accompanying statements of net position as a component of deferred outflow of resources, is amortized using the straight-line method over the life of the new bonds.

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**(b) 2002B Harbor Revenue Bonds**

The City of Long Beach Harbor Revenue Bonds Series 2002B (the 2002B Bonds) are secured by the Department's gross revenues. The 2002B Bonds were remarketed in the principal amount of \$144,240,000 and are dated June 26, 2002, the date of delivery of the original bonds.

Serial bonds aggregating to \$35,615,000 will mature on May 15 of each year from 2014 to 2023 in amounts ranging from \$3,415,000 to \$8,460,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 5.10% to 5.50%. Bonds maturing on or before May 15, 2014 are not subject to call and redemption prior to maturity; bonds maturing on or after May 2015 will be subject to call and redemption prior to maturity, at the option of the Board of Harbor Commissioners (the Board), as a whole or in part on any date, on or after May 15, 2014, at a redemption price equal to the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Term bonds amounting to \$7,790,000 will mature on May 15, of each year from 2024 to 2027 in amounts ranging from \$1,800,000 to \$2,100,000 with interest payable semiannually on May 15 and November 15 at coupon rates of 5.18%. Term bonds will be subject to call and redemption prior to maturity and redeemed at a redemption price equal to the par amount thereof from Mandatory Sinking Account Payments in amounts from \$1,800,000 to \$2,100,000 from 2024 to 2027, respectively, for the term bonds scheduled to mature on May 15, 2027.

On May 13, 2010, the Board issued the 2010B Revenue Refunding Bonds and used a portion of the proceeds to redeem \$63,060,000 of the outstanding 2002B bonds. The redeemed bonds due dates and amounts were as follows:

<u>Due date</u>	<u>Amount redeemed</u>
Serial bonds:	
May 15, 2016	\$ 2,500,000
May 15, 2019	6,915,000
May 15, 2020	7,280,000
May 15, 2021	7,660,000
May 15, 2022	8,050,000
	<u>32,405,000</u>
Term bonds:	
May 15, 2024	7,095,000
May 15, 2025	7,460,000
May 15, 2026	7,845,000
May 15, 2027	8,255,000
	<u>30,655,000</u>
Total redemption	<u>\$ 63,060,000</u>

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The redemption resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$2,134,526. This difference, reported in the accompanying statements of net position as a component of deferred outflow of resources, is amortized using the straight-line method over the life of the new bonds.

Funds have been allocated at September 30 in conformity with the bond resolution as follows:

	<u>2013</u>	<u>2012</u>
Service account (amount reserved for maximum annual debt service requirements)	\$ 2,854,881	2,850,532

**(c) 2004 Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Refunding Bonds Series 2004A & B (the 2004 Bonds) are secured by the Department's gross revenues. The 2004 Bonds, dated March 10, 2004, amounting to \$113,410,000 were issued to refund and to defease all of the City's Harbor Revenue Bonds Series 1993, to pay the premium for the Bond Insurance Policy, to fund the Series 2004 Reserve Fund, and to finance the costs of issuance of the Series 2004 Bonds. The 1993 Bonds are defeased and the liability for those bonds has been removed from the Department's statements of net position. No amounts remain outstanding as of September 30, 2013 and 2012.

Serial bonds aggregating to \$45,185,000 are outstanding and set to mature on May 15 of each year from 2014 to 2018 in amounts ranging from \$6,930,000 to \$10,825,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%. The Series 2004 Bonds maturing on or before May 15, 2014 are not subject to call and redemption prior to maturity.

The Series 2004 Bonds maturing on or after May 15, 2015 will be subject to call and redemption prior to maturity, at the option of the Board of Harbor Commissioner, as a whole or in part on any date, on or after May 15, 2014, at a redemption price equal to the principal amount of the Series 2004 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$1,445,775. This difference, reported in the accompanying statements of net position as a component of deferred outflow of resources, is amortized using the straight-line method over the life of the new bonds.

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On May 13, 2010, the Board issued the 2010B Revenue Refunding Bonds and used a portion of the proceeds to redeem \$12,105,000 of the outstanding 2004A bonds. The redeemed bonds due dates and amounts were as follows:

<u>Due date</u>	<u>Amount redeemed</u>
Serial bonds:	
May 15, 2013	\$ 8,005,000
May 15, 2014	2,000,000
May 15, 2015	<u>2,100,000</u>
Total redemption	\$ <u><u>12,105,000</u></u>

The redemption resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$721,753. This difference, reported in the accompanying statements of net position as a component of deferred outflow of resources, is amortized using the straight-line method over the life of the new bonds.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

	<u>2013</u>	<u>2012</u>
Service account (amount reserved to meet current debt service requirements)	\$ 3,436,519	1,552,934
Reserve account (amount reserved for maximum annual debt service requirements)	<u>11,372,550</u>	<u>11,372,550</u>
	\$ <u><u>14,809,069</u></u>	<u><u>12,925,484</u></u>

**(d) 2005 Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Refunding Bonds Series 2005A & B (the 2005 Bonds) are secured by the Department's gross revenues. The 2005 Bonds, dated March 23, 2005, amounting to \$257,975,000 were issued to current refund and to defease all of the City's Harbor Revenue Bonds Series 1995 (1995 Bonds), to pay the premium for the Bond Insurance Policies, to fund a repayment reserve for the Series 2005 Bonds, and to finance the costs of issuance of the Series 2005 Bonds. The 1995 Bonds are defeased and the liability for those bonds was removed from the Department's statements of net assets. No amounts remain outstanding as of September 30, 2013 and 2012.

Serial bonds aggregating to \$92,205,000 are outstanding and are set to mature on May 15 of each year from 2014 to 2025 in amounts ranging from \$3,330,000 to \$16,815,000 with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%. Serial bonds aggregating to \$24,995,000 are outstanding and will mature on May 15, 2017 and 2018 with amounts due of \$13,430,000 and \$11,565,000, respectively, with interest payable semiannually on May 15 and November 15 at 5.0% coupon rate.

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The Series 2005 Bonds maturing on or before May 15, 2015 are not subject to call and redemption prior to maturity. The Series 2005 Bonds maturing on or after May 15, 2016 are subject to call and redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2015, at a redemption price equal to 100% of the principal amount of the Series 2005 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

On May 13, 2010, the Board issued the 2010B Revenue Refunding Bonds and used a portion of the proceeds to redeem \$78,410,000 of the outstanding 2005A bonds. The redeemed bonds due dates and amounts were as follows:

<u>Due date</u>	<u>Amount redeemed</u>
Serial bonds:	
May 15, 2013	\$ 11,055,000
May 15, 2016	3,835,000
May 15, 2018	2,535,000
May 15, 2019	8,590,000
May 15, 2020	8,695,000
May 15, 2021	11,480,000
May 15, 2022	2,735,000
May 15, 2023	1,170,000
May 15, 2024	11,860,000
May 15, 2025	<u>16,455,000</u>
Total redemption	<u>\$ 78,410,000</u>

The redemption resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$3,962,756. This difference, reported in the accompanying statements of net position as a component of deferred outflow of resources, is amortized using the straight-line method over the life of the new bonds.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

	<u>2013</u>	<u>2012</u>
Service account (amount reserved to meet current debt service requirements)	\$ 6,549,375	2,619,431
Reserve account (amount reserved for maximum annual debt service requirements)	<u>16,618,840</u>	<u>16,850,524</u>
	<u>\$ 23,168,215</u>	<u>19,469,955</u>

**(e) 2010A Harbor Revenue Bonds**

The City of Long Beach Harbor Revenue Bonds Series 2010A (the 2010A Bonds) are secured by the Department's gross revenues. The 2010A Bonds, dated March 31, 2010, amounting to \$200,835,000



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were issued to finance certain capital improvements at the Port, to fund a reserve fund for the Series 2010A Bonds, and to pay the costs of issuing the Series 2010A Bonds.

Serial bonds aggregating to \$170,900,000 will mature on May 15 of each year from 2013 to 2025 in amounts ranging from \$10,725,000 to \$18,285,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging 3.0% to 5.0%.

The Series 2010A Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The Series 2010A Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2020, at a redemption price equal to 100% of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

	<u>2013</u>	<u>2012</u>
Service account (amount reserved to meet current debt service requirements)	\$ 7,105,331	7,304,914
Reserve account (amount reserved for maximum annual debt service requirements)	<u>19,304,262</u>	<u>19,377,555</u>
	<u>\$ 26,409,593</u>	<u>26,682,469</u>

**(f) 2010B Harbor Revenue Refunding Bonds**

The City of Long Beach Harbor Revenue Refunding Bonds Series 2010B (the 2010B Bonds) are secured by the Department's gross revenues. The 2010B Bonds, dated April 29, 2010, amounting to \$158,085,000 were issued to purchase \$63,060,000 aggregate principal amount of the City's Harbor Revenue Bonds, Series 2002B, \$12,105,000 aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2004A, and \$78,410,000 aggregate principal amount of the City's Harbor Revenue Refunding Bonds, Series 2005A, from the holders thereof; to fund a reserve fund for the Series 2010B Bonds; and to pay the costs of issuing the Series 2010B Bonds.

Serial bonds aggregating to \$138,500,000 will mature on May 15 of each year from 2014 to 2027 in amounts ranging from \$130,000 to \$24,000,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The Series 2010B Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The Series 2010B Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2020, at a redemption price equal to 100% of the principal amount of the Series 2010B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

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Notes to Financial Statements

September 30, 2013 and 2012

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

	<u>2013</u>	<u>2012</u>
Service account (amount reserved to meet current debt service requirements)	\$ 3,357,281	10,144,195
Reserve account (amount reserved for maximum annual debt service requirements)	<u>15,942,649</u>	<u>16,005,103</u>
	<u>\$ 19,299,930</u>	<u>26,149,298</u>

**(10) Retirement Programs**

**(a) Pension Plan**

The Department participates on a cost-sharing basis with the City in CalPERS, a defined benefit, agent multiple-employer pension system that acts as a common investment and administrative agent for entities in California. The system also provides death and disability benefits.

The Department is billed by the City for its share of pension costs based upon rates established by CalPERS for the City's general employees. CalPERS does not calculate a separate pension obligation for the Department; therefore, no separate Department obligation can be presented herein. The Department paid \$6,676,859, \$7,358,017, and \$6,074,150 to the City, which was equal to its annual required contribution for fiscal years 2013, 2012, and 2011, respectively.

As employees of the City, the Department's full-time employees are eligible to participate in CalPERS, becoming vested in the system after five years of service. Upon vesting, employees on tier 1 (those hired on or before October 20, 1989) and who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 2.7% (with up to a 5.0% annual Cost of Living Adjustment (COLA) increase) of their highest paid year of employment for each year of credited service. Employees on tier 2 (those hired after October 20, 1989 but before October 1, 2006) and who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 2.7% (with up to a 2.0% annual COLA increase) of their highest paid year of employment for each year of credited service. The City created tier 3 for employees hired after October 1, 2006. Vested tier 3 employees who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount equal to 2.5% (with up to a 2.0% annual COLA increase) of their highest paid year of employment for each year of credited service.

**Plan Description – Public Employees' Retirement System (CalPERS)**

The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by state statute and city ordinance. A copy of CalPERS' annual financial report may be obtained from its executive office at 400 P. Street, Sacramento, California 95814. Since CalPERS is on a fiscal year ending June 30th, all actuarial

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

September 30, 2013 and 2012

calculations for the City's retirement plan are made on a fiscal year ending June 30th, which differs from the City's September 30th 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.

"Classic" Safety: 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 three percent of the employee's highest paid year of employment for each year of credited service. Third tier police and fire employees are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to two percent of the employee's highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual five percent cost-of-living increase while those under the second tier are eligible to receive a maximum annual two percent cost-of-living increase.

"New" Safety: Effective January 1, 2013, safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 57, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For fiscal year 2013, salaries are capped at \$113.7 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas.

"Classic" Miscellaneous: Vested first and second tier nonsafety 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. The City created tier three for nonsafety employees hired after October 1, 2006. Vested tier three nonsafety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual five percent cost-of-living increase while those under the second and third tier are eligible to receive a maximum annual two percent cost-of-living increase.

"New" Miscellaneous: Effective January 1, 2013, miscellaneous nonsafety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 62, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For fiscal year 2013, salaries are capped at \$113.7 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas.

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2013 and 2012

***Funding Policy***

For the fiscal year ended September 30, 2013, Safety and Miscellaneous plan participants were required to contribute 9.0% and 8.0% of their annual covered salary, respectively. However, as a benefit to employees, the City, in some cases, has elected to pay a portion of the employees' portion of this required contribution. The following table details the contribution rates for the City and its employees as of September 30, 2013.

<b>Bargaining unit</b>	<b>City contributes</b>	<b>Employee contributes</b>	<b>New Hires</b>
Unrepresented Management within the			
City Auditor's office	4.0%	4.0%	8.0%
City Attorney's Association	—	8.0	8.0
City Prosecutor's Association	—	8.0	8.0
Elected Officials and City Clerk:			
City Attorney	2.0	6.0	8.0
City Prosecutor	2.0	6.0	8.0
City Auditor	2.0	6.0	8.0
City Clerk	2.0	6.0	8.0
Mayor	—	8.0	8.0
Council Districts 1 – 7 and 9	—	8.0	8.0
Council District 8	—	8.0	8.0
Unrepresented Management and			
Nonmanagement	6.0	2.0	8.0
Long Beach Association of Engineering			
Employees	6.0	2.0	8.0
Long Beach Association of Confidential			
Employees	6.0	2.0	8.0
Long Beach Management Association	6.0	2.0	8.0
International Association of Machinists	—	8.0	8.0
Safety Managers	7.0	2.0	9.0
Long Beach Firefighters' Association	—	9.0	9.0
Long Beach Police Officers' Association	—	9.0	9.0
Long Beach Lifeguard Association	7.0	2.0	9.0

In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll; the current rates are 15.159% for miscellaneous employees and 22.315% for safety employees. For fiscal year 2014, the contribution rates will be 15.324% for miscellaneous employees and 22.623% for safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

***Annual Pension Cost***

For fiscal year 2013, the City's annual pension cost (APC) of \$67.5 million for CalPERS was equal to the City's annual required contribution (ARC) of \$89.5 million less employee contributions of \$22.0 million. The ARC was determined as a part of the June 30, 2010 actuarial valuations.

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Notes to Financial Statements

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The City's APC, the percentage of APC contributed to the plans, and the net pension obligation for the miscellaneous and safety plans for the fiscal years ended September 30, 2011, 2012, and 2013 are as follows (dollars in thousands):

<b>Fiscal year</b>	<b>Miscellaneous annual pension cost</b>	<b>Safety annual pension cost</b>	<b>Annual pension cost (APC)</b>	<b>Percentage contribution</b>
2011	41,953	33,087	75,040	100%
2012	47,436	29,441	76,877	100
2013	38,483	29,014	67,497	100

***Actuarial Methods and Assumptions***

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2013 for miscellaneous and safety employees is shown below:

	<b>Assumptions</b>
Valuation date	June 30, 2010
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Amortization period	Closed
Average remaining period	26 Years for miscellaneous and 25 years for safety as of the valuation date
Asset valuation method	15-Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

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

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Notes to Financial Statements

September 30, 2013 and 2012

***Funded Status and Funding Progress***

As of June 30, 2012, the most recent actuarial valuation date, the funding status for the miscellaneous and safety plans were as follows (dollars in thousands):

<b>Plan</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) – entry Age (b)</b>	<b>Unfunded AAL (UAAL) (Excess of assets over AAL) (b-a)</b>	<b>Funded ratio actuarial value basis (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a percentage of covered payroll ((b-a)/c)</b>
Miscellaneous	\$ 1,825,592	2,057,068	231,476	88.7%	\$ 220,939	104.8%
Safety	1,834,547	1,936,904	102,357	94.7	124,868	82.0

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The initial unfunded actuarial accrued liability (or excess assets) associated with these retirement plans is being amortized as a level percentage of projected payroll on a closed basis.

***Plan Description – 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 6.20% 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 five 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). Audited annual financial statements are available from PARS Public Agency Retirement Services, 4350 Von Karman Avenue, Ste. 100, Newport Beach, CA 92660.

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Notes to Financial Statements

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**Funding Policy and Annual Pension Cost**

The City’s funding policy is to make the contribution as determined by the Plan’s actuary valuation date. The following information describes the calculation methodology:

- The Plan’s APC for the fiscal year ended September 30, 2013 is based on the period from October 1, 2011 to September 30, 2012. The APC for fiscal year ended September 30, 2013, is \$161 thousand, the same amount contributed for this period.
- The actuarial liabilities and assets are valued as of September 30, 2012.
- The actuarial-cost 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 past years 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 dollar amount to determine the unfunded actuarial liability rate. The actuarial value of plan assets is based on a five-year smoothing of gains and losses. The net pension obligation information below is based on periods from October 1 through September 30:

<u>Fiscal year</u>	<u>Annual pension costs</u>	<u>Actual contribution</u>	<u>Percentage contribution</u>	<u>Net pension obligation</u>
2011	\$ 105,141	105,141	100%	\$ —
2012	113,320	113,320	100	—
2013	161,072	161,072	100	—

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Notes to Financial Statements

September 30, 2013 and 2012

***Funded Status and Funding Progress***

As of the most recent actuarial valuation date, September 30, 2012, the Plan's funding status was (dollars in thousands):

<b>Plan</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) – entry Age (b)</b>	<b>Unfunded AAL (UAAL) (Excess of assets over AAL) (b-a)</b>	<b>Funded ratio actuarial value basis (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a percentage of covered payroll ((b-a)/c)</b>
PARS	\$ 903	1,489	586	60.6%	\$ 8,526	6.9%

***Actuarial Methods and Assumptions***

The following is a summary of September 30, 2012 actuarial assumptions:

Interest rate: 4.75%  
 Actuarial cost method: Entry age normal cost method  
 Mortality: 1983 Group annuity mortality (GAM83) table.  
 Turnover: Sample rates are:

<b>Age</b>	<b>Turnover</b>
30	15%
40	15
50	10
60	5

Seasonal and temporary employees' first five years of service assume the following turnover rates:

<b>Years of Service</b>	<b>Turnover</b>
—	50%
1	35
2	30
3	25
4	20

Salary scale: 5.0%  
 Inflation: 3.0  
 Amortization period: Closed  
 Average remaining period: 10 years  
 Retirement age: Age 65 or attained age, if older.  
 Form of benefit: Participants are assumed to receive a lump sum upon termination.



## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

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### (b) *Post Retirement Healthcare Benefits*

#### **General Plan Description**

The City's Retired Employees Health Insurance Program is a single-employer defined benefit healthcare plan.

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. 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.

The City has provided 2 one-time early retirement incentive programs. The first had a maximum value of \$25 thousand for employees, based on age, who retired during calendar year 1996, and the second incentive offered a 16-hour increase in sick leave per year of service to management employees who retired by June 30, 2004. In all cases, once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying the premiums at the retiree's expense.

At September 30, 2013, there were 586 participants in the City's Retired Employees Health Insurance Program and their noninterest-bearing cash value equivalent of the remaining unused sick leave totaled \$20.6 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2013 were \$7.4 million and are included as an expense of the Employee Benefits Internal Service Fund.

#### **Termination Benefits**

As of September 30, 2013, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$123.3 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation, and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and 2009 negotiated public safety health benefit supplements as described below:

#### **Fire Retirement Supplement Benefit**

The Long Beach Fire Fighter's Association agreed to defer an October 1, 2009 general salary adjustment to October 1, 2010 and to extend all other adjustments by one year. The supplement eligibility is limited to Fire employees retiring on or before December 31, 2009. The benefit formula is equal to the difference between CalPERS retirement had the October 1, 2009 general salary adjustment been made for a full year and actual retirement benefits received by CalPERS. The supplement is credited annually to retirees Health account and is adjusted by CalPERS cost-of-living adjustment (COLA). Each account will be adjusted as long as retirees or beneficiaries are receiving CalPERS.

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Notes to Financial Statements

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### **Police Retirement Supplement Benefit**

The Long Beach Police Officers Association agreed to extend a September 30, 2009 midpoint adjustment of 3.2% for sergeants, 14.8% for lieutenants, and 9.3% for corporals and officers, to a 2.0% minimum increase per year. The midpoint adjustment is based on the Strategic Plan Cities Survey of salaries in similar cities. The supplement eligibility is limited to employees retiring on or after September 30, 2009 and before benefits level reaches what it would have been had the September 30, 2009 adjustment been made. The benefit formula is equal to the difference between CalPERS retirement had the September 30, 2009 midpoint adjustment been made and actual retirement benefits received by CalPERS. The supplement is credited annually to retirees Health account and is adjusted by CalPERS cost-of-living adjustment (COLA). Each account will be adjusted as long as retiree or beneficiaries are receiving CalPERS.

The actuarial study assumes an investment return of 4.3%; wage increases of 3.3% per year for both miscellaneous and safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$8.1 million has been fully funded and the long-term portion of the liability of \$115.2 million is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

### **Other Postemployment Benefits**

As of September 30, 2013, the City has also recorded a liability in the Employee Benefits Internal Fund of \$45.2 million based on an actuarial study of the "implicit subsidy" as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)*. While the City does not directly contribute any funding towards the cost of premiums for retirees, the ability to obtain coverage at an active employees rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City's healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an "implicit subsidy" under GASB 45.

The ability to participate in the City's plan by self-paying the premiums extends for the lifetime of the retiree. However, upon attaining the age of Medicare eligibility, the retiree may enter a plan coordinated by Medicare. Standard actuarial practice assumes that Medicare supplemental plans do not generally give rise to an implicit subsidy, and while the City has included Medicare eligible retirees in this valuation, their liability under GASB 45 and their implicit subsidy are both \$0. This plan does not issue a separate financial report.

### **Funding Policy**

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2013, the City has not prefunded the plan.

### **Annual OPEB Cost and Net OPEB Obligation**

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the ARC, an amount that is actuarially determined in accordance with the requirements of GASB 45.

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The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

Annual required contribution	\$ 15,405
Interest on net OPEB obligation	1,776
Adjustment to annual required contribution	<u>(2,744)</u>
Annual OPEB cost	14,437
Contribution made	<u>(4,709)</u>
Increase in net OPEB obligation	9,728
Net OPEB obligation – beginning of year	<u>35,514</u>
Net OPEB obligation – end of year	<u><u>\$ 45,242</u></u>

The ARC was determined as part of the September 2012 actuarial valuation. For the year ended September 30, 2013, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

<u>Fiscal year ended</u>	<u>OPEB Cost annual</u>	<u>Percentage of annual OPEB Cost contributed</u>	<u>Obligation net OPEB</u>
9/30/2011	12,289	34.0%	26,139
9/30/2012	13,486	30.5	35,514
9/30/2013	14,437	32.6	45,242

**Funded Status and Funding Progress**

The funded status of the plan as of September 30, 2013 as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 238,683
Actuarial value of plan assets	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 238,683</u></u>
Funded ratio (actuarial value of plan assets/AAL)	—
Covered payroll	\$ 331,504
UAAL as a percentage of covered payroll	72.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

### Notes to Financial Statements

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regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **Actuarial Methods and Assumption**

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

The September 30, 2012 actuarial valuation used the Entry Age Normal Cost method. The actuarial assumptions included a 4.3% investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 8.5% for non-Medicare plans and 8.9% for Medicare plans with both decreasing to 5.0% for all plans by September 30, 2021, and an inflation assumption of 3.0%. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The actuarial value of plan assets was \$0. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over 30 years.

#### **(c) *Deferred Compensation Plan***

The City offers its employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 allowing them to defer or postpone receipt of income. Amounts deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee. Further information regarding the City's deferred compensation plan may be found in the City's Comprehensive Annual Financial Report for the years ended September 30, 2013 and 2012.

#### **(11) Operating Leases**

The major portion of the Department's property is leased to others. Such property includes marine terminal facilities, special-purpose facilities, office and commercial space, and land.

Some marine terminal facilities are leased under agreements that provide the tenants with preferential but not exclusive use of the facilities. Some leases provide for rentals based on gross revenues or, in the case of marine terminal facilities, on annual usage of the facilities. The leases and the preferential assignments generally provide for minimum rentals.

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Notes to Financial Statements

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Property under lease at September 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 797,233,148	797,233,148
Docks and wharves	501,883,155	486,119,890
Warehouses and sheds	45,614,107	46,103,616
Cranes and shiploaders	173,780,673	173,780,673
Buildings and other facilities	401,017,891	395,675,877
Infrastructure	940,437,591	864,466,067
Historical cost of leased property	2,859,966,565	2,763,379,271
Less accumulated depreciation	<u>(1,062,594,985)</u>	<u>(980,721,453)</u>
Book value of leased property	<u>\$ 1,797,371,580</u>	<u>1,782,657,818</u>

The future minimum rental income under noncancelable operating leases having an initial term in excess of one year is as follows:

Year(s) ending September 30:	
2014	\$ 265,274,000
2015	268,791,000
2016	269,372,000
2017	266,986,000
2018	268,556,000
2019 – 2023	1,323,235,000
2024 – 2028	900,602,000
2029 – 2033	276,773,000
2034 and thereafter	<u>973,914,000</u>
Total	<u>\$ 4,813,503,000</u>

**(12) Investment in Joint Venture**

***Intermodal Container Transfer Facility Joint Powers Authority (ICTF)***

The Department and the Harbor Department of the City of Los Angeles (the Venturers) entered into a joint venture agreement to form ICTF for the purposes of financing and constructing an intermodal container transfer facility (the facility) to transfer cargo containers between trucks and railroad cars. The facility has been leased to Southern Pacific, now merged with Union Pacific (the Tenant). The facility was developed by the Tenant who assumed operational responsibility for the facility. The Venturers' share net income and equity distributions from ICTF equally. The ICTF financial statements for the year ended June 30, 2013 can be obtained from the Department.

**(13) Commitments and Contingencies**

The Department is subject to claims and lawsuits arising from the normal course of business. The City Attorney's office evaluates these claims on a regular basis. Department management may make provision

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2013 and 2012

for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements.

Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Department. Contract commitments and purchase orders for which materials or services were not received at September 30, 2013 and 2012 aggregated \$82,582,507 and \$233,149,214, respectively.

**(a) Risk Management**

The Department currently carries an all-risk property insurance program covering loss or damage by fire and other risks (excluding earthquake and flood) with a loss limit of \$1,415,000,000. The coverage also includes terrorism exposure.

To address third-party liability exposure, an excess liability insurance program is carried by the Department with total limits of \$150,000,000 in excess of \$1,000,000 self-insured retention. The excess liability insurance program covers the Department's operations and includes acts of terrorism within the \$150,000,000 limit. In addition, the Department carries specialized insurance policies providing coverage for damage to owned vessels, damage to other vessels, and pollution liability.

Following is a summary of insurance coverage for the Harbor Department:

	<u>2013</u>	<u>2012</u>
Insurance coverage for fire and other risks	\$ 1,415,000,000	1,306,000,000
Comprehensive general liability	150,000,000	150,000,000
Self-insured retention	1,000,000	1,000,000

Port tenants, contractors, and vendors are required to carry various types and levels of insurance, including general liability insurance on leased premises. The insurance must include coverage for bodily injury and property damage liabilities, and name the City, its Board of Harbor Commissioners, and the Department's officers and employees as additional insured. The amount of settlements reached by the Department did not exceed the amount of insurance coverage in any of the past three fiscal years.

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2013 and 2012, it made payments to the City's Insurance Fund totaling \$1,345,005 and \$1,927,601, respectively, for permanent and temporary Department employees. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2013 and 2012

Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. Based on an opinion from legal counsel, the Department recognized litigation claim liabilities of \$14,000,000 and \$4,000,000 for fiscal years 2013 and 2012, respectively.

**Liability for Claims and Judgments Rollforward Schedule**

<b>Description</b>	<b>Balance, October 1, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, September 30, 2013</b>
Accrued claims and judgments	\$ 4,000,000	10,000,000	—	14,000,000

<b>Description</b>	<b>Balance, October 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, September 30, 2012</b>
Accrued claims and judgments	\$ 5,000,000	—	1,000,000	4,000,000

**(b) Potential Obligations Related to the Alameda Corridor Transportation Authority**

The Alameda Corridor Use and Operating Agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), the ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads (the railroads). This agreement provides for a payment of funds, known as a “Shortfall Advance,” to be made, under certain circumstances, to ACTA by the Department and the Port of Los Angeles. Revenues generated by Use Fees and Container Charges, paid by the railroads, will be used to pay debt service on ACTA financing, to establish and maintain a bond repayment reserve account, and to pay ACTA’s reasonable expenses relating to administration of the rail corridor.

To the extent that the revenues from use and container charges are not sufficient to meet ACTA’s obligations, the Department and the Port of Los Angeles have agreed 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 Department and the Port of Los Angeles each responsible for one-half or 20% of the required amount.

ACTA’s latest Notice of Estimated Shortfall Advances and Reserve Accounting Funding (the Notice) was transmitted to the Department on August 6, 2013; estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material. There is no projected shortfall for ACTA’s fiscal year ended June 30, 2014. Any shortfall advance made by the Department and the Port of Los Angeles is reimbursable, with interest, by ACTA.

During 2012, ACTA closed a Railroad Rehabilitation and Improvement Financing (RRIF) Loan of \$83.7 million with the Federal Railroad Administration (FRA). This loan along with the planned refunding of ACTA’s Series 1999A Tax-Exempt Senior Lien Revenue Bonds helps to reduce ACTA’s debt service and is expected to defer the need for any additional shortfall advances into

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2013 and 2012

future years. The Department has funded, in prior years, a cash reserve to satisfy claims related to the shortfall advance potential obligation.

The balance of the long-term receivable is as follows:

<b>ACTA Shortfall Advances Rollforward Schedule</b>				
<b>Description</b>	<b>Balance, October 1, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, September 30, 2013</b>
ACTA Shortfall advance	\$ 5,900,000	—	—	5,900,000

**(c) Gerald Desmond Bridge Replacement Project**

The Gerald Desmond Bridge Replacement Project consists of replacing the existing four-lane Gerald Desmond Bridge, which spans the Port’s Main Channel, with a new six-lane bridge. Currently, the Gerald Desmond Bridge is only two lanes in each direction with no shoulder and, depending on tide conditions, is too low to accommodate passage of the largest ships. The new bridge is being built with a cable-stayed design under a design-build contract and will feature three lanes in each direction for improved traffic flow, emergency lanes on both the inner and outer shoulders in each direction to reduce traffic delays and safety hazards from accidents and vehicle breakdowns, a 200-foot vertical clearance to accommodate the world’s largest vessels, a reduction in the bridge’s steep grades, and a bicycle/pedestrian path with scenic overlooks. Additional improvements include reconstruction of the Terminal Island East Interchange and a new interchange with the 710 Freeway. Construction of the new bridge began in 2013 and is expected to be completed by the end of 2016.

The bridge is expected to cost approximately \$1.263 billion and is a joint effort between Caltrans and the Harbor Department. The Harbor Department anticipates that funding of the project will come from numerous sources, including, federal and State grants, and state sources, but local matching funds will also be required. Commitments from these funding sources total \$846.2 million and are available as reimbursement for expenditures on the bridge project. As these expenditures are incurred, amounts eligible for reimbursement from the funding sources are recognized as revenue in the Port’s statement of revenues. As of September 30, 2013, the Harbor Department has incurred approximately \$438.7 million in costs to construct the replacement bridge. Of this amount, approximately \$230.2 million has been recognized as capital grant revenue, with \$121.1 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2013.

In anticipation of the matching fund requirement, the Department set aside funds to provide the expected 10% local match. During fiscal year 2011, the Department reassigned certain state grant funds from various rail projects to the Gerald Desmond Bridge project resulting in an increase in the amount of reserves set aside for the project. As of September 30, 2012, matching funds earmarked for this project were \$49,146,986. In fiscal year 2013 the project is fully underway and the Port considers that a reserve for maintain matching funds is no longer necessary. Hence, as of September 30, 2013, matching funds earmarked for this project were reduced to zero.



## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Notes to Financial Statements

September 30, 2013 and 2012

Upon completion of the Gerald Desmond Bridge Replacement Project, ownership of the new bridge will be transferred to Caltrans. This transfer will result in a write-off of the total value of the bridge (currently estimated at \$1.263 billion), reducing the Port's net position by this amount in the year this transfer occurs. Additionally, the Harbor Department has agreed to pay Caltrans all operation and maintenance costs with respect to the new bridge for a 30-year period commencing on the date ownership of the new bridge is transferred to Caltrans.

**(d) Trade Corridor Improvement Fund Matching Contribution**

The Department has, as part of its continuing capital improvement program, rail projects for track re-alignment and rail yard improvements that are being partially funded by grants from the Trade Corridor Improvement Fund (TCIF). These TCIF grants require a matching contribution of 100% from the Department and as a result, the Department set aside, for fiscal year 2012, a reserve in the amount of \$35,750,000 to meet this match requirement. In fiscal year 2013 the project is fully underway and the Department considers that maintaining such reserve is no longer needed. Hence, the balance of this reserve has been reduced to zero as of September 30, 2013.

**(e) Clean Air Action Plan (CAAP)**

In January 2007, the Department adopted a wide-ranging Green Port Policy that greatly expanded the Department's commitment to sustain the environment by establishing new guidelines for the Port's current operations and future development. Key provisions include protection of the community from the harmful impacts of port operations and employment of state-of-the-art technology to minimize environmental impacts. Air emissions from ships at berth account for over one third of all vessel air emissions. Providing electrification reduces emissions significantly. With electrification, or "cold ironing," vessels can shut down their auxiliary engines, while at berth, and plug into dockside electric substations.

**(14) Transfers to the City of Long Beach**

The City Council, by authority of City Charter Chapter XII, Section 1209 (c)(4) as amended, and with the approval of the Board of Harbor Commissioners (the Board), adopted a resolution to transfer 5% of the Department's operating revenue for fiscal years 2013 and 2012 to the City's Tidelands Operating Fund: in the amounts of \$17,312,204 and \$16,694,347, respectively.

**(15) Environmental Mitigation Credits**

The Department disbursed \$39,375,000 in fiscal year 1997 to secure environmental mitigation credits that would allow the Port to complete projects within its complex. The cost incurred in the acquisition of the environmental credits has been classified as a noncurrent asset. The balance of environmental mitigation credits will be adjusted in the future as landfill credits are used for Port development.

An agreement between the Department, the Port of Los Angeles, and several federal and state regulatory agencies provided for the Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. The 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 outer harbor area. During fiscal year 2006, the Department acquired \$11,400,000 of environmental mitigation credits.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Notes to Financial Statements

September 30, 2013 and 2012

During fiscal year 2007, the Department completed landfills that required the utilization of \$6,492,525 of the available credits; no acquisitions or utilization of credits occurred during the three years ended September 30, 2013. The balance of the Environmental Mitigation Credits was \$43,236,207 as of September 30, 2013 and 2012.

**(16) Net Position**

Net position is the difference between total assets and total liabilities. Increases or decreases in net position may indicate improvement or deterioration of the Department’s financial condition. The Department does not intend to liquidate capital assets to fund ongoing operations. Restricted assets are subject to external restrictions such as construction of capital assets, matching funding requirements for federally funded projects, repayment of long-term debt, and fulfillment of contractual obligations with third parties. Unrestricted net position is available to fund the Department’s continuing operations. As of September 30, 2013 and 2012, the Department’s net position was as follows:

	<u>2013</u>	<u>2012</u>
Net investment in capital asset	\$ 2,848,455,730	2,104,914,537
Restricted – capital projects	43,236,207	43,236,207
Restricted for debt service (note 8)	18,418,117	18,681,320
Restricted – nonrelated-party debt service contingency and matching contribution for federally funded projects (note 12)	—	95,620,127
Total restricted	<u>2,910,110,054</u>	<u>157,537,654</u>
Unrestricted	<u>268,575,984</u>	<u>530,866,489</u>
Total unrestricted	<u>268,575,984</u>	<u>530,866,489</u>
Total net position	<u>\$ 3,178,686,038</u>	<u>2,793,318,680</u>

**(17) Subsequent Events**

The Department has evaluated subsequent events through March 28, 2014, the date the financial statements were available to be issued.

In December 2013, the Department purchased an office building near the Long Beach airport for approximately \$14.3 million. The move to the new office located at 4801 Airport Plaza Drive, Long Beach, CA 90615 was completed in March 2014.

## **STATISTICAL SECTION**

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

This part of the Harbor Department of the City of Long Beach Comprehensive Annual Financial Report presents detailed information, which provides further clarification to the information contained in the financial statements, note disclosures, and all required supplementary information. The information contained in this section includes important indicators about the Department's overall financial well being. Reports in this section have been prepared for a 10-year period and in accordance to Government Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, guidelines.

### Contents

#### Financial Trends Information

The following schedules contain trend information to help the reader understand how the Port's financial performance and condition has changed:

- |    |                            |           |
|----|----------------------------|-----------|
| 1) | Statement of Net Assets    | Exhibit 1 |
| 2) | Changes in Fund Net Assets | Exhibit 2 |

#### Revenue Capacity Information

The following schedules contain information to help the reader assess the Port's most significant sources of revenue:

- |    |                            |           |
|----|----------------------------|-----------|
| 1) | Operating Revenues by Type | Exhibit 3 |
| 2) | Principal Customers        | Exhibit 4 |

#### Debt Capacity Information

The following schedule contains information to help the reader assess the Port's capability of meeting its current level of debt service and its ability to issue debt in the future:

- |    |                                     |           |
|----|-------------------------------------|-----------|
| 1) | Revenue Bonds Debt Service Coverage | Exhibit 5 |
|----|-------------------------------------|-----------|

#### Operating Information

The following schedules contain information directly related to the Port operations:

- |    |                            |           |
|----|----------------------------|-----------|
| 1) | Tonnage Summary            | Exhibit 6 |
| 2) | Tonnage by Commodity Group | Exhibit 7 |
| 3) | Container Count            | Exhibit 8 |

#### Other Information

- |    |                           |            |
|----|---------------------------|------------|
| 1) | Number of Vessel Arrivals | Exhibit 9  |
| 2) | Number of Employees       | Exhibit 10 |

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

EXHIBIT 1  
(Unaudited)

Statistical Section  
Statements of Net Assets - Last Ten Fiscal Years  
(Millions of Dollars)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>AFTER GASB 34 IMPLEMENTATION</b>												
Assets:												
Current	\$ 441	673	635	581	1,005	1,068	1,049	924	440	374	342	305
Other	3,623	2,944	2,858	2,883	2,403	2,336	2,339	2,299	2,630	2,658	2,612	2,633
Total assets	\$ 4,064	3,616	3,492	3,464	3,408	3,404	3,388	3,223	3,070	3,033	2,954	2,938
Liabilities:												
Current	\$ 153	123	104	108	135	206	155	88	52	66	44	87
Current - restricted (1)	60	59	58	57	56	54	57	56	55	58	56	52
Long term	672	641	678	751	791	841	1,033	1,097	1,135	1,222	1,263	1,276
Total liabilities	\$ 885	823	840	916	982	1,101	1,245	1,240	1,242	1,346	1,363	1,415
Net Assets												
Invested in capital assets (net of related debt)	\$ 2,848	2,105	1,916	1,859	1,487	1,440	1,269	1,097	1,108	1,076	1,079	1,112
Restricted	62	158	178	208	197	153	208	300	279	254	175	154
Unrestricted	269	531	558	481	744	710	666	584	442	355	336	256
Contributed capital	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Total net assets / equity	\$ 3,179	2,793	2,652	2,548	2,428	2,303	2,143	1,982	1,828	1,685	1,590	1,522
Working capital	\$ 288	550	531	473	871	862	894	836	388	308	298	218
Current ratio	2.1	3.7	3.9	3.5	5.3	4.1	4.9	6.4	4.1	3.0	3.4	2.2
Debt to asset ratio	21.8%	22.8%	24.0%	26.4%	28.8%	32.3%	36.7%	38.5%	40.4%	44.4%	46.1%	48.2%

Note (1): current liabilities payable from restricted assets.

See accompanying independent auditor's report.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statistical Section  
Changes in Fund Net Assets - Last Ten Fiscal Years  
(Millions of Dollars, Except Number of Employees)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>AFTER GASB 34 IMPLEMENTATION</b>												
Operating revenue	\$ 346	334	345	321	312	359	371	353	331	281	250	224
Operating expense	189	176	166	185	184	196	180	161	149	137	119	93
Income from operations	\$ 158	158	179	136	128	164	191	192	182	144	131	131
Other income/(Expense)	\$ (4)	(16)	(50)	(13)	(14)	(24)	(68)	(54)	(48)	(64)	(71)	(50)
Capital grants	\$ 251	14	7	19	11	4	10	2	2	6	1	-
Investment earnings	\$ 3	3	5	8	19	33	43	28	17	16	17	19
Transfers	\$ (17)	(17)	(37)	(30)	(19)	(16)	(15)	(14)	(9)	(7)	(9)	(9)
Change in Net Assets / Net Income	\$ 390	142	104	121	124	160	161	153	143	95	69	91
Return on investment	12.3%	5.1%	3.9%	4.7%	5.1%	6.9%	7.5%	7.7%	7.8%	5.6%	4.3%	5.9%
Capital expenditures (Includes personnel costs)	\$ 792	373	228	273	189	92	171	92	82	117	175	263
Personnel:												
Wages and benefits	\$ 45.3	43.2	41.7	40.8	38.6	33.7	28.9	26.2	27.0	24.0	21.6	23.1
Average # of employees	462.3	459.9	435.9	424.7	401.0	370.4	346.3	338.2	337.8	340.9	331.0	321.5
Increase (Decrease)	0.52%	5.51%	2.64%	5.91%	8.26%	6.96%	2.40%	0.12%	-0.92%	3.00%	2.95%	5.96%

See accompanying independent auditor's report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statistical Section

Operating Revenue by Type - Last Ten Fiscal Years  
(Millions of Dollars)

EXHIBIT 3  
(Unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>AFTER GASB 34 IMPLEMENTATION</b>												
Operating revenues by category:												
Special facilities	\$ 336	322	329	304	291	341	352	338	315	268	237	210
Rentals	9	10	14	14	16	14	15	11	11	10	9	10
Miscellaneous	1	2	2	3	4	4	4	4	4	3	4	4
Total operating revenue	\$ 346	334	345	321	311	359	371	353	331	281	250	224
Growth (Reduction) %	3.7	(3.3)	7.4	3.3	(13.4)	(3.1)	5.0	7.0	17.6	12.5	11.4	(1.8)
Special facility revenue by type:												
Wharfage & bunkers	\$ 297	269	280	259	246	291	301	284	267	227	192	166
Dockage	12	12	12	11	13	14	16	18	17	15	13	12
Terminal & equipment rental	27	41	37	33	33	35	35	36	31	26	32	32
Total special facility	\$ 336	322	329	303	292	340	352	338	315	268	237	210
Special facility revenue by terminal commodity:												
Containers	\$ 268	256	267	247	233	280	290	275	258	216	186	163
Liquid bulk	17	17	16	17	18	18	19	18	18	17	15	16
Dry bulk	26	24	22	19	20	18	18	20	17	15	17	13
Vehicles	12	13	10	10	10	10	11	11	10	10	10	10
Steel	8	8	8	6	7	9	9	9	7	7	6	6
Lumber	1	1	1	1	1	1	1	1	1	1	1	1
Miscellaneous	3	3	3	3	2	4	4	4	4	2	2	1
Total special facility	\$ 336	322	329	303	291	340	353	337	315	267	236	209

See accompanying independent auditor's report.

The Harbor Department of the City of Long Beach  
Statistical Section  
Principal Customers

EXHIBIT4  
(Unaudited)

The following list represents the Port's largest customers, in terms of revenue, listed alphabetically. These customers accounted for approximately 96% of the Port's operating revenue during fiscal year 2013. The largest single customer accounts for approximately 24% of the Port operating revenues.

Contractual obligations between the Port and its customers prevent the Port from releasing information related to tenant's revenue.

	Customer since Year	Month	Current lease expiration date
BP West Coast Products, LLC	1940	June	05/2023
CEMEX USA	1979	April	08/2021
Chemoil Corp.	1974	July	07/2025
Crescent Terminals, Inc.	1970	April	06/2015
Energia Logistics Ltd.	1966	October	Month to Month
International Transportation Service, Inc.	1971	November	08/2026
Jacobsen Pilot Service, Inc.	1943	March	07/2017
Koch Carbon, Inc.	1987	December	12/2027
Long Beach Container Terminal, Inc.	1980	October	09/2051
Mercedes Benz U.S.A., LLC	2004	February	Month to Month
Metropolitan Stevedore Company	1939	January	03/2016
Mitsubishi Cement Corporation	1989	March	06/2022
Oxbow Carbon & Minerals, LLC	1989	June	12/2027
Pacific Container Terminal	1972	October	04/2022
SA Recycling, LLC	1992	October	11/2019
SSA Terminal C60 / Matson Navigation	2002	May	4/1/2022
SSA Terminals Long Beach, LLC	1984	August	10/2027
Tesoro Refining & Marketing	2007	May	10/2026
Total Terminals International, LLC	1989	June	08/2027
Toyota Logistics Services	1970	January	12/2028
Weyerhaeuser Co.	1942	October	Month to Month

See accompanying independent auditor's report.



The Harbor Department of the City of Long Beach  
 Statistical Section  
 Revenue Bonds Debt Service Coverage - Last Ten Fiscal Years  
 (Millions of Dollars)

EXHIBIT 5  
 (Unaudited)

FISCAL YEAR	REVENUES (1)	MAINTENANCE COSTS (2)	NET REVENUES (3)	REVENUE BONDS DEBT SERVICE	TIMES DEBT SERVICE COVERED
2013	349	98	251	80	3.14
2012	337	87	250	80	3.12
2011	350	81	269	80	3.36
2010	330	98	232	82	2.82
2009	330	98	232	82	2.83
2008	393	116	277	93	2.98
2007	414	97	317	91	3.50
2006	382	76	306	98	3.13
2005	347	62	285	376 (5)	0.76
2004	294	54	240	95 (4)	2.53
			Average ten years coverage		2.82
			Revenue bond covenant rate		1.25
			Additional bonds covenant		1.25

(1) Includes total port operating revenue and interest income only.

(2) Includes all port operating expenses less depreciation and amortization.

(3) Revenues less maintenance costs.

(4) Does not include current refunding of 1993 Revenue Bonds.

(5) Includes May, 2005 payment for the 1995 bonds; it does not include debt service for 2005 bonds.

See accompanying independent auditor's report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statistical Section

Tonnage Summary - Last Ten Fiscal Years

(Thousands of Metric Revenue Tons)

EXHIBIT 6  
(Unaudited)

FISCAL YEAR	INBOUND TONNAGE			OUTBOUND TONNAGE			POLB
	MUNICIPAL	PRIVATE (1)	TOTAL	MUNICIPAL	BUNKERS	TOTAL	TOTAL
2013	119,503	-	119,503	41,910	843	42,753	162,256
2012	107,283	-	107,283	36,947	914	37,861	145,144
2011	112,963	192	113,155	39,717	1,546	41,263	154,418
2010	108,069	209	108,278	36,667	2,412	39,079	147,357
2009	99,835	233	100,068	33,077	2,110	35,187	135,255
2008	118,561	654	119,215	41,605	2,088	43,693	162,908
2007	132,923	362	133,285	37,292	2,460	39,752	173,037
2006	132,091	402	132,493	33,298	2,625	35,923	168,416
2005	123,166	229	123,395	32,728	2,011	34,740	158,135
2004	106,989	313	107,302	28,301	1,531	29,832	137,134
Average annual growth	3.2%		3.2%	6.0%	-3.8%	5.5%	3.7%

Metric revenue ton= 1 metric ton or 1 cubic meter; whichever is the basis for tariff assessment.

(1) Private berth information is no longer available. Revenues from private berth leases are revenues of the terminal operator and not part of the Port's revenue. Beginning in 2012, the Port implemented a new automated billing system that no longer collects private berth statistics.

See accompanying independent auditor's report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statistical Section

Tonnage by Commodity Group - Last Ten Fiscal Years

(Thousands of Metric Revenue Tons)

EXHIBIT 7  
(Unaudited)

FISCAL YEAR	CONTAINERIZED		OTHER BREAKBULK		LIQUID BULK		DRY BULK		POLB		TOTAL
	IN	OUT	IN	OUT	IN	OUT	IN	OUT	INBOUND	OUTBOUND	
2013	91,047	30,525	854	108	27,398	3,197	259	8,869	119,558	42,699	162,257
2012	77,910	27,584	917	98	28,197	2,466	259	7,713	107,283	37,861	145,144
2011	83,482	29,623	752	827	28,587	3,239	333	7,576	113,154	41,265	154,418
2010	79,058	28,251	709	613	28,034	4,151	393	6,148	108,194	39,163	147,357
2009	69,354	24,800	869	644	29,139	3,800	653	5,996	100,015	35,240	135,255
2008	88,398	33,234	1,569	619	27,782	3,924	1,458	5,925	119,207	43,702	162,908
2007	99,523	28,293	1,930	743	29,536	5,064	2,230	5,717	133,219	39,817	173,037
2006	96,416	25,449	2,141	789	30,362	4,223	3,476	5,559	132,396	36,020	168,416
2005	88,786	25,166	2,050	862	29,798	4,479	2,763	4,231	123,397	34,738	158,135
2004	74,514	20,419	2,250	722	28,262	4,280	2,275	4,411	107,301	29,832	137,134
Average annual growth	5.1%	7.0%	-7.2%	-5.5%	-0.4%	4.3%	-13.6%	7.8%	3.0%	6.2%	3.7%

Metric revenue ton= 1 metric ton or 1 cubic meter, whichever is the basis for the tariff assessment.

See accompanying independent auditor's report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statistical Section

Container Counts - Last Ten Fiscal Years  
(Thousands of Twenty-Foot Equivalent Units - TEU's)

EXHIBIT 8  
(Unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Loaded:												
Inbound	3,420	2,932	3,139	2,982	2,612	3,338	3,742	3,639	3,329	2,791	2,282	2,547
Outbound	1,671	1,491	1,582	1,485	1,332	1,782	1,472	1,277	1,185	981	823	927
Total loaded	5,091	4,423	4,721	4,467	3,944	5,120	5,214	4,916	4,513	3,772	3,105	3,474
Annual growth	15.1%	-6.3%	5.7%	13.3%	-23.0%	-1.8%	6.1%	8.9%	19.7%	21.5%	-10.6%	2.3%
Total empty	1,557	1,434	1,577	1,469	1,338	1,617	2,148	2,251	2,130	1,584	1,284	1,221
Annual growth	8.6%	-9.1%	7.3%	9.8%	-17.2%	-24.7%	-4.6%	5.7%	34.4%	23.4%	5.2%	11.4%
Total TEU's	6,648	5,857	6,298	5,936	5,282	6,737	7,362	7,167	6,643	5,356	4,389	4,695
Annual growth	13.5%	-7.0%	6.1%	12.4%	-21.6%	-8.5%	2.7%	7.9%	24.0%	22.0%	-6.5%	4.5%

See accompanying independent auditor's report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**

Statistical Section

Vessel Calls

Last Ten Fiscal Years

EXHIBIT 9  
(Unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Vessel calls	3,425	3,993	4,758	4,826	4,933	5,140	5,653	5,588	5,329	4,967	4,924	5,031
Annual growth / decline	-14.22%	-16.08%	-1.41%	-2.17%	-4.03%	-9.07%	1.16%	4.86%	7.29%	0.87%	-2.13%	-8.54%

See accompanying independent auditor's report.

**THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH**  
Statistical Section  
Average Number of Employees by Division / Bureau  
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Executive Administration	9.3	15.4	17.3	15.6	16.3	13.6	11.8	8.4	9.3	8.7	7.9	8.0
Growth / decline	-39.61%	-10.98%	10.90%	-4.29%	19.85%	15.25%	40.48%	-9.68%	7.27%	9.47%	-1.00%	0.00%
Government Affairs	4.0	4.0	3.4	3.8	3.9	3.3	2.8	2.8	2.5	-	-	-
Growth / decline	0.00%	17.65%	-10.53%	-2.56%	18.18%	17.86%	0.00%	12.00%	-	-	-	-
Finance and Support Services Bureau												
Finance	24.9	26.0	21.2	17.9	15.5	14.2	14.4	15.2	14.9	14.0	14.0	13.9
Human Resources	16.3	17.0	17.8	17.6	16.9	15.3	13.3	14.8	17.7	19.7	18.8	18.3
Information Management	20.8	21.0	18.6	18.0	13.1	7.3	7.1	6.8	6.0	6.1	6.0	6.0
Real Estate	9.0	9.0	8.0	7.3	6.1	6.7	7.1	6.9	7.9	8.3	8.3	8.0
Risk Management	7.6	8.0	7.0	6.4	6.0	5.2	4.0	0.6	-	-	-	-
Subtotal bureau	78.6	81.0	72.6	67.2	57.6	48.7	45.9	44.3	46.5	48.0	47.1	46.3
Growth / decline	-2.96%	11.57%	8.04%	16.67%	18.28%	6.10%	3.61%	-4.73%	-3.13%	1.95%	1.79%	3.93%
Engineering Bureau												
Engineering	128.8	128.0	117.1	115.2	109.7	105.3	103.9	98.7	99.2	100.6	101.3	98.4
Subtotal bureau	128.8	128.0	117.1	115.2	109.7	105.3	103.9	98.7	99.2	100.6	101.3	98.4
Growth / decline	0.63%	9.31%	1.65%	5.01%	4.18%	1.35%	5.27%	-0.50%	-1.37%	-0.66%	2.88%	15.11%
Environmental Affairs and Planning Bureau												
Planning	30.6	31.0	30.3	28.6	25.3	21.1	19.6	16.8	14.9	14.3	13.7	12.1
Subtotal bureau	30.6	31.0	30.3	28.6	25.3	21.1	19.6	16.8	14.9	14.3	13.7	12.1
Growth / decline	-1.29%	2.31%	5.94%	13.04%	19.91%	7.65%	16.67%	12.75%	4.56%	4.24%	13.16%	1.34%
Trade Relations & Port Operations Bureau												
Communications	12.8	14.0	14.8	14.7	14.1	13.0	11.6	9.8	8.2	8.2	9.0	8.5
Maintenance	81.1	81.0	76.8	72.7	72.1	69.6	68.3	73.8	79.8	86.1	86.8	83.3
Security	71.2	76.5	69.8	63.8	58.7	50.7	47.5	47.8	42.7	37.7	29.8	31.5
Trade Relations	16.5	16.0	14.9	15.8	15.6	14.5	13.7	14.3	12.9	12.5	12.5	14.5
Subtotal bureau	181.6	187.5	176.3	167.0	160.5	147.8	141.1	145.7	143.6	144.4	138.1	137.8
Growth / decline	-3.15%	6.35%	5.57%	4.05%	8.55%	4.75%	-3.16%	1.48%	-0.57%	4.59%	0.18%	0.23%
Part-time / temporary	29.4	13.0	18.9	27.3	27.7	30.6	21.2	21.5	21.8	25.0	23.0	18.9
Growth / decline	126.15%	-31.22%	-30.77%	-1.44%	-9.48%	44.34%	-1.40%	-1.38%	-12.80%	8.70%	21.56%	18.25%
TOTAL DEPARTMENT	462.3	459.9	435.9	424.7	401.0	370.4	346.3	338.2	337.8	340.9	331.0	321.5
GROWTH / DECLINE	0.52%	5.51%	2.64%	5.91%	8.26%	6.96%	2.40%	0.12%	-0.92%	3.00%	2.95%	5.96%

See accompanying independent auditor's report.

# LONG BEACH TRANSIT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

A component unit of the City of Long Beach  
For the years ended June 30, 2013 and 2012  
Long Beach, CA

# 2013

*Celebrating our 50th Anniversary*



# 50

Long Beach Transit  
Since 1963

# LONG BEACH TRANSIT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

A component unit of the City of Long Beach  
For the years ended June 30, 2013 and 2012  
Long Beach, CA



2013

Prepared by the Finance Department  
Jennifer Abro, Controller  
Lisa Patton, Executive Director / VP

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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LONG BEACH

T R A N S I T

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December 11, 2013

To the Board of Directors of  
Long Beach Public Transportation Company:

We are pleased to submit for your information and consideration the Comprehensive Annual Financial Report (CAFR) of Long Beach Public Transportation Company (Long Beach Transit or the Company) for fiscal year July 1, 2012 to June 30, 2013.

The CAFR has become the standard format used in presenting the results of the Company's annual financial operations for the fiscal year. We believe this report is presented in a manner designed to fairly disclose the financial position and results of operations of the Company as measured by its financial activities. To the best of our knowledge and belief, the disclosures are accurate in all material respects.

The accompanying basic financial statements, supplemental schedules and statistical information are the representations of the Company's management which bears the responsibility for their accuracy and completeness. The Independent Auditors' Report, prepared by Windes & McClaughry Accountancy Corporation, is included along with other necessary disclosures to enable the reader to gain maximum understanding of the Company's financial activities.

The independent audit of the accompanying basic financial statements of Long Beach Transit was 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 fair presentation of the accompanying basic financial statements, but also on the audited agency's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Long Beach Public Transportation Company's separately issued Single Audit Report.

Governmental Accounting Standards Board (GASB) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 Company's MD&A can be found immediately following the report of the independent auditors.

**Kenneth McDonald, President and CEO**

## **REPORTING ENTITY**

The Company is a nonprofit corporation, formed in 1963 with the purchase of the local transit system from a private carrier leaving the business.

Long Beach Transit 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 Long Beach City Council, appoints residents of the community to the Board to serve overlapping four-year terms. In addition, two designees of the City Manager's Office may serve as ex-officio members of the Board but do not have voting authority. The Board designates a Chief Executive Officer who is responsible for overseeing daily operations. Long Beach Transit's management is represented by the Chief Operating Officer, Chief Administrative Officer and six Executive Directors heading Finance, Maintenance, Information Services, Service Development, Operations and Administrative Services. The Company's organizational chart is shown later in this introductory section.

The Company's reporting entity includes only transit operations and there is no other organization within the City of Long Beach providing a similar scope of public transportation service.

In accordance with GASB, the Company is considered a component financial reporting unit of the City of Long Beach (City). As such, the Company's financial statements are included in the City's comprehensive annual financial report as a discretely presented component unit. Long Beach Transit has a separate legal status and has historically operated as an independently managed and operated nonprofit corporation, receiving no direct administrative or financial support from the City. For the present, there has been no expressed intent to alter the status of this financial reporting and administrative relationship.

## **SERVICES**

Long Beach Transit's mission is "to provide public transit services that enhance and improve the quality of life for the residents of our community." The strategic business plan provides a framework for accomplishing this mission. The business plan serves as a foundation for the preparation of annual action plans and budgets which detail specific objectives to be achieved and the financial resources that will be provided to achieve them. The plan is updated each year to ensure goals are consistent with current and anticipated operating and economic conditions.

Long Beach Transit is a full service public transit system, providing a wide range of transit services, including:

- Fixed route bus service
- Passport Shuttle Service
- Demand responsive paratransit service (Dial-A-Lift)
- Water taxi service (AquaBus and AquaLink)
- Museum Express community special service

## **Fixed Route Bus Service**

The Company provides fixed route bus service to a 98 square mile area, which includes the cities of Long Beach, Lakewood and Signal Hill; and portions of Bellflower, Carson, Cerritos, Hawaiian Gardens, Norwalk and Paramount. This service covers 34 routes, requiring 223 buses and shuttles.

Of the 34 fixed routes operated by the Company, 28 radiate from the First Street Transit Gallery. The First Street Transit Gallery, located in downtown Long Beach, is the focal point of the fixed route system as well as Metro Blue Line rail service running between Long Beach and downtown Los Angeles. The First Street Transit Gallery provides special features such as exclusive bus lanes and traffic control equipment, special bus stop improvements, passenger shelters equipped with graphic displays, and electronic monitors displaying real-time schedule information. This location is also a major transfer point for Torrance Transit, Los Angeles Department of Transportation (LADOT), and Los Angeles County Metropolitan Transportation Authority (Metro).

All of Long Beach Transit's fixed-route service vehicles are low-floor and wheelchair accessible. These coaches are maintained and dispatched from two facilities. Approximately 60% of the vehicles are stored at the central administrative, operating and maintenance facility located at 1963 E. Anaheim St. in Long Beach. The remaining buses are assigned to a secondary maintenance facility at 6860 Cherry Street in North Long Beach. Besides the coaches, the Company owns a number of automobiles used for supervisory and administrative functions and various maintenance vehicles for emergency road services and bus stop support.

Long Beach Transit maintains neighborhood bus shelters and benches, providing customer convenience and comfort. There are over 1,900 stops throughout the system and the Company ensures the stops are well-maintained and meet high cleanliness standards.

## **Passport Shuttle Service**

The Passport is a free bus that connects you to downtown Long Beach's finest attractions and destinations, including the iconic Queen Mary, Aquarium of the Pacific, Pine Avenue, City Place Mall, The Pike at Rainbow Harbor, Convention Center, Shoreline Village, many downtown hotels and Long Beach Transit's water taxis, the AquaLink and AquaBus.

During 2013, the Passport A, B and D routes were streamlined into the Company's fixed route service. The Passport C became the Passport service and continues to provide free service on its entire route. New stops include the Residence Inn and the Hilton Hotel. The service is provided by seven low-floor, CNG buses. Passport vehicles are stored and maintained at the main administrative facility on Anaheim Street. During fiscal year 2013, the Passport carried 1.9 million passengers.

## **Demand Responsive Paratransit Service (Dial-A-Lift)**

Long Beach Transit offers Dial-A-Lift paratransit service for persons with disabilities. This curb-to-curb service operates on a call-in basis and is provided by a private contractor. All vehicles are owned by the Company, but stored, maintained and dispatched by the contractor. The Dial-A-Lift service is operated by a local taxi company using a fleet of mini-van taxis. The contractor supplements Dial-A-Lift rides with its ordinary taxi service on an as-needed basis, eliminating the need for additional dedicated vans. This results in lower overall costs. There were 50,414 boardings on Dial-A-Lift in FY 2013.

### **Water Taxi Service (AquaBus and AquaLink)**

The Aquarium of the Pacific, Convention Center, and the Pike venue with restaurants, retail and theatres, continue to attract many visitors to the City's downtown waterfront. As a complement to the Passport shuttles, the Company also operates water taxi service in Queensway Bay and along the Long Beach coastline.

There are two AquaBus boats that provide links to the Queen Mary, Aquarium of the Pacific, and Shoreline Village. These boats, which carry up to 49 passengers, tie directly with the downtown Passport shuttle buses and parking facilities, allowing visitors to see Long Beach's many attractions without having to get in their car.

For passengers wanting to travel further down the coast, the AquaLink boats, two 75-seat catamarans, provide service that operates between the Queen Mary, Aquarium of the Pacific, Belmont Pier and Alamitos Bay Landing. Express service began in FY 2012 from the Aquarium of the Pacific dock 4 in downtown Long Beach, directly to Alamitos Bay landing restaurants.

The service is operated by Catalina Express, a private contractor. The vessels are owned by Long Beach Transit, and stored and maintained at the contractor's docking facilities. This service runs daily during the summer months. Annual ridership for fiscal year 2013 was 53,562 boardings.

### **Community Special Service**

Long Beach Transit provides a Museum Express bus service to major museums and garden attractions in Los Angeles and Orange Counties. Tickets can be purchased in advance for the service, which runs from June through August. The Museum Express offers residents who would not ordinarily ride the bus an opportunity to try transit and is particularly beneficial to our senior and transit dependent customers who can rely on the service to access attractions they could not travel to on their own. Each year, the Company also supports the Toyota Grand Prix of Long Beach and other large, special events by providing supplemental service where needed.

## **ACCOMPLISHMENTS**

2013 marks Long Beach Transit's 50<sup>th</sup> year providing transit service to the City of Long Beach and surrounding communities. We began in 1963 with fewer than 100 buses and carrying about 8 million customers annually. We have grown to over 260 buses, vans and water taxis that carry over 28 million customers annually – making us one of the most productive and efficient transit systems of our size in the country. Rain or shine, through 50 years of achievements and challenges, Long Beach Transit has served our community by never missing a day of service.

### **Fleet Improvements**

The Company continues to focus on its goal of maintaining a modern, low emission, efficient transit fleet. During 2013, we replaced 58 aging diesel buses with Compressed Natural Gas (CNG) buses. These 58 CNG buses, manufactured by Gillig, are operated out of our facility located at 6860 Cherry Street in North Long Beach. These buses, along with our existing fleet of hybrid gasoline-electric buses make our 40-foot bus fleet nearly 73% alternatively fueled.

As part of the ongoing effort to keep our bus fleet modern, attractive, clean and functioning to our highest standards for our customers and community, Long Beach Transit is continuing to detail our coaches twice a year and to replace our passenger and operator seats every three years.

# Long Beach Public Transportation Company

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## **Service Improvements**

An exciting improvement for our customers is new route 176 that was implemented in February as a result of the Federal Job Access and Reverse Commute funding program. This route connects the Villages at Cabrillo residential community and the Metro Blue Line Pacific Coast Highway (PCH) Station with the Lakewood Mall. This route provides access to the busy PCH corridor, both Long Beach City College campuses, and the Long Beach Airport.

## **Customer Amenities**

Long Beach Transit customers now have easier access to scheduled and real-time bus information with the launch of the Company's mobile website. The new site allows customers to quickly access their route information and next bus arrival via their phone's web browser while on the go.

## **Facility Upgrades**

With the addition of CNG vehicles to our fuel mix, construction of a new CNG station was completed at our facility located at 6860 Cherry Street in North Long Beach. This project included significant upgrades at both our facilities to allow us to repair CNG coaches. These modifications included non-sparking exhaust fans, combustible gas detection alarm systems, low temperature heaters, specialized lighting, automatic rollup doors, and specialized electrical panels and circuitry.

## **Sustainability Program**

Long Beach Transit is committed to being a leader in environmental preservation and resource efficiency by using sustainable materials, methods and technologies that improve the environmental, social and economic health of the communities we serve.

Our commitment to sustainability includes the operation of the largest hybrid gasoline-electric bus fleet in the nation with 89 buses. Further, we have replaced 64 aging diesel buses to date with the purchase of 64 CNG-powered vehicles. Our sustainable bus stops continue to grow with the use of solar-based power to provide lighting and energy for the real-time variable message signs.

Sustainability efforts continue with our Environmental Sustainability Management System (ESMS) team member's successful completion of the FTA Environmental & Sustainability Management System Institute.

Long Beach Transit is a signatory to both the International Association of Public Transportation and American Public Transportation Association sustainability charters, committing the agency to ongoing conservation and sustainability efforts.

## **Federal and State Audits**

During fiscal year 2013, the State of California conducted a Triennial Performance Review of Long Beach Transit. The California Public Utilities Code requires all recipients of Transit Development Act (TDA) funding to complete an independent review on a three-year cycle. The Triennial Performance Review includes compliance requirements, analysis of program data reporting, performance review and functional review. Based on their analysis of our performance and a review of our program compliance and function, Long Beach Transit met the test of compliance with respect to all TDA regulations.

The Federal Transit Administration (FTA) is conducting Project Management Oversight (PMO) reviews on Long Beach Transit's Technological Infrastructure Upgrade project and our Maintenance Asset Management project. PMO is a continuous review and evaluation throughout



## Long Beach Public Transportation Company

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the life of each project to ensure compliance with statutory, administrative, and regulatory requirements. The FTA monitors the projects to ensure they are progressing on time, within budget, and in accord with approved grantee plans and specifications.

Long Beach Transit received high marks for our Environmental Sustainability Management System (ESMS) and meeting the rigorous ISO standards. The audit ensured our facilities conform to ISO 14001, confirmed that our ESMS program is properly implemented, and evaluated our management review process to ensure the long-term sustainability and effectiveness of the program.

### **KEY PERFORMANCE RESULTS**

#### **Performance Statistics**

One of the several methods used to monitor performance is through key indicators that track service quality, efficiency, and productivity. The results for fiscal year 2013 are on page 46.

In terms of fixed route ridership, we carried over 42 passengers per vehicle service hour. This means that we picked up more than 4 customers on each mile driven.

In terms of fixed route cost recovery, we brought in \$17,760,480 in passenger fare revenue. This means that \$2.67 was put into the farebox on each mile driven.

#### **Community Evaluation**

Long Beach Transit also tracks the degree of customer satisfaction with the quality of services provided. An independent research firm is engaged annually to randomly poll customers and non-riders to measure perceptions of service quality. Results for 2013 and prior years are shown on page 47. Overall, 97% of riders continue to view Long Beach Transit service as good or excellent.

### **FACTORS AFFECTING FINANCIAL CONDITION**

#### **General Economic Conditions**

The state and local economies continue a slow recovery from the recession. Long Beach Transit stands on firmer ground, but more work remains to be done in rebuilding our reserves and ensuring the sustainability of our pensions. The existing state and federal funding environment is not expected to result in significant additional funding for transit in the future. Management believes our conservative financial practices will allow us to meet the funding challenges for the upcoming year while maintaining current service levels.

#### **Financial Policies**

It is Long Beach Transit's policy to maintain the fiscal integrity of our operating and capital budgets. We accomplish this by ensuring that our ongoing operating costs do not exceed the amount of our ongoing revenue. Daily operations are financed by fare revenue, annual sales tax subsidies received from state and county programs, and miscellaneous other revenue such as income from advertising on Company vehicles and investment income. The amount of operating sales tax subsidies received each year is based on a regional formula comprised primarily of fares and revenue miles.

The Company has no debt and only uses available grant funds to procure capital acquisitions. The Company has no plans to issue debt and our policy is to continue to fund future capital needs on a pay as you go basis through formula and discretionary grants.

The Company procures the majority of its capital assets through annual grants awarded through the Federal Transit Administration. The federal grants are allocated by region under Section 5307 and 5309 of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) of 2005. The Company is eligible to receive funds based on a formula allocation and discretionary money for specific projects, such as buses.

During 2006, a state-wide bond initiative was passed that provides Los Angeles County with additional capital funds for buses and security-related projects. The availability of these funds is based on the State's ability to issue bonds. Bond proceeds are distributed based on the existing County formula allocation. Any remaining capital needs not funded by federal or bond monies are financed through state and local grants.

### **INNOVATION AND RECOGNITION**

For the 22nd straight year, the GFOA of the United States and Canada awarded a Certificate of Achievement for excellence in Financial Reporting to Long Beach Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. A Certificate of Achievement is valid for a period of one year only. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report in compliance with the GFOA policies, procedures and program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

Daniel Green, Coach Operator, received a Commendation from the City of Long Beach Police Department for his attention to detail. Thanks to Daniel's efforts and commitment, valuable property that had been stolen from a customer was returned and a suspect was arrested.

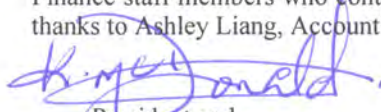
Angela Allen, Coach Operator, received the Community Service Award from the Long Beach Police Foundation for her keen observation skills, quick action, and teamwork during a critical situation. Thanks to Angela's efforts, a missing man with diabetes and dementia, whose safety and health was at grave risk, was safely reunited with his family.

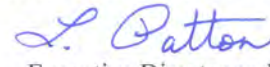
Lanvin Wiggins, Coach Operator, and Kent Bowers, Supervisor, received the Community Service Award from the Long Beach Police Foundation for their attentiveness to the community that they serve and willingness to share vital information with the Police Department. Through their diligence, they ensured the safe return of a missing person who was unable to care for his own safety.

Our Transit Enforcement Detail received the Unit Citation Award from the Long Beach Police Foundation for their commitment and exceptional results. The Transit Enforcement Detail is a small and productive team comprised of one supervisor and five officers. By developing partnerships with Federal, State, local law enforcement, mental health professions, and numerous stakeholders, the Transit Enforcement Detail has developed into a vigilant team focusing on Homeland Security efforts. Members of the team are Sergeant David Marander, Officer Scott Nishitani, Officer Jason Smith, Officer Blayne Tom, Officer Kenny Cruz and Officer Ricardo Ramirez.

**ACKNOWLEDGMENTS**

We wish to acknowledge the participation and professional contribution of the accountancy firm of Windes & McClaughry in providing technical assistance. In addition, we wish to recognize those Finance staff members who contributed their time and efforts in preparing this document. Special thanks to Ashley Liang, Accounting Manager and Rhodeliza Morillos, Finance Manager.

  
President and  
Chief Executive Officer

  
Executive Director and  
Vice President of Financial Services

  
Controller



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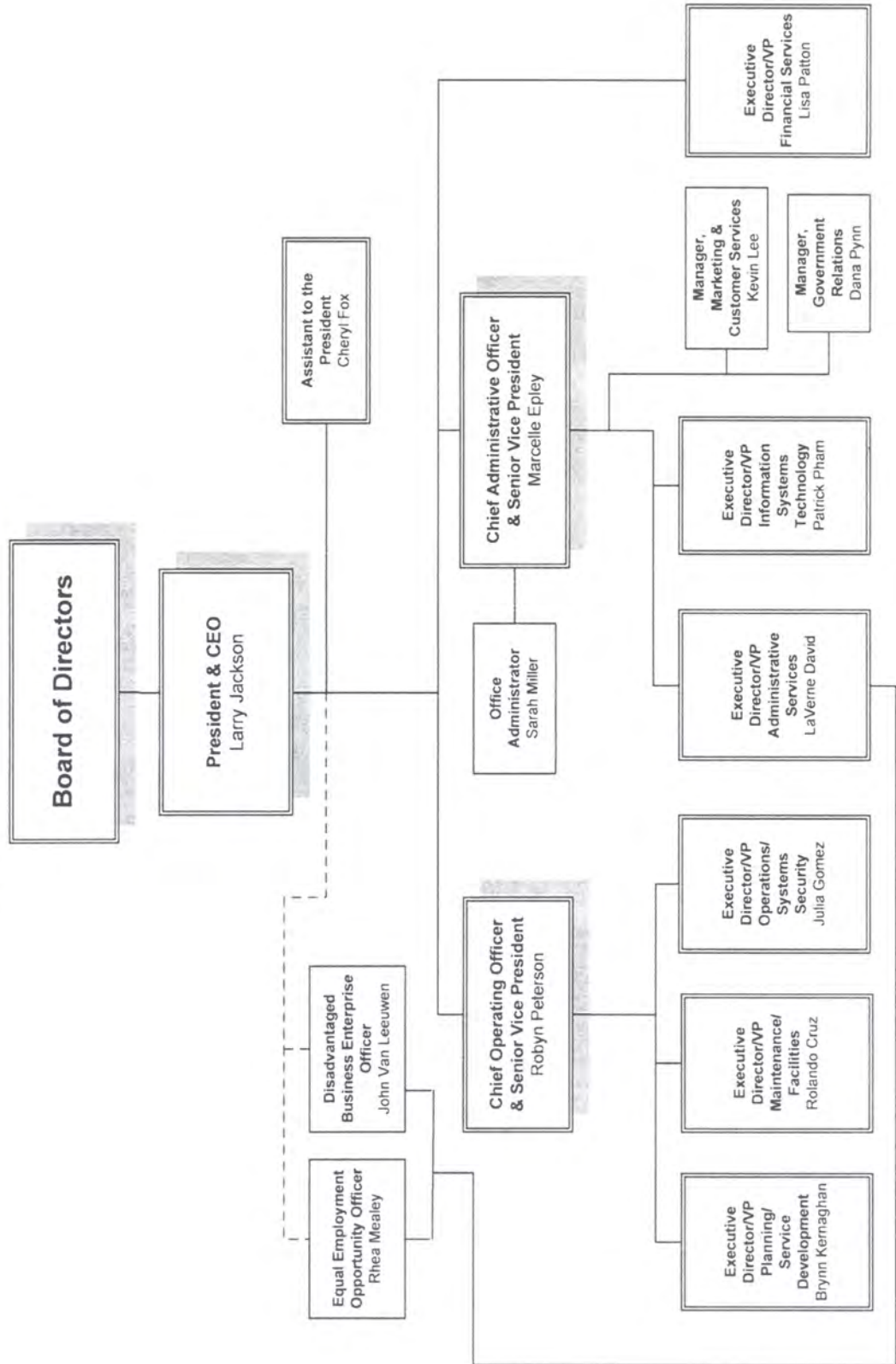
**Long Beach  
Public Transportation Company  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# Long Beach Transit General Management



## Board of Directors

---

Barbara Sullivan George	Chair of the Board
Freda Hinsche Otto	Vice Chair
Lori Ann Farrell	Secretary – Treasurer
Dr. James P. Norman, Jr.	Director
Maricela de Rivera	Director
Donald M. First	Director
Victor Irwin	Director
Michael Conway	Ex Officio Member, City of Long Beach
David Roseman	Ex Officio Member, City of Long Beach

## Management

---

Laurence W. Jackson	President & Chief Executive Officer (Until July 1, 2013)
Kenneth McDonald	President & Chief Executive Officer (Effective August 1, 2013)
Robyn Peterson	Chief Operating Officer & Senior Vice President
Marcelle Epley	Chief Administrative Officer & Senior Vice President
Lisa Patton	Executive Director, VP Financial Services
Rolando Cruz	Executive Director, VP Maintenance & Facilities
LaVerne David	Executive Director, VP Risk Management, Training & Human Resources
Patrick Pham	Executive Director, VP Information Systems & Technology
Brynn Kernaghan	Executive Director, VP Planning & Service Development
Julia Gomez	Executive Director, VP Operations & Safety

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Long Beach Public Transportation Company

We have audited the accompanying financial statements of the Long Beach Public Transportation Company (Company), a component unit of the City of Long Beach, California, which comprise the statement of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Public Transportation Company as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

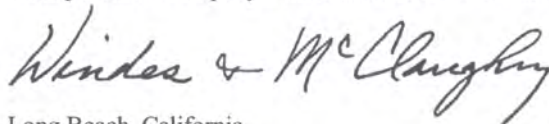
Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of Long Beach Public Transportation Company'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Long Beach Public Transportation Company's internal control over financial reporting and compliance.



Long Beach, California  
December 11, 2013



## MANAGEMENT'S DISCUSSION and ANALYSIS

As management of Long Beach Public Transportation Company (Long Beach Transit or the Company), we offer readers of Long Beach Transit's financial statements this narrative overview and analysis of the financial activities of the Company for the fiscal years ended June 30, 2013, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

### FINANCIAL HIGHLIGHTS

- Long Beach Transit's assets exceeded its liabilities at June 30, 2013 by \$101.9 million (net position). Of this amount, \$3.6 million (unrestricted net position) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.
- The State of California reinstated State Transit Assistance (STA) funding to transit operators in 2011. Long Beach Transit received \$4.9 million in STA funds in fiscal year 2013.
- Measure R, approved by the voters, provides a ½ cent sales tax for transportation improvements. In fiscal year 2013, we received \$7.2 million in Measure R funds.
- Effective July 1, 2011, employees were required to contribute 5% of their compensation to the existing defined benefit plan and pay 10% of personal individual medical, dental and vision premiums and 15% of dependent premiums.
- Operating expenses before depreciation increased 4.3% due to an increase in labor and fringe costs.
- In order to balance the operating budget, the Company funded preventive maintenance operating expenses with capital grant funds, as permitted by federal law.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Long Beach Transit's financial statements and notes to the financial statements.

The statements of net position present information on all of Long Beach Transit's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Long Beach Transit is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the Company's net position changed for the two most recent fiscal years. All changes in net position 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 these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

### Management's Discussion and Analysis, continued

The statements of cash flows present information on the Company's cash receipts, cash payments and net changes in cash (and cash equivalents) for the two most recent fiscal years. Generally accepted accounting principles for governmental units require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from noncapital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

The Company's financial statements can be found on pages 10-14 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-37 of this report.

### FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Company's financial position. In the case of Long Beach Transit, assets exceeded liabilities by \$101.9 million at the close of fiscal year 2013.

#### Long Beach Public Transportation Company's Condensed Summary of Net Position

	<u>Year – Ended</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 41,381,973	\$ 38,377,932	\$ 35,347,004
Other noncurrent assets	21,429,991	25,595,710	24,446,023
Capital assets, net	<u>98,327,695</u>	<u>79,281,750</u>	<u>83,828,062</u>
Total assets	<u>161,139,659</u>	<u>143,255,392</u>	<u>143,621,089</u>
Current liabilities	34,891,699	34,790,710	32,280,231
Noncurrent liabilities	<u>24,315,486</u>	<u>25,578,153</u>	<u>23,908,017</u>
Total liabilities	<u>59,207,185</u>	<u>60,368,863</u>	<u>56,188,248</u>
Net position:			
Invested in capital assets	98,327,695	79,281,750	83,828,062
Restricted	30,174	13,558	21,356
Unrestricted	<u>3,574,605</u>	<u>3,591,221</u>	<u>3,583,423</u>
Total net position	<u>\$ 101,932,474</u>	<u>\$ 82,886,529</u>	<u>\$ 87,432,841</u>

**Management's Discussion and Analysis, continued**

Almost all of Long Beach Transit's net position (96%) reflect its investment in capital assets (e.g., fleet, buildings, passenger facilities, shop equipment). The Company uses these capital assets to provide transportation service to the community; consequently, these assets are not available for future spending. All of Long Beach Transit's capital assets were procured with federal, state or local grant funds. The remaining balance of unrestricted net position (\$3.6 million in 2013, 2012, and 2011) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.

For fiscal year 2013, Long Beach Transit's net position increased by \$19 million as a result of capital purchases exceeding depreciation expense by \$19 million. Long Beach Transit spent \$39.3 million for capital assets which included fifty-eight CNG buses, completed construction of a compressed natural gas station and began a maintenance bay modernization project, which consists of the replacement of 12 underground bus lifts. In addition, capital expenditures also included the continuation of a major software upgrade, upgrades to passenger facilities, and routine replacement of bus components, shop, office and IT equipment.

For fiscal year 2012, Long Beach Transit's net position decreased by \$4.5 million as a result of depreciation expense exceeding capital purchases by \$4.5 million. Long Beach Transit spent \$14.8 million for capital assets which included six CNG buses, the construction of a compressed natural gas station and facilities modifications to support the incoming CNG fleet of 64 buses. In addition, capital expenditures also included the start of a major software upgrade, upgrades to passenger facilities, and routine replacement of bus components, shop, office and IT equipment.

**Long Beach Public Transportation Company's  
Condensed Summary of Changes in Net Position**

	Year – Ended		
	2013	2012	2011
<b>Operating revenues:</b>			
Passenger fares and special events	\$ 18,068,109	\$ 18,107,329	\$ 17,350,225
Advertising	542,382	688,089	558,490
Other revenue	17,382	28,783	22,872
Total operating revenues	<u>18,627,873</u>	<u>18,824,201</u>	<u>17,931,587</u>
<b>Non-operating revenues:</b>			
Subsidies	57,671,790	54,112,325	55,012,754
Interest	155,487	339,675	496,298
Total non-operating Revenues	<u>57,827,277</u>	<u>54,452,000</u>	<u>55,509,052</u>
Total revenues	<u>76,455,150</u>	<u>73,276,201</u>	<u>73,440,639</u>
<b>Expenses:</b>			
Transportation	37,554,281	35,139,334	35,413,269
Maintenance	22,042,606	21,834,078	21,292,632
Administration	16,858,263	16,302,789	16,734,738
Depreciation	20,249,160	19,311,548	17,588,757
Total expenses	<u>96,704,309</u>	<u>92,587,749</u>	<u>91,029,396</u>
<b>Change before capital grants</b>	(20,249,160)	(19,311,548)	(17,588,757)
<b>Capital grants</b>	<u>39,295,105</u>	<u>14,765,236</u>	<u>17,130,510</u>
<b>Change in net position</b>	<u>\$ 19,045,945</u>	<u>\$ (4,546,312)</u>	<u>\$ (458,247)</u>

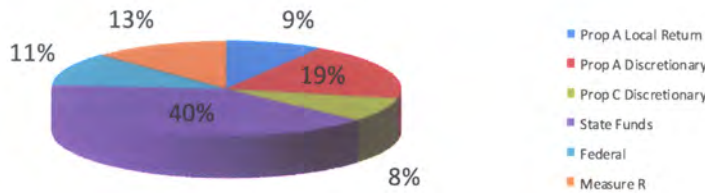
### Management's Discussion and Analysis, continued

**Operating revenues.** Overall total operating revenues for 2013 decreased 1.0%. Fare revenue comprises 99.7% of operating revenues. Fare and special events revenue in 2013 decreased by \$39,220, or 0.2%.

**Non-operating revenues.** To make up for the decrease in state and local subsidies, we have had to transfer a portion of our capital grants to the operating budget to pay for maintenance costs. Subsidies in 2013, which comprise 75% of total revenues, increased \$3.6 million, or 6.6%, in 2013. This increase is a result of increased labor and fringe expenses offset by lower workers compensation costs.

In 2012, subsidy revenue decreased \$900,429, or 1.6%. This small decrease is a result of two factors: increased expenses in fuel costs offset by lower casualty and liability costs.

2013 Subsidy Revenue by Source



**Expenses.** Fiscal year 2013 operating expenses, before depreciation, increased 4.3%. This increase is due to increased labor expenses of \$1.5 million which was a result of a 2% wage increase, new JARC (Job Access Reverse Commute) service which started in February 2013 and several vacant positions filled in fiscal year 2013. In addition, pension and sick accrual cost increased \$2.6 million. These were offset by lower workers compensation costs which decreased by \$1.2 million.

In fiscal year 2012, operating expenses, before depreciation, decreased 0.2%. The small variance is a result of fuel costs increasing by \$1.06 million, while casualty and liability expenses decreased by \$1.42 million.

### Management's Discussion and Analysis, continued

In 2013, depreciation expense increased 4.9% and capital acquisitions exceeded depreciation by \$19 million. In 2012, depreciation expense increased 9.8% and exceeded capital acquisitions by \$4.5 million.



### CAPITAL ASSETS

Long Beach Transit's investment in capital assets as of June 30, 2013, amounted to \$98.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, fleet, communication and farebox systems, machinery and equipment, and passenger facilities. All assets have been purchased with federal, state or local grants awarded to the Company, and Long Beach Transit has never issued any debt to fund the procurement of capital assets.

The total net increase in the Company's investment in capital assets for the current fiscal year was 24%. Long Beach Transit had \$39.3 million in new capital acquisitions during the year, an increase of \$24.5 million when compared to 2012. In 2013, the Company purchased 58 CNG buses completing its fleet of 64, completed construction of a compressed natural gas station and began a maintenance bay modernization project, which consists of the replacement of 12 underground bus lifts. In addition, capital expenditures also included the continuation of a major software upgrade, upgrades to passenger facilities, and routine replacement of bus tires, shop, office and IT equipment.

As noted above, all assets are purchased with grants, the majority coming from federal funding. Total grant awards will vary each year as Long Beach Transit is eligible for a formula percentage of the County's federal funding, plus one-time grants available for specific projects, such as bus replacement. Grant requirements allow, on average, three years to expend these funds. As of June 30, 2013, the Company had \$82.8 million in grant funds designated for capital procurements. This is a \$17.1 million decrease from the available balance at the end of fiscal year 2012.



**Management's Discussion and Analysis, continued**

Significant capital asset acquisitions during 2013 included the following:

- Purchased of fifty-eight CNG buses totaling \$30.4 million.
- Completed construction of a compressed natural gas station and facilities' modifications to support the incoming CNG fleet totaling \$2.3 million.
- Began the Maintenance Bay Modernization Project, which consists of the replacement of 12 underground bus lifts and associated flooring work totaling \$799 thousand
- Software upgrade and information systems equipment totaling \$2.3 million.
- Routine replacement of engines, transmissions, tires and bus components totaling \$2.0 million.

**Long Beach Public Transportation Company's  
Capital Assets (net of depreciation)**

	Year – Ended		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 5,525,000	\$ 5,525,000	\$ 5,525,000
Buildings and improvements	14,411,355	10,725,587	12,772,917
Fleet	62,367,909	41,269,035	45,562,325
Communications systems	521,063	96,156	170,711
Fare collection system	1,509,707	2,450,511	3,434,771
Office, shop and garage equipment	3,491,162	3,971,079	4,401,384
Passenger facilities	6,584,513	7,837,719	9,500,866
Construction in progress	<u>3,916,986</u>	<u>7,406,664</u>	<u>2,460,088</u>
Total capital assets, net of depreciation	<u>\$ 98,327,695</u>	<u>\$ 79,281,750</u>	<u>\$ 83,828,062</u>

Long Beach Transit's investment in capital assets as of June 30, 2012, amounted to \$79.3 million (net of accumulated depreciation). The Company had \$14.8 million in new capital acquisitions during the year, a decrease of \$2.4 million, when compared to 2011.

Significant capital asset acquisitions during 2012 included the following:

- Began construction of a compressed natural gas station and facilities' modifications to support the incoming CNG fleet totaling \$4 million.
- Six compressed natural gas (CNG) buses totaling \$3 million.
- Five Dial A Lift Vehicles totaling \$218 thousand.
- Software upgrade and information systems equipment totaling \$1.8 million.
- Routine replacement of engines, transmissions, tires and bus components totaling \$2.6 million.

## **Management's Discussion and Analysis, continued**

Additional information on Long Beach Transit's capital assets can be found in note (8) in the notes to the accompanying financial statements beginning on page 27 of this report.

### **ECONOMIC FACTORS and NEXT YEAR'S FINANCIAL PLAN**

This year's Comprehensive Annual Financial Report highlights the progress that has been made in recovering from the recession. As we embark on 2014, Long Beach Transit and our local and national economies stand on firmer ground, but more work remains to be done. The U.S. economy made progress in FY 13 with increased employment and Long Beach Transit made progress towards rebuilding our reserves. In the near term, sustaining and building upon this progress must remain a priority.

Two threats to our fiscal sustainability remain and they are pension funding and casualty and liability insurance. During FY 2014 we are focusing on addressing structural challenges within our pension plans by conducting an experience analysis on plan expenses, payment forms and interest rate assumptions. The results of this analysis will help us to make changes necessary to ensure the sustainability of our pension plans in the future. In terms of casualty and liability insurance markets, the transit industry is experiencing an increase in claims. As a result, insurance carriers are requiring higher self-insured retention amounts from their clients. As a result, the self-insured retention amounts for Long Beach Transit are increasing from \$1 million to \$1.5 million. This equates to greater financial exposure for the Company in the future. Long Beach Transit's labor contract covering bus operators, mechanics, utility personnel and custodians expired on June 30, 2013. An agreement on a new contract has not been reached, but both parties are continuing negotiations and no disruption of service is anticipated at this time.

The state and local economies continue a slow recovery from the recession. The existing state and federal funding environment is not expected to result in significant additional operating funds for transit in the future. While management believes Long Beach Transit's conservative financial practices will allow us to meet the funding challenges for the upcoming year, we will closely monitor all of the issues. The Company's objective is to maintain current service levels for 2014. The final financial plan approved in June 2013 for fiscal year 2014 totals \$81.4 million.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Long Beach Public Transportation Company's finances for all those with an interest in the Company's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director & Vice President of Financial Services, Long Beach Transit, P.O. Box 731, Long Beach, California, 90801.

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**Statements of Net Position**  
**June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 35,809,859	\$ 31,344,583
Accounts receivable (note 4 and 5)	3,997,654	6,462,008
Materials and supplies inventory	1,218,685	1,391,557
Prepaid expenses	355,775	1,079,996
Total current assets:	41,381,973	40,278,144
Noncurrent Assets:		
Investments	21,429,991	23,695,498
Capital assets:		
Land	5,525,000	5,525,000
Construction-in-progress	3,916,986	7,406,664
Capital assets, net of accumulated depreciation:		
Buildings and improvements	14,411,355	10,725,585
Fleet	62,367,909	41,269,036
Communications systems	521,063	96,156
Fare collection system	1,509,707	2,450,511
Office, shop and garage equipment	3,491,162	3,971,079
Passenger facilities	6,584,513	7,837,719
Total noncurrent assets	119,757,686	102,977,248
Total assets	\$ 161,139,659	\$ 143,255,392
DEFERRED OUTFLOWS OF RESOURCES		
	\$ ---	\$ ---

The notes to the financial statements are an integral part of these statements.

**Statements of Net Position, Continued**  
**June 30, 2013 and 2012**

	2013	2012
<b>LIABILITIES:</b>		
Current Liabilities		
Accounts payable	\$ 2,553,637	\$ 2,459,450
Accrued payroll expenses	1,209,213	1,098,441
Compensated absences payable (note 11)	2,792,062	2,529,189
Retiree health care benefits (note 11)	80,143	74,579
Subsidy deferral (note 9)	17,280,041	14,983,697
Unearned revenue (note 5)	0	2,452,137
Estimated liability for insurance claims (note 6)	10,976,603	11,193,217
Noncurrent Liabilities:		
Unearned revenue (note 5)	21,621,054	23,648,215
Retiree health care benefits (note 11)	2,694,432	1,929,938
Total liabilities	\$ 59,207,185	\$ 60,368,863
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
	\$ ---	\$ ---
 <b>NET POSITION</b>		
Restricted for:		
Invested in capital assets	98,327,695	79,281,750
Restricted for capital procurement	30,174	13,558
Unrestricted	3,574,605	3,591,221
Total Net Position	\$ 101,932,474	\$ 82,886,529

The notes to the financial statements are an integral part of these statements.

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
Operating revenues:		
Passenger fares	\$ 18,024,416	\$ 18,085,943
Special events	43,693	21,386
Advertising	542,382	688,089
Other revenue	17,382	28,783
Total operating revenues	18,627,873	18,824,201
Operating expenses:		
Transportation	37,554,281	35,139,334
Maintenance	22,042,606	21,834,078
Administration	16,858,263	16,302,789
Depreciation (note 8)	20,249,160	19,311,548
Total operating expenses	96,704,310	92,587,749
Operating loss	(78,076,437)	(73,763,548)
Nonoperating income:		
Subsidies (note 3)	57,671,790	54,112,325
Interest income	155,487	339,675
Total nonoperating income	57,827,277	54,452,000
Change in net position before capital grants	(20,249,160)	(19,311,548)
Capital grants	39,295,105	14,765,236
Change in net position	19,045,945	(4,546,312)
Total Net Position, July 1	82,886,529	87,432,841
Total Net Position, June 30	\$ 101,932,474	\$ 82,886,529

The notes to the financial statements are an integral part of these statements.

**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 18,685,725	\$ 18,812,798
Cash paid to employees for services	(37,290,156)	(36,099,000)
Cash paid to other suppliers of goods or services	(37,352,653)	(34,848,527)
Net cash used in operating activities	(55,957,084)	(52,134,729)
Cash flows provided by noncapital financing activities:		
Operating subsidies received	60,576,789	57,463,588
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	312,161	107,540
Purchase of capital assets	(39,295,105)	(14,765,236)
Capital grant contributions received	37,007,906	13,416,488
Net cash used in capital and related financing activities	(2,597,360)	(1,241,208)
Cash flows provided by investing activities:		
Proceeds from sales and maturities of investments	25,072,770	18,157,381
Purchase of investments	(22,530,008)	(18,022,507)
Realized and unrealized (gains)/losses	(277,255)	171,677
Interest received on cash and investments	177,424	343,242
Net cash provided by investing activities	2,442,931	649,793
Net increase in cash and cash equivalents	4,465,276	4,737,444
Cash and cash equivalents, July 1	31,344,583	26,607,139
Cash and cash equivalents, June 30 (note 2)	\$ 35,809,859	\$ 31,344,583

The notes to the financial statements are an integral part of these statements.



**Statements of Cash Flows, Continued**  
**Years Ended June 30, 2013 and 2012**

<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	<u>2013</u>	<u>2012</u>
Operating loss	\$ (78,076,437)	\$ (73,763,548)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	20,249,160	19,311,548
Increase in accounts receivable from operations	(48,176)	(54,689)
Decrease in materials and supplies inventory	172,872	25,012
Decrease/(increase) in prepaid expenses	724,221	(719,778)
Increase in accounts payable	94,187	408,055
Increase in accrued payroll expenses, compensated absences payable, and retiree health care benefits	1,143,703	322,984
Increase (decrease) in estimated liability for insurance claims	<u>(216,614)</u>	<u>2,335,687</u>
Total adjustments	<u>22,119,353</u>	<u>21,628,819</u>
Net cash used in operating activities	<u>\$ (55,957,084)</u>	<u>\$ (52,134,729)</u>

The notes to the financial statements are an integral part of these statements.

**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**(1) Summary of Significant Accounting Policies**

Reporting Entity

The Long Beach Public Transportation Company (Long Beach Transit or the Company) is a nonprofit corporation organized to provide public transportation services in Long Beach, California. The Company is governed by a seven-member Board of Directors appointed to serve four-year terms by the Mayor, with the approval of the Long Beach City Council. In turn, the Board Members appoint a Chief Executive Officer who is responsible for overseeing the Company's daily operations. The Company is responsible for the preparation of its own annual financial plan.

In accordance with U.S. generally accepted accounting principles (GAAP), the Company is considered a component financial reporting unit of the City of Long Beach (City), California. As such, the Company's financial statements are included in the City's comprehensive annual financial report as a discretely presented component unit. Long Beach Transit has a separate legal status and has historically operated as an independently managed and operated nonprofit corporation, receiving no direct administrative or financial support from the City. For the present, there has been no expressed intent to alter the status of this financial reporting and administrative relationship.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under 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.

The Company distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Company's principal ongoing operations. The principal operating revenues of the Company include passenger fares charged for transportation service to the community and advertising fees. Operating expenses include the cost of transportation services, maintenance of capital assets and facilities, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets

**Notes to Financial Statements, Continued**

and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. Principal areas requiring the use of estimates include determination of useful lives of capital assets, liability for insurance claims, accrued retiree sick leave and defined benefit plan assumptions.

Material and Supplies Inventory

Inventory is valued at cost on a first-in, first-out basis as applied on a moving-average-cost method, or market, whichever is lower.

Capital Assets

Capital assets, which include property, plant and equipment, are defined by the Company as assets with initial project values exceeding \$5,000, with individual federally funded items costing more than \$500 and having an estimated useful life of more than one year. The Federal Transit Administration (FTA) excludes the bus tire lease from this requirement as it is depreciated over a twelve-month period. Capital assets are valued at historical cost. Depreciation is provided using the straight-line method, with no allowance for salvage values. Donated capital assets are recorded at estimated fair market at the date of donation. The Company did not receive any donated capital assets during fiscal years 2013 and 2012.

Estimated useful lives of the Company's capital assets are as follows:

Buildings and improvements	5-25 years
Buses and vessels	12 years
Fare boxes	10 years
Smaller coaches	7 years
Furniture, equipment and passenger facilities	5 years
Service trucks	4 years
EDP equipment	3 years
Bus components	3 years
Service autos	3 years
Bus tires	1 year

Financial Plan

The Company adopts an annual financial plan for management information purposes only. Accordingly, financial statements presenting comparison of budgeted and actual results are not included.

Government Grants

Grants, with the exception of Proposition A local share (noted below) for operating assistance, for the acquisition of equipment or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the Company complying with appropriate grant requirements.

Operating assistance grants are included in non-operating revenues in the year in which a related reimbursable expenditure is incurred or in deferred revenue for use in the subsequent fiscal year.

**Notes to Financial Statements, Continued**

The Company's policy is to report revenues from capital grants separately after non-operating revenues as the related expenditures are incurred. Assets acquired with capital grant funds are included in capital assets. Capital monies received prior to an expenditure being incurred are recorded as deferred revenue.

The City allocates a portion of its Proposition A local share funding to the Company in accordance with an agreement between the Company, the City and the Los Angeles County Metropolitan Transportation Authority (Metro) (see notes 3 and 5). The Company records such Proposition A funds received and due from the City as deferred revenue until used for operating assistance and/or capital expenditures. Those Proposition A funds used for operating assistance are included in non-operating subsidies income and those funds used for capital expenditures are included in capital assets.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers all of its cash deposits and investments with an original maturity of three months or less, including restricted and designated cash and investments, to be cash and cash equivalents. Monies invested with the State Treasurer's Local Agency Investment Fund (LAIF) may have maturities longer than 90 days; however, LAIF functions as a demand deposit account. Therefore, the Company considers such investments to be cash equivalents. There were no significant noncash capital and related financing activities in 2013 and 2012.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**(2) Cash and Investments**

Cash, cash equivalents, and investments consist of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 92,795	\$ 85,850
Deposits with financial institutions	13,058,982	3,638,886
Cash equivalents	<u>22,658,082</u>	<u>27,619,847</u>
Total cash and cash equivalents	<u>35,809,859</u>	<u>31,344,583</u>
Investments	<u>21,429,991</u>	<u>23,695,498</u>
Total cash, cash equivalents, and investments	<u>\$ 57,239,850</u>	<u>\$ 55,040,081</u>

**Notes to Financial Statements, Continued**

**Investments Authorized by the California Government Code and Long Beach Public Transportation Company's Investment Policy**

The table below identifies the investment types that are authorized for Long Beach Transit by the Company's investment policy. The table also identifies certain provisions of the Company's investment policy that address interest rate risk, credit risk, and concentration of credit risk. During fiscal year 2013 and 2012, the Company elected to have its investments with LAIF and a similarly structured investment vehicle managed by an independent manager.

	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage In One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	10%	10%
Money Market Mutual Funds	N/A	None	None
Bankers Acceptances	180 days	40%	10%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds	N/A	15%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Bonds	5 years	10%	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Company manages its exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to no more than two years.

Information about the sensitivity of fair values of the Company's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2013 and 2012, respectively.

**Weighted Average Maturity (Yrs)**

<u>Type</u>	<u>2013</u>	<u>Weighted Average Maturity (Yrs)</u>
<b><u>Cash Equivalents</u></b>		
Local Agency Investment Fund (LAIF)	\$ 22,429,267	.76
Fidelity Municipal Money Market	228,815	N/A
Total cash equivalents	<u>\$ 22,658,082</u>	

Notes to Financial Statements, Continued

Type	2013	Weighted Average Maturity (Yrs)
<b>Corporate Bonds</b>		
Ameriprise Finl Inc 5.650% Due 11-15-15	\$ 719,830	2.4
Anheuser-Busch Inbev 5.375% Due 11-15-14	636,870	1.4
Bellsouth Corp 5.200% Due 09-15-14	630,036	1.2
General Electric Corp 5.9% Due 05-13-14	733,054	0.9
Goldman Sachs Grp Inc 5.000% Due 10-01-14	730,856	1.3
JPMorgan Chase & Co. 4.650% Due 06-01-14	722,750	0.9
Merrill Lynch Co Inc 5.450% Due 07-15-14	622,500	1.0
Metlife Inc 5.500% Due 06-15-14	725,620	1.0
Prudential Financial Inc. 6.200% Due 01-15-15	646,470	1.5
Corporate Bonds Total	\$ 6,167,986	
<b>Government Bonds</b>		
Federal Hm Ln Bk 0.400% Due 12-18-15	\$ 1,243,913	2.5
Federal Farm Cr Bks 0.400% Due 11-09-15	1,243,963	2.4
Federal Farm Cr Bks 0.420% Due 11-07-14	999,260	1.4
Federal Hm Ln Bk 3.125% Due 12-13-13	1,266,750	0.5
Federal Hm Ln Bk 2.750% Due 03-13-15	1,300,862	1.7
Federal Home Ln Mtg Corp 0.500% Due 10-15-13	1,001,040	0.3
Federal Nat/Mtg Assoc 0.500% Due 05-27-15	1,252,037	1.9
Federal Nat/Mtg Assoc 0.550% Due 05-26-16	993,010	2.9
Federal Nat/Mtg Assoc 0.625% Due 11-14-16	988,880	3.4
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	977,360	4.3
US Treasury Note 0.250% Due 05-31-14	2,001,180	0.9
US Treasury Note 0.125% Due 12-31-14	998,200	1.5
US Treasury Note 0.375% Due 02-15-16	995,550	2.6
Government & Government Agency Bonds Total	\$ 15,262,005	
<b>Total Investment Value</b>	\$ 21,429,991	

As of June 30, 2013, there was \$85,833 of accrued bond interest which is included in accounts receivable.

Notes to Financial Statements, Continued

Type	2012	Weighted Average Maturity (Yrs)
<b><u>Cash Equivalents</u></b>		
Local Agency Investment Fund (LAIF)	\$ 23,430,320	.73
Bank of America Money Market	1,340,373	N/A
Fidelity Municipal Money Market	2,849,154	N/A
Total cash equivalents	\$ 27,619,847	
<b><u>Corporate Bonds</u></b>		
General Elec Cap Corp Mtn 3.500% Due 08-13-12	\$ 697,314	.1
Cons Edison Co of Nydeb 4.875% Due 02-01-13	666,328	.6
Morgan Stanley Global Note 5.300% Due 03-01-13	662,539	.6
Verizon New Eng Inc Note 4.750% Due 10-01-13	707,373	1.2
JP Morgan Chase & Co Sr. Nt 4.650% Due 06-01-14	681,460	1.8
MetLife Inc Global Note 5.500% Due 06-15-14	700,733	1.9
Goldman Sachs Group Inc Note 5.000% Due 10-01-14	677,690	2.1
Lowes Cos Inc Nt 5.000% Due 10-15-15	731,289	3.0
Morgan Stanley Senior Note 3.450% Due 11-02-15	629,421	3.1
Ameriprise Financial Inc Sr Note 5.650% Due 11-15-15	735,930	3.1
Corporate Bonds Total	\$ 6,890,077	
<b><u>Government Bonds</u></b>		
Federal Home Ln Mtg Fr 0.500% Due 10-15-13	1,002,490	1.3
Federal Home Loan Banks Cons Bd 3.125% 12-13-13	1,040,260	1.4
Federal Home Ln Bks Cons Bd 0.350% Due 05-30-14	1,248,850	1.9
US Treasury Notes 0.250% Due 05-31-14	1,997,500	1.9
Federal Home Loan Banks Cons Bd 1.100% 10-27-14	1,000,530	2.3
Federal Farm Cr Bks Cons Bd 0.420% Due 11-07-14	999,140	2.3
Federal Home Ln Mtg Corp Call 1.000% Due 04-24-15	1,001,580	2.8
Federal Home Ln Mtg Corp Call 1.000% Due 05-01-15	1,002,350	2.8
Federal Home Ln Mtg Corp Call 1.050% Due 05-07-15	1,001,910	2.8
Federal Farm Cr Bks Cons Bd 1.040% Due 09-14-15	1,001,620	3.1
Federal Home Ln Mtg Crp Mtn 1.250% Due 12-14-15	1,003,130	3.4
Federal Farm Cr Bks Cons Bd 1.090% Due 07-18-16	1,000,050	3.8
Federal Farm Cr Bks Cons Bd 1.500% Due 08-22-16	1,001,800	4.0
Federal Natl Mtg Assn 1.125% Due 11-16-16	1,255,050	4.3
Federal Natl Mtg Assn Call 1.100% Due 02-28-17	1,249,161	4.5
Government Bonds Total	\$ 16,805,421	
<b>Total Investment Value</b>	<b>\$ 23,695,498</b>	

**Notes to Financial Statements, Continued**

As of June 30, 2012, there was \$100,923 of accrued bond interest which is included in accounts receivable.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. For 2013, ratings on the investments, excluding LAIF and money market accounts, are as follows at June 30, 2013.

<u>Investment Type</u>	<u>Rating</u>
<b><u>Investments</u></b>	
Ameriprise Finl Inc 5.650% Due 11-15-15	A
Anheuser-Busch Inbev 5.375% Due 11-15-14	A
Bellsouth Corp 5.200% Due 09-15-14	A-
General Electric Corp 5.9% Due 05-13-14	AA+
Goldman Sachs Grp Inc 5.000% Due 10-01-14	A-
JPMorgan Chase & Co. 4.650% Due 06-01-14	A
Merrill Lynch Co Inc 5.450% Due 07-15-14	A-
Metlife Inc 5.500% Due 06-15-14	A-
Prudential Financial Inc. 6.200% Due 01-15-15	A
<u>Investment Type</u>	<u>Rating</u>
<b><u>Government Bonds</u></b>	
Federal Hm Ln Bk 0.400% Due 12-18-15	AA+
Federal Farm Cr Bks 0.400% Due 11-09-15	AA+
Federal Farm Cr Bks 0.420% Due 11-07-14	AA+
Federal Hm Ln Bk 3.125% Due 12-13-13	AA+
Federal Hm Ln Bk 2.750% Due 03-13-15	AA+
Federal Home Ln Mtg Corp 0.500% Due 10-15-13	AA+
Federal Nat/Mtg Assoc 0.500% Due 05-27-15	AA+
Federal Nat/Mtg Assoc 0.550% Due 05-26-16	AA+
Federal Nat/Mtg Assoc 0.625% Due 11-14-16	AA+
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	AA+
US Treasury Note 0.250% Due 05-31-14	AAA
US Treasury Note 0.125% Due 12-31-14	AAA
US Treasury Note 0.375% Due 02-15-16	AAA



**Notes to Financial Statements, Continued**

**Concentration of Credit Risk**

The investment policy of the Company contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Company will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Company's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to the Company's indirect investment in securities through the use of mutual funds or government investment pools, such as LAIF.

**(3) Operating Subsidies**

Subsidies from the following sources were earned during the years ended June 30:

	<u>2013</u>	<u>2012</u>
Proposition A, County of Los Angeles	\$ 10,873,265	\$ 8,822,958
TDA and STA, State of California	22,547,344	20,170,522
Proposition C, County of Los Angeles	4,773,408	5,858,571
Proposition A Allocation, City of Long Beach	5,044,272	5,891,768
Preventative Maintenance, Federal	6,339,255	5,325,134
Measure R	7,160,978	7,687,827
Other local sources	933,268	355,545
	<u>\$ 57,671,790</u>	<u>\$ 54,112,325</u>
Total		

The voters of the County of Los Angeles approved Proposition A in November 1980 and Proposition C in November 1990. These voter approved sales tax initiatives each provide a 1/2% sales tax within the County to be used for mass transit and transportation purposes. A substantial portion of these funds are distributed to the various County transit operators by Metro on both a formula and discretionary basis.

Additionally, each city in Los Angeles County receives a formula allocation of certain Proposition A revenues. The City of Long Beach in turn allocates a portion of its Proposition A local share funding to

**Notes to Financial Statements, Continued**

the Company in accordance with an agreement between the Company, the City and Metro. The portion of the local Proposition A funds used for operating assistance is included above.

The State of California's Transportation Development Act (TDA) of 1971 designated a portion of County sales tax receipts to finance transit operations and development. This financing is made available to eligible transit operators within the County through allocations from the Local Transportation Fund of Los Angeles County and administered by Metro. State Transit Assistance Funds (STA) are generated from state fuel taxes and are disbursed to transit agencies based on a formula allocation by Metro.

In accordance with the Federal Transit Administration (FTA) regulations, the Company is allowed to use a portion of federal grant monies for operating preventative maintenance expenditures. These funds are shown as subsidy income in the Company's accompanying financial statements. The FTA funds 80% of the costs, with the remaining 20% matched by Proposition C funds.

Measure R, approved by the voters in November 2009, provides a ½ cent sales tax for transportation improvements.

Other local monies are reimbursement for service hours supplied to seven surrounding cities and Job Access Reverse Commute funds (JARC) awarded for service for the 7th St. peak service route 171 and weekend service to the Villages at Cabrillo Transitional Housing Complex and route 176 weekday service that provides a direct connection between major employment centers in Long Beach and Lakewood with the Metro Blue Line Pacific Coast Highway (PCH) station.

**Notes to Financial Statements, Continued**

**(4) Accounts Receivable**

Unrestricted accounts receivable were comprised of the following at June 30:

	<u>2013</u>	<u>2012</u>
Subsidies	\$ 33,971	\$ 43,113
Insurance reimbursements	298,683	192,655
Interest	99,797	121,734
Trade	<u>511,926</u>	<u>569,778</u>
Total	<u>\$ 944,377</u>	<u>\$ 927,280</u>

Accounts are written off when determined to be uncollectible. In the opinion of management, all significant accounts receivable at June 30, 2013 and 2012 are fully collectible.

**(5) Restricted and Designated Assets and Unearned Revenue**

At June 30, 2013 and 2012, the balance of restricted and designated assets and unearned revenue accounts were as follows:

Restricted and Designated Assets

	<u>2013</u>	<u>2012</u>
Cash and investments:		
Proposition A funds, City of Long Beach	\$ ---	\$ 1,829,420
Cash and investments designated for insurance claims	<u>10,976,603</u>	<u>11,193,217</u>
Board mandated contingency reserve	2,000,000	2,000,000
Capital grant funds	<u>21,580,799</u>	<u>23,595,710</u>
Total restricted and designated cash and investments:	<u>\$ 34,557,402</u>	<u>\$ 38,618,347</u>
Accounts receivable:		
Proposition A funds due from City	\$ 1,125,000	\$ 2,316,946
Capital grants receivable	<u>1,928,277</u>	<u>3,217,782</u>
Total restricted and designated accounts receivable	<u>\$ 3,053,277</u>	<u>\$ 5,534,728</u>

**Notes to Financial Statements, Continued**

	<u>Unearned Revenue</u>	
	<u>2013</u>	<u>2012</u>
Unearned revenue:		
Proposition A funds, City of Long Beach	\$ ---	\$ 2,452,137
Capital grant funds	20,942,463	23,033,957
Other	678,591	614,258
Total unearned revenue	<u>\$ 21,621,054</u>	<u>\$ 26,100,352</u>

The Company maintains a \$2 million contingency reserve mandated by the Board of Directors to meet unexpected cash shortfalls.

Proposition A funds from the City are local share Proposition A funds received by the City from Metro and are allocated to the Company in accordance with the agreements described in note 3 in the notes to the accompanying financial statements. Such monies are for the Company's use as operating assistance and/or to finance capital expenditures. The unused portion of Proposition A funds received from and due from the City is included in unearned revenue.

Capital grants receivable are grant funds earned and shown as capital contributions through purchase or construction of qualifying capital assets, but not yet received. Capital grant funds included in restricted and designated cash and investments and unearned revenue are funds the Company has received in advance for capital asset acquisition or construction but which have not been expended at the date of the statements of net position.

Other unearned revenue includes proceeds from the sale of assets originally purchased with capital grant contributions, which will be used for future asset acquisitions, and escheat checks.

**(6) Estimated Liability for Insurance Claims**

Under its insurance programs, the Company retains the risk for each occurrence of workers' compensation and public liability and property damage claimed up to \$1.5 million. Claims in excess of \$1.5 million for workers' compensation and for public liability and property damage are covered under policies in force with an independent insurer up to \$25 million for workers' compensation and \$10 million for public liability and property damage. Individual claim settlements for both workers' compensation and public liability and property damage did not exceed insurance coverage limits in fiscal years 2013 and 2012.

The level of risk retention is dictated by the insurance market and the rates available to the Company. The Company weighs the increased premium costs against the risk level attempting to minimize overall program expenses.

**Notes to Financial Statements, Continued**

The Company's policy is to estimate and recognize losses on the accrual basis based on the report of the Company's independent claims manager or an actuarial report and to maintain designated cash and investments to fund the estimated liabilities. Liability may also be accrued if it is reasonable to suspect claims may arise from an incident that has occurred, but has yet to be reported to our independent claims manager.

The changes in estimated liabilities for reported claims are as follows:

	Public Liability and Property Damage	Workers' Compensation	Total
Estimated liabilities at June 30, 2011	\$ 3,026,072	\$ 5,831,458	\$ 8,857,530
Reserves:			
New claims	416,844	520,211	937,055
Adjustments to existing claims	1,026,649	2,966,725	3,993,374
Payouts	<u>(543,180)</u>	<u>(2,051,562)</u>	<u>(2,594,742)</u>
Estimated liabilities at June 30, 2012	3,926,385	7,266,832	11,193,217
Reserves:			
New claims	708,383	624,610	1,332,993
Adjustments to existing claims	1,422,797	1,205,773	2,628,570
Payouts	<u>(1,950,437)</u>	<u>(2,227,740)</u>	<u>(4,178,177)</u>
Estimated liabilities at June 30, 2013	<u>\$ 4,107,128</u>	<u>\$ 6,869,475</u>	<u>\$ 10,976,603</u>

**(7) Deferred Compensation**

The Company offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by an independent contractor. The Plan is available to all Company employees and permits them to defer a portion of their salary until future years. Plan assets consist of money market and mutual funds and are purchased based on elections made by the Company's employees. The deferred compensation is not available to employees or beneficiaries until termination, retirement, death or unforeseeable emergency.

Existing assets in the Plan are maintained in a qualified custodial account. The Custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of the Company and are not subject to the claims of the Company's general creditors nor can they be used by the Company for any purpose other than the payment of benefits to employees participating in the Plan or their designated beneficiaries. Therefore, deferred compensation funds are not shown on the Company's Statements of Net Position.

Notes to Financial Statements, Continued

(8) Capital Assets

Capital asset activity for the years ended June 30, 2013 and 2012 was as follows:

	Balance at June 30, 2012	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2013
<b>Capital assets not being depreciated:</b>					
Land	\$ 5,525,000	\$ ---	\$ ---	\$ ---	\$ 5,525,000
Construction in progress	7,406,664	(6,771,821)	3,282,143	---	3,916,986
Total capital assets not being depreciated	12,931,664	(6,771,821)	3,282,143	---	9,441,986
<b>Capital assets being depreciated:</b>					
Buildings & improvements	41,772,353	4,067,690	1,974,423	---	47,814,466
Fleet	128,391,014	696,705	32,642,746	(18,585,176)	143,145,289
Communications systems	6,910,393	390,248	128,665	(27,477)	7,401,829
Fare collection system	7,961,387	---	44,462	---	8,005,849
Office, shop & garage equipment	20,910,227	482,107	1,111,723	(95,488)	22,408,569
Passenger facilities	12,325,520	1,135,071	110,943	---	13,571,534
Total capital assets being depreciated	218,270,894	6,771,821	36,012,962	(18,708,141)	242,347,533
<b>Less accumulated depreciation:</b>					
Buildings & improvements	(31,046,768)	---	(2,356,343)	---	(33,403,111)
Fleet	(87,121,978)	---	(12,240,578)	18,585,176	(80,777,380)
Communications systems	(6,814,237)	---	(94,006)	27,477	(6,880,766)
Fare collection system	(5,510,876)	---	(985,266)	---	(6,496,142)
Office, shop & garage equipment	(16,939,148)	---	(2,073,747)	95,488	(18,917,407)
Passenger facilities	(4,487,801)	---	(2,499,220)	---	(6,987,021)
Total accumulated depreciation	(151,920,808)	---	(20,249,160)	18,708,141	(153,461,827)
<b>Total capital assets being depreciated, net</b>	<b>66,350,086</b>	<b>6,771,821</b>	<b>15,763,799</b>	<b>---</b>	<b>88,885,709</b>
<b>Total capital assets, net</b>	<b>\$79,281,750</b>	<b>\$ ---</b>	<b>\$ 19,045,945</b>	<b>\$ ---</b>	<b>\$ 98,327,695</b>

Notes to Financial Statements, Continued

	Balance at June 30, 2011	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2012
<b>Capital assets not being depreciated:</b>					
Land	\$ 5,525,000	\$ ---	\$ ---	\$ ---	\$ 5,525,000
Construction in progress	2,460,088	(1,188,666)	6,135,242	---	7,406,664
Total capital assets not being depreciated	7,985,088	(1,188,666)	6,135,242	---	12,931,664
<b>Capital assets being depreciated:</b>					
Buildings & improvements	41,246,850	206,273	319,230	---	41,772,353
Fleet	126,002,622	774,544	6,105,308	(4,491,460)	128,391,014
Communications systems	6,906,803	283	3,307	---	6,910,393
Fare collection system	7,960,900	---	487	---	7,961,387
Office, shop & garage equipment	19,919,613	173,340	1,521,638	(704,364)	20,910,227
Passenger facilities	11,611,270	34,226	680,024	---	12,325,520
Total capital assets being depreciated	213,648,058	1,188,666	8,629,994	(5,195,824)	218,270,894
<b>Less accumulated depreciation:</b>					
Buildings & improvements	(28,473,933)	---	(2,572,835)	---	(31,046,768)
Fleet	(80,440,297)	---	(11,173,141)	4,491,460	(87,121,978)
Communications systems	(6,736,092)	---	(78,145)	---	(6,814,237)
Fare collection system	(4,526,129)	---	(984,747)	---	(5,510,876)
Office, shop & garage equipment	(15,518,229)	---	(2,125,283)	704,364	(16,939,148)
Passenger facilities	(2,110,404)	---	(2,377,397)	---	(4,487,801)
Total accumulated depreciation	(137,805,084)	---	(19,311,548)	5,195,824	(151,920,808)
<b>Total capital assets being depreciated, net</b>	<b>75,842,974</b>	<b>1,188,666</b>	<b>(10,681,554)</b>	<b>---</b>	<b>66,350,086</b>
<b>Total capital assets, net</b>	<b>\$ 83,828,062</b>	<b>\$ ---</b>	<b>\$ (4,546,312)</b>	<b>\$ ---</b>	<b>\$ 79,281,750</b>

The Company operates from two locations within the City of Long Beach. The principal maintenance facility is located in the central portion of the City and the satellite facility is in North Long Beach. Land included on the Company's books includes a parcel adjacent to the principal maintenance facility and the North Long Beach site. Land occupied by the Company's principal facility has been deeded to the City of Long Beach and is recorded in the accounts of the City.

**Notes to Financial Statements, Continued**

**(9) Subsidy Deferral**

The amount of subsidies received each year is based upon estimated funding marks prepared by Metro. These estimates are used for budget preparation, with final marks received after final budgets are approved. Subsidies received in excess of expenditures are carried over for use in the next year. Subsidy deferrals of \$17,280,041 and \$14,983,697, for 2013 and 2012, respectively, have been included in the accompanying financial statements.

**(10) Commitments and Contingencies**

The Company is subject to claims and lawsuits arising in the normal course of business. Such claims are routinely evaluated by the Company's legal counsel. Management may make provisions for probable losses if deemed appropriate on advice of legal counsel. To the extent provisions for damages are considered necessary, appropriate amounts are reflected in the accompanying financial statements. It is the opinion of management, based on consultation with legal counsel, that the estimated liability for unreserved claims and suits will not have a material impact on the Company's financial statements.

Purchase Contracts

The Company had the following significant purchase commitments outstanding at June 30, 2013. These purchase orders are for future goods and services the Company has yet to receive and can be cancelled prior to delivery by either party subject to the provisions of each individual contract. The balances listed represent some contingency balances, therefore, actual costs may be lower than shown.

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>	<u>Expected Completion</u>
BYD Motors	Battery Bus	\$ 11,528,616	December 2013
Petro Diamond	Gasoline Fuel	3,796,635	June 2014
Pro Petroleum	Diesel Fuel	3,424,853	June 2014
Peterson Hydraulics, Inc.	Vehicle Lifts	1,611,374	August 2014
Complete Coach Works	Engine Kits	993,975	June 2014
McCray's Enterprises	Mid-life Rehab	977,989	December 2013
New Flyer Parts Division	Inverter Upgrade	848,727	November 2013
Center for Transportation	Management Services	456,379	June 2015
	Software		
Five Point Partners LLC	Implementation	431,642	December 2013
Goodyear Tire & Rubber Co	Tires	333,840	September 2013
STV Incorporated	A&E Services	245,000	March 2014
Downtown Ford Sales	Truck	154,087	September 2013
Sardo Bus & Coach	Coach Detailing	149,074	December 2013



**Notes to Financial Statements, Continued**

Lease Obligations

The Company's tire lease is eligible for capitalization and is depreciated over a twelve (12) month period. Under the terms of the lease, the vendor supplies the tires and invoices the Company based on monthly mileage. There are no minimum guarantee payments required in the contracts. Total lease costs were \$666,235 and \$546,421 for the years ended June 30, 2013 and 2012, respectively.

**Notes to Financial Statements, Continued**

**(11) Employee Benefits**

Vacation Compensation

Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 30 days per year. Salaried employees may accumulate and carryover no more than the number of vacation days earned in the previous year. Contract employees are paid their earned vacation in full each year. On June 30, 2013 and 2012, accrued unpaid vacation for all Company employees amounted to \$2,792,062 and \$2,529,189, respectively.

<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/13</u>	<u>Due Within One Year</u>
\$ 2,529,189	\$ 2,792,062	(\$2,529,189)	\$ 2,792,062	\$ 2,792,062
<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>	<u>Due Within One Year</u>
\$ 2,579,347	\$ 2,529,189	(\$ 2,579,347)	\$ 2,529,189	\$ 2,529,189

Once a year, the Company allows employees to sell back a portion of their earned vacation in lieu of taking the time off. The Company has agreed to buy back vacation time in excess of ten (10) days earned during the calendar year. Vacation days carried over from the previous year are not eligible for this program. The Company paid \$249,955 and \$265,708 under this program during 2013 and 2012, respectively.

**Notes to Financial Statements, Continued**

Post-Retirement Health Care Benefits

Full-time Company employees are entitled to receive up to 96 hours of sick leave per year. On April 4, 2011, the Board of Arbitration issued a unanimous decision in the Interest Arbitration Proceedings between the Amalgamated Transit Union, Local 1277, and Long Beach Transit. The Board increased the maximum unused sick hours accruable by contract employees and percentage of unused sick hours convertible for cash values from 1,200 hours to 2,722 hours and 50% to 100%, respectively, with a retroactive date of October 1, 2009. Unused sick leave may be accumulated until retirement with the cash value, or a percentage thereof for Contract retirees, used to pay health and dental insurance premiums under the Company's Retired Employees Health Insurance Program (REHIP). Once the cash value of the retiring employee's unused sick leave is exhausted, the retiree is required to pay all health and dental premiums.

There were 82 participants in the Company's REHIP at June 30, 2013 and 2012. The cash value equivalent of the remaining unused sick leave for the current retirees totaled \$1,061,374 and \$782,335, respectively. Total premiums paid by the Company under the REHIP during the fiscal years ended June 30, 2013 and 2012, were \$114,598 and \$105,755, respectively.

The Company has established a liability related to unused sick leave which it estimates will be used by retirees to cover premiums under the REHIP. The estimated costs of the REHIP for both current and expected future payments are \$2,774,575 and \$2,004,517 at June 30, 2013 and 2012, respectively.

<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/13</u>	<u>Due Within One Year</u>
\$ 2,004,517	\$ 884,656	(\$114,598)	\$ 2,774,575	\$ 80,143

<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>	<u>Due Within One Year</u>
\$ 1,732,354	\$ 377,918	(\$105,755)	\$ 2,004,517	\$ 74,579

**(12) Labor Agreement**

Union Labor Agreement

The April 4, 2011 Board of Arbitration Decision regarding the Interest Arbitration between the Amalgamated Transit Union, Local 1277, and Long Beach Transit resulted in a labor contract for the period October 1, 2009, to June 30, 2013, succeeding their contract which ended on September 30, 2009. An agreement on a new contract has not been reached, but both parties are continuing negotiations and no disruption of service is anticipated at this time.

The decision by the Board of Arbitration on June 15, 2012, regarding pension, specifies that the current employee pension plan contribution will continue to be 5% until the next actuarial statement of the amount needed to actuarially fund the Plan. When the amount is determined, the Company shall pay the first ten percent of the amount the actuary states is necessary for Plan funding. Union employees will pay the next 5% necessary to fund the Plan. The Company and Union employees will equally split any funding amounts over 15%. In addition, for Union employees hired on or after July 1, 2012, the lump sum option in the Pension Plan is eliminated.

## Notes to Financial Statements, Continued

### (13) Pension Benefits

#### Plan Descriptions

The Company sponsors two single employer defined benefit pension plans: one for contract employees, the Long Beach Public Transportation Company Retirement Plan - Contract Employees (Contract Plan), and one for staff employees, the Long Beach Public Transportation Company Retirement Plan – Salaried Employees (Salaried Plan) for employees hired before April 1, 2011. For staff employees hired on or after April 1, 2011, Long Beach Transit adopted a new 401(a) qualified retirement plan for employer matching contributions.

The Company's payroll for employees covered by each pension plan for the years ended June 30, 2013 and 2012 was \$26,589,061 and \$25,904,690 for the Contract Plan, respectively, and \$10,281,649 and \$9,516,264 for the Salaried Plan, respectively. Total Company payroll for 2013 and 2012 was \$37,290,154 and \$35,743,152, respectively.

The Contract and the Salaried Plans are contributory single employer defined benefit pension plans sponsored by the Company. All full-time employees in a job classification covered by a collective bargaining agreement between the Company and the Union participate in the Contract Plan as of their date of employment. All full-time employees not covered by a collective bargaining agreement and hired before April 1, 2011 participate in the Salaried Plan as of their date of employment. Participants in the Contract Plan and Salaried Plan employees hired before April 1, 2011, are eligible for annual benefit payments at the normal retirement age of 64 and completion of ten years of credited service and become 100% vested after five credited years of service. Employees covered under the Salaried Plan can retire prior to 64 with a normal retirement benefit if the combination of the employee's age and service equals 80 or more. For employees covered under the Salaried plan hired on or after April 1, 2011, Long Beach Transit adopted a new 401(a) qualified retirement plan for employer matching contributions. Contract employees hired on or after April 1, 2011 are not eligible to participate in the 401(a) qualified retirement plan, but are eligible to continue to participate in the Contract Plan.

#### Pension Plan Benefits

Benefit payments for the Salaried Plan are determined as 1.70% of adjusted final monthly earnings multiplied by years of credited service (maximum credit of 40 years). Adjusted final monthly earnings are the employee's highest average monthly wage for 36 consecutive months of earnings during the last ten calendar years of employment, prior to normal retirement date, which provide the highest value.

Benefit payments for the Contract Plan are determined as the sum of the following:

1. 1.23% of the first \$500 of adjusted monthly earnings multiplied by the years of credited service (maximum credit of 40 years).
2. 1.7% of adjusted final monthly earnings greater than \$500 multiplied by the years of credited service (maximum credit of 40 years).

Contract employees who are at least 54 years of age with ten years of service or more, will have their pension benefits, calculated as the sum of items 1 and 2 above, increased by 15%.

Adjusted final monthly earnings under the Contract Plan are the employee's highest average monthly wage for 60 consecutive months of earnings during the last 10 calendar years of employment, prior to normal retirement date, which provide the highest value.

### Notes to Financial Statements, Continued

Retirees for both Plans, if married, are eligible to receive a joint annuity with a reduced annuity to the surviving spouse or domestic partner and, if unmarried, a straight-life annuity. These benefits are actuarially equivalent at the normal retirement date. Plan members are entitled, upon leaving service, to a vested termination of employment benefit if they have completed five years of credited service on their termination date. The vested termination of employment benefit is equal to the normal retirement benefit earned to the termination date.

#### Death and Disability Benefits

In the event a Plan member dies after reaching retirement age, while still actively employed, a retirement benefit will be paid to the spouse in the amount of 50% of the amount the Plan member would have received under the joint and 50% survivor spouse annuity, assuming retirement occurred the day immediately prior to death.

If a Salaried Plan participant becomes occupationally disabled, he or she is entitled to a monthly benefit equal to 1.7% of the participant's average monthly final earnings for each year of service earned. The minimum monthly disability benefit is 17% of the participant average earnings regardless of the length of service or vesting status.

If a Contract Plan participant is totally and permanently disabled with ten or more years of credited service, the participant is entitled to receive the full normal retirement benefit earned to the date of disability, without actuarial reduction, commencing six months after the date of disablement. A reduced occupational disability benefit is available for those Plan members unable to perform their usual work duties who leave service after 10 or more years of credited service.

#### Termination

The Plans may be amended, altered or modified, or successor plans may be adopted at any time with the consent of the employer and its Board of Directors or its successor in interest. In the event of termination, the net assets will be allocated based on the order of priority prescribed in the Plans.

#### Funding Policy and Annual Pension Cost

Plan members are required to contribute 5% of their annual salaries to the Plans. The Company is required to contribute to the Plans at an actuarially determined rate. The contribution rates for 2013 were 13.74% and 20.97% for the Contract and Salaried Plans, respectively. For 2013, the Company's annual pension costs were \$3,578,877 and \$2,694,143 for the Contract and Salaried Plans, respectively. The required contributions were determined as part of the July 1, 2013 actuarial valuation using the entry age normal cost frozen initial liability cost method. The actuarial assumptions were as follows:

- Remaining amortization period      25 years
- Asset valuation method                Market value
- Mortality Table                         IRS 2007      Current  
   Liability Combined
- Amortization Method                    Level Dollar
- Amortization Periods                    Closed
- Investment rate of return                7.5%
- Projected salary increases\*              3.0%
- \*includes inflation at 1.5%
- Cost-of-living adjustments              None

**Notes to Financial Statements, Continued**

Funding Progress

The status of funding progress for both Plans is based on the actuarial valuations performed as of July 1, 2013 and 2012. The actuarial accrued liability is calculated using the entry-age method.

Salaried Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL)– entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of covered payroll
2013	\$ 13,864	\$ 24,503	\$ 10,639	56.58%	\$ 10,282	103.48%
2012	11,028	18,424	7,396	59.86	9,516	77.72

Contract Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL)– entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of covered payroll
2013	\$ 41,325	\$ 58,755	\$ 17,430	70.34%	\$ 26,589	65.55%
2012	37,025	49,513	12,488	74.78	25,905	48.20

The Schedule of Funding Progress, presented as Required Supplemental Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-Year Trend Information

Contract Plan

Year ended June 30	Actuarially Determined Amount	Actual Contribution	Net Pension Obligation
2013	\$3,714,988	\$3,714,988	\$0
2012	3,241,510	3,241,510	0
2011	3,791,200	3,791,200	0

Salaried Plan

Year ended June 30	Actuarially Determined Amount	Actual Contribution	Net Pension Obligation
2013	\$1,886,343	\$2,694,143	\$ 0
2012	1,632,231	1,632,231	0
2011	2,041,762	2,041,762	0

**Notes to Financial Statements, Continued**

Defined Contribution Plan 401 (a)

Participation in the 401(a) Plan is limited to full-time regular staff employees hired on or after April 1, 2011. The Company's contribution to the 401(a) Plan is as follows: (A) eligible employees with 3 years of service or less, a matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 5% of the employee's base salary, and (B) for eligible employees with more than 3 years of service, the Company would make the following contributions: (1) matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 4% of the employee's base salary, and (2) a non-elective contribution equal to 3% of the employee's base salary regardless of whether the employee makes any salary deferrals to the 457 Plan for the plan year. As of June 30, 2013 and 2012, there were fourteen and twelve employees, respectively, eligible and eight and one, respectively, elected to participate in the program.

Financial statements for the Contract and Salaried Plans are available under separate covers. Copies of the financial statements can be obtained by writing to Long Beach Transit, Attn: Executive Director, VP Financial Services, P.O. Box 731, Long Beach, CA 90801.

**Notes to Financial Statements, Continued**

**Required Supplementary Information**

The following tables (which are unaudited) summarize the status of funding progress for the two Company sponsored defined benefit pension plans – Long Beach Public Transportation Company Retirement Plan – Contract Employees (Contract Plan) and Long Beach Public Transportation Company Retirement Plan – Salaried Employees (Salaried Plan). These tables are based on the actuarial valuations performed as the dates indicated.

Contract Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – entry age	(b-a) Unfunded (Funding Excess) (AAL)	(a/b) Funded ratio	(c) Covered payroll	((b-a)/c) UAAL as a percentage of covered payroll
2013	\$ 41,325	\$ 58,755	\$ 17,430	70.34%	\$ 26,589	65.55%
2012	37,025	49,513	\$ 12,488	74.78	25,905	48.20
2011	37,358	47,357	\$ 9,999	78.89	25,474	39.25

Salaried Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded ratio	(c) Covered payroll	((b-a)/c) UAAL as a percentage of covered payroll
2013	\$ 13,864	\$ 24,503	\$ 10,639	56.58%	\$ 10,282	103.48%
2012	11,028	18,424	7,396	59.86	9,516	77.72
2011	12,022	18,158	6,136	66.21	9,521	64.44





## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to assess how the Company's financial performance and well-being have changed over time.</i>	39
Revenue Capacity <i>These schedules contain information on the Company's revenue sources and their fluctuations over time.</i>	42
Demographic and Economic Information <i>These schedules offer demographic and economic indicators regarding the environment within which the Company's financial activities take place.</i>	44
Operating Information <i>These schedules contain information about services the Company provides and the activities it performs.</i>	46
Pension Information <i>The Company's Pension Plans' financial statements are issued under separate cover. The schedules contained in this section include general financial and actuarial information providing data concerning the Plans' funding status and general activity.</i>	54
Grant Information <i>The Company's grant programs are issued under separate cover in the Single Audit. The schedules contained in this section provide a summary of capital grant activity for Federal, State and Local sources.</i>	56

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Financial Trends  
Net Position by Component  
2004 - 2013**

**Exhibit 1**

	Invested in Capital Assets	(1)	Restricted	Unrestricted	Total
2004	\$ 72,060,726		\$ 166,914	\$ 3,437,866	\$ 75,665,506
2005	87,934,270		166,914	3,437,866	91,539,050
2006	83,588,365		113,048	3,491,732	87,193,145
2007	74,761,808		84,674	3,520,105	78,366,587
2008	72,514,620		259,954	3,344,825	76,119,399
2009	87,250,464		102,205	3,502,574	90,855,243
2010	84,286,309		16,747	3,588,032	87,891,088
2011	83,828,062		21,356	3,583,423	87,432,841
2012	79,281,750		13,558	3,591,221	82,886,529
2013	98,327,695		30,174	3,574,605	101,932,474

(1) Fluctuations in balances reflect the Company's procurement of capital assets in each year. Significant changes occur in years which included the receipt of new buses.

**Financial Trends  
Operating Expenses By Type  
2004 - 2013**

**Exhibit 2**

	Personnel Wages & Benefits	Fuel & Lubricants	Supplies & Materials	Services	Casualty & Liability	Purchased Transportation	Depreciation	Total
2004	\$ 41,828,220	\$ 3,165,438	\$ 2,146,233	\$ 4,205,815	\$ 1,973,444	\$ 1,365,827	\$ 13,673,096	\$ 68,358,073
2005	41,013,333	4,254,173	2,327,356	4,403,307	1,398,575	1,304,570	15,209,043	69,910,357
2006	43,174,005	5,748,498	1,999,984	4,769,648	1,506,641	1,320,429	16,316,882	74,836,087
2007	45,273,578	5,580,884	2,041,326	5,670,338	1,454,319	1,331,373	16,712,820	78,064,638
2008	49,895,725	7,146,145	2,198,443	6,023,734	2,812,729	1,407,953	17,441,700	86,926,429
2009	50,711,153	5,721,736	2,442,697	5,758,880	2,115,349	1,380,796	14,009,081	82,139,692
2010	52,742,176	5,625,348	2,280,932	5,997,208	1,897,047	1,349,681	16,519,346	86,411,738
2011	52,462,571	6,754,776	2,858,490	6,644,394	3,693,995	1,026,413	17,588,757	91,029,396
2012	51,744,582	7,816,511	3,104,125	7,132,271	2,274,190	1,204,522	19,311,548	92,587,749
2013	54,820,343	7,290,527	2,654,286	7,692,693	2,532,732	1,464,569	20,249,160	96,704,310

**Financial Trends  
Changes in Net Position  
2004 - 2013**

**Exhibit 3**

Expenses	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation	\$27,723,568	\$27,366,019	\$29,156,285	\$30,454,056	\$32,376,023	\$34,874,385	\$36,416,765	\$35,413,269	\$35,139,334	\$37,554,281
Maintenance	14,154,855	15,781,778	16,800,999	17,251,960	19,612,265	18,602,288	18,546,811	21,292,632	21,834,078	22,042,606
Risk Management	6,076,869	4,223,185	5,068,951	5,191,201	8,119,926	5,278,264	5,266,428	6,791,630	7,175,642	6,222,310
Marketing & Customer Service	1,263,387	1,296,256	1,286,531	1,397,475	1,631,278	1,578,839	1,673,878	1,665,938	1,761,195	1,827,629
General										
Administration	5,466,298	6,034,076	6,206,439	7,057,126	7,745,237	7,796,835	7,988,510	8,277,170	7,365,952	8,808,324
Depreciation	13,673,096	15,209,043	16,316,882	16,712,820	17,441,700	14,009,081	16,519,346	17,588,757	19,311,548	20,249,160
<b>Total Expenses</b>	<b>\$68,358,073</b>	<b>\$69,910,357</b>	<b>\$74,836,087</b>	<b>\$78,064,638</b>	<b>\$86,926,429</b>	<b>\$82,139,692</b>	<b>\$86,411,738</b>	<b>\$91,029,396</b>	<b>\$92,587,749</b>	<b>\$96,704,310</b>
<b>Revenues</b>										
Passenger Fares	\$12,676,716	\$12,814,406	\$14,542,379	\$14,239,543	\$14,789,817	\$15,785,523	\$16,473,909	\$17,308,290	\$18,085,942	\$18,024,416
Special Events	91,467	85,671	38,346	52,275	103,971	72,389	71,809	41,935	21,386	43,693
Advertising	906,250	743,750	724,158	847,296	857,449	797,814	609,161	558,490	688,089	542,382
Subtotal Operating	13,674,433	13,643,827	15,304,883	15,139,114	15,751,237	16,655,726	17,154,879	17,908,715	18,795,417	18,610,491
Subsidies	40,615,870	40,444,529	42,078,890	44,495,763	52,151,341	50,720,199	51,773,322	55,012,754	54,112,325	57,671,790
Interest & Other	394,674	612,958	1,135,432	1,716,941	1,582,151	754,686	964,191	519,170	368,458	172,869
Subtotal Non-Op	41,010,544	41,057,487	43,214,322	46,212,704	53,733,492	51,474,885	52,737,513	55,531,924	54,480,783	57,844,659
<b>Total Revenues</b>	<b>\$54,684,977</b>	<b>\$54,701,314</b>	<b>\$58,519,205</b>	<b>\$61,351,818</b>	<b>\$69,484,729</b>	<b>\$68,130,611</b>	<b>\$69,892,392</b>	<b>\$73,440,639</b>	<b>\$73,276,200</b>	<b>\$76,455,150</b>
Net Expense	\$(13,673,096)	\$(15,209,043)	\$(16,316,882)	\$(16,712,820)	\$(17,441,700)	\$(14,009,081)	\$(16,519,346)	\$(17,588,757)	\$(19,311,549)	\$(20,249,160)
Capital Grants	7,765,223	31,082,587	11,970,977	7,886,262	15,194,512	28,744,925	13,555,191	17,130,510	14,765,236	39,295,105
<b>Change in Net Position</b>	<b>\$(5,907,873)</b>	<b>\$15,873,544</b>	<b>\$(4,345,905)</b>	<b>\$(8,826,558)</b>	<b>\$(2,247,188)</b>	<b>\$14,735,844</b>	<b>\$(2,964,155)</b>	<b>\$(458,247)</b>	<b>\$(4,546,313)</b>	<b>\$19,045,945</b>

**Financial Trends  
Capital Expenditures By Type  
2004 - 2013**

**Exhibit 4**

Fiscal Year	Facilities	Fleet	Passenger Facilities	AVL, Farebox & Radio Equipment	Furniture & IT Equipment	Shop & Garage Equipment	Total
2004	\$ 469,413	\$ 3,503,160	\$ 2,302,210	\$ 818,230	\$ 358,811	\$ 313,399	\$ 7,765,223
2005	761,993	27,650,227	719,055	728,378	1,032,081	190,853	31,082,587
2006	903,110	4,311,805	991,917	4,219,234	728,595	816,316	11,970,977
2007	2,013,508	4,839,412	257,740	267,526	193,018	315,058	7,886,262
2008	1,427,166	11,386,235	1,142,643	337,773	744,408	156,287	15,194,512
2009	3,133,478	20,214,981	1,557,227	2,068,732	1,468,789	301,718	28,744,925
2010	1,224,068	6,436,753	2,149,479	47,960	1,796,856	1,900,075	13,555,191
2011	1,206,706	6,764,468	7,256,720	518,104	1,134,931	246,581	17,130,510
2012	4,325,055	6,651,509	859,424	395,016	2,320,594	213,638	14,765,236
2013	3,499,678	33,192,608	246,410	173,465	1,900,072	282,872	39,295,105

**Revenue Capacity  
Operating Subsidy Sources  
2004 - 2013**

**Exhibit 5**

	Prop A Funds City of Long Beach	Prop A Discretionary Funds L.A. County	Prop C & Measure R Funds L.A. County	State Assistance	Federal Preventative Maintenance Program	Other Sources	Total
2004	\$ 6,561,550	\$ 9,448,398	\$ 5,557,841	\$17,755,993	\$ 836,800	\$ 455,288	\$ 40,615,870
2005	5,740,953	7,956,295	5,296,405	18,236,348	2,533,066	681,462	40,444,529
2006	5,014,805	11,333,677	4,145,171	20,655,260	302,184	627,793	42,078,890
2007	4,656,775	11,840,403	5,507,340	21,864,340	---	626,905	44,495,763
2008	7,087,958	11,679,125	5,224,479	25,777,123	2,126,915	255,741	52,151,341
2009	4,067,755	12,500,860	9,848,459	21,266,639	2,378,850	657,636	50,720,199
2010	3,536,593	12,069,662	14,374,634	14,777,565	6,704,200	310,668	51,773,322
2011	5,375,238	13,460,669	12,371,325	17,480,351	6,067,800	257,371	55,012,754
2012	5,891,768	8,822,958	13,546,398	20,170,522	5,325,134	355,545	54,112,325
2013	5,044,272	10,873,265	11,934,386	22,547,344	6,339,255	933,268	57,671,790

**Revenue Capacity  
Farebox Recovery Percentage  
2004 - 2013**

**Exhibit 6**

<u>Year</u>	<u>Percentage</u>
2004	23.8
2005	24.1
2006	25.8
2007	23.8
2008	21.9
2009	23.9
2010	24.3
2011	24.2
2012	25.4
2013	24.3

NOTE: Represents passenger fares divided by fixed route operating expenses before depreciation.

**Revenue Capacity  
Fare History  
2003 - 2013**

	<u>2003-2005</u>	<u>2006-2008</u>	<u>2009</u>	<u>2010-2013</u>
Fixed Route Service:				
<u>Cash Fares:</u>				
Regular	\$ .90	\$ .90	\$ 1.10	\$ 1.25
Student	.75	.90	1.10	1.25
Senior & Disabled	.45	.45	.50	.60
Local transfer	.10	---	---	---
Interagency transfer	.35	.50	.50	.50
 <u>Day Pass:</u>				
Regular		\$ 2.50	\$ 3.50	\$ 4.00
Discounted		1.50	2.00	2.50
 <u>5 Day Pass:</u>				
Regular			\$ 16.00	\$ 18.00
Discounted			8.00	9.00
 <u>Monthly Pass:</u>				
Regular	\$ 40.00	\$ 50.00	\$ 60.00	\$ 65.00
Student	23.00	31.00	35.00	40.00
Senior & Disabled	11.00	19.00	21.00	24.00
 Dial-A-Lift Service:				
Cash Fares	\$ 1.00	\$ 1.50	\$ 2.00	\$ 2.00
 Water Taxi:				
<u>Cash Fares:</u>				
AquaBus	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
AquaLink	2.00	3.00	5.00	5.00

**Demographic and Economic Information  
City of Long Beach  
Demographic Statistics  
2003-2012**

**Exhibit 8**

Fiscal Year Ended June 30	Estimated Population (A)	Personal Income (in millions) (B&E)	Per Capita Personal Income (B&E)	Public School Enrollment (C)	Unemployment Rate (D)
2003	469,713	10,703	22,787	97,212	7.7
2004	472,013	11,290	23,919	97,560	7.2
2005	470,781	11,939	23,266	96,319	5.9
2006	467,586	12,854	27,490	93,589	5.3
2007	465,017	13,222	28,434	90,663	5.6
2008	463,250	13,422	28,974	88,186	8.2
2009	462,211	12,866	27,880	87,509	12.8
2010	462,685	12,783	27,627	86,283	13.9
2011	462,257	12,981	28,081	84,812	13.4
2012	465,576	13,129	28,199	83,691	12.2

Sources:

- (A) California Department of Finance.
- (B) Bureau of Economic Analysis. Personal income and per capita personal income, with exception of 2005, are based on percent change of per capita personal income for Los Angeles-Long Beach-Santa Ana, CA (Metropolitan Statistical Area).
- (C) California Department of Education Educational Demographic Unit. Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.
- (D) Average annual rate reported by California Employment Development Department (EDD).
- (E) Restated prior years due to the data's annual revision.



**Demographic and Economic Information  
City of Long Beach  
Principal Employers  
Current Year and Nine Years Ago\***

**Exhibit 9**

Employer	2012 Number of Employees	Percentage of Total City Employment	2003 Number of Employees	Percentage of Total City Employment
Long Beach Unified School District	11,334	4.83%	11,096	4.83%
City of Long Beach	5,758	2.45	6,542	2.85
Long Beach Memorial Medical Center	5,743	2.45	4,400	1.91
Boeing, N.A. (Previously - McDonnell Douglas)	5,186	2.21	10,500	4.57
California State University, Long Beach	3,527	1.50	5,609	2.44
Veterans Affairs Medical Center	2,200	.94	3,000	1.31
Long Beach City College	1,785	.76	2,000	.87
California State Univ Long Beach Foundation	1,500	.64	1,600	.70
St. Mary's Medical Center	1,432	.61	1,900	.83
United States Postal Service	1,306	.56	1,900	.83

Source: City of Long Beach, Economic Research Group, Department of Development Services and State of California Employment Development Department Labor Market Information.

\* This is the latest information available.

**Operating Information  
Key Performance Indicators  
2004 – 2013**

**Exhibit 10**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>Fixed Route</u></b>										
Operating Cost Per Vehicle Service Hour	\$76.52	\$75.64	\$83.12	\$87.48	\$96.17	\$96.28	\$98.73	\$106.77	\$105.61	\$110.11
Operating Cost Per Passenger	\$ 1.96	\$ 1.95	\$ 2.08	\$ 2.22	\$ 2.36	\$ 2.20	\$ 2.34	\$ 2.54	\$ 2.50	\$ 2.56
Roadcalls	978	1,133	871	1,142	1,339	1,392	1,481	1,325	1,819	1,778
Miles Between Roadcalls	8,257	7,211	9,014	6,771	5,904	5,716	5,384	5,807	4,219	4,438
Total Accidents	854	754	883	937	923	940	923	851	865	881
Preventable Accidents	139	138	164	154	166	149	100	90	89	120
Preventable Accidents Per 100,000 Miles	1.72	1.69	2.09	1.99	2.10	1.87	1.25	1.17	1.16	1.52
Passengers per Vehicle Service Hour	41	41	40	42	43	44	43	45	48	43
Service Delivery Rate	99.72%	99.73%	99.35%	99.45%	99.88%	99.88%	99.85%	99.83%	99.90%	99.94%
Number of Vehicles	221	228	229	229	229	263	265	265	260	262
Number of Employees	715	691	680	737	739	742	732	708	725	728
<b><u>Special Services</u></b>										
Dial-A-Lift Cost Per Passenger	\$14.71	\$15.97	\$18.57	\$19.96	\$21.32	\$21.65	\$23.02	\$19.71	\$19.64	\$20.42
Dial-A-Lift Passengers Per Vehicle Service Hour	6.1	5.9	5.3	5.0	4.8	4.7	4.8	5.0	5.1	4.8
Number of Dial-A-Lift Vehicles	18	18	18	18	17	16	17	15	15	13
Water Taxi Cost Per Passenger	\$ 5.91	\$ 6.29	\$ 7.10	\$ 8.24	\$10.17	\$ 9.47	\$10.99	\$11.94	\$13.73	\$ 9.23
Water Taxi Passengers Per Vehicle Service Hour	15.60	18.56	14.03	13.50	14.54	14.96	13.81	13.45	13.40	13.80
Number of Water Taxi Vessels	3	3	3	3	3	3	3	3	4	4

Note: Passengers per Vehicle Service Hour numbers have been revised to reflect NTD data.

**Operating Information  
Customer Satisfaction Trends  
2002-2013\***

**Exhibit 11**

<u>Service Element</u>	% of Customers Rating Favorably									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
LBT Overall	92	94	92	90	95	96	95	97	97	97
LBT Compared to Others	87	88	91	87	94	92	89	89	93	95
Driver Appearance	96	96	96	97	97	99	97	99	99	99
Fares	90	94	92	88	90	91	85	73	87	91
Driver Courtesy	86	89	86	90	91	88	90	90	92	94
Driver Safety	91	93	92	93	93	93	97	97	98	99
On Board Safety	90	91	88	91	90	93	95	95	96	97
Route Convenience	93	96	85	92	93	96	93	95	96	98
Information Available	91	89	89	88	88	93	93	90	95	95
Telephone Information	86	86	86	81	90	92	91	90	91	89
Bus Stop Safety	87	84	83	86	82	91	87	90	92	95
Bus Stop Convenience	96	94	---	94	95	97	95	96	96	97
Schedule Reliability	75	84	69	74	72	77	78	78	85	89
Bus Cleanliness	88	90	79	84	76	88	85	93	94	95
Bus Stop Cleanliness	82	74	80	81	75	89	84	86	91	91
Customer Satisfaction Index**	89	90	86	88	88	92	90	90	93	95

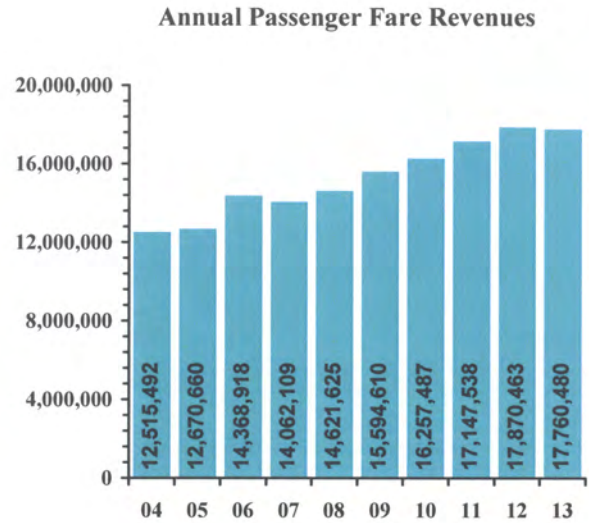
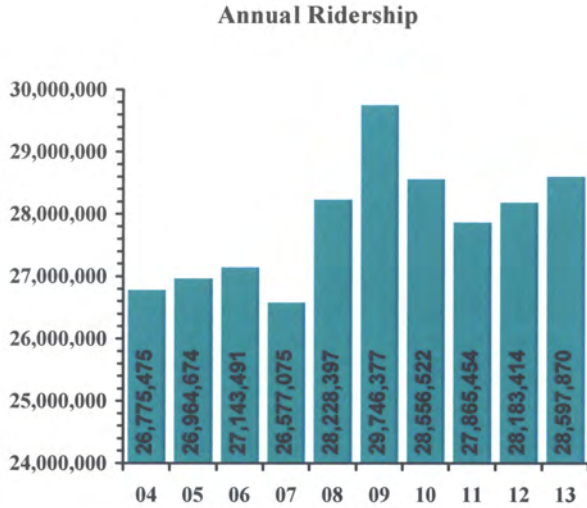
Source: Annual community survey.

\* Formal customer surveys were not performed for fiscal years 2005 and 2010.

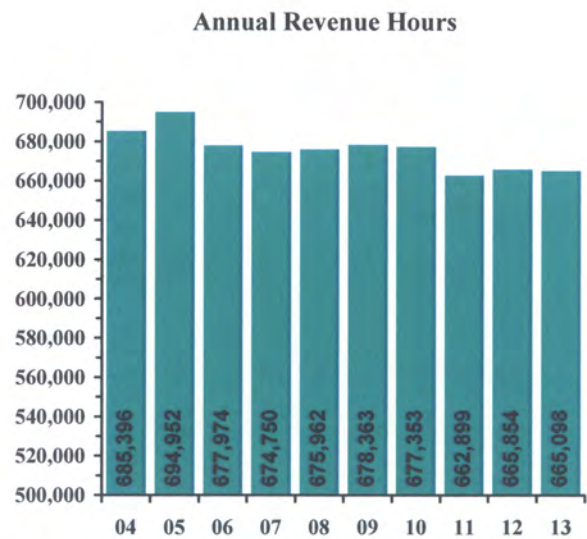
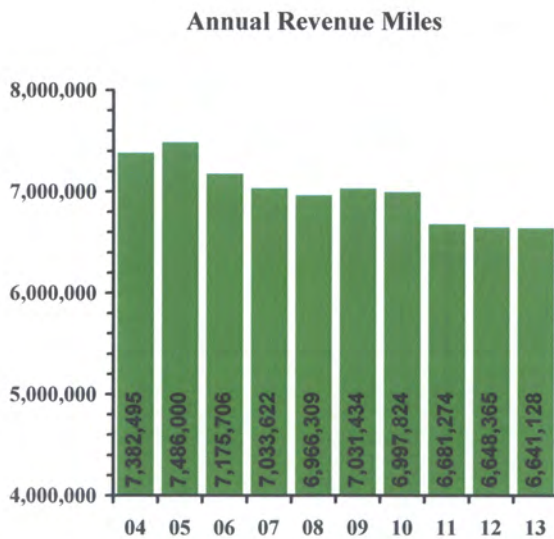
\*\* The customer satisfaction index is an average of the above ratings.

**Operating Information  
Fixed Route Statistics  
2004 - 2013**

**Exhibit 12**



Long Beach Transit experienced 28.6 million boardings in FY13, which represented a 1.36% increase over the previous year. The ridership increase in FY13 is attributable not only to a continued increase in the number of California State Long Beach students taking advantage of our UPASS program, but also to an increase in K-12 ridership due to the Long Beach Unified School District’s decision to eliminate all school busing for regular students.

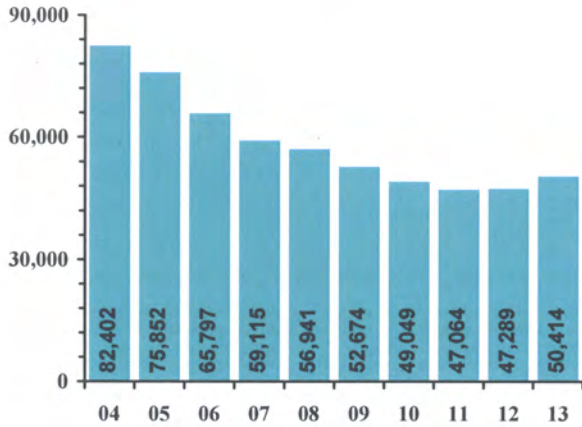


Source: Long Beach Transit’s Annual National Transit Database Report

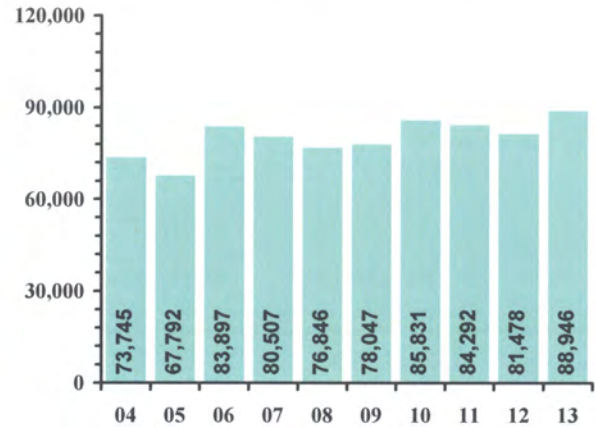
**Operating Information  
Dial-A-Lift Statistics  
2004 - 2013**

**Exhibit 13**

**Annual Ridership**

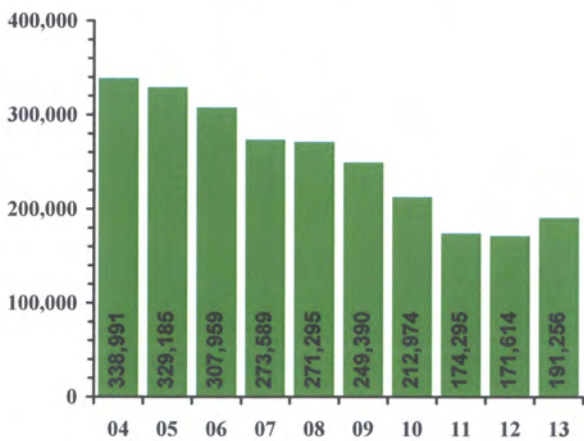


**Annual Passenger Fare Revenues**

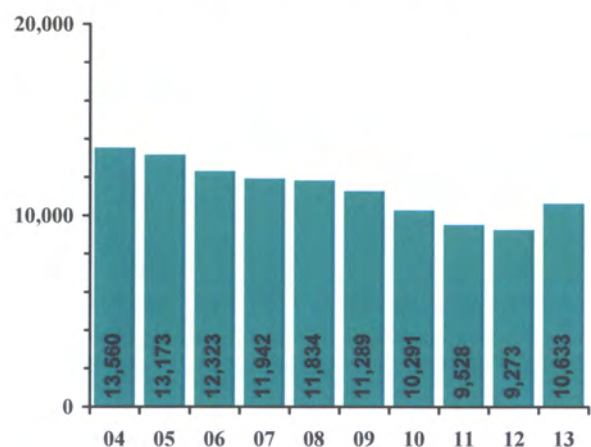


Dial-A-Lift had a 6.6% increase in ridership in FY13. Membership continues to increase due to an influx of Access Service members applying for DAL. In the past, if an applicant was a member of Access, they were denied DAL. It is now required for a DAL applicant to first be a member of Access Services. We are seeing a shift from Access to DAL. The Dial-A-Lift service is supplied by a local taxi company which supplements Dial-A-Lift van rides with taxi trips on an as-needed basis.

**Annual Revenue Miles**



**Annual Revenue Hours**

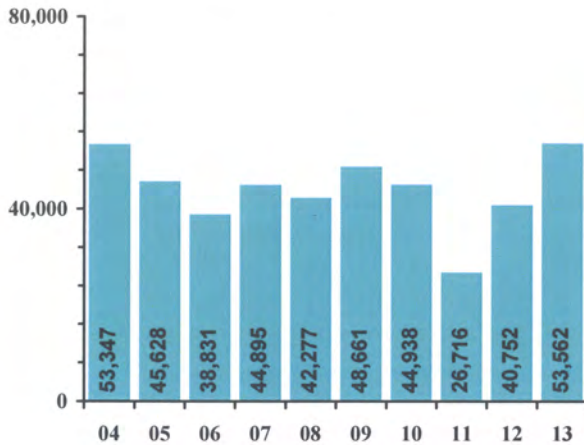


Source: Long Beach Transit's Annual National Transit Database Report

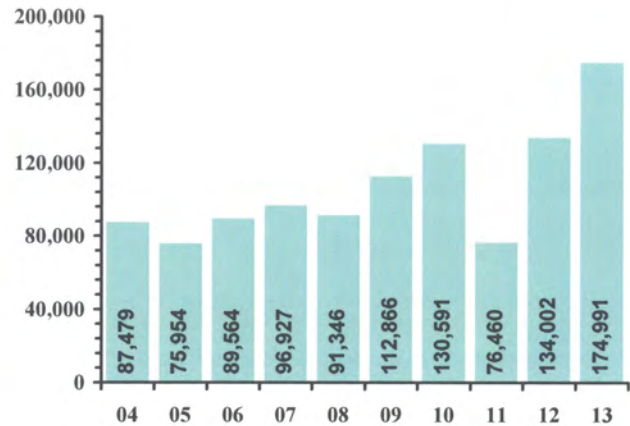
**Operating Information  
Water Taxi Statistics  
2004-2013**

**Exhibit 14**

**Annual Ridership**

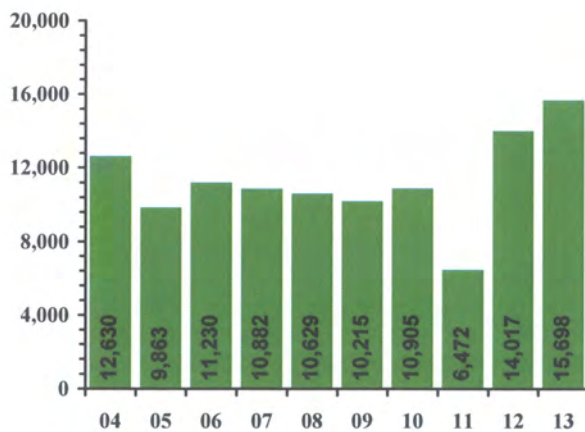


**Annual Passenger Fare Revenues**

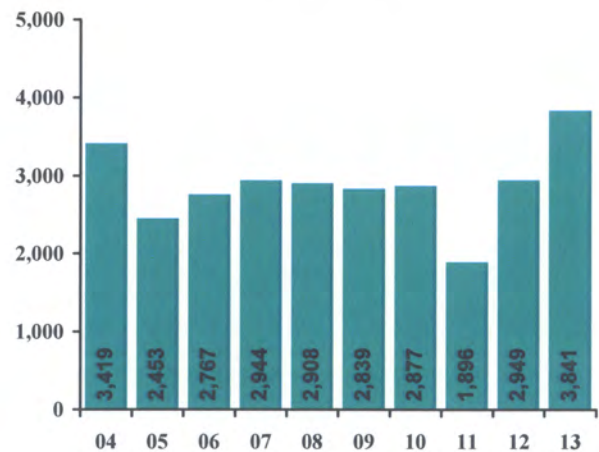


The increase in ridership is attributed to 1) extending the Water Taxi Service in September from Labor Day to the end of the month, 2) increase in trips to all of the destinations the Aqualink serves, and 3) continued efforts of our Marketing Department to bring more awareness of our Water Taxi Services by advertising a coupon that allows two passengers to ride for the price of one also attributed to a higher ridership.

**Annual Revenue Miles**



**Annual Revenue Hours**



Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information  
Schedule of Insurance in Force  
June 30, 2013**

**Exhibit 15**

<u>Program</u>	<u>Expiration Term</u>	<u>Company</u>	<u>Amount/Limit</u>
<b><u>LIABILITY</u></b>			
A. Auto and General Liability			
	7/1/13 1 yr	Starr Indemnity & Liability Co.	\$10,000,000 excess of \$1,000,000 SIR
B. Underground Storage Tank- Third-Party Liability			
	3/4/14 1 yr	Illinois Union Insurance Co.	\$2,000,000 - each incident \$3,000,000 - aggregate Deductible \$25,000
<b><u>COMMERCIAL PROPERTY</u></b>			
	3/14/14 1 yr	Travelers Property Casualty Co.	\$ 20,331,000 Real Property \$ 17,583,000 Business Personal Property \$ 25,000 Deductible for buses in the open \$ 476,000 Extra Expense \$ 2,500 per occurrence; except \$25,000 for buses in the yard
<b><u>WORKERS' COMPENSATION</u></b>			
	7/1/14 1 yr	Safety National Casualty Corp	\$25,000,000 excess of \$1,500,000 SIR
<b><u>CRIME SHIELD POLICY</u></b>			
	8/8/13 1 yr	Hartford Fire Insurance Co.	\$1,000,000 - employee theft; \$20,000 deductible \$1,000,000 - computer and funds transfer fraud; \$5,000 deductible \$100,000 - theft, disappearance and destruction; \$5,000 deductible
<b><u>FELONIOUS ASSAULT POLICY</u></b>			
	7/1/14 3 yr	Chubb and Son, A Division of Federal Insurance Company	\$100,000 - life insurance policy

**Operating Information**  
**Schedule of Insurance in Force (Continued)**  
**June 30, 2013**

**FIDUCIARY LIABILITY**

11/1/13	1 yr	Chubb Group of Insurance Co.	\$ 1,000,000 Each Loss
			\$ 1,000,000 Each Policy Period
			\$ 5,000 Deductible

**ENVIRONMENTAL LEGAL LIABILITY**

6/21/14	2 yr	Aspen Specialty Insurance Co.	\$ 5,000,000 Pollution Incident Coverage
			\$ 5,000,000 Aggregate Limit of Liability

Source: Long Beach Transit's Risk Management Department.



**Operating Information  
Fixed-Route Bus Service  
Summary of Service Frequency and Hours of Operation**

**DAILY HOURS OF OPERATION**

ROUTES	FREQUENCY OF SERVICE				DAILY HOURS OF OPERATION			
	Weekday	Saturday (5am-6pm)	Sunday	Evening/Night (after 6pm)	Weekday	Saturday	Sunday	Sunday
1	30	45	45	45/60	535A - 903P	519A - 1002P	519A - 1002P	519A - 1002P
20	15	22.5	22.5	15/30/60	445A - 105X	510A - 108X	510A - 108X	510A - 108X
40	7.5	12	15	10/30	436A - 1251X	504A - 1251X	504A - 1251X	504A - 1251X
50	12/20	15	20	15/20/30	430A - 1209X	503A - 1211X	510A - 1211X	510A - 1211X
60	12/20	15	20	20/30	450A - 115X	530A - 112X	532A - 113X	532A - 113X
70	30	45	45	30	455A - 820P	516A - 1022P	516A - 1022P	516A - 1022P
80	45/60	--	--	--	613A - 645P	----	----	----
90	10/12	15/20/30	20/30	15/30	410A - 105X	505A - 110X	500A - 100X	500A - 100X
96 ZAP	8/10	--	--	--	632A-829A 120P-445P	----	----	----
100	10/20	30	--	30	500A - 1035P	550A - 745P	----	----
110	20	30/35	30/35	30/60	500A - 111X	533A - 1253X	533A - 1253X	533A - 1253X
121	20	20	20	20/30	500A - 108X	509A - 103X	509A - 103X	509A - 103X
131	40	60	60	45	456A - 926P	530A - 925P	530A - 925P	530A - 925P
151	20	25/30	25/30	20/30/60	432A - 1248X	459A - 1248X	459A - 1248X	459A - 1248X
170	15	15/30	15/30	20/30/60	509A - 1250X	520A - 1250X	520A - 1250X	520A - 1250X
171	35	45	45	35/60	450A - 1155P	708A - 808P	708A - 808P	708A - 808P
176	30	--	--	--	646A - 713P	----	----	----
180	15/20	30	30	30/60	455A - 1218X	525A - 1218X	525A - 1218X	525A - 1218X
190	15	20	20	20/30	449A - 110X	510A - 115X	510A - 115X	510A - 115X
Passport	12	8/10	8/10	12/20/30	513A - 101X	514A - 106X	514A - 106X	514A - 106X

Source: Long Beach Transit's Service Development Department

**Pension Information  
Employer and Employee Pension Contributions  
2004 – 2013**

Fiscal Year Ended June 30	Employer Contribution*	Employee Contribution	Payroll	Contribution as a Percentage of Payroll
<b><u>Contract Plan</u></b>				
2004	\$ 2,099,246	\$	20,188,278	10.49%
2005	1,910,696		20,859,915	9.11
2006	2,055,584		21,628,593	10.08
2007	2,777,353		21,866,049	12.32
2008	2,661,268		23,643,084	11.35
2009	3,048,814		25,266,127	12.18
2010	4,111,605		25,501,412	16.20
2011	3,791,200		25,473,634	15.01
2012	2,099,802	1,141,708	25,904,690	12.32
2013	2,473,826	1,105,051	26,589,061	13.74
<b><u>Salaried Plan</u></b>				
2004	\$ 1,194,982	\$	7,783,115	15.42%
2005	1,052,894		7,849,876	13.35
2006	1,060,300		7,954,923	12.88
2007	1,006,587		8,486,732	12.30
2008	1,202,609		9,125,649	13.43
2009	1,582,975		9,554,774	17.26
2010	1,964,523		9,337,229	23.11
2011	2,041,762		9,520,926	22.19
2012	1,244,244	387,987	9,516,264	18.90
2013	2,244,185	449,958	10,281,649	20.97

\* Total contribution amounts reflect year-end accruals which are adjusted for actual pay in the following fiscal year.

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2013.  
These financial statements are prepared under separate cover and contain additional trend information.

**Pension Information**  
**Pension Revenues by Source and Expenses by Type**  
**2004 - 2013**

Fiscal Year Ended June 30	Revenues by Source				Expenses by Type			
	Employer and Employee Contributions	Benefit transfer receivable	Investment Return	Total	Administrative Expenses	Benefit Payments	Benefit transfer payable	Total
<b>Contract Plan</b>								
2004	\$ 2,099,246	\$ ---	\$ 2,752,163	\$ 4,851,409	\$ 203,377	\$ 1,835,296	\$ 22,853	\$ 2,061,526
2005	1,910,696	---	2,029,549	3,940,245	191,829	2,294,689	31,496	2,518,014
2006	2,055,584	---	2,599,457	4,655,041	226,499	3,095,306	160,267	3,482,072
2007	2,777,353	---	3,485,553	6,262,906	224,618	2,847,651	365,198	3,437,467
2008	2,661,268	---	571,633	3,232,901	242,097	2,238,944	6,800	2,487,841
2009	3,048,814	---	(5,613,626)	(2,564,812)	167,515	1,448,156	35,377	1,651,048
2010	4,111,605	---	(3,780,305)	331,300	204,627	2,544,902	158,341	2,907,870
2011	3,791,200	---	6,604,495	10,395,695	227,965	1,852,836	168,731	2,249,532
2012	3,241,510	---	(682,971)	2,558,539	255,280	2,610,617	25,643	2,891,540
2013	3,714,988	---	3,324,692	7,039,680	291,858	2,447,910	---	2,739,768
<b>Salaries Plan</b>								
2004	\$ 1,194,982	\$ 22,853	\$ 1,253,069	\$ 2,470,904	\$ 108,519	\$ 788,282	\$ ---	\$ 896,801
2005	1,052,894	31,496	976,622	2,061,012	107,490	1,202,742	---	1,310,232
2006	1,060,300	160,267	1,014,406	2,234,973	130,980	1,669,281	---	1,800,261
2007	1,006,587	365,198	1,687,859	3,059,644	134,999	2,092,796	---	2,227,795
2008	1,202,609	6,800	(184,115)	1,025,294	124,292	3,654,399	---	3,778,691
2009	1,582,975	35,377	(1,889,274)	(270,922)	90,378	1,567,196	---	1,657,574
2010	1,964,523	158,341	(1,169,295)	953,569	94,633	950,146	---	1,044,779
2011	2,041,762	168,731	2,235,151	4,445,644	118,827	2,255,212	---	2,374,039
2012	1,632,231	25,643	(238,790)	1,419,084	118,457	2,294,168	---	2,412,625
2013	2,694,143	---	960,977	3,655,120	117,013	702,018	---	819,031

Source: Contract and Salaries pension plan financial statements for the year-ended June 30, 2013.  
 These financial statements are prepared under separate cover and contain additional trend information.

**Grant Information  
Capital Grant History  
Federal Grants 2004 - 2013**

FTA Grants	Authorized Amount	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CA-03-0496	1,465,794	\$ 66,258									
CA-90-X915	8,769,677	176,109	\$ 320,232	\$(1,267)							
CA-90-X950	6,249,570	1,288,310	1,212,151	(21,161)							
CA-90-Y057	10,381,045	899,083	1,225,417	273,569	\$127,546						
CA-90-Y082	11,356,000	407,214	1,177,836	3,478,611	227,586	\$ 79,907	\$ 608,104				
CA-90-Y117	7,751,180	591,854	529,645	104,451	104,124	582,745	239,603				
CA-03-0596	1,980,630		1,966,039	23,702							
CA-90-X011	35,000	21,905									
CA-90-Y136	7,788,668	1,381	4,526,858	297,813	36,203						
CA-90-Y226	10,958,295	1,875,129	6,216,499	2,077,500	166,025	452,558	241,178	\$ 57,407			
CA-90-Y271	9,982,170	35,834	5,154,206	1,574,121	1,168,787	754,104	1,132,509	130,707			
CAL0301	204,000	131,611		(131,611)							
CA-03-0642	1,980,058		1,921,249	58,809							
CA-03-0664	2,074,022		1,668,386	53,052							
CA-90-Y391	13,354,477			454,548	1,974,135	5,457,189	2,125,881	484,648	\$ 95,849	\$ 60,034	\$2,527,386
CA-90-Y440	6,358,401			98,868	1,295,708	1,343,478	3,394,798	178,157	35,420	11,972	
CA-90-Y502	14,756,941					1,979,965	10,160,890	1,582,195	81,688	132,711	26,545
CA-90-Y652	13,051,167					5,821	1,446,032	1,569,176	654,528	398,367	8,331,767
CA-95-X040	447,000					18,538	70,418	300,763	57,282		
CA-03-0714	970,874					970,874					
CA-04-0061	1,915,492					3,651	1,911,839				
CA-90-Y731	14,960,635					71,794	485,888	5,850,160	4,965,764	234,409	3,761,979
CA-03-0759	485,888										
Subtotal		\$5,494,688	\$25,918,518	\$8,341,005	\$5,100,114	\$11,648,830	\$20,888,934	\$10,153,213	\$5,890,531	\$837,493	\$14,647,677

**Grant Information  
Capital Grant History (Continued)  
Federal Grants 2004 - 2013**

FTA Grants	Authorized Amount	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Subtotal		\$5,494,688	\$25,918,518	\$8,341,005	\$5,100,114	\$11,648,830	\$20,888,934	\$10,153,213	\$ 5,890,531	\$ 837,493	\$14,647,677
CA-96-X007	16,497,214						496,563	6,466,024	8,840,940	693,688	
CA-04-0065	2,604,050								1,998,932	(173,860)	778,978
CA-04-0134	1,783,466								222,952	351,368	1,096,541
CA-90-Y798	13,994,380								3,046,130	6,541,814	646,277
CA-90-Y880	15,774,862									746,816	7,199,267
CA-04-0184	2,863,280									899,012	702,223
CA-04-0199	950,000										950,000
CA-88-0004	6,7000,000										637,161
CA-90-Y957	16,248,527										1,048,270
<b>TOTAL</b>		<b>\$5,494,688</b>	<b>\$25,918,518</b>	<b>\$8,341,005</b>	<b>\$5,100,114</b>	<b>\$11,648,830</b>	<b>\$22,385,497</b>	<b>\$16,619,237</b>	<b>\$19,999,485</b>	<b>\$ 9,896,331</b>	<b>\$ 27,706,394</b>

**Grant Information  
Capital Grant History  
State Grants 2004 - 2013**

Exhibit 20

State Grants	Authorized Amount	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CA-90-X915	2,142,753	\$ 44,035	\$ 77,936	\$ 329							
CA-03-0496	366,448	41,566									
CA-90-X950	1,660,481	399,844	204,778	11,388							
CA-90-Y057	2,429,263	224,773	302,449	79,382	\$ 33,271						
CA-90-Y082	1,471,292	52,759	152,352	450,691	29,486	\$ 10,394	\$ 84,231				
CA-90-Y117	1,937,795	147,967	132,350	26,111	26,047	145,681	59,932				
MTAP6059	100,000	5,088									
CA-03-0596	495,158		491,442	3,701							
CA-90-Y136	1,404,025	323	968,205	51,248	4,689						
CA-90-Y226	2,739,574	468,790	1,331,200	440,036	39,728	111,941	88,662	\$ 14,374			
CA-03-0642	405,554		438,604	(33,049)							
CA-95-X040	203,182					8,427	32,009	11,826			
TDA 01	468,185	1,130									
TDA 02	32,225	222,698									
TDA 03	655,624		41,010	(1,161)							
STA 01	990,696	41,609	6,257	557		7,280					
STA 02	1,341,400	57,677	(25,150)	27,391	3,568	2,230					
Subtotal		\$1,708,259	\$4,121,433	\$ 1,056,624	\$ 136,789	\$ 285,953	\$ 264,834	\$ 26,200			

Continued

**Grant Information**  
**Capital Grant History (continued)**  
**State Grants 2004 - 2013**

Exhibit 20

State Grants	Authorized Amount	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Subtotal		\$1,708,259	\$4,121,433	\$1,056,624	\$ 136,789	\$ 285,953	\$ 264,834	26,200			
STA 03	838,329	631,646	153,430	19,189	30,568	3,698					
STA 07	910,000					746,044					
STA 08	3,528,162					102,135	2,352,877	\$ 440,431	\$ 40,077	\$ 10,681	\$ 19,986
STA 11	580,795										331,826
MSRC 05	335,453		330,453								
1B SEC	1,860,283						240,999	417,044	100,896	252,533	197,999
<b>TOTAL</b>		<b>\$2,339,905</b>	<b>\$4,605,316</b>	<b>\$1,075,813</b>	<b>\$167,357</b>	<b>\$1,137,830</b>	<b>\$2,858,710</b>	<b>\$ 883,675</b>	<b>\$ 140,973</b>	<b>\$ 263,214</b>	<b>\$ 549,806</b>

**Grant Information**  
**Local Grants 2004 - 2013**

Exhibit 21

Local Grants	Authorized Amount	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Prop C Security FY 01	152,000		\$ 12,882								
Prop C Security FY 02	65,000	\$11,051	4,745								
Prop C Security FY 03	349,154	193,599	24,817	\$ 60,772	\$ 40,346	\$ 23,888	\$ 4,096				
Prop C Security FY 04	923,452	5,674	825,606	36,957	5,603	16,208	127				
Prop C - CA-90-Y271	2,375,547	8,960	1,199,967	388,360	300,489	173,882	212,278	\$ 27,101			
Prop C FY 02	1,041,853	331,967	395,502	242,904	60,541	3,004					
Prop C FY 03	1,123,797	130,606	592,344	61,441	223,736	111,223					
Prop C-CA-03-0664	352,584		341,786	10,798							
Prop C FY 04	923,452		203,569	164,860	5,018	98,592	335				
Prop C Security FY 05	324,000		194,669	11,742			110,000				
Prop C FY 05	1,324,200			382,558	639,725	237,755	39,410				
Prop C-CA-90-Y391	2,934,372			101,084	455,102	1,168,738	486,797	118,327	\$21,172	\$13,250	\$517,992
Prop C-CA-90-Y440	1,329,020				242,753	331,894	682,488	36,085	8,134	2,935	
Prop C FY 06	1,398,323				12,717	1,364,204					
MTA8320	65,625			65,624							
Prop C FY 07	152,022				291	13,570	137,823				
Prop C Security FY 07	24,000				4,731	18,279					
Prop C Sec-CA-90-Y440	138,600				81,202	3,943	44,280	8,456	721		
Prop C FY 08	1,661,127					237,858	670,767	111,424	433,695	207,383	
Subtotal		\$ 681,857	\$3,795,887	\$1,527,100	\$2,072,254	\$3,803,038	\$2,388,401	\$ 301,393	\$ 463,722	\$223,568	\$517,992

Continued



**Grant Information**  
**Capital Grant History (Continued)**  
**Local Grants 2004 - 2013**

Exhibit 21

Local Grants	Authorized Amount	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Subtotal	\$	681,857	\$3,795,887	\$1,527,100	\$2,072,254	\$3,803,038	\$2,388,401	\$ 301,393	\$ 463,722	\$ 223,568	\$ 517,992
Prop C-CA-90-Y502	3,512,702					495,589	2,562,193	394,626	20,417	33,179	6,698
Prop C-CA-90-Y652	2,030,062					1,455	245,504	289,667	163,641	131,869	1,037,686
Prop C-CA-03-0714	198,854					198,854					
Prop C-CA04-0061	392,330					748	391,582				
MTA 8111	428,774					162,341	62,909	164,545			
AQMD 08	81,744						81,744				
Prop C-CA03-0759	99,520						99,520				
Prop C Sec-CA-90-Y652	47,128						13,381	33,761	(13)		
Prop C Sec FY08	31,896						31,896				
Prop C FY 09	985,343						142,767	322,747	519,828		
Prop C-CA90-Y731	3,604,442						63,292	1,484,939	1,239,842	58,875	736,865
Prop C FY 10	110,000							60,825	49,175		
Prop C FY 11	3,805,476							155,049	908,816	1,257,341	
Prop C-CA-90-798	3,003,969							762,626	1,635,402	161,627	
Prop C-CA-04-065	576,983							499,766	(43,498)	120,715	
Prop C-CA-04-134	312,540							55,704	87,876	140,809	
Prop C-CA-04-184	860,720								224,801	225,800	
Prop C FY 12	2,824,664										987,020
Prop C FY 13	994,036										27,419
Prop C-CA-88-0004	876,429										219,786
Prop C-CA-90-Y957	2,864										881
<b>TOTAL</b>	<b>\$</b>	<b>681,857</b>	<b>\$3,795,887</b>	<b>\$1,527,100</b>	<b>\$2,072,254</b>	<b>\$4,662,025</b>	<b>\$6,083,189</b>	<b>\$3,052,503</b>	<b>\$3,929,757</b>	<b>\$3,260,888</b>	<b>\$5,440,639</b>



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**of the Long Beach Water Department**  
*(A Department of the City of Long Beach, California)*



**For the Fiscal Year Ended**  
**September 30, 2013**



**Long Beach Water Department**  
**1800 East Wardlow Road**  
**Long Beach, CA 90807**  
**<http://www.lbwater.org>**

*Front cover design created by: Michael Camacho, Business Systems Specialist III*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
LONG BEACH WATER DEPARTMENT  
(A Department of the City of Long Beach, California)**

**For the Fiscal Years Ended  
SEPTEMBER 30, 2013 and 2012**

**KEVIN L. WATTIER  
General Manager**

**B. ANATOLE FALAGAN  
Assistant General Manager**

**PAUL T. FUJITA  
Director of Finance**

**SOKHALAY HONG  
Senior Accountant**

**YUMINA C. EGGLESTON  
Senior Accountant**

**Prepared by the Finance Division  
of the  
Business Bureau**

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# INTRODUCTORY SECTION

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# Comprehensive Annual Financial Report

of the

## Long Beach Water Department (A Department of the City of Long Beach, California)

For the Fiscal Years Ended September 30, 2013 and 2012

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## **Long Beach Water Department**

**The Standard in Water Conservation &  
Environmental Stewardship**

DATE March 28, 2014  
TO Board of Water Commissioners  
FROM B. Anatole Falagan, Assistant General Manager  
SUBJECT Approval of Comprehensive Annual Financial Report for the fiscal years ended  
September 30, 2013 and 2012

Management is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Long Beach Water Department (Department), for the fiscal years ended September 30, 2013 and 2012. The Department's financial statements are also included in the City of Long Beach (the City) Financial Statements as enterprise funds (Water Fund and Sewer Fund).

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

The accompanying financial statements have been audited by KPMG LLP, an independent certified public accounting firm. KPMG LLP has issued an unmodified ("clean") opinion on the Department's financial statements for the fiscal years ended September 30, 2013 and 2012. The independent auditor's report is located at the front of the financial section of this report.

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

## **THE REPORTING ENTITY**

During the early years of the 20<sup>th</sup> Century, Long Beach began establishing itself as an up-and-coming area that seemed destined to someday become a large city. In order to sustain the expected growth that would occur in future years, it was critical that the City identify and secure a reliable source of water. In recognizing the importance of this, on June 27, 1911, Long Beach voters approved an \$850,000 bond issuance to purchase two private water companies that had been providing water supplies to the Long Beach population. Three days later, on June 30, 1911, the Long Beach city council approved an emergency ordinance creating the Long Beach Water Department, thereby giving the City its own municipal water agency that would regulate and control the use, sale and distribution of water owned or controlled by the City.

Twenty years later, in 1931, two additional significant milestones came to pass for the Department. The first was the creation of the Long Beach Board of Water Commissioners (Board), which governs the Department and is comprised of five members appointed by the Mayor, subject to confirmation by the City Council. Members of the Board serve overlapping five-year terms to provide continuity of operations. That same year, the City also became one of the original 13 founding members of the Metropolitan Water District of Southern California (MWD). Joining MWD would allow the Department to eventually acquire imported water as a supplement to the City's groundwater supplies.

In February 1988, the Department assumed the responsibility of the various functions of the City's sanitary sewer system, including operations and maintenance. In April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy for the Department in administering the City's sanitary sewer operations.

In 2011, the Department celebrated its Centennial anniversary. For over 100 years, the Department has provided Long Beach residents and businesses with a reliable, cost-effective and high-quality drinking water supply. In addition, the Department has established itself as one of California's leaders in the areas of water conservation and environmental stewardship. As imported water supplies continue to become more expensive, yet less reliable, the Department will seek out cost-effective methods for expanding its utilization of alternative water supply sources and water conservation programs.

The Department's service area encompasses the boundaries of the City of Long Beach, the sixth largest city in State, with an area of approximately 50 square miles and a population of 467,646 with some customers outside the City limits. The Department is not subject to regulation by the California Public Utilities Commission.

## **LOCAL ECONOMY**

The City has a diverse economic base as both a major industrial center and popular beach resort area. In addition, the Port of Long Beach, along with its related commercial and international trade activities, strengthens the local economy. Further, the City has been successful in building and maintaining a substantial tourist and convention business. Despite this diversification, the effects of the national recession continue to impact the region. However, continuing positive trends in both the State and local economies indicate slow and steady economic growth for the near future. As an older, established and geographically built-out City, the Department's customer base is relatively stable and is comprised of ninety percent (90%) residential accounts, with the remaining ten percent (10%) comprised of commercial, industrial, irrigation and other accounts. The residential accounts comprise approximately seventy percent (70%) of the Department's total potable water sales. Further information on the local economy is provided in the City of Long Beach CAFR, of which the Department is a component unit.

## **WATER SUPPLY**

The Department meets the needs of its customers through an increasingly diverse portfolio of water resources. Local groundwater, combined with imported supplies, water recycling and water conservation are used in combination to meet the water demands within the service area.

### ***Drought Related Developments***

Since 2007, the Water Department has undertaken a comprehensive public communications strategy to emphasize the need for a comprehensive reduction in water consumption. The Water Department began communicating a regular update on the overall demand in its service area, compared to a historical ten (10) year average period immediately predating the call for conservation. Since 2007, the Water Department's customers have achieved a sustained conservation response leading to annual demands at just under 15% below the historical ten (10) year average. Currently, overall consumption by Water Department customers is approximately equivalent to consumption levels in the 1960's. The Water Department continues to provide additional communications and programs such as landscape retrofits to its customers, and believes the conservation response is a sustained change in consumption behavior.

Reduced water usage due to the conservation response by the customers of the City initially resulted in reduced Department revenues. However, such reductions in revenue was also offset by a reduction in operating expenses as a result of less water having to be purchased from Metropolitan Water District (MWD). Additionally, the Department managed discretionary budget expenses to minimize initial budget and rate impacts from reduced consumption. After an initial reduction in revenues due to effects from conservation, the Water Department's budget and rate structure has been based annually on cost recovery and on State law governing water utility

rate setting (Proposition 218).

The following subsections provide an overview of the Department's water resources.

### ***Groundwater***

Ownership of water rights allows approximately just over half of Long Beach's water supply needs to be produced from groundwater wells located within the City. Before it reaches our customers' taps, local groundwater must journey many miles from its source high up in the mountains. Rain and snow-melt from the San Gabriel Mountains watershed travel through washes and creeks into the San Gabriel River and the Whittier Narrows Basin. From there it percolates underground through sand and water beds where it begins a lengthy subsurface journey to Long Beach. High-powered pumps then extract it from 31 active groundwater wells and pump it to our groundwater treatment plant.

During the 1940's and 1950's the population grew and the increased water demand in the San Gabriel Valley significantly reduced the flows southerly to the Central Basin, contributing to falling water tables. In 1959, to protect this vital source of local water supply, the Board initiated a lawsuit against major water producers in the San Gabriel Valley to guarantee water supplies to Central Basin producers.

Parties to the lawsuit negotiated a settlement which provided the basis of a stipulated judgment (the "Long Beach Judgment") rendered by the Superior Court on October 8, 1965. By separate action, a committee of Central Basin producers reached an agreement for voluntary reduction of pumpage within the basin to restore and protect the water table and to expedite the above judgment to permanently prevent excessive pumping. The reduction in pumping began October 1, 1962. The two events were of major importance in securing local water supplies for the City. The Department is the largest producer of water in the Central Basin.

### ***Imported Supplies***

Another portion of the City's potable (drinking) water supply is treated water purchased from MWD. This water originates from two sources: the Colorado River Aqueduct and the State Water Project (SWP).

Through its 242-mile long system, the Colorado River Aqueduct provides up to a billion gallons of water a day to residents and businesses in Southern California's coastal plain. Water is taken in at Lake Havasu and carried to the reservoir facilities at Lake Mathews. The State Water Project delivers water originating from the Oroville Dam and Reservoir and the Sacramento River Delta. The SWP is an intricate network of dams, pumping plants, reservoirs, hydroelectric plants, the Sacramento and San Joaquin rivers and 440 miles of aqueducts that carry water to several Southern California reservoirs.

### ***Water Recycling***

During periods of inadequate water supply, effective water recycling will help stretch the potable water that is used in Long Beach every day; that is the primary reason the Department launched a reclaimed water system in 1978. Water that would otherwise flow to the ocean and be wasted is reclaimed and used to irrigate park land, golf courses, freeway landscaping and school grounds, as well as reduce our dependence on imported water.

An important feature of the Department's reclaimed water program is that it is unaffected by single or multi-year droughts. The production of the reclaimed water plant exceeds the current and projected use of reclaimed water; so even drought conditions should not impact the ability of the Department to meet reclaimed water demands.

The Department remains committed to developing alternatives to imported potable (drinking) water supplies to meet the water needs of the City. Reclaimed water will continue to be an integral part in efforts to reduce our need to purchase imported water and to develop new sources of water. In FY 2013, the Department served approximately 2,165 million gallons of reclaimed water to a variety of users throughout the City. Since October 1, 2005, the Department, on contract with the Water Replenishment District (WRD), has operated a 3.0 million gallon per day reverse osmosis water treatment plant, enabling WRD to use recycled water from the Long Beach Water Reclamation Plant to replace up to 3,000 acre-feet per year of imported water previously supplied to the Alamitos Barrier. The Alamitos Barrier is an engineered freshwater pressure ridge and seawater trough constructed to prevent seawater intrusion into the Central Groundwater Basin of Los Angeles County and neighboring Orange County Groundwater Basin.

### ***Conservation***

The Department has an aggressive water conservation program that offers a variety of opportunities to conserve water across different sectors of the community and for both indoor and outdoor water uses.

Single-family and multi-family customers together are responsible for approximately two-thirds of the City's demand for water. Several of the Department's programs provide rebates to residential customers towards the purchase of water-efficient toilets and washing machines. Additionally, the Department has started identifying its highest-use residential water customers and offering them free water use inspections to identify opportunities to conserve water.

Most single-family residential water use appears to be for landscape irrigation. For these customers, the Department provides, at no cost to the customer, very well attended and received classroom instruction on the design, installation, and maintenance of California-friendly landscapes. Another innovative program is the Department's direct installation of weather-based irrigation controllers, a program under which we identify landscape accounts, offer free water-use studies and free



installation of weather-based irrigation controllers. The Department has also developed and implemented a landscape retrofit program whereby customers, on a first-come-first-serve basis, can apply for incentives to relandscape turf surfaces. Up to 1,000 square feet of landscape per customer can qualify, until annual program funds are exhausted. Information and results from the program are used to reinforce the need for landscape water conservation throughout the City.

In addition to promoting conservation to residential and landscape accounts, we work closely with commercial, industrial and institutional (CII) customers to help them conserve water. The Department has encouraged conservation through targeted direct marketing, through rebates for water conserving devices, and has consistently promoted conservation in the business community through advertisements and other promotional means.

The Department actively promotes conservation through its work in the classrooms of the Long Beach Unified School District, the Miller Children's Hospital, and the Long Beach Aquarium of the Pacific. Long Beach Water Department also promotes conservation by supporting community functions and making presentations at local and regional events, including advertising inserts in utility bills, and purchasing advertising space in environmental publications and local newspapers.

## **WATER QUALITY**

A primary objective of the Department is to deliver to our customers water that meets or exceeds all Federal and State standards. The Department continues to be recognized as a leader in the area of water quality. Our extensive testing and Quality Assurance/Quality Control program ensures that water delivered to our customers is of the highest possible quality.

The Long Beach Groundwater Treatment Plant is a state of the art water treatment facility, including four advanced water quality laboratories. This combination helps explain why the City's high quality drinking water consistently meets or exceeds all Federal and state drinking water regulations.

The Department conducts extensive sampling and testing of groundwater wells, water storage reservoirs, the water distribution system and, when appropriate, selected homes, businesses, schools and public facilities. This year, our Water Quality laboratories collected 14,388 samples and performed 60,819 tests while maintaining certification with the California Department of Health Services and Environmental Protection Agency (EPA).

During fiscal year 2013, the Groundwater Treatment Plant processed approximately 10.1 billion gallons of drinking water. Overall, 19.4 billion gallons of high-quality water were delivered to the Long Beach community.

## **MAJOR INITIATIVES**

### ***Seawater Desalination Research***

Since 1994, the Department has continued to pursue seawater desalination as a potential source of drinking water. In 1996, the Department received authorization for Federal cost-sharing of a seawater desalination demonstration project; and in fiscal year 2001, the Department received an earmark in the Federal fiscal year 2002 budget, making it the only newly funded water project by the Federal government in that budget. Federal funding continued in fiscal years 2003 through 2013. Through an innovative public sector partnership, the Long Beach Water Department along with the Los Angeles Department of Water & Power and the United States Bureau of Reclamation, operated a 300,000 gallon-per-day prototype desalination facility, one of the largest seawater desalination research and development facilities in the United States. The Seawater Desalination study was completed in March 2010 and research gathered from the operation of the prototype plant was published as a report to the U.S. Bureau of Reclamation. Additionally, the Department operates an ongoing research project for an under-ocean intake and discharge system.

### ***Conjunctive Use***

The Department has also partnered with the Metropolitan Water District of Southern California, and the California Department of Water Resources on an innovative groundwater storage program. The \$4.5 million project, which was funded by State of California Proposition 13, has stored 4.2 billion gallons of surplus water in the Central Groundwater Basin, and was called upon during fiscal years 2008 and 2009 to deliver 2,150 million gallons due to drought conditions in southern California. A second, \$2.7 million joint conjunctive use project with the City of Lakewood was completed in 2009 with an additional 586.5 million gallons stored as part of this project. The amounts stored in the Lakewood project may also be called upon during drought conditions and in fiscal year 2010, 293.5 million gallons were called and delivered.

### ***Water Distribution System***

The City has an aging infrastructure, which needs to be maintained and in certain parts replaced. At September 30, 2013, the water distribution system totaled 912 miles of water mains with 89,996 active service connections.

During fiscal year 2013, the Department and contractors replaced 24,595 feet of deteriorated cast iron water mains with new ductile iron pipe. This critical replacement program addresses upgrading old pipelines, many of which were installed more than 50 years ago.

The Department maintains approximately 621 large control valves 20 inches or more in diameter and 19,369 smaller control valves. The Department has a maintenance and replacement program to ensure that control valves are operational and that they can be turned off or on promptly during emergencies. The Department responds immediately, 24-hours a day, 365 days a year to water emergencies.

With 31 active water wells across Long Beach supplying just over half of the City's water, well maintenance is another ongoing project for the Department. Rehabilitation of water wells and storage tanks at Alamitos and J. Will Johnson Reservoirs continues to ensure a reliable supply of water in the future.

### ***Sanitary Sewer Collection System***

The Department has made considerable progress since 1988 in addressing the substantial challenges posed by an aging sanitary sewer infrastructure, much of which is between 60 and 80 years old. At September 30, 2013, the sanitary sewer collection system totaled 714 miles of sewer pipelines. The Department developed the first City-wide Sewer Master Plan in 1991, which provided an initial prioritization of sewer deficiencies to be addressed. The Department has since developed a comprehensive program of maintenance, monitoring and repair of sewer lines including:

- an aggressive annual pipeline cleaning program and Fats, Oil and Grease (FOG) program to address impacts to lines;
- a video monitoring program to assess conditions of pipelines;
- a comprehensive annual sewer infrastructure repair program.

In fiscal year 2009, the Department completed a comprehensive Sewer Master Plan Update, providing the Department with an updated evaluation and prioritization of current deficiencies. The plan included the use of dynamic hydraulic modeling software to assess existing collection system performance, as well as to evaluate the system for future conditions. Based on the plan, the Department developed and began implementation of a strategic five-year Capital Improvement Program to address aging infrastructure.

### **RELEVANT FINANCIAL POLICIES**

The Department's financial statements are presented on the accrual basis of accounting. As an enterprise fund, the cost of providing water is recovered through user charges assessed by meter size, volumetric charges and other miscellaneous charges. The cost of providing sewer service is also recovered through user and volumetric charges for all water customers who are connected to the City's sewers. Certain services, such as payroll, civil service, public service, general service, customer billing, data processing, legal, etc., are provided to the Department by other City departments; these costs are reimbursed to the City by transfer of funds from the Water Fund or the Sewer Fund.

### ***Internal Control Structure***

In the development and enhancement of the Department's accounting system, careful consideration is given to the adequacy of the internal controls designed to provide reasonable assurance regarding the safeguarding of assets against possible loss, unauthorized use or disposition; to ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets, and to promote operational efficiency and compliance with managerial policies. The

concept of reasonable assurance recognizes that: (1) the cost of a specific control feature should not exceed the benefits likely to be derived, and; (2) the evaluation of costs and benefits requires continued estimates and judgment by management.

***Budgetary Control***

The budget is a management control device for the forthcoming fiscal year. Prior to July 1 each year, the Board adopts an operating budget, which covers anticipated revenues and expenditures of the Department. The Department's budget is also subject to the approval of the City Council. By September 30 each year, the City Council shall approve the budget as adopted by the Board of Water Commissioners, or shall amend the budget and approve it as amended.

Budgets are prepared on a cash basis for revenues and for several categories of expenses. These budgets are not designed to be pro-forma statements of income and expense in the same format as the Water Department's financial statements. Instead, they are utilized primarily for controlling costs along organizational and programmatic lines. Each Bureau within the Department is responsible for outlays initiated by Divisions. Revenues are monitored only at the departmental level, except in certain areas where they are controlled by individual projects.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2012. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government agency and its management. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized CAFR whose contents not only conform to the high program standards of the GFOA, but also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge the assistance of Sokhalay Hong, Senior Accountant, and Yumina C. Eggleston, Senior Accountant, of the Business Bureau Finance Division in the preparation of this report.

It is recommended that the Board of Water Commissioners receive and file the Comprehensive Annual Financial Report for the fiscal years ended September 30, 2013 and 2012.

Prepared by:

  
\_\_\_\_\_  
Paul T. Fujita, Director of Finance

Submitted and  
Recommended by:

  
\_\_\_\_\_  
B. Anatole Falagan, Assistant General Manager

Approved by:

  
\_\_\_\_\_  
Kevin L. Wattier, General Manager

Att.  
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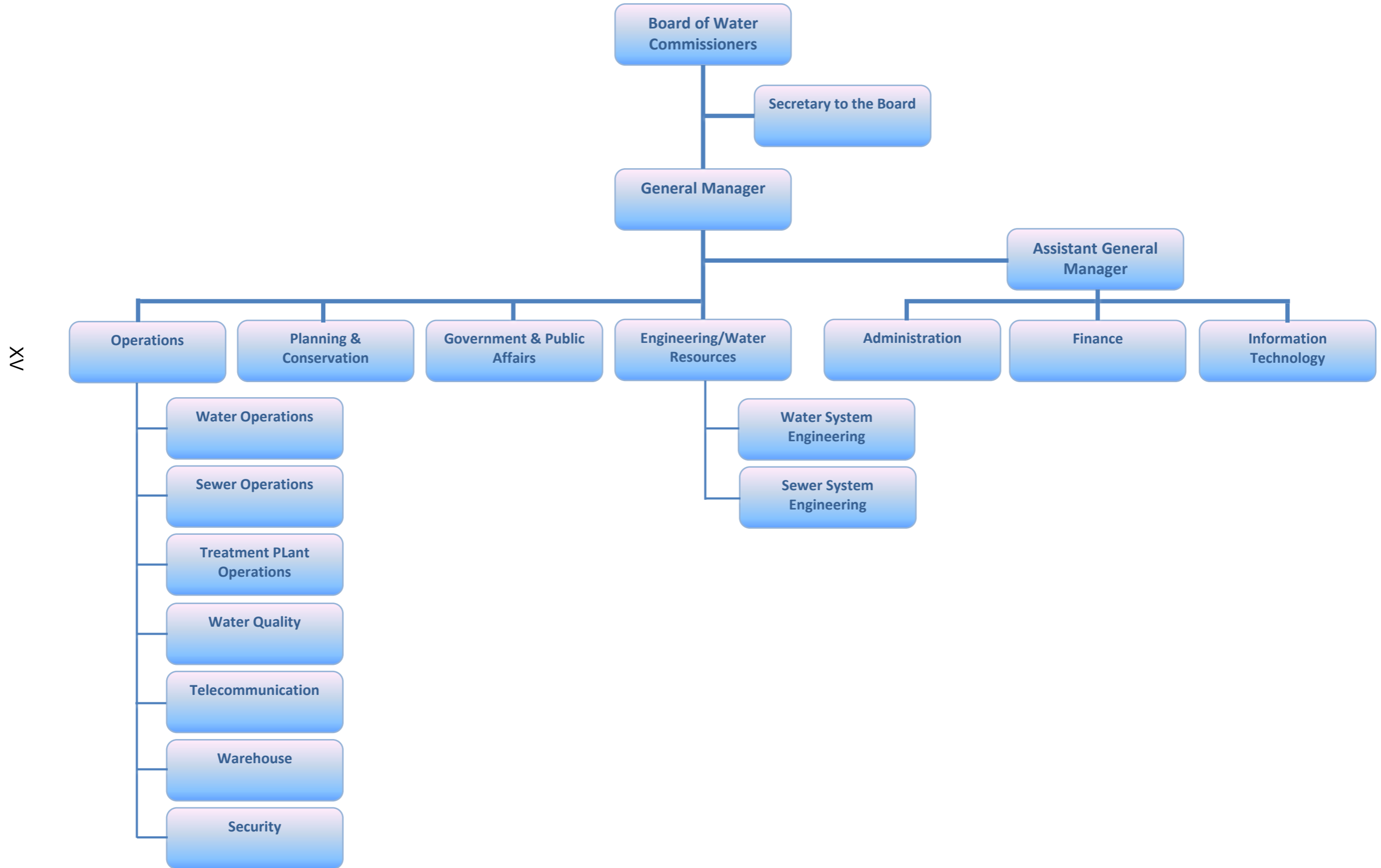
**Long Beach Water Department  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# Long Beach Water Department Organizational Chart



XX

# LONG BEACH WATER DEPARTMENT

## BOARD OF WATER COMMISSIONERS

HARRY SALTZGAVER	PRESIDENT
FRANK MARTINEZ	VICE PRESIDENT
PAUL BLANCO	SECRETARY
JOHN D. S. ALLEN	MEMBER
<i>Position to be filled</i>	MEMBER

## STAFF

KEVIN L.WATTIER  
General Manager

B. ANATOLE FALAGAN  
Assistant General Manager



**FINANCIAL SECTION**

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KPMG LLP  
Suite 700  
20 Pacifica  
Irvine, CA 92618-3391

## Independent Auditors' Report

The Honorable Mayor and City Council  
The Honorable Members of the Board of Water Commissioners:

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Long Beach Water Department (the Department) of the City of Long Beach, California (the City), as of and for the year ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Long Beach Water Department of the City of Long Beach, California, as of September 30, 2013 and 2012, and the respective changes in



financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matters***

As discussed in note 1 to the financial statements, the financial statements of the Department are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities, and aggregate remaining fund information of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City as of September 30, 2013 and 2012, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, the Department adopted Government Accounting Standard Board Statement No. 65, *Items previously reported as Assets and Liabilities* as of October 1, 2012.

***Other Matters***

***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3–23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

The *accompanying* introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 on our consideration of the Department'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

**KPMG LLP**

Irvine, California  
March 28, 2014

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

As the management of the Long Beach Water Department, a department of the City of Long Beach (the City), we offer readers of the Long Beach Water Department's financial statements this narrative overview and analysis of the financial activities of the Long Beach Water Department (the Department) for the fiscal years ended September 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements. The Department comprises the City's Water Enterprise Fund (Water Fund) and Sewer Enterprise Fund (Sewer Fund) operations. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

#### FINANCIAL HIGHLIGHTS

The Department's assets exceeded its liabilities at the close of fiscal year 2013 (FY2013) by \$347,289 (*net position*). The Department's net position is further broken down between the Water Fund and Sewer Fund below.

**Water Fund.** Assets exceeded liabilities at the close of FY2013 by \$287,726. Of this amount, \$36,814 (*unrestricted net position*) is available to meet the Water Fund's ongoing obligations to creditors and customers. Unrestricted net position represented 42.9% of the Water Fund's annual operating expenses for FY2013 as compared with 56.7% for fiscal year 2012 (FY2012). Total Water Fund net position increased by \$3,605 (+1.3%) from the prior fiscal year. The increase reflects income in excess of expenses and contributed capital received during the year.

**Sewer Fund.** Net position totaled \$59,563 as of September 30, 2013, an increase of \$1,249 (+2.1%) from the prior fiscal year. The increase reflects income in excess of expenses during the year. At the end of the current fiscal year, the Sewer Fund's unrestricted net position represented 48.9% of annual operating expenses for FY2013 as compared with 40.6% for FY2012.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. Because the Department is a business-type activity of the City, enterprise funds are used to account for its water and sewer operations. These financial statements include only the activities of the Department and provide comparative information for the last two fiscal years. Information on Citywide financial operating results is available in the City of Long Beach Comprehensive Annual Financial Report as of September 30, 2013.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

The Department's financial statements comprise two components: 1) financial statements and 2) notes to financial statements. Included as part of the financial statements are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Fund Net Position, and Statements of Cash Flows.

The *Statements of Net Position* present the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Fund Net Position* present information showing how the Department's net position have changed during the most recent two fiscal years. Results of operations are recorded under the accrual basis of accounting, whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable and accounts receivable). The Department's use of the accrual basis of accounting is more fully described in the accompanying *Notes to Financial Statements*.

The *Statements of Cash Flows* present flows of cash and cash equivalents during the last two fiscal years, including certain restricted amounts.

The *Notes to Financial Statements* provide additional information that is essential to the full understanding of the data provided in the financial statements and can be found on pages 27-54 of this report.

### FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. A summary of the Department's Statements of Net Position for the past three years is presented on page 5. As of September 30, 2013, Water Fund assets exceeded liabilities by \$287,726, and Sewer Fund assets exceeded liabilities by \$59,563, representing a 1.3% increase in net position over the prior fiscal year for the Water Fund and a 2.1% increase in Sewer Fund nets position. Net position are further categorized by net investment in capital assets, and restricted and unrestricted net assets.

As of September 30, 2013, investment in capital assets, such as production, transmission, and distribution facilities, less any related debt used to acquire those assets that remains outstanding, represented 86.6% and 87.6% of Water Fund and Sewer Fund net assets, respectively. The Department uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

repay the outstanding debt on the Statements of Net Position must come from other sources such as operations.

The restricted portion of the Department's net position (0.5% and 0.4% of total net position as of September 30, 2013 and 2012, respectively) represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

The unrestricted portion of the Department's net position (12.7% and 14.8% of total net position as of September 30, 2013 and 2012, respectively) may be used to meet the Department's ongoing obligations to creditors and customers.

The Department's Condensed Schedules of Net Position as of September 30, 2013, 2012, and 2011 are as follows (in thousands):

<b>Long Beach Water Department Condensed Schedules of Net Position September 30, 2013, 2012, and 2011 (in thousands)</b>							
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>Variance</b>			
				<b>2013/2012</b>		<b>2012/2011</b>	
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets:</b>							
Current and other assets	\$ 66,238	\$ 69,760	\$ 74,088	\$ (3,522)	-5.0%	\$ (4,328)	-5.8%
Capital assets	344,483	331,782	320,224	12,701	3.8%	11,558	3.6%
Total assets	<u>410,721</u>	<u>401,542</u>	<u>394,312</u>	<u>9,179</u>	<u>2.3%</u>	<u>7,230</u>	<u>1.8%</u>
<b>Deferred Outflows of Resources:</b>							
Deferred Outflows on refundings	2,231	-	-	2,231	100.0%	-	-
<b>Liabilities:</b>							
Current liabilities	18,647	15,600	14,164	3,047	19.5%	1,436	10.1%
Noncurrent liabilities	47,016	43,507	45,399	3,509	8.1%	(1,892)	-4.2%
Total liabilities	<u>65,663</u>	<u>59,107</u>	<u>59,563</u>	<u>6,556</u>	<u>11.1%</u>	<u>(456)</u>	<u>-0.8%</u>
<b>Net Position:</b>							
Net investment in capital assets	301,407	290,258	275,574	11,149	3.8%	14,684	5.3%
Restricted	1,656	1,350	736	306	22.7%	614	83.4%
Unrestricted	44,226	50,827	58,439	(6,601)	-13.0%	(7,612)	-13.0%
Total net position	<u>\$ 347,289</u>	<u>\$ 342,435</u>	<u>\$ 334,749</u>	<u>\$ 4,854</u>	<u>1.4%</u>	<u>\$ 7,686</u>	<u>2.3%</u>

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

The Department's financial position is further broken down as follows between the Department's Water Fund and the Sewer Fund as of September 30, 2013, 2012, and 2011:

<b>Long Beach Water Department Condensed Schedules of Net Position September 30, 2013, 2012, and 2011 (in thousands)</b>							
<b>Water Fund</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>Variance</b>			
				<b>2013/2012</b>		<b>2012/2011</b>	
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets:</b>							
Current and other assets	\$ 56,236	\$ 61,912	\$ 62,966	\$ (5,676)	-9.2%	\$ (1,054)	-1.7%
Capital assets	282,582	273,317	267,063	9,265	3.4%	6,254	2.3%
Total assets	338,818	335,229	330,029	3,589	1.1%	5,200	1.6%
<b>Deferred Outflows of Resources:</b>							
Deferred Outflows on refundings	2,231	-	-	2,231	100.0%	-	-
<b>Liabilities:</b>							
Current liabilities	16,057	13,601	12,356	2,456	18.1%	1,245	10.1%
Noncurrent liabilities	37,266	37,507	39,399	(241)	-0.6%	(1,892)	-4.8%
Total liabilities	53,323	51,108	51,755	2,215	4.33%	(647)	-1.3%
<b>Net Position:</b>							
Net Investment in capital assets	249,256	237,793	228,196	11,463	4.8%	9,597	4.2%
Restricted	1,656	1,350	736	306	22.7%	614	83.4%
Unrestricted	36,814	44,978	49,342	(8,164)	-18.2%	(4,364)	-8.8%
Total net position	\$ 287,726	\$ 284,121	\$ 278,274	\$ 3,605	1.3%	\$ 5,847	2.1%
<b>Sewer Fund</b>							
<b>Assets:</b>							
Current and other assets	\$ 10,002	\$ 7,848	\$ 11,122	\$ 2,154	27.4%	(3,274)	-29.4%
Capital assets	61,901	58,465	53,161	3,436	5.9%	5,304	10.0%
Total assets	71,903	66,313	64,283	5,590	8.4%	2,030	3.2%
<b>Liabilities:</b>							
Current liabilities	2,590	1,999	1,808	591	29.6%	191	10.6%
Noncurrent liabilities	9,750	6,000	6,000	3,750	62.5%	-	-
Total liabilities	12,340	7,999	7,808	4,341	54.3%	191	2.4%
<b>Net Position:</b>							
Net Investment in capital assets	52,151	52,465	47,378	(314)	-0.6%	5,087	10.7%
Unrestricted	7,412	5,849	9,097	1,563	26.7%	(3,248)	-35.7%
Total net position	\$ 59,563	\$ 58,314	\$ 56,475	\$ 1,249	2.1%	\$ 1,839	3.3%



## LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis  
September 30, 2013 and 2012

### Fiscal Year Ended September 30, 2013 Compared to 2012

**Water Fund.** Net position increased by \$3,605 (+1.3%) over FY2012. This net increase is attributable to revenues in excess of expenses of \$4,014, contributed capital of \$131 from various Developers for water distribution systems, offset by a \$540 adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with Governmental Accounting Standards Board (GASB) Statement No. 65. Further discussion relating to this statement is in the Notes to Financial Statements on page 29.

Current and other assets decreased by \$5,676 (-9.2%) from FY2012, reflecting increased capital expenditures.

Capital assets increased by \$9,265 (+3.4%) over the prior year mainly due to continued expenditures on capital improvement program for water cast iron main replacement, water meter replacement, water services installations, and recycled water services installations. In addition, the Department purchased machinery and equipment to support Water operations.

Deferred losses on refundings totaling \$2,231 in FY2013 are classified as Deferred Outflows of Resources rather than a deduction from Noncurrent liabilities in compliance with GASB 65.

Current liabilities increased by \$2,456 (+18.1%) from FY2012, primarily due to an increase in potable water purchases from Metropolitan Water District (MWD) and increased expenditures relating to ongoing improvements in potable and reclaimed water distribution systems.

Noncurrent liabilities decreased by \$241 (-0.6%) from FY2012 due to annual principal payments on debt.

**Sewer Fund.** Net position increased \$1,249 (+2.1%) over FY2012. This increase was attributable to revenues in excess of expenses of \$1,385, offset by a \$136 adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Current assets and other assets increased by \$2,154 (+27.4%), reflecting an increase in cash reserves due primarily to a \$3,750 draw on the Subordinate Sewer Revolving Line of Credit to fund sewer capital projects in FY2013.

Capital assets increased by \$3,436 (+5.9%) over FY2012 due to the completion of several sewer main pipe relining and replacement projects and purchases of machinery and equipment to support Sewer operations.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

Current liabilities increased by \$591 (+29.6%) compared to FY2012 mainly due to an increase in expenditures relating to sewer capital improvement projects such as construction management services, professional engineering services and construction contracts.

Noncurrent liabilities increased by \$3,750 (+62.5%) from FY2012 reflecting the draw on the Subordinate Sewer Revolving Line of Credit to fund sewer collection systems improvements.

#### **Fiscal Year Ended September 30, 2012 Compared to 2011**

**Water Fund.** Net position increased by \$5,847 (+2.1%) over FY2011. Approximately 95.8% (\$5,600) of this increase was attributable to revenues in excess of expenses. The remaining 4.2% (\$247) is primarily due to contributed capital from various Developers for potable water and reclaimed water distribution services.

Current and other assets decreased by \$1,054 (-1.7%) from FY2011, reflecting decreases in cash reserves due primarily to increased operating expenditures on Maintenance and Other which are further discussed in Management Review of the Department's Expenses on page 17.

Capital assets increased by \$6,254 (+2.3%) over the prior year mainly due to continued expenditures on capital improvement program for water cast iron main replacement, water meter replacement, water services installations, and recycled water services installations. In addition, the Department purchased machinery and equipment to support Water operations.

Current liabilities increased by \$1,245 (+10.1%) from FY2011, primarily due to 1997 Water Revenue Refunding Bonds scheduled interest and principal payments in fiscal year 2013 (FY2013) totaling to \$1,630. No principal payments were required in FY2012 for the 1997 Water Revenue Refunding Bonds as a result of issuance of Water Revenue Refunding Bonds-Series 2010A. Additional information regarding these bonds is provided on Note 4- Noncurrent Liabilities of the Notes to Financial Statements in page 44.

Noncurrent liabilities decreased by \$ 1,892 (-4.8%) from FY2011. The Department issued \$9,850 Water Revenue Bonds, Series 2012A, at a premium to retire \$11,000 outstanding Subordinate Water Revenue Commercial Paper notes scheduled to expire on October 1, 2012.

## LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis  
September 30, 2013 and 2012

**Sewer Fund.** Net position increased \$1,839 (+3.3%) over FY2011. Approximately 89.9% (\$1,654) of this increase was attributable to revenues in excess of expenses. The remaining 10.1% (\$185) is due to contributed capital from Developers on sewer collection system.

Current assets and other assets decreased by \$3,274 (-29.4%), reflecting a decrease in cash reserves due primarily to \$2,000 in debt proceeds in FY2011 from the Subordinate Sewer Revolving Line of Credit to fund major capital improvement projects.

Capital assets increased by \$5,304 (+10.0%) over FY2011 due to the completion of several sewer main pipe relining and replacement projects and purchases of machinery and equipment to support Sewer operations.

Current liabilities increased by \$191 (+10.6%) compared to FY2011 mainly due to accounts payable for professional services such as engineering design, construction and other technical services for sewer system infrastructure improvements.

# LONG BEACH WATER DEPARTMENT

## Management's Discussion and Analysis September 30, 2013 and 2012

The Water Department's Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position provide further insight as to the nature and source of changes in net position and are summarized as follows for the years ended September 30, 2013, 2012, and 2011 (in thousands):

**Long Beach Water Department**  
**Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position**  
**Fiscal Years Ended September 30, 2013, 2012, and 2011**  
**(in thousands)**

	2013	2012	2011	Variance			
				2013/2012		2012/2011	
				Amount	%	Amount	%
<b>Operating Revenues:</b>							
Metered water sales	\$ 67,609	\$ 65,280	\$ 63,702	\$ 2,329	3.6%	\$ 1,578	2.5%
Reclaimed water sales	3,041	2,766	2,470	275	9.9%	296	12.0%
Service charges	30,840	30,603	30,131	237	0.8%	472	1.6%
Maintenance services	86	86	86	-	-	-	-
Other services	7,684	5,105	8,635	2,579	50.5%	(3,530)	-40.9%
Total operating revenues	109,260	103,840	105,024	5,420	5.2%	(1,184)	-1.1%
<b>Operating Expenses:</b>							
Cost of water	29,753	23,887	30,825	5,866	24.6%	(6,938)	-22.5%
Personal services	22,431	21,342	20,702	1,089	5.1%	640	3.1%
Maintenance and other	23,728	24,273	18,744	(545)	-2.2%	5,529	29.5%
Depreciation and amortization	11,363	11,034	11,499	329	3.0%	(465)	-4.0%
Permit fees	9,851	9,822	9,827	29	0.3%	(5)	-0.1%
Commercial Services	3,822	3,395	3,601	427	12.6%	(206)	-5.7%
Total operating expenses	100,948	93,753	95,198	7,195	7.7%	(1,445)	-1.5%
Operating income	8,312	10,087	9,826	(1,775)	-17.6%	261	2.7%
<b>Nonoperating Income (Expenses):</b>							
Interest income	69	218	357	(149)	-68.3%	(139)	-38.9%
Interest expense	(365)	(973)	(1,269)	608	-62.5%	296	-23.3%
Gain (Loss) on disposition of property	198	(368)	(65)	566	-153.8%	(303)	466.2%
Rents	1,087	885	1,221	202	22.8%	(336)	-27.5%
Land sales	-	-	-	-	-	-	-
Other	(3,902)	(2,595)	(2,268)	(1,307)	50.4%	(327)	14.4%
Income before contributed capital	5,399	7,254	7,802	(1,855)	-25.6%	(548)	-7.0%
Capital contributions	131	432	11,151	(301)	-69.7%	(10,719)	-96.1%
Change in net position	5,530	7,686	18,953	(2,156)	-28.1%	(11,267)	-59.4%
Beginning net position	342,435	334,749	315,796	7,686	2.3%	18,953	6.0%
Adjustment for GASB 65 Implementation	(676)	-	-	(676)	-100.0%	-	-
Ending net position	\$347,289	\$342,435	\$334,749	\$ 4,854	1.4%	\$ 7,686	2.3%

# LONG BEACH WATER DEPARTMENT

## Management's Discussion and Analysis September 30, 2013 and 2012

The Department's operations are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2013, 2012, and 2011:

<b>Water Fund</b>							
<b>Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position</b>							
<b>Fiscal Years Ended September 30, 2013, 2012, and 2011</b>							
<b>(in thousands)</b>							
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>Variance</b>			
				<b>2013/2012</b>		<b>2012/2011</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			
<b>Operating Revenues:</b>							
Metered water sales	\$ 61,306	\$ 59,118	\$ 57,928	\$ 2,188	3.7%	\$ 1,190	2.1%
Reclaimed water sales	3,041	2,766	2,470	275	9.9%	296	12.0%
Service charges	20,363	20,223	20,251	140	0.7%	(28)	-0.1%
Other services	7,239	4,408	7,927	2,831	64.2%	(3,519)	-44.4%
Total operating revenues	91,949	86,515	88,576	5,434	6.3%	(2,061)	-2.3%
<b>Operating Expenses:</b>							
Cost of water	29,753	23,887	30,825	5,866	24.6%	(6,938)	-22.5%
Personal services	18,309	17,594	17,095	715	4.1%	499	2.9%
Maintenance and other	20,540	21,269	15,102	(729)	-3.4%	6,167	40.8%
Depreciation and amortization	9,566	9,359	9,839	207	2.2%	(480)	-4.9%
Permit fees	5,567	5,549	5,551	18	0.3%	(2)	0.0%
Commercial Services	2,048	1,684	1,991	364	21.6%	(307)	-15.4%
Total operating expenses	85,783	79,342	80,403	6,441	8.1%	(1,061)	-1.3%
Operating income	6,166	7,173	8,173	(1,007)	-14.0%	(1,000)	-12.2%
<b>Nonoperating Income (Expenses):</b>							
Interest income	58	193	294	(135)	-69.9%	(101)	-34.4%
Interest expense	(363)	(872)	(1,167)	509	-58.4%	295	-25.3%
Gain (Loss) on disposition of property	196	(370)	(55)	566	-153.0%	(315)	572.7%
Rents	1,087	885	1,221	202	22.8%	(336)	-27.5%
Land sales	-	-	-	-	-	-	-
Other	(3,130)	(1,409)	(1,667)	(1,721)	122.1%	258	-15.5%
Income before contributed capital	4,014	5,600	6,799	(1,586)	-28.3%	(1,199)	-17.6%
Capital contributions	131	247	8,283	(116)	-47.0%	(8,036)	-97.0%
Change in net position	4,145	5,847	15,082	(1,702)	-29.1%	(9,235)	-61.2%
Beginning net position	284,121	278,274	263,192	5,847	2.1%	15,082	5.7%
Adjustment for GASB 65 Implementation	(540)	-	-	(540)	-100.0%	-	-
Ending net position	\$287,726	\$284,121	\$278,274	\$ 3,605	1.3%	\$ 5,847	2.1%

# LONG BEACH WATER DEPARTMENT

## Management's Discussion and Analysis September 30, 2013 and 2012

### Sewer Fund Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2013, 2012, and 2011 (in thousands)

	2013	2012	2011	Variance			
				2013/2012		2012/2011	
				Amount	%	Amount	%
<b>Operating Revenues:</b>							
Metered water sales	\$ 6,303	\$ 6,162	\$ 5,774	141	2.3%	\$ 388	6.7%
Service charges	10,477	10,380	9,880	97	0.9%	500	5.1%
Maintenance services	86	86	86	-	-	-	-
Other services	445	697	708	(252)	-36.2%	(11)	-1.6%
Total operating revenues	<u>17,311</u>	<u>17,325</u>	<u>16,448</u>	<u>(14)</u>	<u>-0.1%</u>	<u>877</u>	<u>5.3%</u>
<b>Operating Expenses:</b>							
Personal services	4,122	3,748	3,607	374	10.0%	141	3.9%
Maintenance and other	3,188	3,004	3,642	184	6.1%	(638)	-17.5%
Permit fees	4,284	4,273	4,276	11	0.3%	(3)	-0.1%
Depreciation	1,797	1,675	1,660	122	7.3%	15	0.9%
Commercial Services	1,774	1,711	1,610	63	3.7%	101	6.3%
Total operating expenses	<u>15,165</u>	<u>14,411</u>	<u>14,795</u>	<u>754</u>	<u>5.2%</u>	<u>(384)</u>	<u>-2.6%</u>
Operating income (expenses)	2,146	2,914	1,653	(768)	-26.4%	1,261	76.3%
<b>Nonoperating Income (Expenses):</b>							
Interest income	11	25	63	(14)	-56.0%	(38)	-60.3%
Interest expense	(2)	(101)	(102)	99	-98.0%	1	-1.0%
Gain (Loss) on disposition of property	2	2	(10)	-	-	12	-120.0%
Other	(772)	(1,186)	(601)	414	-34.9%	(585)	97.3%
Income (loss) before contributed capital	1,385	1,654	1,003	(269)	-16.3%	651	64.9%
Capital contributions	-	185	2,868	(185)	-100.0%	(2,683)	-93.5%
Change in net position	1,385	1,839	3,871	(454)	-24.7%	(2,032)	-52.5%
Beginning net position	58,314	56,475	52,604	1,839	3.3%	3,871	7.4%
Adjustment for GASB 65 Implementation	(136)	-	-	(136)	-100.0%	-	-
Ending net position	<u>\$ 59,563</u>	<u>\$ 58,314</u>	<u>\$ 56,475</u>	<u>\$ 1,249</u>	<u>2.1%</u>	<u>\$ 1,839</u>	<u>3.3%</u>

# LONG BEACH WATER DEPARTMENT

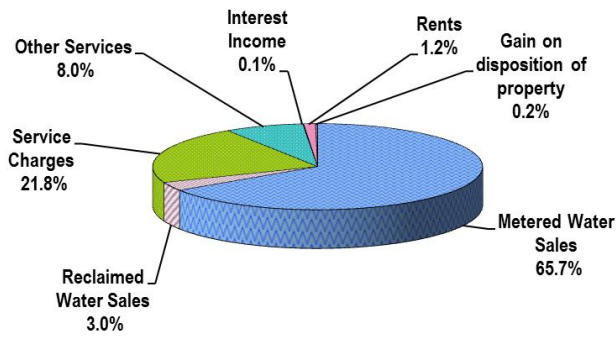
Management's Discussion and Analysis  
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## Sources of Revenues

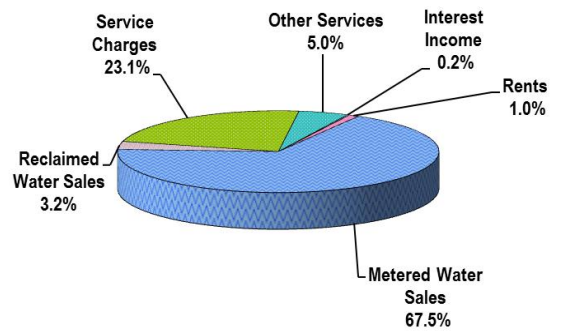
Sources of revenue for fiscal years 2013 and 2012 are shown on the following charts.

### Water Fund

2013

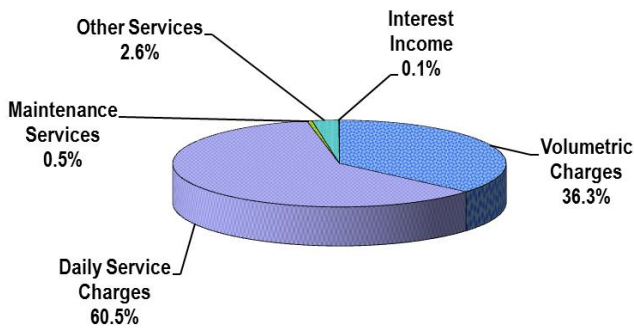


2012

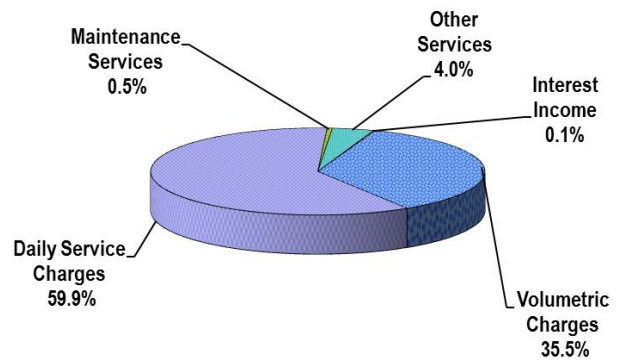


### Sewer Fund

2013



2012



## LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis  
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### ***Management Review of the Department's Revenues***

#### **Water Fund**

##### **Fiscal Year Ended September 30, 2013 Compared to 2012**

Total operating revenues were \$91,949 a net increase of \$5,434 (+6.3 %) over FY2012. The major elements of this net increase are as follows:

- Metered potable water sales and Reclaimed water sales increased by \$2,188 (+3.7%) and \$275 (+9.9%) respectively, in FY2013 primarily due to an increase in demand compared to FY2012. There were no potable and reclaimed water rate increases in FY2013.
- Revenue from other services totaled \$7,239, an increase of \$2,831 (+64.2%) from the prior year. The major factors are as follows:
  - Revenue from In-Lieu Groundwater Replenishment Agreements with the Water Replenishment District of Southern California (WRD) increased by \$1,217 (+2,308.8%) over FY2012. The Department increased purchases of imported water in-lieu of the groundwater pumping during FY2013.
  - Revenue received from sales of potable water to WRD and Orange County Water District (OCWD) for the Alamitos Seawater Intrusion Barrier increased by \$1,132 (+55.2%) over FY2012.
  - Reimbursements from operating the WRD Leo Vander Lans Reclaimed Water Treatment facility increased by \$176 (+14.3%) compared to FY2012 primarily due to increased operations and maintenance expense.

Capital contributions decreased by \$116 (-47.0%) compared to FY2012 due primarily to a decrease in distribution system development agreements with the Department.

##### **Fiscal Year Ended September 30, 2012 Compared to 2011**

Total operating revenues were \$86,515 a net decrease of \$2,061 (-2.3 %) over FY2011. The major elements of this net decrease are as follows:

- Metered potable water sales increased by \$1,190 (+2.1%) primarily due to an increase in consumption by 1,547 acre feet (AF) (+2.7%) compared to FY2011. There was no potable water rate increase in FY2012.
- Reclaimed water sales increased by \$296 (+12.0%) compared to FY2011, primarily due to an increase in consumption by 686 AF (+17.3%) in FY2012. There was no reclaimed water rate increase in FY2012.
- Revenue from other services totaled \$4,408, a decrease of \$3,519 (-44.4%) from the prior year. The major factors to this net decrease are as follows:



## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

- Revenue from unmetered water sales decreased by \$3,199 (-98.4%) due to the conclusion of In-Lieu Groundwater Replenishment Agreements with the Water Replenishment District of Southern California (WRD), whereas the Department agreed to increase purchases of imported water in-lieu of the groundwater pumping in FY2011.
- Reimbursements from operating the WRD Leo Vander Lans Reclaimed Water Treatment facility decreased by \$193 (-13.6%) compared to FY2011 primarily due to no major equipment purchases and less repair services required in FY2012.

Capital contributions decreased by \$8,036 (-97.0%) compared to FY2011 due primarily to major potable and reclaimed water distribution system facilities completed in FY2011 such as the Long Beach City College South Quad Complex and parking structure, Long Beach Memorial Miller Children's Hospital, Lyons West Gateway apartments, and Douglas Business Park development.

### **Sewer Fund**

#### **Fiscal Year Ended September 30, 2013 Compared to 2012**

Total operating revenues decreased \$14 (-0.1%) over FY2012. The key elements of this net decrease are as follows:

- Metered water sales and service charges revenue increased by \$141 (+2.3%) and \$97 (+0.9%) respectively, over FY2012 as a result of an increase in water volumetric demand in FY2013. There was no sewer rate increase in FY2013.
- Other services revenue decreased by \$252 (-36.2%) over FY2012 due to a decrease in sewer capacity charges revenue as a result of a decline in major building construction activity as compared to FY2012.

#### **Fiscal Year Ended September 30, 2012 Compared to 2011**

Total operating revenues increased \$877 (+5.3%) over FY2011. The key elements of this net increase are as follows:

- Metered water sales revenue increased by \$388 (+6.7%) over FY2011, as a result of a 5% rate increase effective October 1, 2011 and an increase in volumetric sales in AF totaling 489 AF (+1.2%) compared to FY2011
- Service charges revenue increased by \$500 (+5.1%) over FY2011, due to the 5% rate increase effective October 1, 2011.

Capital contributions decreased by \$2,683 (-93.5%) compared to FY2011 due primarily to major sewer collection system facilities completed in FY2011 such as the Long Beach Family Apartments development, Lyons West Gateway apartments, and Douglas Business Park development.

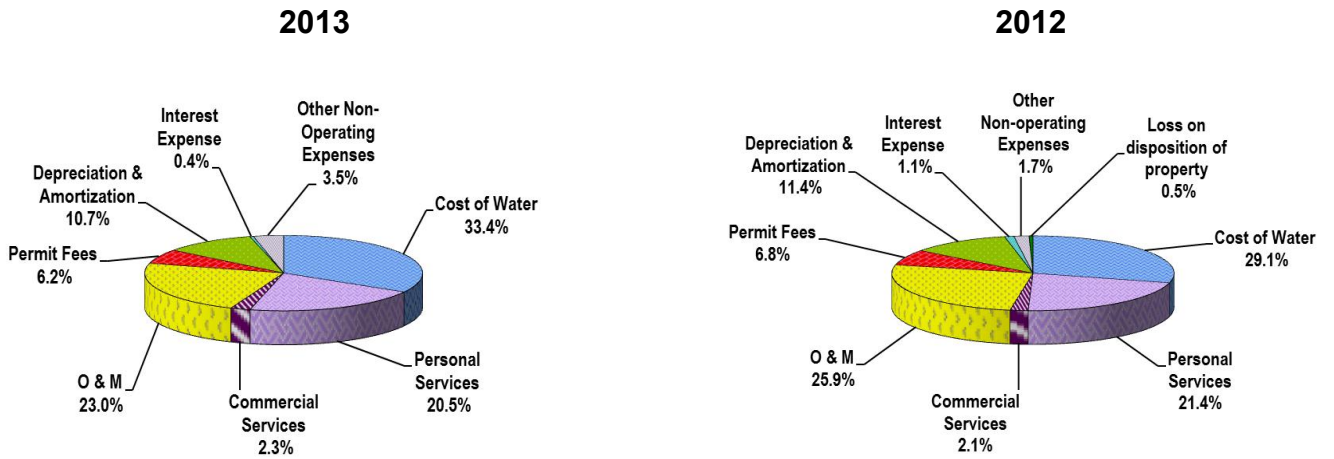
# LONG BEACH WATER DEPARTMENT

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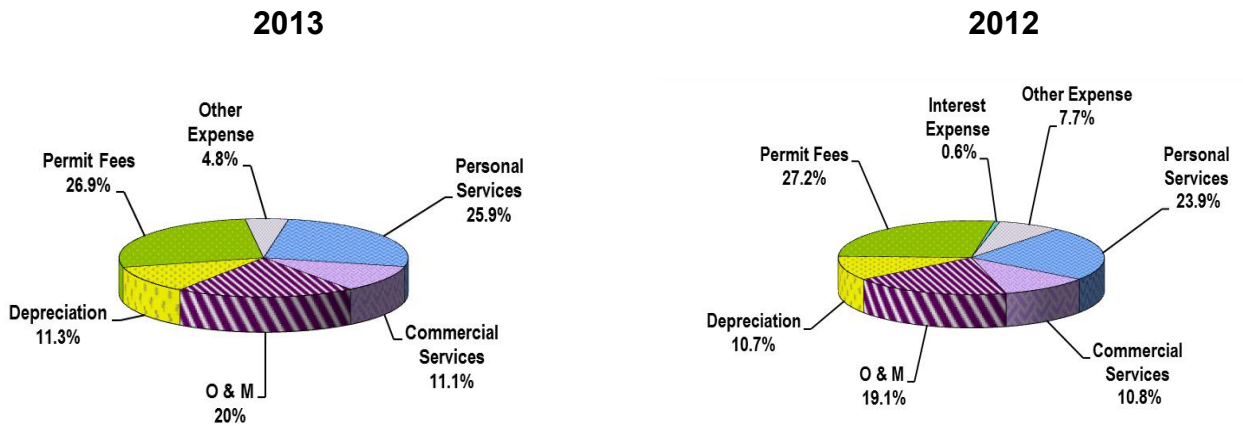
## Functional Expenses

Functional expenses for the 2013 and 2012 fiscal years are shown on the following charts.

### Water Fund



### Sewer Fund



## LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis  
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### ***Management Review of the Department's Expenses.***

#### **Water Fund**

##### **Fiscal Year Ended September 30, 2013 Compared to 2012**

Total operating expenses totaled \$85,783, an increase of \$6,441 (+8.1%) over FY2012. The major factors attributable to the net increase are as follows:

- Purchased water costs and volume increased by \$5,866 (+24.6%) and 5,807 AF (+20.7%) respectively, in FY2013 due to increased demand, MWD rate increases, and increases in potable water purchases as follows:
  - The Department purchased 2,856 AF (+100.0%) of potable water relating to In-Lieu Groundwater Replenishment Agreements with WRD in FY2013.
  - In FY2013, the Department entered into an agreement with the City of Lakewood to purchase surplus potable water through a metered water distribution inter-tie connection totaling 1,718 AF.
  - Purchased potable water for the Alamitos Seawater Intrusion Barrier increased by 1,185 AF (+45.6%) over FY2012.
- Labor costs increased by \$715 (+4.1%) over FY2012, as a result of increases in negotiated Cost of Living Allowance (COLA), fringe benefits, workers' compensation costs, and overtime.
- Maintenance and other expenses had a net decrease of \$729 (-3.4%) from FY2012. The net decrease is primarily attributable to the following factors:
  - Replenishment Assessment (RA) costs decreased by \$714 (-8.8%) due to a decrease in groundwater pumping as a result of the In-Lieu Groundwater Replenishment agreements with WRD during FY2013.
  - Laboratory and chemical supplies decreased by \$333 (-19.2%) due to a decrease in purchases of chemicals used for treating groundwater.
  - Paving and other construction services increased by \$421 (+192.5%) due to an increase in repairs on large water gate valves and water pipeline services in FY2013.

FY2013 net nonoperating expense totaled \$2,152, a net increase of \$579 (+36.8%) over FY2012. The net increase is primarily due to the following factors:

- Other expenses had a net increase of \$1,721 (+122.1%) over FY2012 primarily due to expenses incurred on the seawater desalination research and development project.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

- Gain on disposition of property had a net increase of \$566 (+153.0%) primarily due to proceeds from sale of retired equipment and scrap metals, and a decrease in inventory adjustments in FY2013.
- Interest expense decreased by \$509 (-58.4%) over FY2012 due to an increase in interest expenses capitalized in relation to the capital improvement program in FY2013.

#### **Fiscal Year Ended September 30, 2012 Compared to 2011**

Total operating expenses totaled \$79,342, a decrease of \$1,061 (-1.3%) over FY2011. Key elements of this net decrease are as follows:

- Purchased water costs decreased by \$6,938 (-22.5%) due to a decrease in volume of potable water purchased from MWD in connection with the conclusion of the In-Lieu Groundwater Replenishment agreements with WRD in FY2011.
- Labor costs increased by \$499 (+2.9%) over FY2011, as a result of increases in negotiated Cost of Living Allowance (COLA) and increased pension costs.
- Maintenance and other expenses had a net increase of \$6,167 (+40.8%) from FY2011. The net increase is primarily attributable to the following factors:
  - Replenishment assessment (pump tax) costs increased by \$4,317 (+115.1%) due to increased groundwater pumping as a result of the conclusion of In-Lieu Groundwater Replenishment agreements with WRD in FY2011.
  - Laboratory and chemical supplies increased by \$787 (+83.2%) due to an increase in purchases of chemicals used for treating groundwater.
  - Utility services, mainly electricity costs, increased by \$612 (+21.0%) due to an increase in groundwater pumping in FY2012.
  - Materials and supplies costs increased by \$360 (+29.6%) due to an increase in materials used for repair and maintenance of backflow devices, water meters, and chemical equipment.

FY2012 net nonoperating expense totaled \$1,573, a net increase of \$199 (+14.5%) over FY2011. The net increase is primarily due to the following factors:

- Other expenses decreased by \$1,066 (-71%) over FY2011 primarily due to fewer capital improvement projects closed to expense in FY2012.
- Development costs of a new customer information system increased by \$874 (+419%) over FY2011 primarily due to the purchase of software licenses and increase in consultant's costs.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

Loss on disposition of property had a net increase of \$315 (+572.7%) over FY2011 primarily due to a \$342 decrease in proceeds from sale of retired equipment and scrap metals, adjustments reducing inventory by \$338, and a \$415 decrease in losses on retirement of distribution system assets in FY2012.

#### **Sewer Fund**

##### **Fiscal Year Ended September 30, 2013 Compared to 2012**

Total operating expenses totaled \$15,165, an increase of \$754 (+5.2%) over FY2012. Key elements of this net increase are as follows:

- Personal services expenses increased by \$374 (+10.0%) over FY2012 due to increases in negotiated Cost of Living Allowance (COLA), fringe benefits, workers' compensation costs, and overtime.
- Maintenance and other expenses increased by \$184 (+6.1%) over FY2012. The net increase is mostly attributable to the following major factors:
  - Paving services increased by \$87 (+29.5%) over FY2012 due to an increase in sewer pipeline repairs during FY2013.
  - Disposal services increased by \$99 (+116.6%) over FY2012 due to the increased activity in sewer pipeline repair in FY2013.
- Depreciation expense increased by \$122 (+7.3%) compared to FY2012 mainly due to the completion of several sewer main pipeline relining projects, and machinery and equipment purchases.

FY2013 net nonoperating expense totaled \$761, a net decrease of \$499 (-39.6%) over FY2012, which was primarily due to a \$412 (-36.4%) decrease in development costs for a new customer information system and sewer capital improvement projects charged to expense.

##### **Fiscal Year Ended September 30, 2012 Compared to 2011**

FY2012 operating expenses totaled \$14,411, a decrease of \$384 (-2.6%) over FY2011. Key elements of this net decrease are as follows:

- Maintenance and other expenses decreased by \$638 (-17.5%) over FY2011. The decrease is mostly attributable to the following major factors:
  - Professional services decreased by \$93 (-100.0%) which is primarily due to legal services in FY2011 in connection with the issuance of the Subordinate Sewer Revolving Line of Credit.
  - Technical services and inspection services expenses decreased by \$254 (87.0%) and \$366 (-100%), respectively, in FY2012. These decreases are due

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

to contracted CCTV services conducted on the sewer pipe system in FY2011. Similar services were not conducted in FY2012.

- Personal services expenses increased by \$141 (+3.9%) over FY2011 due to increases in negotiated Cost of Living Allowance (COLA) and increased pension costs.

FY2012 net nonoperating expense totaled \$1,260, a net increase of \$610 (+93.8%) over FY2011, which was primarily due to an increase in development costs for a new customer information system totaling to \$642 (+419.3%).

### Capital Assets and Debt Administration

**Capital assets.** The Department's capital assets (net of accumulated depreciation and amortization) as of September 30, 2013 amounted to \$282,582 for the Water Fund and \$61,901 for the Sewer Fund. Capital assets include investments in production, transmission, patent, improvements on buildings and structures, and distribution related facilities, as well as general items such as office equipment and furniture. For FY2013, net capital assets increased \$9,265 (+3.4%) and \$3,436 (+5.9%) for Water Fund and Sewer Fund, respectively. The net increase is due primarily to machinery and equipment purchases and capitalization of major potable water and reclaimed water distribution systems, and sewer collection systems.

The Department's capital assets are summarized as follows for the years ended September 30, 2013, 2012, and 2011 (in thousands):

Long Beach Water Department Capital Assets September 30, 2013, 2012, and 2011 (in thousands)							
	2013	2012	2011	Variance			
				2013/2012		2012/2011	
	Amount	Amount	Amount	Amount	%	Amount	%
Land	\$ 11,248	\$ 11,248	\$ 11,248	\$ -	-	\$ -	-
Water Rights	40	40	40	-	-	-	-
Patent - Desalination	815	815	815	-	-	-	-
Buildings, structures, and facilities	121,092	118,444	117,694	2,648	2.2%	750	0.6%
Distribution/collection systems	493,371	477,959	468,243	15,412	3.2%	9,716	2.1%
Machinery and equipment	19,950	18,556	18,333	1,394	7.5%	223	1.2%
Construction in progress	26,041	23,556	14,706	2,485	10.5%	8,850	60.2%
Total capital assets	672,557	650,618	631,079	21,939	3.4%	19,539	3.1%
Less: accumulated depreciation and amortization	(328,074)	(318,836)	(310,855)	(9,238)	2.9%	(7,981)	2.6%
Net capital assets	<u>\$ 344,483</u>	<u>\$ 331,782</u>	<u>\$ 320,224</u>	<u>\$ 12,701</u>	<u>3.8%</u>	<u>\$ 11,558</u>	<u>3.6%</u>

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

The Department's capital assets are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2013, 2012, and 2011:

<b>Long Beach Water Department Capital Assets September 30, 2013, 2012, and 2011 (in thousands)</b>							
<b>Water Fund</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>Variance</b>			
				<b>2013/2012</b>		<b>2012/2011</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>%</b>
Land	\$ 11,248	\$ 11,248	\$ 11,248	\$ -	-	\$ -	-
Water Rights	40	40	40	-	-	-	-
Patent - Desalination	815	815	815	-	-	-	-
Buildings, structures, and facilities	115,411	112,763	112,013	2,648	2.3%	750	0.7%
Distribution/collection systems	300,377	286,747	282,159	13,630	4.8%	4,588	1.6%
Machinery and equipment	15,050	14,275	14,012	775	5.4%	263	1.9%
Construction in progress	20,854	20,186	11,891	668	3.3%	8,295	69.8%
Total capital assets	463,795	446,074	432,178	17,721	4.0%	13,896	3.2%
Less: accumulated depreciation and amortization	(181,213)	(172,757)	(165,115)	(8,456)	4.9%	(7,642)	4.6%
Net capital assets	<u>\$ 282,582</u>	<u>\$ 273,317</u>	<u>\$ 267,063</u>	<u>\$ 9,265</u>	<u>3.4%</u>	<u>\$ 6,254</u>	<u>2.3%</u>
<b>Sewer Fund</b>							
Buildings, structures, and facilities	\$ 5,681	\$ 5,681	\$ 5,681	\$ -	-	\$ -	-
Distribution/collection systems	192,994	191,212	186,084	1,782	0.9%	5,128	2.8%
Machinery and equipment	4,900	4,281	4,321	619	14.5%	(40)	-0.9%
Construction in progress	5,187	3,370	2,815	1,817	53.9%	555	19.7%
Total capital assets	208,762	204,544	198,901	4,218	2.1%	5,643	2.8%
Less: accumulated depreciation	(146,861)	(146,079)	(145,740)	(782)	0.5%	(339)	0.2%
Net capital assets	<u>\$ 61,901</u>	<u>\$ 58,465</u>	<u>\$ 53,161</u>	<u>\$ 3,436</u>	<u>5.9%</u>	<u>\$ 5,304</u>	<u>10.0%</u>

Additional information regarding capital assets can be found in notes 1 and 3 to the Department's financial statements.

## LONG BEACH WATER DEPARTMENT

### Management's Discussion and Analysis September 30, 2013 and 2012

**Long-term debt.** As of September 30, 2013, the Department had total long-term debt outstanding of \$34,035 for the Water Fund and \$9,750 for the Sewer Fund. All debt is supported by Water Fund revenues and Sewer Fund revenues. Total Department outstanding debt as of September 30, 2013, 2012, and 2011 is summarized as follows:

<b>Long Beach Water Department Summary of Long-Term Debt September 30, 2013, 2012, and 2011 (in thousands)</b>							
<b>Water Fund</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>Variance</b>			
				<b>2013/2012</b>		<b>2012/2011</b>	
				<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Revenue refunding bonds	\$ 32,780	\$ 35,165	\$ 27,425	(2,385)	-6.8%	7,740	28.2%
Commercial paper notes	-	-	11,000	-	-	(11,000)	-100.0%
Long-term debt outstanding	32,780	35,165	38,425	(2,385)	-6.8%	(3,260)	-8.5%
Less:							
Unamortized bond discount	(12)	(19)	(26)	7	-36.8%	7	-26.9%
Unamortized bond premium	3,498	3,877	2,800	(379)	-9.8%	1,077	38.5%
Unamortized loss on refunding	(2,231)	(2,516)	(2,800)	285	-11.3%	284	-10.1%
Total long-term debt	\$ 34,035	\$ 36,507	\$ 38,399	(2,472)	-6.8%	(1,892)	-4.9%
<b>Sewer Fund</b>							
Revolving line of credit	9,750	6,000	6,000	3,750	62.5%	-	-
Total long-term debt	\$ 9,750	\$ 6,000	\$ 6,000	3,750	62.5%	-	-

The Department maintains AA+ credit ratings from Standard & Poor's for the Water and Sewer Funds. In FY2012 the Department issued \$9,850 in Second Lien Water Revenue Bonds, Series 2012A, at a premium of \$1,342 to retire \$11,000 outstanding Subordinate Water Revenue Commercial Paper Notes. In FY2013, the Department drew an additional \$3,750 from the Subordinate Sewer Revolving Line of Credit to fund sewer collection system improvements. Additional information on the Department's long-term debt can be found in note 4 of this report.

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

The Board of Water Commissioners (Board) approved the budget for the fiscal year-end September 30, 2014, with budgeted expenditures totaling approximately \$101.9 million and \$18.3 million for the Water Fund and Sewer Fund, respectively. Budgeted expenditures include capital improvement program expenditures and Water Fund debt



## **LONG BEACH WATER DEPARTMENT**

Management's Discussion and Analysis  
September 30, 2013 and 2012

service. In fiscal year 2014 (FY2014), there was a 4% potable water and reclaimed water rate increase. There was no sewer rate increase for FY2014.

### **Requests for Information**

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Long Beach Water Department, 1800 E. Wardlow Road, Long Beach, California 90807.

**LONG BEACH WATER DEPARTMENT**

**Statements of Net Position  
Business Type Activity - Enterprise  
September 30, 2013 and 2012  
(in thousands of dollars)**

	2013			2012		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
<b>ASSETS</b>						
Current Assets:						
Pooled cash and cash equivalents	\$ 41,062	9,076	50,138	\$ 46,834	6,625	53,459
Non performing investments	3	1	4	14	4	18
Interest receivable	9	-	9	15	-	15
Customer accounts receivable	6,666	920	7,586	6,254	1,021	7,275
Allowance for doubtful accounts	(333)	(58)	(391)	(365)	(60)	(425)
Due from other funds	-	-	-	226	14	240
Material and supplies inventory	2,518	63	2,581	2,414	108	2,522
Prepaid expense	629	-	629	566	-	566
Restricted assets						
Pooled cash and cash equivalents:						
Funds held in trust	713	-	713	715	-	715
Bond service funds	1,620	-	1,620	1,324	-	1,324
Sub-total pooled cash and cash equivalents	2,333	-	2,333	2,039	-	2,039
Non-pooled cash equivalents	3,130	-	3,130	3,119	-	3,119
Total restricted assets	5,463	-	5,463	5,158	-	5,158
Total current assets	56,017	10,002	66,019	61,116	7,712	68,828
Noncurrent Assets:						
Capital assets:						
Land	11,248	-	11,248	11,248	-	11,248
Water rights	40	-	40	40	-	40
Patent desalination	815	-	815	815	-	815
Buildings, structures and facilities	115,411	5,681	121,092	112,763	5,681	118,444
Distribution/collection systems	300,377	192,994	493,371	286,747	191,212	477,959
Machinery and equipment	15,050	4,900	19,950	14,275	4,281	18,556
Construction in progress	20,854	5,187	26,041	20,186	3,370	23,556
Total capital assets	463,795	208,762	672,557	446,074	204,544	650,618
Less: Accumulated depreciation and amortization	(181,213)	(146,861)	(328,074)	(172,757)	(146,079)	(318,836)
Total capital assets, net	282,582	61,901	344,483	273,317	58,465	331,782
Other assets, net of amortization	219	-	219	796	136	932
Total noncurrent assets	282,801	61,901	344,702	274,113	58,601	332,714
Total assets	338,818	71,903	410,721	335,229	66,313	401,542
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows on refundings	2,231	-	2,231	-	-	-
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	\$ 11,477	2,358	13,835	\$ 9,674	1,806	11,480
Accrued wages payable	463	140	603	376	107	483
Unearned revenue	45	-	45	-	-	-
Advances from developers	355	92	447	185	86	271
Accrued interest payable	626	-	626	546	-	546
Long-term debt due within one year	2,385	-	2,385	2,110	-	2,110
Customer deposits	706	-	706	710	-	710
Noncurrent Liabilities:						
Long-term debt, net of current portion	36,266	9,750	46,016	36,507	6,000	42,507
Accrued site restoration cost	1,000	-	1,000	1,000	-	1,000
Total Liabilities	53,323	12,340	65,663	51,108	7,999	59,107
<b>NET POSITION</b>						
Net investment in capital assets	249,256	52,151	301,407	237,793	52,465	290,258
Restricted for:						
Bond Service	1,620	-	1,620	1,324	-	1,324
Bond Reserve	36	-	36	26	-	26
Unrestricted	36,814	7,412	44,226	44,978	5,849	50,827
Total Net Position	\$ 287,726	59,563	347,289	\$ 284,121	58,314	342,435

See accompanying notes to financial statements

**LONG BEACH WATER DEPARTMENT**

**Statements of Revenues, Expenses,  
and Changes in Fund Net Position  
Business Type Activity - Enterprise  
Years Ended September 30, 2013 and 2012  
(in thousands of dollars)**

	2013			2012		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>						
Metered water sales	\$ 61,306	6,303	67,609	\$ 59,118	6,162	65,280
Reclaimed water sales	3,041	-	3,041	2,766	-	2,766
Service charges	20,363	10,477	30,840	20,223	10,380	30,603
Maintenance services	-	86	86	-	86	86
Other services	7,239	445	7,684	4,408	697	5,105
Total operating revenues	<u>91,949</u>	<u>17,311</u>	<u>109,260</u>	<u>86,515</u>	<u>17,325</u>	<u>103,840</u>
<b>Operating Expenses:</b>						
Cost of water	29,753	-	29,753	23,887	-	23,887
Personal services	18,309	4,122	22,431	17,594	3,748	21,342
Commercial services	2,048	1,774	3,822	1,684	1,711	3,395
Maintenance and other	20,540	3,188	23,728	21,269	3,004	24,273
Permit fees	5,567	4,284	9,851	5,549	4,273	9,822
Depreciation and amortization	9,566	1,797	11,363	9,359	1,675	11,034
Total operating expenses	<u>85,783</u>	<u>15,165</u>	<u>100,948</u>	<u>79,342</u>	<u>14,411</u>	<u>93,753</u>
Operating income	<u>6,166</u>	<u>2,146</u>	<u>8,312</u>	<u>7,173</u>	<u>2,914</u>	<u>10,087</u>
<b>Non-operating Income (Expense):</b>						
Interest income	58	11	69	193	25	218
Interest expense	(363)	(2)	(365)	(872)	(101)	(973)
Gain (Loss) on disposition of property	196	2	198	(370)	2	(368)
Rental income	1,087	-	1,087	885	-	885
Other	(3,130)	(772)	(3,902)	(1,409)	(1,186)	(2,595)
Total non-operating income (expense)	<u>(2,152)</u>	<u>(761)</u>	<u>(2,913)</u>	<u>(1,573)</u>	<u>(1,260)</u>	<u>(2,833)</u>
Income before contributed capital	4,014	1,385	5,399	5,600	1,654	7,254
Contributed capital	<u>131</u>	<u>-</u>	<u>131</u>	<u>247</u>	<u>185</u>	<u>432</u>
Changes in net position	4,145	1,385	5,530	5,847	1,839	7,686
Net position at beginning of year	284,121	58,314	342,435	278,274	56,475	334,749
Adjustment for GASB 65 implementation	(540)	(136)	(676)	-	-	-
Net position at beginning of year, as restated	<u>283,581</u>	<u>58,178</u>	<u>341,759</u>	<u>278,274</u>	<u>56,475</u>	<u>334,749</u>
Net position at end of year	<u>\$ 287,726</u>	<u>59,563</u>	<u>347,289</u>	<u>\$ 284,121</u>	<u>58,314</u>	<u>342,435</u>

*See accompanying notes to financial statements*

**LONG BEACH WATER DEPARTMENT**

**Statements of Cash Flows  
Business Type Activity - Enterprise  
Years Ended September 30, 2013 and 2012  
(in thousands of dollars)**

	2013			2012		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 91,798	17,427	109,225	\$ 85,931	17,123	103,054
Cash paid to employees	(18,222)	(4,089)	(22,311)	(17,746)	(3,735)	(21,481)
Cash paid for water	(28,749)	-	(28,749)	(25,826)	-	(25,826)
Cash paid for goods and services	(21,920)	(4,364)	(26,284)	(20,840)	(4,518)	(25,358)
Cash paid for permit fees	(5,566)	(4,284)	(9,850)	(5,549)	(4,273)	(9,822)
Other operating cash paid	(2,223)	(804)	(3,027)	(988)	(1,207)	(2,195)
Net cash provided by operating activities	<u>15,118</u>	<u>3,886</u>	<u>19,004</u>	<u>14,982</u>	<u>3,390</u>	<u>18,372</u>
<b>Cash flows from capital and related financing activities:</b>						
Proceeds from refunding issue	-	-	-	9,850	-	9,850
Payment for commercial paper	-	-	-	(11,000)	-	(11,000)
Original issuance premium	-	3,750	3,750	1,342	-	1,342
Payments for issuance costs	-	-	-	(191)	-	(191)
Proceeds from sale of capital assets	377	33	410	93	23	116
Contributions in aid of construction	115	-	115	339	185	524
Payments for capital acquisitions	(17,547)	(5,174)	(22,721)	(15,138)	(6,959)	(22,097)
Principal repayments-bonds	(2,110)	-	(2,110)	(490)	-	(490)
Interest payments	(1,484)	(55)	(1,539)	(1,267)	(57)	(1,324)
Net cash used for capital and related financing activities	<u>(20,649)</u>	<u>(1,446)</u>	<u>(22,095)</u>	<u>(16,462)</u>	<u>(6,808)</u>	<u>(23,270)</u>
<b>Cash flows from investing activities:</b>						
Interest income received	<u>64</u>	<u>11</u>	<u>75</u>	<u>192</u>	<u>25</u>	<u>217</u>
Net cash provided by investing activities	<u>64</u>	<u>11</u>	<u>75</u>	<u>192</u>	<u>25</u>	<u>217</u>
Net increase (decrease) in cash and cash equivalents	(5,467)	2,451	(3,016)	(1,288)	(3,393)	(4,681)
<b>Cash and cash equivalents, October 1</b>	<u>51,992</u>	<u>6,625</u>	<u>58,617</u>	<u>53,280</u>	<u>10,018</u>	<u>63,298</u>
<b>Cash and cash equivalents, September 30</b>	<u>\$ 46,525</u>	<u>9,076</u>	<u>55,601</u>	<u>\$ 51,992</u>	<u>6,625</u>	<u>58,617</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income	\$ 6,166	2,146	8,312	\$ 7,173	2,914	10,087
Adjustments to reconcile operating income (expense) to net cash provided by operating activities:						
Depreciation expense and amortization	9,566	1,797	11,363	9,359	1,675	11,034
Amortization of other assets	38	-	38	38	-	38
Increase prepaid expense	(64)	-	(64)	-	-	-
Increase property rental and other income	(2,223)	(804)	(3,027)	(988)	(1,207)	(2,195)
(Increase) decrease in customer accounts receivable	(417)	102	(315)	(327)	(189)	(516)
(Increase)/decrease in due from City of Long Beach	225	14	239	(226)	(14)	(240)
(Increase)/decrease in material and supplies inventory	(105)	45	(60)	338	2	340
Increase (decrease) in accounts and retainage payable	1,804	553	2,357	(202)	195	(7)
Increase (decrease) in accrued wages payable	87	33	120	(152)	14	(138)
Increase (decrease) in unearned revenue	45	-	45	(69)	-	(69)
Increase (decrease) in customer deposits	(4)	-	(4)	38	-	38
Total adjustments	<u>8,952</u>	<u>1,740</u>	<u>10,692</u>	<u>7,809</u>	<u>476</u>	<u>8,285</u>
Net cash provided by operating activities	<u>\$ 15,118</u>	<u>3,886</u>	<u>19,004</u>	<u>\$ 14,982</u>	<u>3,390</u>	<u>18,372</u>
<b>Supplemental schedule of noncash transactions:</b>						
Accrued capital asset costs	1,492	598	2,090	1,803	42	1,845
Amortization of bond premium, net	87	-	87	70	82	152
Accrued cost of water purchases	5,740	-	5,740	3,044	-	3,044

See accompanying notes to financial statements

## **LONG BEACH WATER DEPARTMENT**

Notes to Financial Statements  
September 30, 2013 and 2012  
(in thousands of dollars)

### **Note 1 - Description of the Department and Summary of Significant Accounting Policies**

#### **Description of the Department**

The Long Beach Water Department (the Department) was established in 1911 through adoption of the City Charter of the City of Long Beach, California (the City) to regulate and control the use, sale, and distribution of water owned or controlled by the City. In February 1988, the City Council of the City of Long Beach voted to transfer administrative, operational, and maintenance responsibility of the City's sewer system to the Department. In addition, in April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy of the Department in administering sewer operations. For accounting purposes, the transfer was effective July 1, 1988.

The Department services the City's sewer system that consists of 714 miles of sewer mains, 16,158 manholes, and 28 sewage pumping stations. This system is capable of transporting for treatment approximately 40 million gallons of raw sewage daily.

The Department obtains potable water for distribution from two sources. Historically, approximately half of the City's water is purchased from the Metropolitan Water District of Southern California; the other half is pumped from the Department's own groundwater wells. Potable water is stored in two reservoirs with a combined capacity of 105.6 million gallons. The Department also delivered over 2.2 billion gallons of reclaimed water to various users in the City.

#### **Reporting Entity**

The Department's financial activities are considered to be enterprise operations of the City of Long Beach; accordingly, such activities are included in the City's Comprehensive Annual Financial Report. Control and management of the Department is vested in the five-member Board of Water Commissioners (the Board). Each Commissioner is appointed by the Mayor, confirmed by the City Council, and may serve two five-year terms.

The accompanying Department financial statements include the Water and Sewer Fund operations of the City of Long Beach. The statements of the Department are intended to present the financial position, and changes in financial position, and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2013 and 2012, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2013 and 2012  
(in thousands of dollars)

The City's Comprehensive Annual Financial Report may be obtained by contacting:

City of Long Beach, California – Department of Financial Management  
333 W. Ocean Blvd.  
Long Beach, CA 90802

### Basis of Accounting

The Department's accounts are maintained on a flow of economic resources measurement focus utilizing the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, regardless of when they are received, and expenses are recognized in the period incurred. The Department's operations are not subject to regulation by the Public Utilities Commission.

The Department applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations.

### Implementation of New Accounting Pronouncements

The following summarizes implemented GASB pronouncements and their impact, if any, on the financial statements:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The requirement of this Statement improves financial reporting by establishing consistent recognition, measurement, and disclosure requirements for Service Concession Arrangements. The application of this Statement should improve the comparability of financial statements between governments. Application of this Statement was effective for the City's fiscal year ended September 30, 2013, and the provision of GASB 60 did not have a material impact to the Department's financial statements.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The requirements of this Statement should result in financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and any equity interest transactions of the City. The requirements of this Statement will improve financial reporting by ensuring that the City's financial statements do not understate the City's financial position and provide for a more consistent and understandable display of any equity interests that the City has in a component unit. Application of this Statement was effective for the City's fiscal year ended September 30, 2013, and the provision of GASB 61 did not have a material impact to the Department's financial statements.

In November 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and American Institute of Certified Public Accountants (AICPA) Pronouncements*. The requirements of this Statement should improve financial reporting by contributing to GASB's efforts to codify all sources of Generally Accepted Accounting Principles for state and local governments so that they derive

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2013 and 2012  
(in thousands of dollars)

from a single source. The Statement should result in a more consistent application of applicable guidance in the financial statements of state and local governments. Application of this Statement was effective for the City's fiscal year ended September 30, 2013, and the provision of GASB 62 did not have a material impact to the Department's financial statements.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Application of this Statement was effective for the City during the fiscal year ended September 30, 2013. The Department did not consider it practical to restate the financial statements for all periods presented as the City's financial statements are a one-year presentation and restatement of all periods presented for the Department would prevent the information included herein from matching the information included in the City's financial statements. The implementation of the Statement resulted in cumulative adjustments to the Department's net position as of September 30, 2012 to remove deferred charges related to the issuance of debt of \$540 for the Water Fund and \$136 for the Sewer Fund. In addition the implementation resulted in the reclassification of unmortized loss on refundings in the Statements of Net Position from noncurrent liabilities to a separate category under Deferred Outflows of Resources.

In March of 2012, GASB issued Statement No. 66, *Technical Corrections 2012 - an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Application of this Statement was effective for the City's fiscal year ended September 30, 2013, and the provision of GASB 66 did not have a material impact to the Department's financial statements.

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

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. As such, the statement applies to CalPERS and not the City.

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial

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support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement will improve the decision-usefulness of information in employer financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The Department will implement GASB 68 in fiscal year 2015.

### Pooled Cash, Cash Equivalents, and Other Investments

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other City funds. The City's cash management pool is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the Department's management.

The Department has defined cash and cash equivalents as pooled cash and investments, including restricted pooled cash and cash equivalents, regardless of their maturity.

Interest income and realized and unrealized gains and losses arising from such pooled cash and investments are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments. The Department's share of pooled cash and investments is stated at fair value (see note 2).

### Material and Supplies Inventory

Material and supplies inventory is stated at the lower of average cost or market, determined on a first-in, first-out basis.

### Capital Assets

Capital assets, which include property, plant, equipment, and transmission and distribution infrastructure, are composed of assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. The cost of additions to capital assets and replacement of retired property is capitalized. Significant interest costs incurred during construction of assets are also capitalized. The costs of minor replacement expenditures are expensed as incurred. Upon retirement or sale of capital assets, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in the Department's financial statements (see note 3).



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Depreciation of capital assets is provided by the straight-line method based on the estimated service lives of the properties, as follows:

Buildings, structures, and facilities	10 to 50 years
Distribution/collection systems	20 to 75 years
Patents	20 years
Other machinery and equipment	5 to 10 years

### Capitalized Interest

In fiscal year 2013, the Department incurred interest expense on Revenue Refunding Bonds and Sewer Revolving Line of Credit in the amount of \$1,564 and \$55 for the Water and Sewer Funds, respectively, of which \$1,114 was capitalized for Water Fund and \$53 for Sewer Fund.

In fiscal year 2012, the Department incurred interest expense on Revenue Refunding Bonds and Sewer Revolving Line of Credit in the amount of \$1,292 and \$57 for the Water and Sewer Funds, respectively, of which \$490 was capitalized for Water Fund and \$38 for Sewer Fund.

### Capital Contributions

Advances received for construction of plant assets are recorded as unearned revenue when received. As construction progresses, advanced amounts equivalent to capitalized expenditures are recorded as capital contributions and included as other nonoperating revenue. Assets constructed by developers and contributed to the Department are capitalized at fair market value. The Department includes capital contributions for construction of plant assets as a nonoperating revenue in the accompanying statements of revenues, expenses, and changes in fund net position.

### Revenue Recognition

Operating revenues include revenues derived from the sale of water, from providing sewer service, and from other activities closely related to providing water and sewer service. Principal revenues are derived from volumetric usage and service charges for water and sewer services. Nonoperating revenues and expenses are those not directly associated with the Department's normal business operations of supplying water and sewer service and include interest income and expense, rents received for Department property, and gains and losses on disposition of property. Revenues for water and sewer charges are recorded when billed to customers; billings are based on monthly meter readings. The Department does not accrue revenue for water sold but not billed at the end of the fiscal year as any fluctuations from year to year of unbilled service receivables have been determined to be insignificant.

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### Operating Expenses

The cost of water includes all purchases of water from the Metropolitan Water District of Southern California. Personal services include labor costs for operations, maintenance, and general and administrative functions. Commercial services cost is the Department's share of the City's utility billing system. Maintenance and other costs include the operating costs of the Department and include costs of pumping and treating groundwater as well as general and administrative costs. Permit fees are transfers made to the City.

### Employee Benefits

Full-time Department employees are entitled to receive up to 96 hours of sick leave per year. Unused 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 of the retiring employee's accumulated sick leave to pay for health and dental 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 health and dental premiums. Expenses are recognized by the Department through regular payroll burden charges from the City's Employee Benefits Fund (an internal services fund type) based on estimates of benefits earned for vacation pay and sick leave.

### Pension Plan and Postretirement Benefits

All full-time Department employees are members of the State of California Public Employees' Retirement System (CalPERS), a statewide plan available to most municipalities in the state. The Department's policy is to fund all CalPERS pension costs accrued. The costs to be funded are determined annually as of October 1 by CalPERS, and are incorporated into the payroll burden rate to reimburse the Employee Benefits Internal Service Fund for CalPERS contributions made on behalf of Department employees (see note 5). The Department also participates in the City's Retired Employee Health Insurance Program. This program is a single-employer defined benefit healthcare plan (see note 6).

### Restricted Assets

Amounts restricted for bond indenture requirements and funds held in trust are recorded as restricted assets. Related liabilities of these funds are identified as amounts payable from restricted assets when such obligations are incurred.

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### Risk Management

The Department, as an entity of the City, participates in the City's self-insured program for workers' compensation, property, and tort liability. The City and the Department's management believe that sufficient funds are being accumulated in the City's Insurance Internal Service Fund (Insurance Fund) to meet losses as they arise. The Department contributes to the Insurance Fund through payroll burden charges applied as a percent of current productive salaries. In addition, various risk control techniques, including safety training for all employees and the inclusion of appropriate legal provisions in third-party contracts, have been implemented to minimize risk losses.

### Estimates

The preparation of the Department's financial statements in conformity with the U.S. 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.

### Net Position

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position are classified into the following net position categories:

Net Investment in Capital Assets - Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Amounts restricted for bond indenture requirements.

Unrestricted - All other categories of net position

### **Note 2 - Pooled Cash, Cash Equivalents, and Other Investments**

The City, and by consequence, the Department, has adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires that certain investments and external investment pools be reported at fair value.

Substantially all of the Department's cash, including restricted cash, is deposited with the City Treasurer under the City Treasurer's pooled cash and investment program. Individual pool participants' cash and investments are not specifically identifiable. Interest income earned on pooled cash and investments is allocated monthly to pool participants based on their average

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daily cash balances. The Department is required by the City Charter to participate in the City Treasurer's cash and investment pool. The City's investment policy, in compliance with the California Government Code, authorizes the City Treasurer to invest pooled cash in obligations issued or guaranteed by the federal government and its agencies and instrumentalities, high-quality commercial paper and medium-term corporate notes rated by Standard and Poor's Corporation or 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 investment management companies.

The Department's cash and investments consist of the following:

<b>Water Fund</b>	2013	2012
Equity in the City of Long Beach's investment pool	\$ 43,395	\$ 48,873
Non performing investments	3	14
Non-pooled cash equivalents	3,130	3,119
Total cash and investments	\$ 46,528	\$ 52,006
<b>Sewer Fund</b>		
	2013	2012
Equity in the City of Long Beach's investment pool	\$ 9,076	\$ 6,625
Non performing investments	1	4
Total cash and investments	\$ 9,077	\$ 6,629

A portion of the Department's cash and investments are restricted to use either by bond indenture requirements or actions of the Board. The Department's unrestricted and restricted cash and investments are as follows:

<b>Water Fund</b>	2013	2012
Unrestricted cash and investments	\$ 41,065	\$ 46,848
Restricted cash and investments		
Water Trust Fund	713	715
Bond Service Fund	1,620	1,324
Bond Reserve Fund	3,130	3,119
Total restricted cash and investments	5,463	5,158
Total cash and investments	\$ 46,528	\$ 52,006
<b>Sewer Fund</b>		
	2013	2012
Unrestricted cash and investments	\$ 9,077	\$ 6,629
Total cash and investments	\$ 9,077	\$ 6,629

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

The following table identifies the investment types that are authorized for the City by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provision of the California Government Code or the City's investment policy.

<b>Authorized investment type</b>	<b>Maximum maturity</b>	<b>Maximum percentage of portfolio</b>	<b>Maximum investment in one issuer</b>
Bonds issued by the City	5 years *	30%	None
U.S. Treasury notes, bonds, or bills	5 years *	None	None
Registered state warrants or treasury notes or bonds of the State of California	5 years *	30%	None
Local agency bonds	5 years *	30%	None
Federal agency securities	5 years *	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years *	30%	10%
Time certificates of deposit	5 years *	100%	10%
Repurchase agreements	90 days	100%	None
Reverse repurchase agreements	92 days	20%	None
Securities lending program	92 days	20%	None
Medium-term notes	5 years *	30%	10%
Money market funds	N/A	20%	10%
Local agency investment fund (LAIF)	N/A	None	\$40 million per account
Asset-backed securities	5 years	20%	None
Mortgage-backed securities	5 years	20%	None

\* Maximum maturity of (5) years unless a longer maturity is approved by the City Council, either specifically or as part of an investment program, at least (3) months prior to purchase.

### Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements.

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### Disclosures Relating to Interest Rate Risk

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

The City had no investments with values that were highly sensitive to interest rate risk changes as of September 30, 2013 and 2012. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

The following schedule indicates the interest rate risk of the City's investments as of September 30, 2013 and 2012:

	<b>2013</b>		<b>2012</b>	
<b>Investment Type</b>	<b>Weighted Average Maturity (in years)</b>		<b>Weighted Average Maturity (in years)</b>	
Cash and Investments in City Pool				
Interdepartment Loan (Health SAVRS)	\$ 1,555	5.562	\$ 1,833	6.564
U.S. Treasury Bills	36,996	0.361	111,962	0.247
U.S. Treasury Notes	226,158	0.759	405,979	0.917
Federal Agency Securities	738,293	1.544	902,310	1.183
Money Market Account	233	0.003	536	0.003
Local Agency Investment Fund (LAIF)	120,399	0.003	70,163	0.003
Subtotal City Pool	1,123,634		1,492,783	
Cash and Deposits	220,376		210,021	
Outstanding Checks	(21,507)		(15,527)	
Deposit in Transit	-		20,315	
Total City Pool	\$ 1,322,503		\$ 1,707,592	
Nonperforming Short Term Investment	\$ 429		\$ 2,185	

At September 30, 2013, the Water Fund and Sewer Fund had equity in the City's pool of \$43,395 and \$9,076, respectively, which represents approximately 3.28% and 0.68%, respectively, for a total departmental equity of \$52,471 or 3.97%.

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At September 30, 2012, the Water Fund and Sewer Fund had equity in the City's pool of \$48,873 and \$6,625, respectively, which represents approximately 2.86% and 0.39%, respectively, for a total departmental equity of \$55,498 or 3.25%.

The City's investment pool held Lehman Commercial Paper with a par value of \$20 million, which was not paid when it matured on September 30, 2008. The loss on this nonperforming investment was distributed to all funds in proportion to their equity in the pool. The Water Fund's and Sewer Fund's share of this loss was \$99 and \$30, respectively. The fair value of this non-performing investment as of September 30, 2013, was \$3 and \$1 for Water and Sewer fund, respectively.

### Risks and Uncertainties

The City may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

The City invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to change in economic conditions, including real estate value, delinquencies, or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating requirements for commercial paper, asset-backed securities, and medium-term notes is an A rating. Mortgage-backed security issuers must have a minimum AAA rating. State warrants, state treasury notes, or bonds of the State are to be rated at a minimum of A1/Sp-1 for short-term investments and Aa/AA for long-term investments.

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Presented on following table are the minimum ratings required by the California Government Code, the City's investment policy, and the actual rating as September 30, 2013 and 2012 for each investment type:

Rating as of year-end 2013					
Investment Type	Minimum legal rating	Total	Not required to be rated	AA+	Unrated
Cash and Investments in City Pool					
Interdepartment Loan					
(Health SAVRS)	N/A	\$ 1,555	1,555	-	-
U.S. Treasury Bills	N/A	36,996	36,996	-	-
U.S. Treasury Notes	N/A	226,158	226,158	-	-
Federal Agency Securities	N/A	738,293	-	738,293	-
Money Market Account	N/A	233	-	233	-
Local Agency Investment Fund (LAIF)	N/A	120,399	-	-	120,399
Subtotal City Pool		<u>1,123,634</u>	<u>264,709</u>	<u>738,526</u>	<u>120,399</u>
Cash and Deposits		220,376	-	-	220,376
Outstanding Checks		(21,507)	-	-	(21,507)
Deposit in Transit		-	-	-	-
Total City Pool		<u>\$ 1,322,503</u>	<u>264,709</u>	<u>738,526</u>	<u>319,268</u>
Nonperforming Short-Term Investment	N/A	<u>\$ 429</u>	<u>-</u>	<u>-</u>	<u>429</u>

Rating as of year-end 2012					
Investment Type	Minimum legal rating	Total	Not required to be rated	AA+	Unrated
Cash and Investments in City Pool					
Interdepartment Loan					
(Health SAVRS)	N/A	\$ 1,833	1,833	-	-
U.S. Treasury Bills	N/A	111,962	111,962	-	-
U.S. Treasury Notes	N/A	405,979	405,979	-	-
Federal Agency Securities	N/A	902,310	-	902,310	-
Money Market Account	N/A	536	-	536	-
Local Agency Investment Fund (LAIF)	N/A	70,163	-	-	70,163
Subtotal City Pool		<u>1,492,783</u>	<u>519,774</u>	<u>902,846</u>	<u>70,163</u>
Cash and Deposits		210,021	-	-	210,021
Outstanding Checks		(15,527)	-	-	(15,527)
Deposit in Transit		20,315	-	-	20,315
Total City Pool		<u>\$ 1,707,592</u>	<u>519,774</u>	<u>902,846</u>	<u>284,972</u>
Nonperforming Short-Term Investment	N/A	<u>\$ 2,185</u>	<u>-</u>	<u>-</u>	<u>2,185</u>



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The Department's non-pooled cash and cash equivalents are \$3,130 and \$3,119 for September 30, 2013 and 2012, respectively, which are not required to be rated.

### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more on total City's pooled investments are as follows:

Issuer	Investment type	Reported amount	
		2013	2012
Federal Farm Credit Bank	Federal agency securities	\$ 58,349	161,175
Federal Home Loan Bank	Federal agency securities	155,034	245,103
Federal Home Loan Mortgage Corporation	Federal agency securities	276,246	181,000
Federal National Mortgage Association	Federal agency securities	248,664	315,033
U.S. Treasury	U.S. Treasury notes & bills	263,154	517,941
Local Agency Investment Fund	State pool investment	120,399	70,163

### Custodial Credit Risk

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

As of September 30, 2013, the City reported deposits of \$220 million less \$21.5 million for checks outstanding. As of September 30, 2012, the City's deposits were \$210.0 million less \$15.5 million for checks outstanding.

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### Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized-cost basis. Included in LAIF investments are fixed rate U.S. Treasury and Agency securities, Commercial Paper and Certificate of Deposits with fixed maturities. In addition, LAIF has mortgage-backed securities issued by government sponsored agencies, SBA Loans pools and CMOs' issued by government sponsored agencies. All these securities are fixed rate. The pool is authorized to loan funds to state agencies and the General Fund on a temporary basis.

### Reverse Repurchase Agreements

There were no transactions involving reverse repurchase agreements during the fiscal years ended September 30, 2013 and 2012.

### Note 3 – Capital Assets

Capital assets at September 30, 2013 and 2012 were as follows:

<b>Water Fund</b>	Balance September 30, 2011	Additions	Deletions, Retirements and Transfers	Balance September 30, 2012	Additions	Deletions, Retirements and Transfers	Balance September 30, 2013
Capital assets, not being depreciated:							
Land	\$ 11,248	-	-	11,248	-	-	11,248
Construction in progress	11,891	15,878	(7,583)	20,186	20,792	(20,124)	20,854
Water Rights	40	-	-	40	-	-	40
<b>Total capital assets, not being depreciated</b>	<b>23,179</b>	<b>15,878</b>	<b>(7,583)</b>	<b>31,474</b>	<b>20,792</b>	<b>(20,124)</b>	<b>32,142</b>
Capital assets, being depreciated:							
Buildings, structures and facilities	112,013	1,278	(528)	112,763	2,740	(92)	115,411
Patents	815	-	-	815	-	-	815
Distribution/collection systems	282,159	5,098	(510)	286,747	14,157	(527)	300,377
Machinery and equipment	14,012	1,055	(792)	14,275	1,434	(659)	15,050
<b>Total capital assets, being depreciated</b>	<b>408,999</b>	<b>7,431</b>	<b>(1,830)</b>	<b>414,600</b>	<b>18,331</b>	<b>(1,278)</b>	<b>431,653</b>
Less accumulated depreciation for:							
Buildings, structures and facilities	(44,100)	(2,805)	525	(46,380)	(2,921)	83	(49,218)
Patents	(204)	(41)	-	(245)	(40)	-	(285)
Distribution/collection systems	(107,246)	(5,712)	447	(112,511)	(5,775)	385	(117,901)
Machinery and equipment	(13,565)	(801)	745	(13,621)	(829)	641	(13,809)
<b>Total accumulated depreciation</b>	<b>(165,115)</b>	<b>(9,359)</b>	<b>1,717</b>	<b>(172,757)</b>	<b>(9,565)</b>	<b>1,109</b>	<b>(181,213)</b>
<b>Total capital assets, being depreciated, net</b>	<b>243,884</b>	<b>(1,928)</b>	<b>(113)</b>	<b>241,843</b>	<b>8,766</b>	<b>(169)</b>	<b>250,440</b>
<b>Total Water Fund capital assets, net</b>	<b>\$ 267,063</b>	<b>13,950</b>	<b>(7,696)</b>	<b>273,317</b>	<b>29,558</b>	<b>(20,293)</b>	<b>282,582</b>

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<b>Sewer Fund</b>	Balance September 30, 2011	Additions	Deletions, Retirements and Transfers	Balance September 30, 2012	Additions	Deletions, Retirements and Transfers	Balance September 30, 2013
Capital assets, not being depreciated:							
Construction in progress	\$ 2,815	6,729	(6,174)	3,370	4,499	(2,682)	5,187
Total capital assets, not being depreciated	2,815	6,729	(6,174)	3,370	4,499	(2,682)	5,187
Capital assets, being depreciated:							
Buildings, structures and facilities	5,681	-	-	5,681	-	-	5,681
Distribution/collection systems	186,084	6,326	(1,198)	191,212	2,631	(849)	192,994
Machinery and equipment	4,321	98	(138)	4,281	785	(166)	4,900
Total capital assets, being depreciated	196,086	6,424	(1,336)	201,174	3,416	(1,015)	203,575
Less accumulated depreciation for:							
Buildings, structures and facilities	(1,246)	(111)	-	(1,357)	(111)	-	(1,468)
Distribution/collection systems	(141,182)	(1,383)	1,198	(141,367)	(1,504)	849	(142,022)
Machinery and equipment	(3,312)	(181)	138	(3,355)	(182)	166	(3,371)
Total accumulated depreciation	(145,740)	(1,675)	1,336	(146,079)	(1,797)	1,015	(146,861)
Total capital assets, being depreciated, net	50,346	4,749	-	55,095	1,619	-	56,714
Total Sewer Fund capital assets, net	\$ 53,161	11,478	(6,174)	58,465	6,118	(2,682)	61,901
<b>Combined Total</b>	Balance September 30, 2011	Additions	Deletions, Retirements and Transfers	Balance September 30, 2012	Additions	Deletions, Retirements and Transfers	Balance September 30, 2013
Capital assets, not being depreciated:							
Land	\$ 11,248	-	-	11,248	-	-	11,248
Construction in progress	14,706	22,607	(13,757)	23,556	25,291	(22,806)	26,041
Water Rights	40	-	-	40	-	-	40
Total capital assets, not being depreciated	25,994	22,607	(13,757)	34,844	25,291	(22,806)	37,329
Capital assets, being depreciated:							
Buildings, structures and facilities	117,694	1,278	(528)	118,444	2,740	(92)	121,092
Patents	815	-	-	815	-	-	815
Distribution/collection systems	468,243	11,424	(1,708)	477,959	16,788	(1,376)	493,371
Machinery and equipment	18,333	1,153	(930)	18,556	2,219	(825)	19,950
Total capital assets, being depreciated	605,085	13,855	(3,166)	615,774	21,747	(2,293)	635,228
Less accumulated depreciation for:							
Buildings, structures and facilities	(45,346)	(2,916)	525	(47,737)	(3,032)	83	(50,686)
Patents	(204)	(41)	-	(245)	(40)	-	(285)
Distribution/collection systems	(248,428)	(7,095)	1,645	(253,878)	(7,279)	1,234	(259,923)
Machinery and equipment	(16,877)	(982)	883	(16,976)	(1,011)	807	(17,180)
Total accumulated depreciation	(310,855)	(11,034)	3,053	(318,836)	(11,362)	2,124	(328,074)
Total capital assets, being depreciated, net	294,230	2,821	(113)	296,938	10,385	(169)	307,154
Total Department capital assets, net	\$ 320,224	25,428	(13,870)	331,782	35,676	(22,975)	344,483

## LONG BEACH WATER DEPARTMENT

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In FY2013, the Department completed several projects as part of ongoing improvements to its water distribution system and sewer collection system, totaling \$14,157 for the Water Fund and \$2,631 for the Sewer Fund. These improvements included water cast iron main replacements, water services and meter installations, cathodic protective system installations, and sewer main pipe relining and replacement. In addition, the Department completed several facility improvements totaling \$2,740. These improvements included a new data center, potable water tank rehabilitation, chemical feed tank replacement, building reroofing, and repaving of main facility yard. The Department also purchased machinery and equipment which totaled \$1,434 for the Water Fund and \$785 for the Sewer Fund. These machinery and equipment purchases included dump trucks, sewer cleaning trucks, utility pick-up trucks, fleet vans, chemical sterilizer system, portable water transfer pumps, data and electrical equipment, and water system hydraulic modeling software.

In FY2012, the Department completed several projects as part of ongoing improvements to its water distribution system and sewer collection system, totaling \$5,098 for the Water Fund and \$6,326 for the Sewer Fund. These improvements included water cast iron main replacements, water services and meter installations, recycled water service installations and sewer main pipe relining and replacement. In addition, the Department completed several facility improvements totaling \$1,278. These improvements included treatment plant cistern vault rehabilitation, building reroofing and elevator system upgrades. The Department also purchased machinery and equipment which totaled \$1,055 for the Water Fund and \$98 for the Sewer Fund. These machinery and equipment purchases included backhoe and wheel loaders, trucks, a boom lift, and a mobile emergency response trailer.

### Construction in Progress

Construction in progress at September 30, 2013 and 2012 include the following projects:

<u>Project</u>	<u>2013</u>	<u>2012</u>
Water Main Replacement Program	\$ 8,419	\$ 8,661
Seawater Desalination Project	-	2,295
Reclaimed Water System	1,689	1,152
Sewer main Replacement Program	5,187	3,370
Other Projects	10,746	8,078
Total Combined Construction in Progress	<u>\$ 26,041</u>	<u>\$ 23,556</u>
Such costs are allocated as follows:		
Water Enterprise Fund	20,854	20,186
Sewer Enterprise Fund	5,187	3,370
Total Water Department	<u>\$ 26,041</u>	<u>\$ 23,556</u>

## LONG BEACH WATER DEPARTMENT

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It is the Department's policy to transfer the costs of projects after their completion to other capital asset classifications or to expense. For the fiscal years ended September 30, 2013 and 2012, completed projects were transferred from Construction in progress as follows:

	2013		2012	
	Water Fund	Sewer Fund	Water Fund	Sewer Fund
Transfers to Capital Assets	\$ 17,701	2,680	\$ 7,153	5,837
Transfers to Expense	2,423	2	430	337
Total	<u>\$ 20,124</u>	<u>2,682</u>	<u>\$ 7,583</u>	<u>6,174</u>

### Note 4 – Noncurrent Liabilities:

September 30, 2013	Water Fund			End of year	Due within one year
	Beginning of year	Additions	Reductions		
1997 Water Revenue Refunding Bonds	\$ 5,175	-	(1,630)	3,545	1,720
2010 Water Revenue Refunding Bonds	22,250	-	(125)	22,125	130
2012 Water Revenue Refunding Bonds	9,850	-	(355)	9,495	535
	37,275	-	(2,110)	35,165	2,385
Less current portion	(2,110)	(2,385)	2,110	(2,385)	-
Less 1997 unamortized bond discounts	(19)	-	7	(12)	-
Add 2010 unamortized bond premium	2,545	-	(261)	2,284	-
Add 2012 unamortized bond premium	1,332	-	(118)	1,214	-
Total long-term debt	39,023	(2,385)	(372)	36,266	2,385
Accrued site restoration cost	1,000	-	-	1,000	-
Total noncurrent liabilities	<u>\$ 40,023</u>	<u>(2,385)</u>	<u>(372)</u>	<u>37,266</u>	<u>2,385</u>

September 30, 2013	Sewer Fund			End of year	Due within one year
	Beginning of year	Additions	Reductions		
Sewer Revolving Line of Credit	6,000	3,750	-	9,750	-
Total noncurrent liabilities	<u>\$ 6,000</u>	<u>3,750</u>	<u>-</u>	<u>9,750</u>	<u>-</u>

## LONG BEACH WATER DEPARTMENT

### Notes to Financial Statements September 30, 2013 and 2012 (in thousands of dollars)

September 30, 2012	Water Fund			End of year	Due within one year
September 30, 2012	Beginning of year	Additions	Reductions	End of year	Due within one year
1997 Water Revenue Refunding Bonds	\$ 5,175	-		5,175	1,630
2010 Water Revenue Refunding Bonds	22,740	-	(490)	22,250	125
2012 Water Revenue Refunding Bonds	-	9,850		9,850	355
Subordinate Water Revenue Commercial Paper Notes	11,000	-	(11,000)	-	-
	38,915	9,850	(11,490)	37,275	2,110
Less current portion	(490)	(2,110)	490	(2,110)	-
Less 1997 unamortized bond discounts	(26)	-	7	(19)	-
Less 1997 unamortized loss on refunding*	(309)	-	86	(223)	-
Add 2010 unamortized bond premium	2,800		(255)	2,545	-
Less 2010 unamortized loss on refunding*	(2,491)		198	(2,293)	-
Add 2012 unamortized bond premium	-	1,342	(10)	1,332	-
Total long-term debt	38,399	9,082	(10,974)	36,507	2,110
Accrued site restoration cost	1,000	-	-	1,000	-
Total noncurrent liabilities	\$ 39,399	9,082	(10,974)	37,507	2,110

\* These amounts were reclassified and reported as deferred outflow of resources effective October 1, 2012, in accordance with GASB Statement No. 65, see further discussion on page 29.

September 30, 2012	Sewer Fund			End of year	Due within one year
September 30, 2012	Beginning of year	Additions	Reductions	End of year	Due within one year
Sewer Revolving Line of Credit	6,000	-	-	6,000	-
Total noncurrent liabilities	\$ 6,000	-	-	6,000	-

The bonds are payable from and secured by net revenues of the Department.

### **Second Lien Water Revenue Bonds - Series 2012A**

On August 30, 2012, the Water Fund issued \$9,850 in Second Lien Water Revenue Bonds, Series 2012A (the Series 2012A Bonds) at a premium of \$1,342 to provide funds to (a) refund, on a current basis, \$11,000 aggregate principal outstanding in Subordinate Water Revenue Commercial Paper Notes, and (b) pay the cost of issuing the Series 2012A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of historically low fixed bond rates, and provide the Department with certainty in its future debt service payment requirements. The Commercial Paper program, as authorized by the Board under Resolution WD-1170, expired on October 1, 2012.

The Bonds bear interest ranging from 2.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2012. Principal payments are due every May 1, commencing on May 1, 2013, with bond terms maturing through the year 2027. The initial issuance premium of \$1,342 on the Series 2012 Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
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Under Board Resolution WD-1300 adopted July 24, 2012 authorizing the issuance and sale of the Series 2012A Bonds, the Board also approved closure of the Senior Lien trust indentures pursuant to which the Department previously issued the Series 1997A City of Long Beach Water Revenue Refunding Bonds and Series 2010A City of Long Beach Water Revenue Refunding Bonds. The Board also irrevocably covenanted that the Department would not issue any additional Parity Obligations in the future that would have a lien on Net Revenues senior to its Subordinate Obligations, including the 2012A Bonds.

The Board, on behalf of the City, has covenanted under the Master Subordinate Indenture, to set rates and charges for the supply of water to its customers sufficient to yield net revenues each year equal to at least equal to 1.10 times the aggregate annual amount of principal and interest due on the Senior Lien Bonds and any Subordinate Obligations, including the Series 2012A Bonds.

### **Water Revenue Refunding Bonds - Series 2010A**

On September 29, 2010, the Water Fund issued \$22,740 in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of \$3,021 to (a) advance refund 82.4% or \$24,290 of the outstanding Series 1997A Water Revenue Refunding Bonds at a redemption premium of 2% over par value, (b) fund a reserve fund for the Series 2010A Bonds, and (c) pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010. Principal payments are due May 1, commencing on May 1, 2012.

The remaining Series 1997A Bonds maturing on May 1, 2015 are not subject to redemption prior to maturity, and remain outstanding in the amount of \$5,175 at September 30, 2013.

The initial issuance premium of \$3,021 on the Series 2010A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

In addition, the refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of \$2,697. This difference is considered to be a deferred outflow on the refunding and is reported in the Statements of Net Position as a separate category under Deferred Outflows of Resources. The deferred outflow from the refunding is being amortized using the straight-line method over the life of the Series 2010A bonds, which have the same maturity as the old debt. The Refunded Series 1997A Bonds were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by \$3,286, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was \$3,349.

## **LONG BEACH WATER DEPARTMENT**

Notes to Financial Statements  
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The Series 2010A Bonds and any Parity Obligations (including the Series 1997A Bonds) are secured by a first lien upon and pledge of all of the net revenues of the entire water system (the Water Enterprise Fund) of the City of Long Beach. Net revenues are defined as all gross revenues derived by the ownership and operation of the Water Enterprise Fund less operation and maintenance costs. The Board has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations (including the Series 1997A Bonds).

### **Water Revenue Refunding Bonds - Series 1997A**

On October 15, 1997, the Water Fund issued \$46,945 in Water Revenue Refunding Bonds, Series 1997A (the Series 1997A Bonds), with an average interest rate of 5.195%. The Bonds were issued (i) to refund \$43,980 of outstanding 1994 Water Revenue Refunding Bonds, Series A; (ii) to establish a debt service reserve fund for the 1997 Bonds; and (iii) to pay the costs of issuance associated with the delivery and sale of the 1997 Bonds.

The refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$4,320. This difference, reported in the Statements of Net Position as a separate category under Deferred Outflows of Resources and being amortized using the straight-line method over the life of the bonds. The Department in effect reduced its aggregate debt service payments by \$2,493 over the remaining 27 years thereby resulting in an economic gain of \$1,303.

The Bonds are secured by a first lien upon and pledge of all of the net revenues of the entire water system (the Water Enterprise Fund) of the City of Long Beach. Net revenues are defined as all gross revenues derived by the ownership and operation of the Water Enterprise Fund less operation and maintenance costs. The Board has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations.

### **Subordinate Water Revenue Commercial Paper Notes**

On October 17, 2002, the Board approved Resolution WD-1170, which authorized the issuance and sale of up to \$15,000 of City of Long Beach, California Subordinate Water Revenue Commercial Paper Notes (notes), Series A (tax exempt), and Series B (taxable). The City's Water Enterprise subordinate net revenues (gross revenues less operation and maintenance costs) secure the notes. The City of Long Beach City Council approved the issuance and sale on October 29, 2002. Proceeds from the variable debt were used for interim financing needs to assist with completing reclaimed system expansion projects that were partially funded by federal and state grants and for seawater desalination research and development, which is partially funded by a federal grant.



## **LONG BEACH WATER DEPARTMENT**

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On January 8, 2003, Series A notes in the amount of \$6,000 were issued. The notes are issued in denominations of \$100,000 and integral multiples of \$1,000 in excess of \$100,000, and mature not more than 270 days after date of issuance. On March 19, 2008, Series A notes in the amount of \$2,000 were issued. On April 6, 2009, additional Series A notes in amount of \$3,000 were issued. Interest rates have ranged from 0.28% to 3.72%. The Department, as authorized by the Board under Resolution WD-1170, retired these notes on October 1, 2012.

### **Subordinate Sewer Revolving Line of Credit**

On May 5, 2011, the Board approved Resolution WD-1282 authorizing the issuance from time to time of Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, which provides for a Revolving Line of Credit (LOC) in an amount not to exceed \$20,000 at any time. Obligations under the LOC are secured by and payable from a subordinate lien upon the City's Sewer Enterprise net revenues (gross revenues less operation and maintenance costs). The original term of the LOC was for three years, with a Commitment Expiration Date of May 26, 2014. Effective July 8, 2013, the Commitment Expiration Date was extended by an additional three years to May 26, 2017. The LOC was secured to pay off the outstanding principal on Senior Sewer Revenue Commercial Paper Notes and to continue to provide interim financing of sewer system improvements and sewer pipe rehabilitation and replacement programs. The Department will suspend the issuance of sewer commercial paper notes under the existing commercial paper program, but reserves the right issue obligations in the future senior to its obligations created under the LOC.

On May 26, 2011, the Department drew \$6,000 on the LOC to retire \$4,000 of outstanding Sewer Revenue Commercial Paper notes and fund \$2,000 in sewer system improvements. On September 3, 2013, the department drew another \$3,750 to fund sewer system improvements. Interest rates are based on 70% of the London Interbank Offered Rate (LIBOR) plus an applicable margin, and can be designated as fixed or variable for one-month, three-month, or six-month interest periods. Interest rates have ranged from 0.88% to 1.07%.

### **Senior Sewer Revenue Commercial Paper Notes**

On May 7, 2009, the Board approved Resolution WD-1255, which authorized the issuance and sale of up to \$20,000 of City of Long Beach, California Senior Sewer Revenue Commercial Paper Notes (notes), Series A (tax exempt), and Series B (taxable). The City's Sewer Enterprise net revenues (gross revenues less operation and maintenance costs) secure the notes. The notes are further supported by credit enhancement in the form of an Irrevocable Letter of Credit, issued initially by Union Bank, N.A. pursuant to a reimbursement agreement. The City of Long Beach City Council approved the issuance and sale on June 2, 2009. Proceeds from the variable debt was used for interim financing of sewer system improvements and sewer pipe rehabilitation and replacement programs.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
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On June 11, 2009, Series A notes in the amount of \$4,000 were issued. The notes were issued in denominations of \$100,000 and integral multiples of \$1,000 in excess of \$100,000 and matured not more than 270 days after date of issuance. Interest rates have ranged from 0.20% to 0.30%. The Department retired these notes on May 26, 2011.

### **Accrued Site Restoration Cost**

In FY2010, the Department completed its study on Seawater Nanofiltration Desalination Processes. The Department's prototype 300,000 gallons per day desalination research and development facility was located on land leased from Los Angeles Department of Water and Power. Under the terms of the lease, the Department was required to dismantle the facility and restore the site to its original condition. Estimated site restoration costs of \$400 had been accrued as a long-term liability in FY2007. During FY2010, the estimated accrued site restoration costs were reduced and actual restoration costs relating to the dismantling of the prototype desalination research and development facility were recorded as expense.

In FY2008, the Department completed construction of a subsurface seawater intake and discharge facility. Facility construction costs totaling \$4,614 have been capitalized and were depreciated over a period of two years. A Coastal Development Permit granted by the California Coastal Commission in September 2007, required the Department to restore the project site to its preexisting condition no later than May 21, 2012. On July 14, 2011, the Department was granted an extension for the restoration of the coastal area to May 26, 2017. Estimated site restoration costs of \$1,000 have been accrued as a long-term liability and recorded as nonoperating expenses. Operating costs of the facility are expensed as incurred.

### **Total Annual Debt Service Requirements to Maturity**

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending Sept 30	Series 1997 Bonds		Series 2010 Bonds		Series 2012 Bonds		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	1,720	204	130	932	535	366	2,385	1,502	3,887
2015	1,825	105	135	929	550	356	2,510	1,390	3,900
2016	-	-	2,065	925	565	339	2,630	1,264	3,894
2017	-	-	2,150	843	580	322	2,730	1,165	3,895
2018	-	-	2,210	778	605	299	2,815	1,077	3,892
2019-2023	-	-	12,490	2,461	3,410	1,112	15,900	3,573	19,473
2024-2027	-	-	2,945	147	3,250	366	6,195	513	6,708
Total	<u>\$ 3,545</u>	<u>309</u>	<u>22,125</u>	<u>7,015</u>	<u>9,495</u>	<u>3,160</u>	<u>35,165</u>	<u>10,484</u>	<u>45,649</u>

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
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### **Note 5 - Retirement Programs**

The Department participates on a cost-sharing basis with the City in the CalPERS, a defined benefit, agent multiple-employer pension system that acts as a common investment and administrative agent for entities in California. The Department is billed by the City for its share of pension costs at the rates established by CalPERS for the City's general employees. A separate pension obligation is not calculated by CalPERS at the Departmental level; accordingly, no separate Department obligation can be presented herein.

As employees of the City, the Department's full-time employees are eligible to participate in CalPERS and become vested in the system after five years of service. Upon vesting, employees on tier 1 (those hired on or before October 20, 1989) who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% (with a 5% annual COLA increase) of the employee's average salary during the highest paid year of employment for each year of credited service. Employees under tier 2 (those hired after October 20, 1989) who retire at age 55 are entitled to receive 2.7% (with a 2% annual COLA increase) of the employee's average salary during the highest paid year of employment for each year of credited service. A third tier was set up effective October 1, 2006. New employees hired on or after October 1, 2006 will be under a new tier benefit of 2.5% at 55. The system also provides death and disability benefits.

Effective January 1, 2013, miscellaneous employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 62, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For fiscal year 2013, salaries are capped at \$113.7. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. For the fiscal year ended September 30, 2013, Miscellaneous plan participants were required to contribute 8.0% of their annual covered salary. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll; the current rate is 15.159%. For fiscal year 2014, the contribution rate was 15.324%. In fiscal years 2013, 2012, and 2011, the Department's contributions to CalPERS were \$2,452, \$2,824, and \$2,371 for Water Fund and \$478, \$566, and \$439 for Sewer Fund, respectively, which represented 100% of the Department's required contributions.

Further information regarding the City's participation in CalPERS may be found in the City's Comprehensive Annual Financial Report for the year ended September 30, 2013.

## LONG BEACH WATER DEPARTMENT

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### **Note 6 – City Post Retirement Health Care Benefits**

#### Plan Description

The City's Retired Employees Health Insurance Program is a single-employer defined benefit healthcare plan. The Department participates in this program and shares in the cost.

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. 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. The City has provided two one-time early retirement incentive programs. The first had a maximum value of \$25 for employees, based on age, who retired during calendar year 1996, and the second incentive offered a 16-hour increase in sick leave per year of service to management employees who retired by June 30, 2004. In all cases, once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying the premiums at the retiree's expense.

At September 30, 2013, there were 586 participants in the City's Retired Employees Health Insurance Program, and the noninterest-bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$20.6 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2013 were \$7.4 million, and are included in the expenses of the City's Employee Benefits Internal Service Fund.

#### Termination Benefits

As of September 30, 2013, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$123.3 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences (GASB 16)*. The liability takes into account an estimate of future usage, additional leave accumulation, and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and 2009 negotiated public safety health benefit supplements as described below.

#### Fire Retirement Supplement Benefit

- The Long Beach Fire Fighter Association agreed to defer an October 1, 2009 general salary adjustment to October 1, 2010 and to extend all other adjustments by one year.
- Supplement eligibility is limited to employees retiring on or before December 31, 2009.
- Benefit formula is equal to the difference between CalPERS retirement had the October 1, 2009 general salary adjustment been made for a full year and actual retirement benefits received by CalPERS.

## LONG BEACH WATER DEPARTMENT

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- Supplement is credited annually to retirees Health account and is adjusted by CalPERS cost of living adjustment (COLA).
- Account will be adjusted as long as retiree or beneficiaries are receiving CalPERS.

### Police Retirement Supplement Benefit

- The Long Beach Police Officers Association agreed to extend a September 30, 2009 midpoint adjustment of 3.20% for sergeants, 14.80% for lieutenants and 9.3% for corporals and officers, to a 2% minimum increase per year. The midpoint adjustment is based on the Strategic Plan Cities Survey of salaries in similar cities.
- Supplement eligibility is limited to employees retiring on or after September 30, 2009 and before benefits level reaches what it would have been had the September 30, 2009 adjustment been made.
- Benefit formula is equal to the difference between CalPERS retirement had the September 30, 2009 midpoint adjustment been made and actual retirement benefits received by CalPERS.
- Supplement is credited annually to retirees Health account and is adjusted by CalPERS cost of living adjustment (COLA).
- Account will be adjusted as long as retiree or beneficiaries are receiving CalPERS.

The actuarial study assumes an investment return of 4.3%; wage increases of 3.3% per year for both miscellaneous and safety employees; and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$8.1 million has been fully funded and the long – term portion of the liability of \$115.2 million is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

### Other Postemployment Benefits

As of September, 30, 2013, the City has also recorded a liability in the Employee Benefits Internal Service Fund of \$45.2 million based on an actuarial study of the “implicit subsidy” as defined by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, (GASB 45). While the City does not directly contribute any funding towards the cost of premiums for retirees, the ability to obtain coverage at an active employee’s rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City’s healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an “implicit subsidy” under GASB 45.

The ability to participate in the City’s plan by self-paying the premiums extends for the lifetime of the retiree. However, upon attaining the age of Medicare eligibility, the retiree may enter a plan coordinated by Medicare. Standard actuarial practice assumes that Medicare supplemental plans do not generally give rise to an implicit subsidy, and while the City has included Medicare eligible retirees in this valuation, their liability under GASB 45 and their implicit subsidy are both zero.

This plan does not issue a separate financial report.

## LONG BEACH WATER DEPARTMENT

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### Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2013, the City has not prefunded the plan.

### Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the requirements of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$	15,405
Interest on net OPEB obligation		1,776
Adjustment to annual required contribution		<u>(2,744)</u>
Annual OPEB cost		14,437
Contribution made		<u>(4,709)</u>
Increase in net OPEB obligation		9,728
Net OPEB obligation – beginning of year		<u>35,514</u>
 Net OPEB obligation – end of year	 \$	 <u>45,242</u>

The ARC was determined as part of the September 2012 actuarial valuation. For the year ended September 30, 2013, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$ 12,289	34.0%	\$ 26,139
9/30/2012	13,486	30.5%	35,514
9/30/2013	14,437	32.6%	45,242

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2013 and 2012  
(in thousands of dollars)

### Funded Status and Funding Progress

The funded status of the plan as of September 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 238,683
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 238,683</u>
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll	\$ 331,504
UAAL as a percentage of covered payroll	72.0%

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

### Actuarial Methods and Assumption

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

The September 30, 2012 actuarial valuation used the entry age normal cost method. The actuarial assumptions included a 4.3% investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 8.5% for non-Medicare plans and 8.9% for Medicare plans with both decreasing to 5.0% for all plans by September 30, 2021, and an inflation assumption of 3.0%. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The actuarial value of plan assets was zero. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over 30 years.

## LONG BEACH WATER DEPARTMENT

Notes to Financial Statements  
September 30, 2013 and 2012  
(in thousands of dollars)

### Note 7 - Operating Leases

The Department owns approximately 820 acres of land, approximately 80 acres of which is leased for commercial purposes. Minimum future rental income due to the Water Fund under noncancelable operating leases which have an initial term in excess of one year is as follows:

Year ending September 30:	
2014	\$ 811
2015	688
2016	676
2017	426
2018	255
2019-2023	1,277
2024-2028	1,277
2029-2033	1,277
2034-2038	1,078
2039-2041	<u>1,078</u>
Total minimum future rentals	\$ <u>8,843</u>

### Note 8 - Commitments and Contingencies

#### Litigation

The Department is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney's office. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that any liability for unreserved claims and lawsuits will not have a material impact on the basic financial statements of the Department.

#### Commitments

Contract commitments and purchase orders for which materials or services were not received as of September 30, 2013 amount to \$2,106 and \$2,086 for the Water Fund and Sewer Fund, respectively.



**STATISTICAL SECTION**  
(Unaudited)

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# **Financial Trends**

These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

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**LONG BEACH WATER DEPARTMENT**  
**CHANGES IN NET POSITION - WATER FUND**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

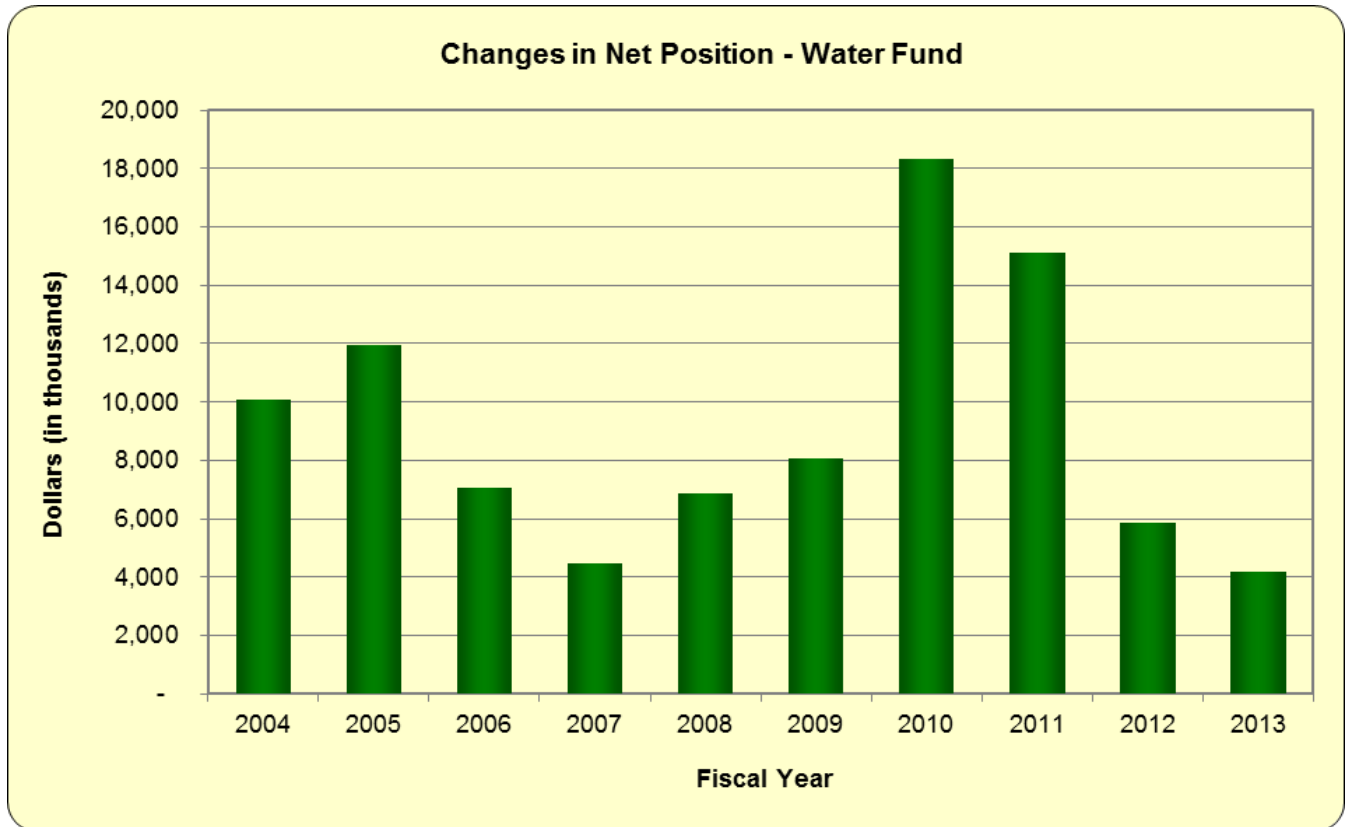
<u>Fiscal Year Ended</u>	<u>Total Operating Revenue <sup>(1)</sup></u>	<u>Total Operating Expense</u>	<u>Operating Income</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Total Contributed capital</u>	<u>Changes in Net Position</u>
9/30/2004	\$ 63,125	\$ 55,544	\$ 7,581	\$ (188)	\$ 2,649	\$ 10,042
9/30/2005	64,464	58,262	6,202	(542)	6,289	11,949
9/30/2006	66,026	60,933	5,093	(691)	2,634	7,036
9/30/2007	70,192	66,870	3,322	(1,394)	2,544	4,472
9/30/2008	71,384	67,647	3,737	(660)	3,746	6,823
9/30/2009	80,777	73,916	6,861	(1,029)	2,221	8,053
9/30/2010	87,151	79,422	7,729	8,302	2,263	18,294
9/30/2011	88,576	80,403	8,173	(1,374)	8,283	15,082
9/30/2012	86,515	79,342	7,173	(1,573)	247	5,847
9/30/2013	91,949	85,783	6,166	(2,152)	131	4,145 <sup>(2)</sup>

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT**  
**CHANGES IN NET POSITION - SEWER FUND**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

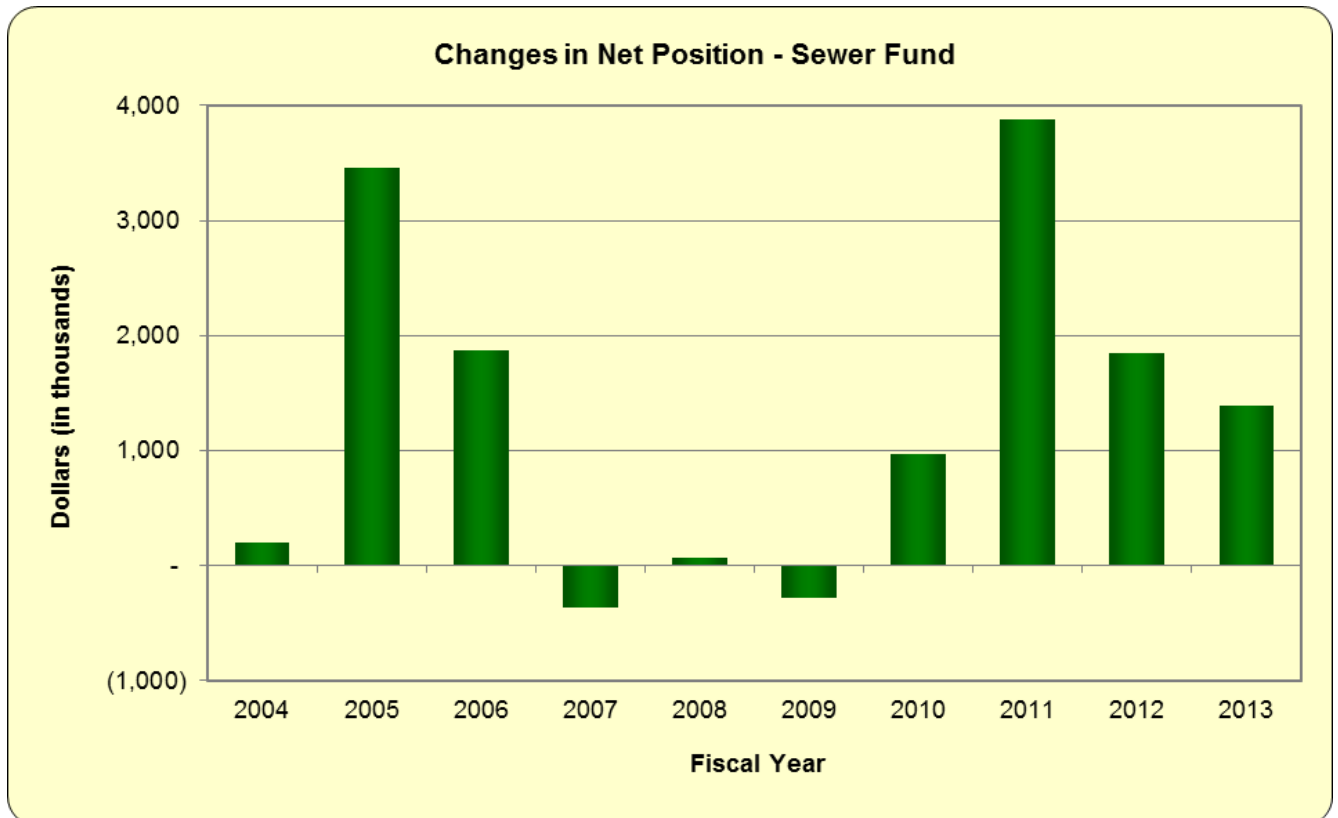
<u>Fiscal Year Ended</u>	<u>Total Operating Revenue <sup>(1)</sup></u>	<u>Total Operating Expense</u>	<u>Operating Income (Expenses)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Total Contributed capital</u>	<u>Changes in Net Position</u>
9/30/2004	\$ 9,267	\$ 7,753	\$ 1,514	\$ (1,695)	\$ 380	\$ 199
9/30/2005	9,708	7,058	2,650	225	585	3,460
9/30/2006	9,237	7,730	1,507	355	-	1,862
9/30/2007	10,796	11,524	(728)	352	-	(376)
9/30/2008	11,759	11,875	(116)	174	-	58
9/30/2009	12,455	13,003	(548)	258	-	(290)
9/30/2010	15,186	14,015	1,171	(517)	310	964
9/30/2011	16,448	14,795	1,653	(650)	2,868	3,871
9/30/2012	17,325	14,411	2,914	(1,260)	185	1,839
9/30/2013	17,311	15,165	2,146	(761)	-	1,385 <sup>(2)</sup>

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



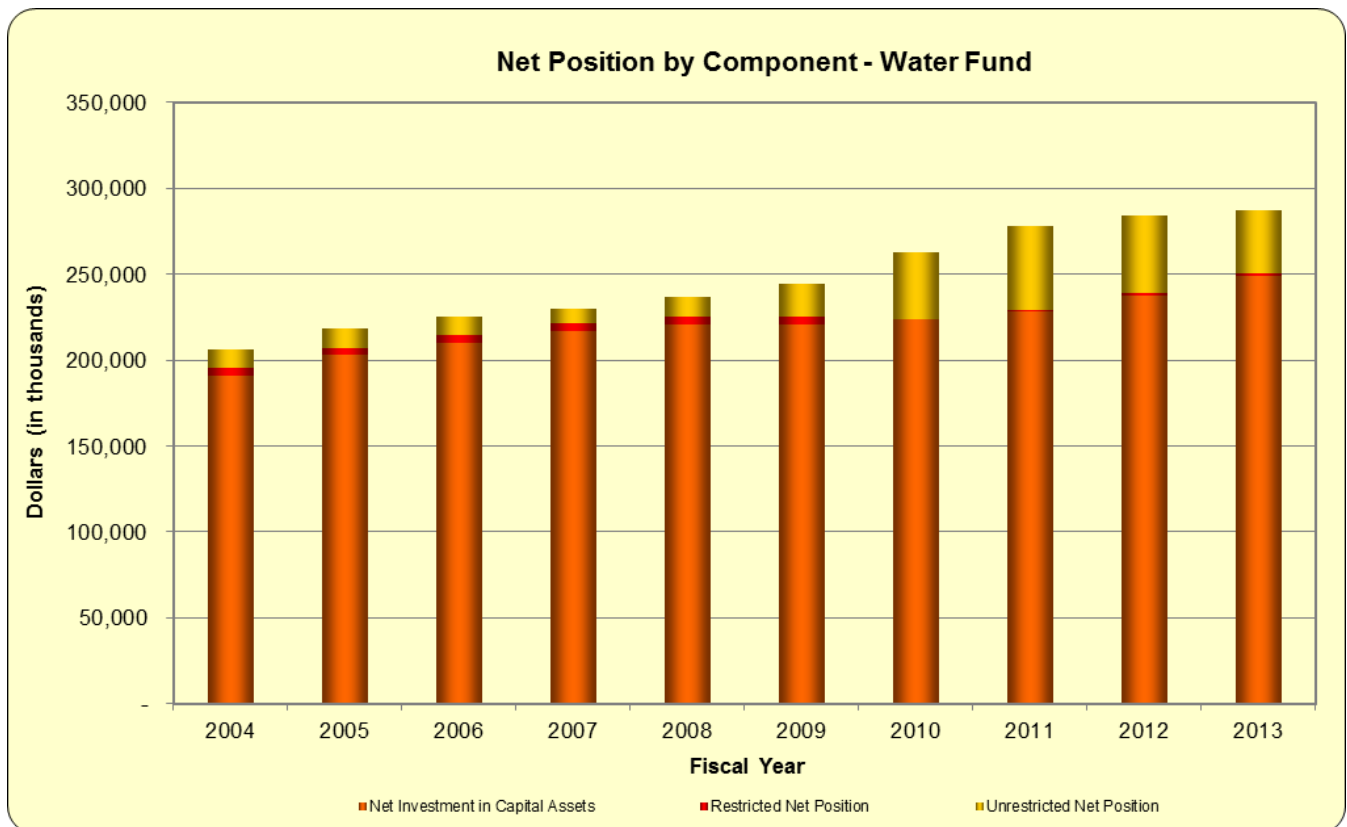
**LONG BEACH WATER DEPARTMENT**  
**NET POSITION BY COMPONENT - WATER FUND**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total Net Position</u>
9/30/2004	\$ 191,067	\$ 4,298	\$ 11,202	\$ 206,567
9/30/2005	202,959	4,316	11,240	218,515
9/30/2006	210,282	4,355	10,914	225,551
9/30/2007	217,247	4,409	8,366	230,022
9/30/2008	221,225	4,178	11,442	236,845
9/30/2009	220,974	4,240	19,684	244,898
9/30/2010	223,560	153	39,479	263,192
9/30/2011	228,196	736	49,342	278,274
9/30/2012	237,793	1,350	44,978	284,121
9/30/2013	249,256	1,656	36,814	287,726 <sup>(1)</sup>

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



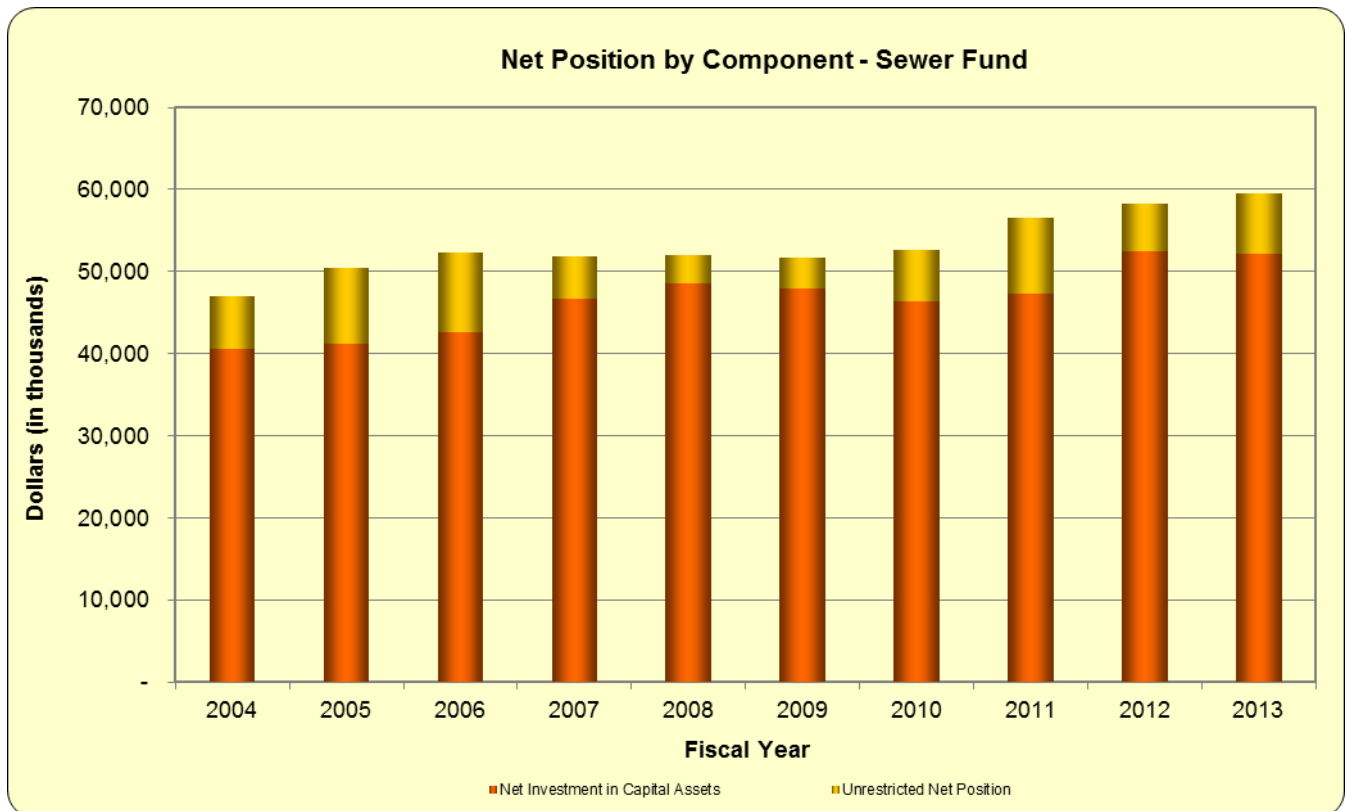
**LONG BEACH WATER DEPARTMENT  
NET POSITION BY COMPONENT - SEWER FUND  
LAST TEN FISCAL YEARS  
(in thousands of dollars)**

<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total Net Position</u>
9/30/2004	\$ 40,600	\$ -	\$ 6,325	\$ 46,925
9/30/2005	41,206	-	9,179	50,385
9/30/2006	42,619	-	9,628	52,247
9/30/2007	46,637	-	5,235	51,872
9/30/2008	48,541	-	3,389	51,930
9/30/2009	47,891	-	3,749	51,640
9/30/2010	46,383	-	6,221	52,604
9/30/2011	47,378	-	9,097	56,475
9/30/2012	52,465	-	5,849	58,314
9/30/2013	52,151	-	7,412	59,563 <sup>(1)</sup>

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report





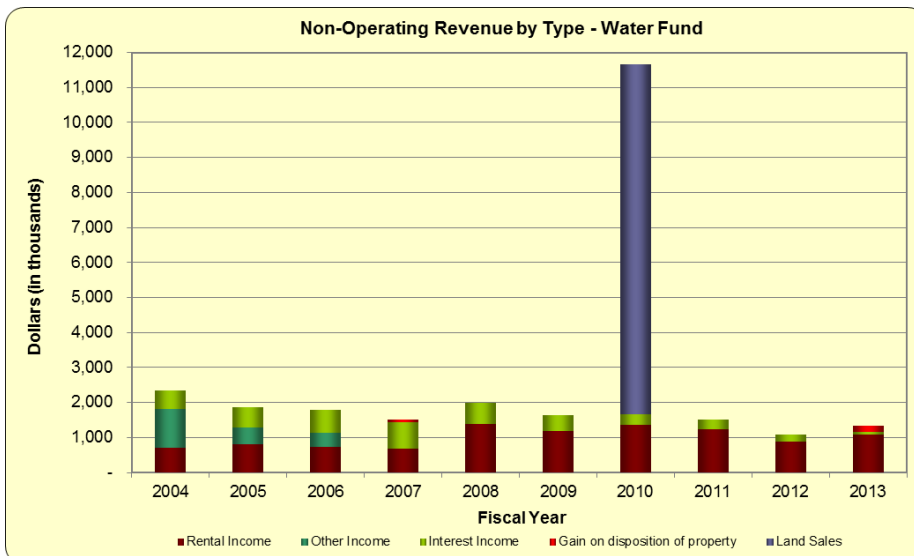
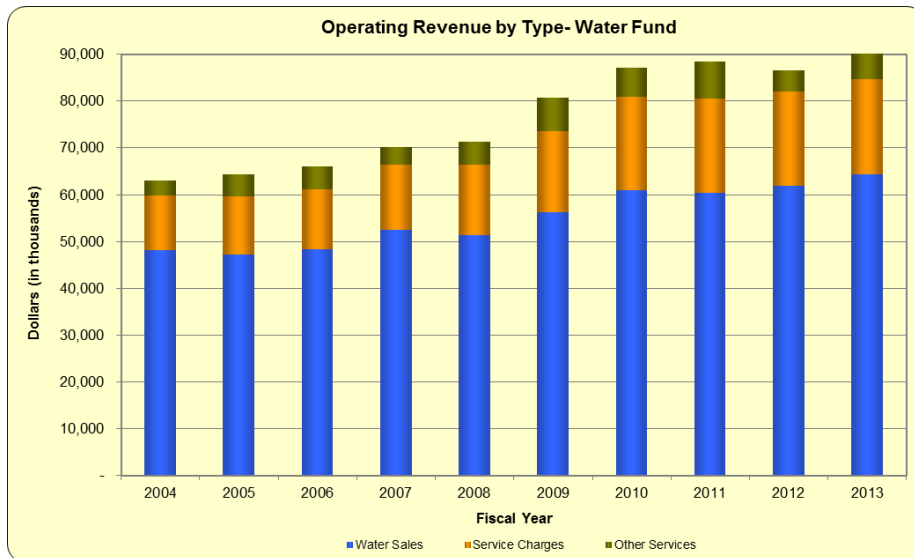
**LONG BEACH WATER DEPARTMENT**  
**WATER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS**  
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING					
	Water Sales <sup>(1)</sup>	Service Charges	Other Services	Total Operating Revenue	Interest Income	Rental Income	Land sales	Other Income	Gain on disposition of property	Total Non-Operating Income
9/30/2004	\$ 48,160	\$ 11,648	\$ 3,317	\$ 63,125	\$ 541	\$ 700	\$ -	\$ 1,099	\$ -	\$ 2,340
9/30/2005	47,296	12,302	4,866	64,464	556	804	-	488	-	1,848
9/30/2006	48,429	12,727	4,870	66,026	653	733	-	391	-	1,777
9/30/2007	52,507	13,959	3,726	70,192	758	682	-	-	66	1,506
9/30/2008	51,389	15,156	4,839	71,384	602	1,382	-	-	-	1,984
9/30/2009	56,256	17,299	7,222	80,777	456	1,181	-	-	-	1,637
9/30/2010	60,975	19,983	6,193	87,151	302	1,345	10,000	-	-	11,647
9/30/2011	60,398	20,251	7,927	88,576	294	1,221	-	-	-	1,515
9/30/2012	61,884	20,223	4,408	86,515	193	885	-	-	-	1,078
9/30/2013	64,347	20,363	7,239	91,949	58	1,087	-	-	196	1,341

Notes: (1) Water Sales is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report

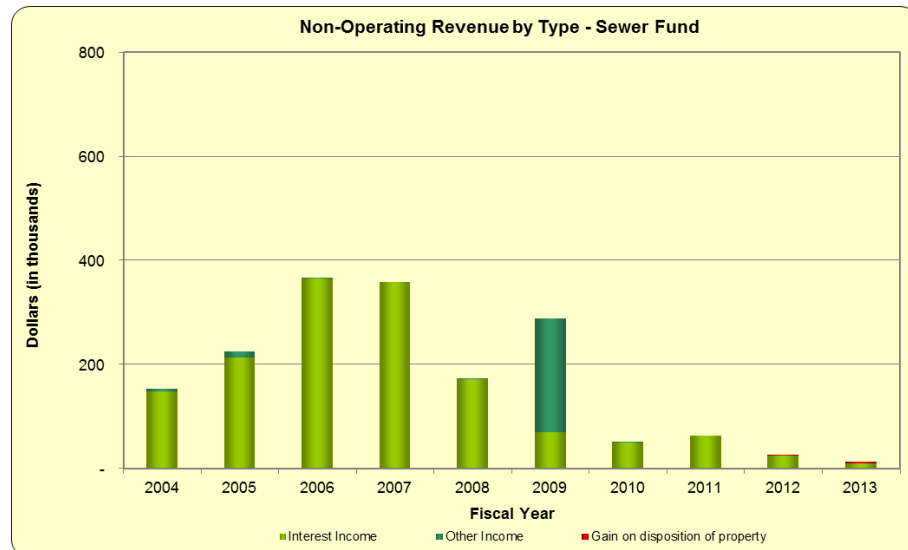
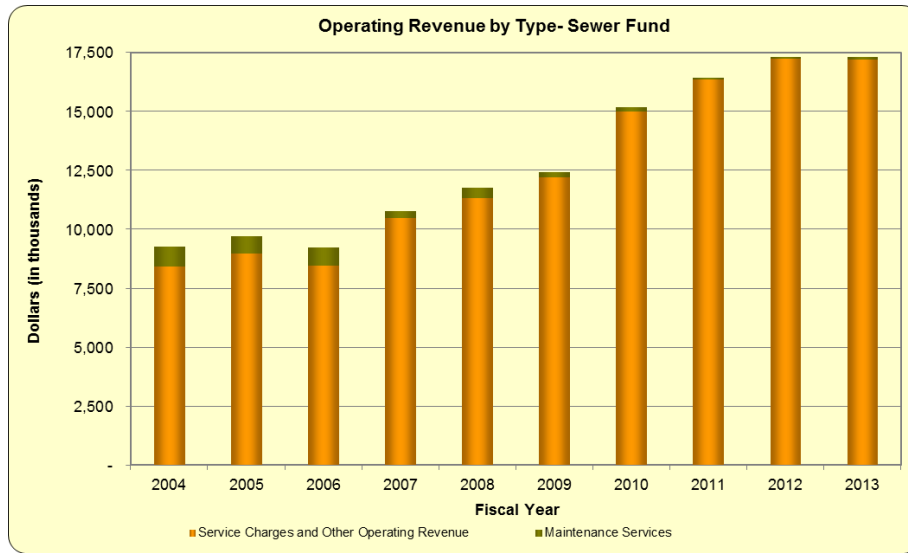


**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	OPERATING			NON-OPERATING			
	Service Charges and Other Operating Revenue	Maintenance Services	Total Operating Revenue	Interest Income	Other Income	Gain on disposition of property	Total Non-Operating Income
9/30/2004	\$ 8,434	\$ 832	\$ 9,266	\$ 149	\$ 5	\$ -	154
9/30/2005	8,976	732	9,708	213	12	-	225
9/30/2006	8,457	780	9,237	366	1	-	367
9/30/2007	10,500	296	10,796	359	-	-	359
9/30/2008	11,317	442	11,759	172	2	-	174
9/30/2009	12,203	252	12,455	70	219	-	289
9/30/2010	15,013	173	15,186	50	0.01	-	50
9/30/2011	16,362	86	16,448	63	-	-	63
9/30/2012	17,239	86	17,325	25	-	2	27
9/30/2013	17,225	86	17,311	11	-	2	13

Source: Department's annual reports

See accompanying independent auditors' report

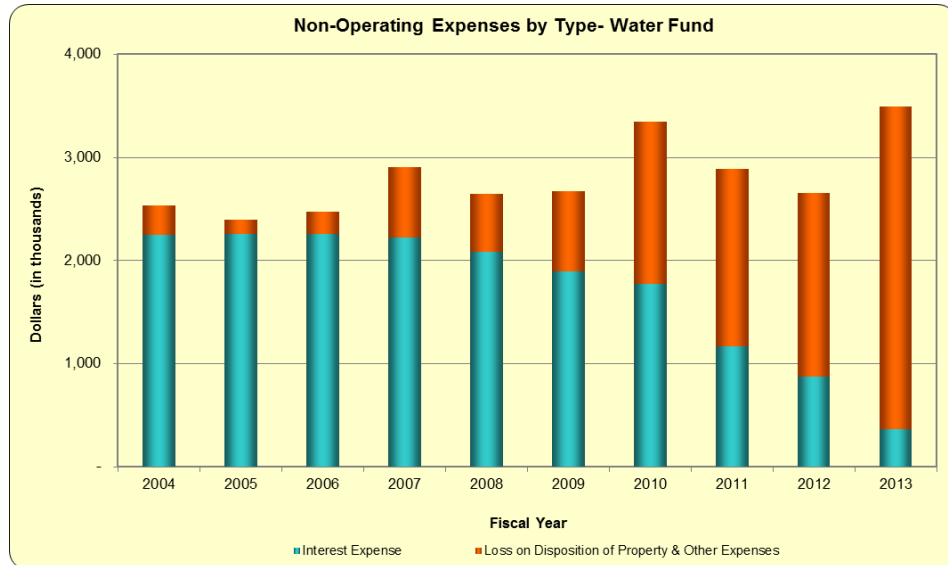
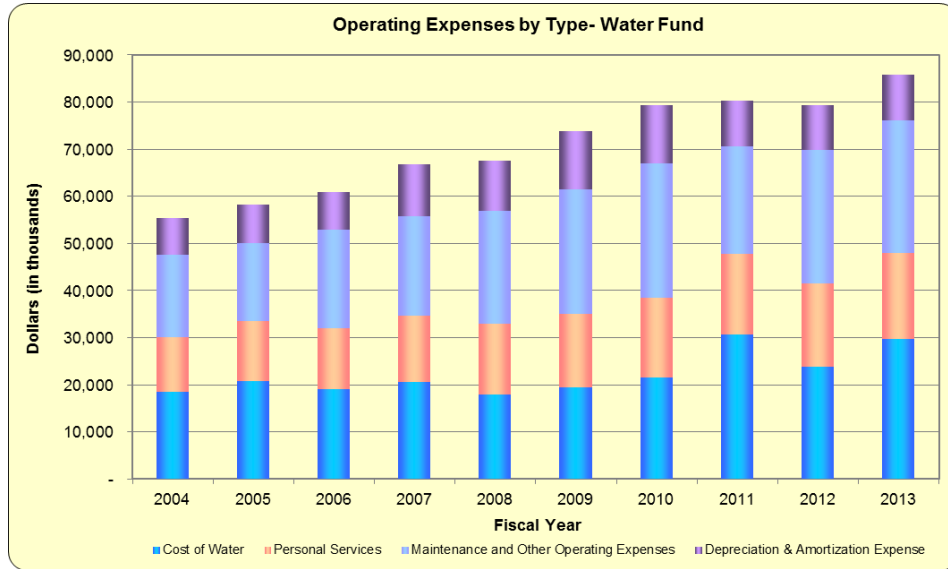


**LONG BEACH WATER DEPARTMENT**  
**WATER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS**  
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING			
	Cost of Water	Personal Services	Maintenance and Other Operating Expenses	Depreciation & Amortization Expense	Total Operating Expenses	Interest Expense	Loss on Disposition of Property & Other Expenses	Total Non-Operating Expense
9/30/2004	\$ 18,581	\$ 11,572	\$ 17,539	\$ 7,852	\$ 55,544	\$ 2,243	\$ 285	\$ 2,528
9/30/2005	20,936	12,731	16,421	8,174	58,262	2,253	137	2,390
9/30/2006	19,179	12,974	20,895	7,885	60,933	2,255	213	2,468
9/30/2007	20,606	14,069	21,224	10,972	66,871	2,217	683	2,900
9/30/2008	18,036	14,974	24,009	10,628	67,647	2,078	566	2,644
9/30/2009	19,509	15,654	26,319	12,434	73,916	1,891	775	2,666
9/30/2010	21,588	16,855	28,648	12,331	79,422	1,773	1,572	3,345
9/30/2011	30,825	17,095	22,644	9,839	80,403	1,167	1,722	2,889
9/30/2012	23,887	17,594	28,502	9,359	79,342	872	1,779	2,651
9/30/2013	29,753	18,309	28,155	9,566	85,783	363	3,130	3,493

Source: Department's annual reports

See accompanying independent auditors' report

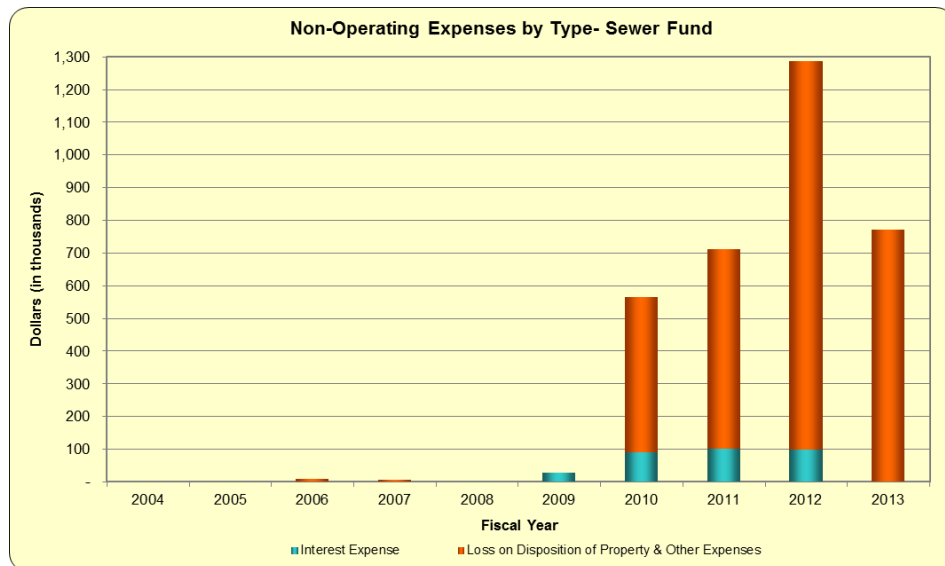
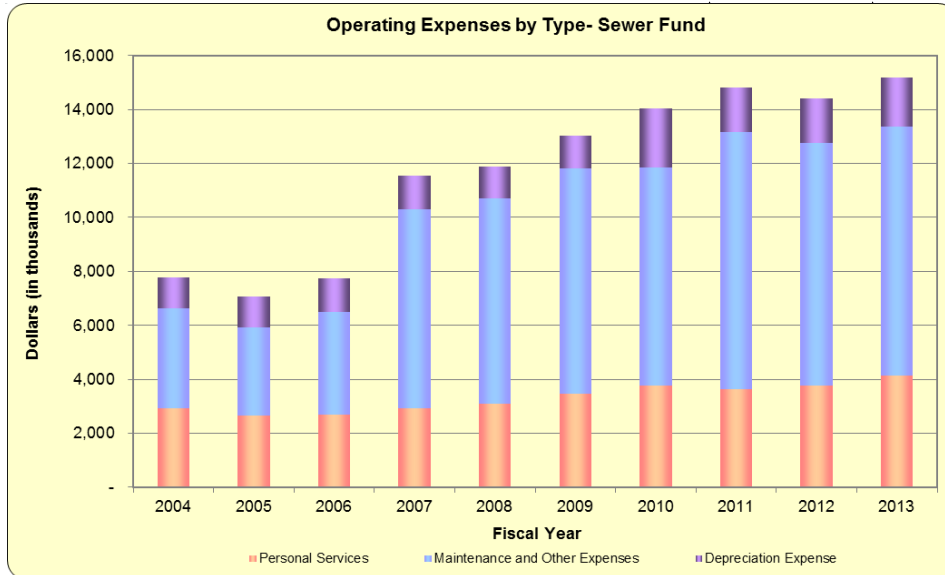


**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING		
	Personal Services	Maintenance and Other Operating Expenses	Depreciation Expense	Total Operating Expenses	Interest Expense	Loss on Disposition of Property & Other Expenses	Total Non-Operating Expense
9/30/2004	\$ 2,912	\$ 3,693	\$ 1,148	\$ 7,753	\$ -	\$ -	\$ -
9/30/2005	2,648	3,248	1,161	7,057	-	-	-
9/30/2006	2,689	3,808	1,233	7,730	-	12	12
9/30/2007	2,900	7,378	1,246	11,524	-	7	7
9/30/2008	3,067	7,635	1,173	11,875	-	-	-
9/30/2009	3,440	8,363	1,200	13,003	31	-	31
9/30/2010	3,735	8,113	2,167	14,015	91	476	567
9/30/2011	3,607	9,528	1,660	14,795	102	611	713
9/30/2012	3,748	8,988	1,675	14,411	101	1,186	1,287
9/30/2013	4,122	9,246	1,797	15,165	2	772	774

Source: Department's annual reports

See accompanying independent auditors' report



# **Revenue Capacity**

These schedules contain information to help the reader assess the Department's significant revenue sources.

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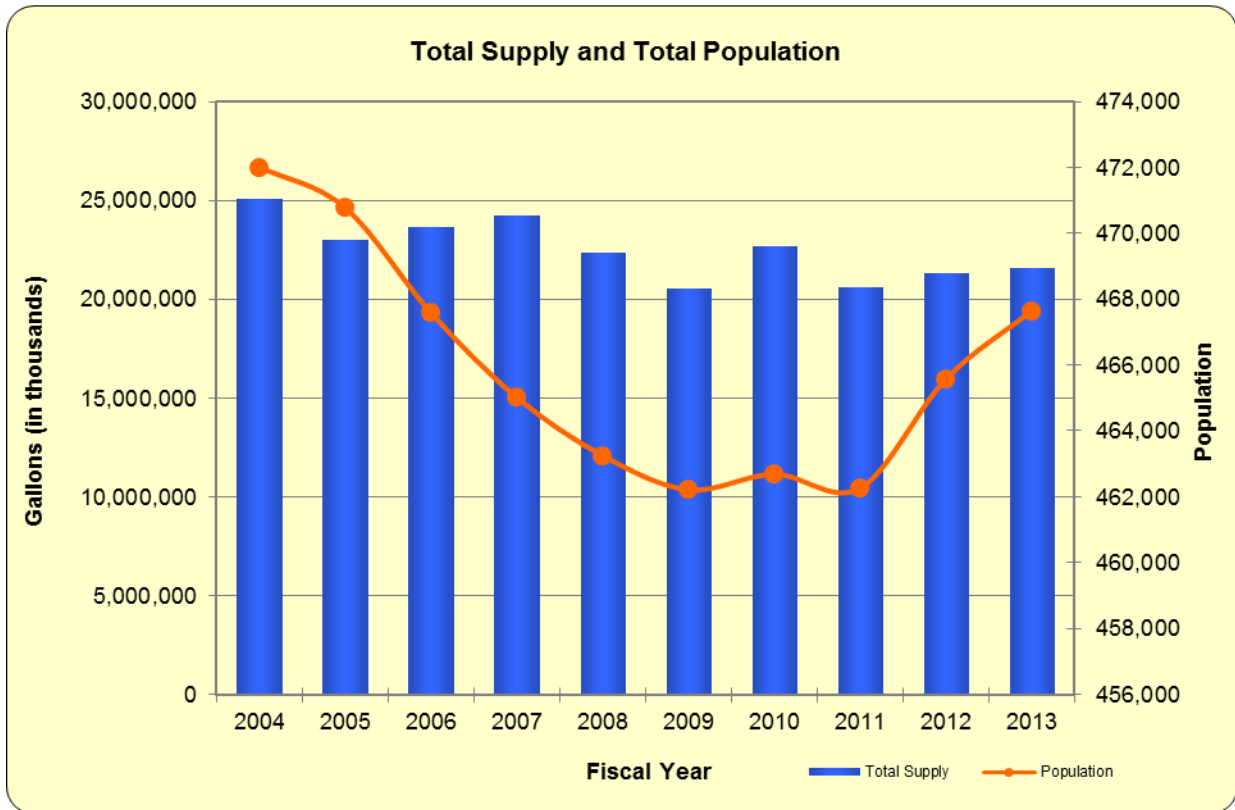
**LONG BEACH WATER DEPARTMENT**  
**SOURCE OF WATER (PUMPED, PURCHASED, AND RECLAIMED) AND CONSUMPTION - LAST TEN FISCAL YEARS**  
(in thousands of gallons, except population)

Fiscal Year Ended	SOURCE OF SUPPLY				CONSUMPTION			
	Potable Water		Reclaimed Water	Total Supply	Average Daily Demand Potable Water <sup>(1)</sup>	Peak Day Distribution	Average Daily Sales Per Capita	Population
	Pumped	Purchased						
9/30/2004	8,354,494	14,761,376	1,956,084	25,071,954	63,331	84,310	146	472,013
9/30/2005	7,041,640	14,536,539	1,382,586	22,960,765	59,118	86,570	134	470,781
9/30/2006	8,198,411	13,452,433	1,956,735	23,607,579	59,317	80,770	138	467,586
9/30/2007	8,416,014	13,837,621	1,999,911	24,253,546	60,969	80,180	143	465,017
9/30/2008	11,006,041	9,179,092	2,161,793	22,346,926	55,302	82,080	132	463,250
9/30/2009	11,038,496	7,462,640	2,021,971	20,523,107	50,688	72,650	122	462,211
9/30/2010	11,789,387	8,651,083	2,197,803	22,638,273	56,001	71,220	134	462,685
9/30/2011	5,856,585	12,725,394	2,022,264	20,604,243	50,910	72,300	122	462,257
9/30/2012	10,772,406	8,302,455	2,255,671	21,330,532	52,260	74,700	126	465,576
9/30/2013	10,125,461	9,248,531	2,164,954	21,538,946	53,079	68,700	126	467,646

Note: (1) Does not include reclaimed water which is used for irrigation only.

Source: Department's annual reports

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT**  
**WATER RATES: VOLUMETRIC RATE CHARGES**  
**LAST TEN FISCAL YEARS**

Effective Date	Potable Water - Monthly Amount per Billing Unit <sup>(1)</sup>			Reclaimed Water
	TIER I First Five Billing Units	TIER II <sup>(2)</sup> Next Ten Billing Units	TIER III Over Fifteen Billing Units	Amount Per Cubic Foot
10/1/2003	\$ 1.394	\$ 1.549	\$ 2.323	\$ 1.084
10/1/2004	1.457	1.619	2.428	1.133
10/1/2005	1.515	1.683	2.525	1.178
11/1/2006	1.561	1.734	2.601	1.214
10/1/2007	1.646	1.829	2.744	1.281
10/1/2008	1.893	2.103	3.155	1.472
10/1/2009	2.196	2.439	3.659	1.708
10/1/2010	2.196	2.439	3.659	1.708
10/1/2011	2.196	2.439	3.659	1.708
10/1/2012	2.196	2.439	3.659	1.708

Note: (1) Volumetric rate charges for Single family residence, not granted an exemption (one billing unit equals 100 cubic feet).

(2) All non-residential customers are charged at the Tier II rate.

Source: Department's records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**WATER RATES: DAILY SERVICE CHARGE BY SIZE**  
**LAST TEN FISCAL YEARS**

Effective Date	3/4" <sup>(1)</sup>	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2003	\$ 0.27	\$ 0.40	\$ 0.75	\$ 1.11	\$ 2.29	\$ 3.62	\$ 6.68	\$ 10.48	\$ 17.16	\$ 20.98	\$ 34.72
10/1/2004	0.28	0.42	0.78	1.16	2.39	3.79	6.98	10.95	17.94	21.92	36.28
10/1/2005	0.29	0.44	0.81	1.20	2.49	3.94	7.26	11.39	18.65	22.80	37.73
11/1/2006	0.30	0.45	0.84	1.24	2.56	4.06	7.47	11.73	19.21	23.48	38.87
10/1/2007	0.31	0.47	0.88	1.31	2.70	4.28	7.89	12.38	20.27	24.77	41.00
10/1/2008	0.36	0.54	1.01	1.50	3.11	4.92	9.07	14.23	23.31	28.49	47.15
10/1/2009	0.42	0.63	1.18	1.74	3.61	5.71	10.52	16.51	27.04	33.05	54.70
10/1/2010	0.42	0.63	1.18	1.74	3.61	5.71	10.52	16.51	27.04	33.05	54.70
10/1/2011	0.42	0.63	1.18	1.74	3.61	5.71	10.52	16.51	27.04	33.05	54.70
10/1/2012	0.42	0.63	1.18	1.74	3.61	5.71	10.52	16.51	27.04	33.05	54.70

Note: (1) Normal residential size (69,542 of the 89,996 total services).

Source: Department's records

See accompanying independent auditors' report



(Unaudited)

Exhibit 12

**LONG BEACH WATER DEPARTMENT**  
**WATER RATES: DAILY FIRELINE SERVICE CHARGE BY SIZE**  
**LAST TEN FISCAL YEARS**

<b>Effective Date</b>	<b>2"</b>	<b>3"</b>	<b>4"</b>	<b>6"</b>	<b>8"</b>	<b>10"</b>	<b>12"</b>	<b>16"</b>
10/1/2003	\$ 0.55	\$ 0.95	\$ 1.40	\$ 2.38	\$ 3.49	\$ 4.73	\$ 5.96	\$ 8.73
10/1/2004	0.58	0.99	1.46	2.49	3.65	4.94	6.22	9.13
10/1/2005	0.60	1.03	1.52	2.59	3.80	5.14	6.47	9.49
11/1/2006	0.62	1.06	1.57	2.67	3.91	5.29	6.67	9.78
10/1/2007	0.65	1.12	1.65	2.81	4.13	5.58	7.03	10.31
10/1/2008	0.75	1.29	1.90	3.24	4.74	6.42	8.09	11.86
10/1/2009	0.87	1.49	2.20	3.75	5.50	7.44	9.38	13.76
10/1/2010	0.87	1.49	2.20	3.75	5.50	7.44	9.38	13.76
10/1/2011	0.87	1.49	2.20	3.75	5.50	7.44	9.38	13.76
10/1/2012	0.87	1.49	2.20	3.75	5.50	7.44	9.38	13.76

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 13

**LONG BEACH WATER DEPARTMENT**  
**NUMBER OF WATER SERVICES, AVERAGE MONTHLY WATER CONSUMPTION, AND**  
**AVERAGE MONTHLY WATER BILL BY SERVICE SIZE**  
**Fiscal Year Ended September 30, 2013**

<b>Water Service Size</b>	<b>Number of Services</b>	<b>Average Consumption per Month (in hundred cubic feet)</b>	<b>Average Monthly Bill</b>
3/4"	69,542	13	\$ 44.29
1"	11,295	20	70.21
1-1/2"	4,301	54	170.16
2"	2,773	86	259.08
3"	604	208	602.50
4"	519	101	343.22
6"	533	171	564.68
8"	342	322	1,029.19
10"	76	1,459	2,949.46
12"	9	2,167	6,012.37
16"	2	7	418.47
<b>Total</b>	<b>89,996</b>		

Source: Department's utility billing records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**TEN LARGEST WATER USERS IN CITY OF LONG BEACH**  
**CURRENT YEAR AND NINE YEARS AGO**

Customer	Fiscal Year 2013				Fiscal Year 2004			
	Ranking	Sales <sup>(1)</sup>	Acre Feet	Percent of Total	Ranking	Sales <sup>(1)</sup>	Acre Feet	Percent of Total
City of Long Beach	1	\$ 4,500	4,431	7.67 %	1	\$ 3,031	4,031	5.68 %
Long Beach Unified School District	2	968	702	1.21	2	711	834	1.18
Montenay Pacific Power Corporation	3	765	710	1.23	3	489	717	1.01
California State University Long Beach	4	540	471	0.81	5	319	438	0.62
AES Southland LLC	5	496	456	0.79	4	425	620	0.88
L.A.D.W.P.	6	487	438	0.76	9	206	285	0.40
L.A. County Housing Authority	7	465	317	0.55	-	-	-	-
Veterans Affairs Medical Hospital	8	321	291	0.50	7	212	304	0.43
Memorial Medical Center	9	307	266	0.46	8	211	293	0.41
Carnival Corporation	10	208	190	0.33	10	172	250	0.35
L.A. County Community Development		-	-	-	6	256	285	0.40
Total Ten Largest Users		9,057	8,272	14.31		6,032	8,057	11.36
Total All Other Users		72,612	49,528	85.69		52,089	62,883	88.64
Total City		\$ 81,669	57,800	100.00		\$ 58,121	70,940	100.00

Note: (1) Sales figures are in thousands.

Source: City's Commercial Services Bureau - "Top 100 Water Customers Report" (UBWLGXR2)

See accompanying independent auditors' report

(Unaudited)

Exhibit 15

**LONG BEACH WATER DEPARTMENT**  
**SEWER RATES: DAILY SERVICE CHARGES BY SIZE,**  
**VOLUMETRIC RATE, AND CAPACITY CHARGES <sup>(1)</sup>**  
**Fiscal Year Ended September 30, 2013**

Water Service Size	Daily Charge	Volumetric Rate per 100 cubic feet
5/8 or 3/4"	\$ 0.250	\$ 0.347
1"	0.396	0.347
1-1/2"	0.721	0.347
2"	1.046	0.347
3"	2.164	0.347
4"	3.428	0.347
6"	6.315	0.347
8"	9.920	0.347
10"	16.229	0.347
12"	19.838	0.347
16"	32.462	0.347

Note: (1) A one-time capacity charge of \$93.20 per equivalent fixture unit is applied to all new developments in the City.

Source: Department's records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**NUMBER OF SEWER SERVICES AND**  
**AVERAGE MONTHLY SEWER BILL BY SERVICE SIZE**  
**Fiscal Year Ended September 30, 2013**

<u>Water Service Size</u>	<u>Number of Services</u>	<u>Average Monthly Bill</u>
3/4"	69,630	\$ 10.73
1"	11,005	17.40
1-1/2"	4,060	37.92
2"	2,234	59.49
3"	423	135.63
4"	140	205.18
6"	88	464.84
8"	51	583.74
10"	9	1,901.97
12"	4	642.46
Total	<u>87,644</u>	

Source: Department's records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**TEN LARGEST SEWER USERS IN CITY OF LONG BEACH**  
**CURRENT YEAR AND NINE YEARS AGO**

<u>Customer</u>	<u>Fiscal Year 2013</u>				<u>Fiscal Year 2004</u>			
	<u>Ranking</u>	<u>Sales</u>	<u>Acre Feet</u>	<u>Percent of Total</u>	<u>Ranking</u>	<u>Sales</u>	<u>Acre Feet</u>	<u>Percent of Total</u>
City of Long Beach	1	\$ 301	1,212	2.89 %	1	\$ 114	898	1.83 %
Long Beach Unified School District	2	175	387	0.92	2	87	473	0.97
California State University Long Beach	3	90	443	1.05	3	38	423	0.86
Memorial Medical Center	4	54	258	0.61	5	25	289	0.6
LA County Housing Authority	5	47	186	0.44				
Parwood Apartments	6	24	108	0.26				
Hyatt Regency Hotel	7	23	57	0.14				
Marina Pacifica Association	8	20	87	0.21				
American Textile Maintenance Company	9	19	110	0.26				
The Boeing Company	10	18	78	0.19	4	26	166	0.34
International Garment Finish		-	-	-	8	16	237	0.48
RMS Foundation Inc.		-	-	-	7	18	130	0.27
California State Department of Transportation		-	-	-	9	13	120	0.24
National Gypsum		-	-	-	10	10	119	0.24
L.A. County Community Development		-	-	-	6	23	172	0.35
Total Ten Largest Users		771	2,926	6.97		370	3,027	6.18
Total All Other Users		16,009	39,076	93.03		7,552	45,979	93.82
Total City		<u>\$ 16,780</u>	<u>42,002</u>	<u>100.00</u>		<u>\$ 7,922</u>	<u>49,006</u>	<u>100.00</u>

Source: City's Commercial Services Bureau - "Top 100 Sewer Customers Report" (UBSLGXR2)

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**WATER REUSE SITES (RECLAIMED WATER USERS)**  
**Fiscal Year Ended September 30, 2013**

	<b>Reuse (in acre feet)</b>	
1	Alamitos Barrier	1,847.4
2	El Dorado Park & Golf Course	1,087.3
3	Thums	1,072.6
4	Recreation Park South, etc.	488.4
5	Lakewood Country Golf Course	354.3
6	Skylinks Golf Course	297.0
7	Heartwell Park & Golf Course	296.7
8	California State University, Long Beach	175.5
9	Virginia Country Club Golf Course	156.3
10	All Souls Cemetery	131.2
11	Long Beach Unified School District	120.8
12	Forest Lawn	92.6
13	LBCC and Veterans Stadium	88.6
14	Marina Vista Park, etc.	46.4
15	Cal-Trans Freeway Landscaping	43.6
16	City of Long Beach Public Works/Public Service	43.5
17	City of Long Beach Parks, Recreation & Marine (Others)	41.0
18	Scherer Park	36.3
19	Jauregui Nursery	33.4
20	Vestar Development	31.2
21	El Dorado Lakes Condominium	29.7
22	Stearns Park	27.1
23	Whaley Park	23.9
24	Bluff Park	16.6
25	Cherry Avenue Park	14.7
26	Douglas Park	9.2
27	Signal Hill - Reservoir Park	8.6
28	Bixby Park	8.2
29	City of Lakewood	6.0
30	Rubbercraft	3.6
31	Alamitos Reservoir-Irrigation	3.4
32	LD Products	2.8
33	Water Department Irrigation	2.4
34	Somerset Park	2.0
35	Wal-Mart Corp.	1.2
36	The Boeing Company	0.4
37	Lakewood First Presbyterian Church	0.1
	Totals	<u>6,644.0</u>

Notes: 1 acre foot = 325,851 gallons = 43,560 cubic feet

Source: Department's records

See accompanying independent auditors' report

# **Debt Capacity Information**

These schedules contain information to help the reader assess the affordability of the Department's current levels of outstanding debt and ability to issue additional debt in the future.

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**LONG BEACH WATER DEPARTMENT**  
**WATER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Operating Income	Net Non-Operating Income/ (Expense) <sup>(3)</sup>	Amount Available for Debt Service	Principal	Interest	Total Debt Service <sup>(4)</sup>	Times Coverage
9/30/2004	\$ 63,125	\$ 47,692	\$ 15,433	\$ 2,340	\$ 17,773	\$ 1,242	\$ 1,904	\$ 3,146	5.65
9/30/2005	64,464	50,088	14,376	1,848	16,224	1,292	1,851	3,143	5.16
9/30/2006	66,026	53,048	12,978	1,777	14,755	1,353	1,794	3,147	4.69
9/30/2007	70,192	55,898	14,294	757	15,051	1,352	1,947	3,299	4.56
9/30/2008	71,384	57,019	14,365	1,526	15,891	1,330	1,834	3,164	5.02
9/30/2009	80,777	61,482	19,295	904	20,199	1,405	1,657	3,062	6.60
9/30/2010	87,151	67,091	20,060	10,245	30,305	-	855 <sup>(5)</sup>	855	35.44
9/30/2011	88,576	70,564	18,012	(152)	17,860	490	1,282	1,772	10.08
9/30/2012	86,515	69,983	16,532	(331)	16,201	2,110	1,502	3,612	4.49
9/30/2013	91,949	76,217	15,732	(1,985)	13,747	2,385	1,502	3,887	3.54

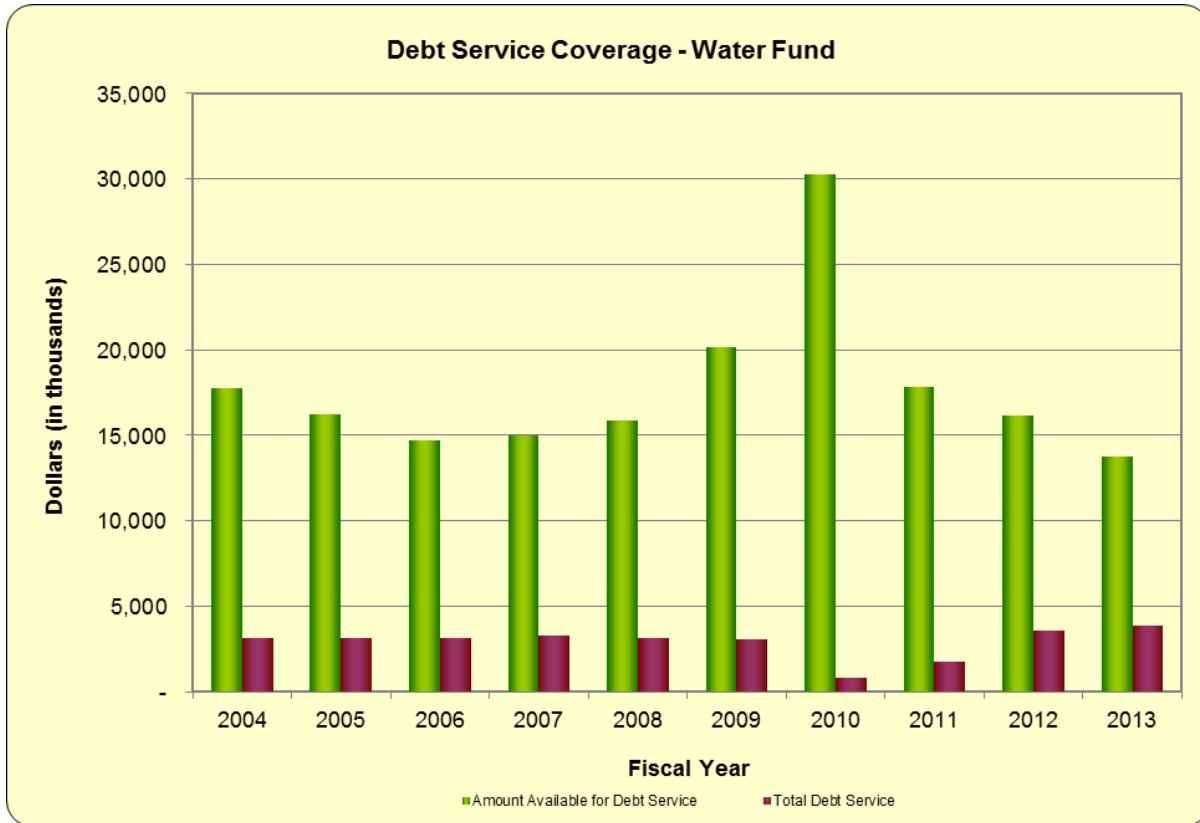
Bond Issues: Water Revenue Refunding Bonds - 1997 Series A, 2010 Series A, & 2012 Series A

Average Coverage, ten years	8.52
Rate Covenant (Series:1997A, 2010A, & 2012A)	1.10

- Notes:(1) Total Operating Revenue is net of Provision for doubtful accounts expense.  
(2) Operating Expenses are exclusive of depreciation expense.  
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, contributed capital and loss on disposition of property.  
(4) Total Debt Service includes the following year's interest payments due each November 1st and May 1st and principal payments due on May 1st.  
(5) Debt Service for FY2010 includes interest only, reflecting the issuance of Water Revenue Refunding Bonds - Series 2010A to advance refund 82.4% of outstanding Series 1997A Water Revenue Refunding Bonds. The refunding reduced the Department's aggregate debt service payments by \$3.3 million, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012.

Source: Department's annual reports

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Operating Income	Net Non-Operating Income (Expense) <sup>(3)</sup>	Amount Available for Debt Service	Principal	Interest	Total Debt Service	Times Coverage
9/30/2004	\$ 9,267	\$ 6,605	\$ 2,662	\$ 154	\$ 2,816	\$ -	\$ -	\$ -	n/a
9/30/2005	9,708	5,896	3,812	225	4,037	-	-	-	n/a
9/30/2006	9,237	6,497	2,740	367	3,107	-	-	-	n/a
9/30/2007	10,796	10,278	518	352	870	-	-	-	n/a
9/30/2008	11,759	10,702	1,057	174	1,231	-	-	-	n/a
9/30/2009	12,455	11,803	652	289	941	-	4	4	235.25
9/30/2010	15,186	11,848	3,338	(426)	2,912	-	10	10	291.20
9/30/2011	16,448	13,135	3,313	(538)	2,775	-	27	27	102.78
9/30/2012	17,325	12,736	4,589	(1,161)	3,428	-	57	57	60.14
9/30/2013	17,311	13,368	3,943	(761)	3,182	-	54	54	58.93

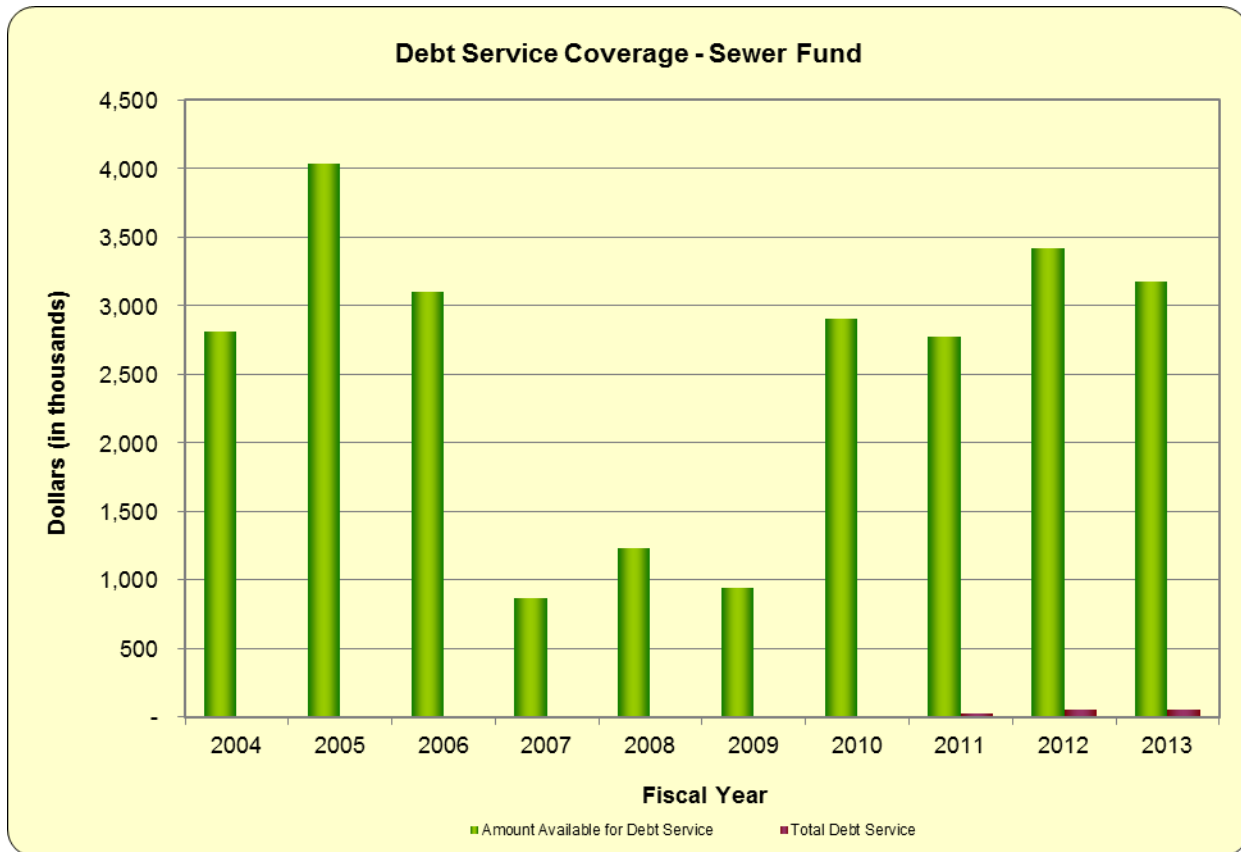
Bond Issues: None

Rate Covenant	1.10
---------------	------

- Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.  
(2) Operating Expenses are exclusive of depreciation expense.  
(3) Net Non-Operating Income (Expense) is exclusive of contributed capital and loss on disposition of property.

Source: Department's annual reports

See accompanying independent auditors' report





**LONG BEACH WATER DEPARTMENT**  
**WATER FUND RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds			Subordinate Water Revenue			Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	Series 1997	Series 2010	Series 2012	Commercial Paper Notes	State Loan	Total		
9/30/2004	\$ 36,940	\$ -	\$ -	\$ 6,000	\$ 500	\$ 43,440	0.38%	\$ 0.092
9/30/2005	35,830	-	-	6,000	368	42,198	0.35%	0.090
9/30/2006	34,675	-	-	6,000	230	40,905	0.32%	0.087
9/30/2007	33,465	-	-	6,000	87	39,552	0.30%	0.085
9/30/2008	32,200	-	-	8,000	-	40,200	0.30%	0.087
9/30/2009	30,870	-	-	11,000	-	41,870	0.33%	0.091
9/30/2010	5,175	22,740	-	11,000	-	38,915	0.30%	0.084
9/30/2011	5,175	22,250	-	11,000	-	38,425	0.30%	0.083
9/30/2012	5,175	22,250	9,850	-	-	37,275	0.28%	0.080
9/30/2013	3,545	22,125	9,495	-	-	35,165	0.25%	0.075

Notes: (1) See Exhibit 23-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

(Unaudited)

Exhibit 22

**LONG BEACH WATER DEPARTMENT**  
**SEWER FUND RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS**  
(in thousands of dollars)

Fiscal Year Ended	Subordinate Sewer Revenue		Sewer Revolving Line of Credit	Total	Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	Commercial Paper Notes					
9/30/2004	\$ -	\$ -	\$ -	\$ -	-	\$ -
9/30/2005	-	-	-	-	-	-
9/30/2006	-	-	-	-	-	-
9/30/2007	-	-	-	-	-	-
9/30/2008	-	-	-	-	-	-
9/30/2009	4,000	-	-	4,000	0.03%	0.009
9/30/2010	4,000	-	-	4,000	0.03%	0.009
9/30/2011	-	6,000	-	6,000	0.05%	0.013
9/30/2012	-	6,000	-	6,000	0.05%	0.013
9/30/2013	-	9,750	-	9,750	0.07%	0.021

Notes: (1) See Exhibit 23-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

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# **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

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**LONG BEACH WATER DEPARTMENT  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Estimated Population <sup>(1) (4)</sup></b>	<b>Personal Income (in millions) <sup>(2) (4)</sup></b>	<b>Per Capita Personal Income <sup>(2) (4)</sup></b>	<b>Unemployment Rate <sup>(3)</sup></b>
9/30/2004	472,013	\$ 11,290	\$ 23,919	7.2%
9/30/2005	470,781	11,939	25,360	5.9%
9/30/2006	467,586	12,854	27,490	5.3%
9/30/2007	465,017	13,222	28,433	5.6%
9/30/2008	463,250	13,422	28,974	8.2%
9/30/2009	462,211	12,866	27,836	12.8%
9/30/2010	462,685	12,783	27,628	13.9%
9/30/2011	462,257	12,981	28,082	13.4%
9/30/2012	465,576	13,129	28,199	12.2%
9/30/2013	467,646	14,058	30,061	10.3%

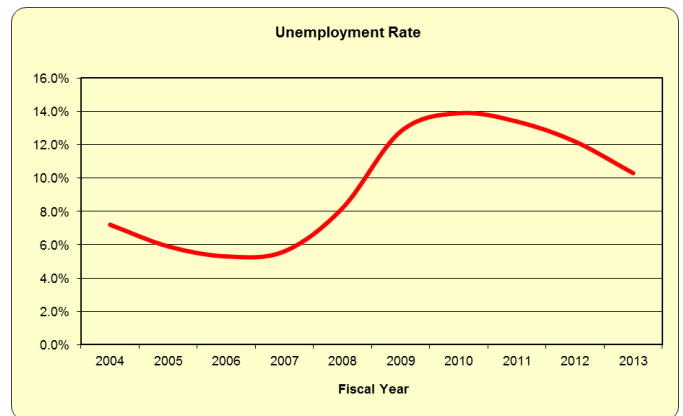
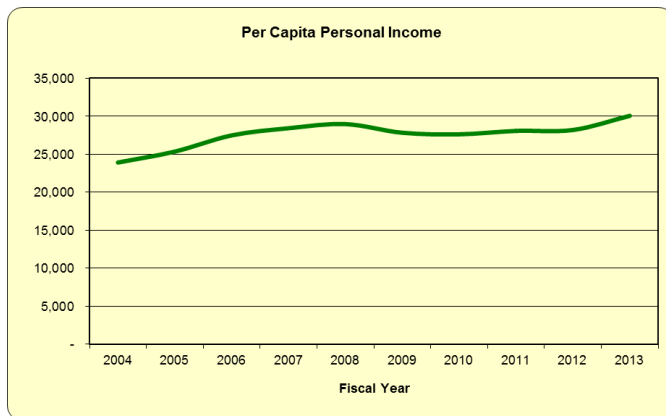
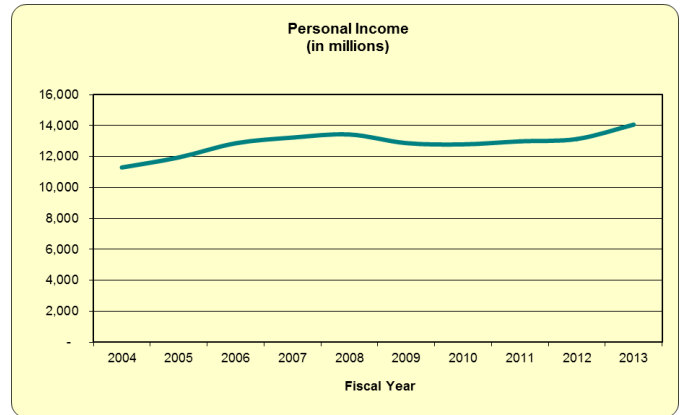
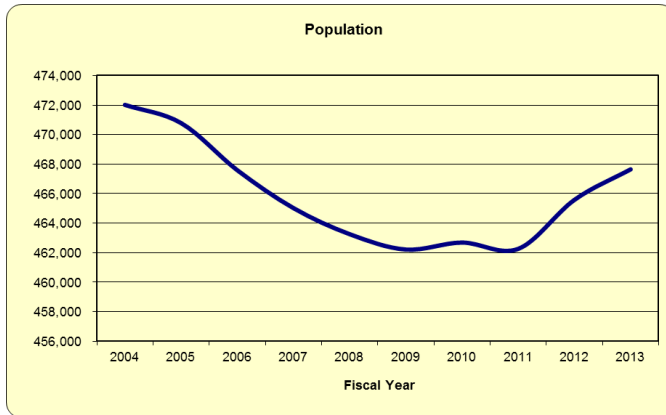
Source: (1) California Department of Finance Demographic Reports

(2) U.S. Department of Commerce, Bureau of Economic Analysis: Personal Income and per capita personal income with exception of 1999 and 2005 is based on percent change of per capita personal income for Los Angeles-Long Beach Santa Ana, CA (Metropolitan Statistic Are). The BEA's Report does not have personal income available for 2013, so an average of the last five years was used.

(3) Average annual rate reported by California Employment Development Department (EDD) for Long Beach city.

(4) Restated prior years due to the data's annual revision.

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT  
MAJOR EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2013			Fiscal Year 2004		
	Ranking	Number of Employees <sup>(1)</sup>	Percentage of Total City Employment <sup>(2)</sup>	Ranking	Number of Employees <sup>(1)</sup>	Percentage of Total City Employment <sup>(2)</sup>
Long Beach Unified School District	1	10,389	4.31%	2	9,064	3.91%
Long Beach Memorial Medical Center	2	5,693	2.45%	5	3,500	1.51%
The Boeing Company	3	5,042	2.09%	1	10,500	4.53%
City of Long Beach	4	5,028	2.09%	3	6,289	2.72%
California State University Long Beach	5	2,679	1.11%	4	6,007	2.59%
Veteran Affairs Medical Center	6	2,413	1.00%	9	1,700	0.73%
Long Beach City College	7	2,137	0.89%	6	2,000	0.86%
California State Univ Long Beach Research Foundation	8	1,464	0.61%	-	-	-
St. Mary Medical Center	9	1,200	0.50%	10	1,634	0.71%
Molina Healthcare Inc	10	841	0.35%	-	-	-
United States Postal Service				8	1,900	0.82%
Verizon				7	2,000	0.86%

Sources: (1) Economic Research Group, Department of Development Services  
(2) State of California Employment Development Department Labor Market Info for 2004 and 2013.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report

(Unaudited)

Exhibit 25

**LONG BEACH WATER DEPARTMENT  
NUMBER OF EMPLOYEES BY FUND  
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Water Fund	Sewer Fund	Total
9/30/2004	198	33	231
9/30/2005	192	27	219
9/30/2006	184	30	214
9/30/2007	185	43	228
9/30/2008	169	41	210
9/30/2009	172	37	209
9/30/2010	175	44	219
9/30/2011	174	43	217
9/30/2012	184	48	232
9/30/2013	179	47	226

Sources: Department's Personnel records

See accompanying independent auditors' report

# **Operating Information**

These schedules contain information about operations and resources to help the reader understand how the Department's financial information relates to the services the Department provides and the activities it performs.

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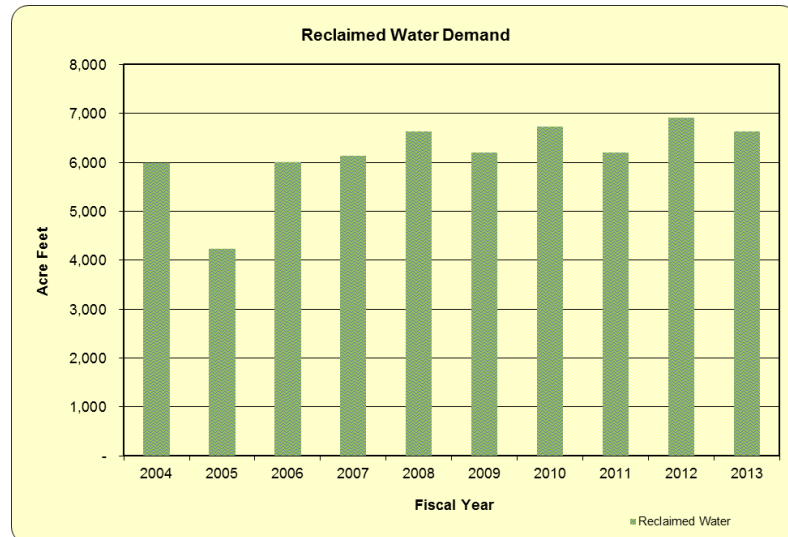
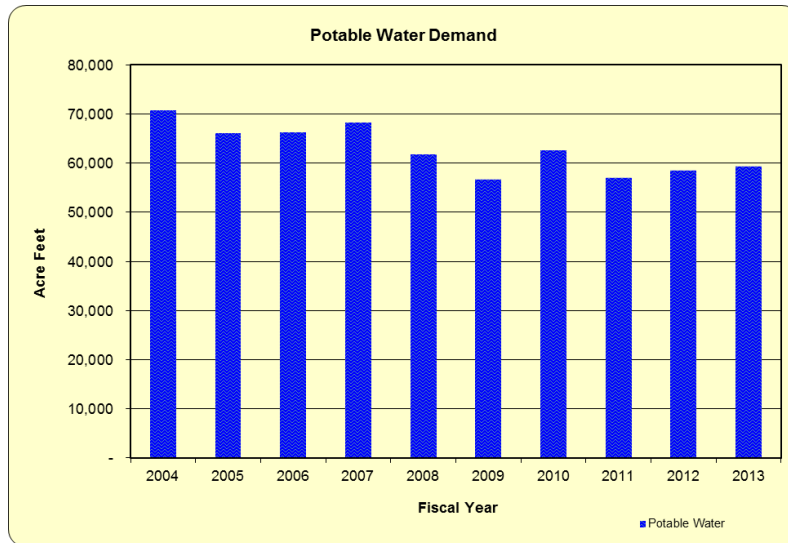
**LONG BEACH WATER DEPARTMENT**  
**WATER DEMAND - LAST TEN FISCAL YEARS**  
(in acre feet)

Fiscal Year Ended	Potable Water		Total Potable Demand	Reclaimed Water	Total Demand
	Pumped	Purchased			
9/30/2004	25,639	45,301	70,940	6,003	76,943
9/30/2005	21,610	44,611	66,221	4,243	70,464
9/30/2006	25,160	41,284	66,444	6,005	72,449
9/30/2007	25,828	42,466	68,294	6,138	74,432
9/30/2008	33,776	28,170	61,946	6,634	68,580
9/30/2009	33,876	22,902	56,778	6,205	62,983
9/30/2010	36,180	26,549	62,729	6,744	69,473
9/30/2011	17,973	39,053	57,026	6,206	63,232
9/30/2012	33,059	25,479	58,538	6,922	65,460
9/30/2013	31,074	28,383	59,457	6,644	66,101

Note: One acre foot equals 43,560 cubic feet or 325,851 gallons.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 27

**LONG BEACH WATER DEPARTMENT**  
**METROPOLITAN WATER DISTRICT'S RATE CHANGES - LAST TEN FISCAL YEARS**  
(in dollars per acre foot)

<u>Effective Date</u>	<u>Non-Interruptible Treated Water</u>	<u>Percent Change Non-Interruptible Treated Water</u>	<u>Seasonal Treated Water <sup>(1)</sup></u>
1/1/2004	\$ 418	2	\$ 277
1/1/2005	443	6	302
1/1/2006	453	2	312
1/1/2007	478	6	337
1/1/2008	508	6	367
5/1/2008	508	-	-
1/1/2009	579	14	-
9/1/2009	701	21	-
1/1/2010	701	-	-
1/1/2011	744	6	-
1/1/2012	794	7	-
1/1/2013	847	7	-

Note: (1) Seasonal Water Treated Rate in accordance to Metropolitan Water District and Long Beach Water Department Agreement No. A04959 started on October 1, 1997 up to May 1, 2008.

Source: Metropolitan Water District of Southern California

See accompanying independent auditors' report

(Unaudited)

Exhibit 28

**LONG BEACH WATER DEPARTMENT**  
**WATER REPLENISHMENT DISTRICT ASSESSMENT (PUMP TAX)**  
**LAST TEN FISCAL YEARS**

<u>Effective Date</u>	<u>Rate per Acre-Foot</u>	<u>Percent Change</u>
7/1/2004	\$ 128.25	12
7/1/2005	134.66	5
7/1/2006	138.00	2
7/1/2007	149.00	8
7/1/2008	153.00	3
7/1/2009	181.85	19
7/1/2010	205.00	13
7/1/2011	244.00	19
7/1/2012	244.00	-
7/1/2013	268.00	10

Source: Water Replenishment District of Southern California (WRD)

See accompanying independent auditors' report

(Unaudited)

Exhibit 29

**LONG BEACH WATER DEPARTMENT  
OPERATING AND CAPITAL ASSETS STATISTICS - WATER FUND  
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Water System			Water Quality		Reclaimed System	
	Number of Groundwater wells	Miles of water mains	Number of active water service connections	Number of fire hydrants	Number of water samples collected	Number of tests performed	Miles of Pipeline
9/30/2004	29	907	89,273	6,640	16,400	55,000	33
9/30/2005	29	907	89,365	6,501	16,030	48,910	33
9/30/2006	29	907	89,471	6,505	15,676	57,581	33
9/30/2007	31	905	89,535	6,489	16,761	60,235	33
9/30/2008	31	904	89,583	6,507	16,805	81,378	33
9/30/2009	31	908	89,630	6,525	19,238	118,799	33
9/30/2010	31	909	89,706	6,529	17,126	84,923	33
9/30/2011	31	911	89,851	6,603	15,814	71,472	33
9/30/2012	31	911	89,957	6,594	12,292	57,310	33
9/30/2013	31	912	89,996	6,589	14,388	60,819	34

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 30

**LONG BEACH WATER DEPARTMENT  
OPERATING AND CAPITAL ASSETS STATISTICS - SEWER FUND  
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Number of sewer pump stations	Miles of sewer pipelines	Number of sewer manholes
9/30/2004	28	712	16,031
9/30/2005	28	712	16,041
9/30/2006	28	712	16,044
9/30/2007	28	711	16,055
9/30/2008	28	711	16,078
9/30/2009	28	712	16,129
9/30/2010	28	712	16,135
9/30/2011	28	712	16,147
9/30/2012	28	712	16,148
9/30/2013	28	714	16,158

Source: Department's records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT**  
**INFRASTRUCTURE MAINTENANCE AND IMPROVEMENTS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Cast Iron Water Mains Replaced (in feet)</b>	<b>Fire Hydrants Repaired</b>	<b>Water Meters Repaired</b>	<b>Sewer Mains &amp; Laterals Repaired<sup>(1)</sup></b>	<b>Sewer Mains Cleaned (in miles)</b>	<b>Sewer Manholes Chemically Treated</b>
9/30/2004	63,960	376	7,076	316	437	3,000
9/30/2005	50,601	342	6,889	246	338	3,000
9/30/2006	55,404	259	5,370	296	474	3,000
9/30/2007	54,423	407	7,050	270	364	3,000
9/30/2008	44,332	346	10,637	278	365	3,000
9/30/2009	23,676	485	6,350	215	424	5,000
9/30/2010	21,137	94	8,441	182	547	5,000
9/30/2011	21,294	223	5,428	259	470	5,000
9/30/2012	25,733	269	3,690	261	414	5,000
9/30/2013	24,595	266	3,348	241	535	5,000

Note: (1) For fiscal years 1996 through 2000, the Water Department tracked repairs by number of feet. Beginning in fiscal year 2001, repairs are tracked according to the number of jobs.

Source: Department's records

*See accompanying independent auditors' report*



# **Los Cerritos Wetlands Authority**

## **Annual Financial Report**

**For the Fiscal Year Ended September 30, 2013**



# Los Cerritos Wetlands Authority

## Our Mission Statement

*“To provide for a comprehensive program of acquisition, protection, conservation, restoration, maintenance and operation, and environmental enhancement of the Los Cerritos Wetlands area consistent with the goals of flood protection, habitat protection and restoration, and improved water supply, water quality, groundwater recharge and water conservation.”*

## Our Governing Board

### Members

#### **City of Long Beach**

Chair: Gary Delong

*Alternate: Vacant*

#### **State Coastal Conservancy**

Vice-Chair: Sam Schuchat

*Alternate: Joan Cardellino*

#### **City of Seal Beach**

Member: Ellery Deaton

*Alternate: Mike Levitt*

#### **Rivers and Mountains Conservancy**

Member: Patrick O'Donnell

*Alternate: Daniel Sulzer*

**Los Cerritos Wetlands Authority**  
**Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2013**

**Los Cerritos Wetlands Authority  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2013**

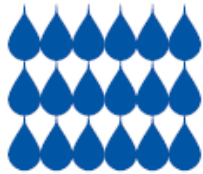
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# **Financial Section**





Charles Z. Fedak, CPA, MBA  
Paul J. Kaymark, CPA  
Christopher J. Brown, CPA

# Charles Z. Fedak & Company

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## Independent Auditor's Report

Governing Board  
Los Cerritos Wetlands Authority  
Long Beach, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2013, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2013, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Change in Accounting Principle*

As discussed in note 1.D to the basic financial statements, in 2013 the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

## Independent Auditor's Report, continued

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the Budgetary Comparison Schedule – General Fund on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2014 on our consideration of the Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance. This report can be found on pages 20 and 21.

*Charles Z. Fedak & Company CPAs - An Accountancy Corporation*

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**  
Cypress, California  
January 31, 2014

**Los Cerritos Wetlands Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended September 30, 2013**

As management of the Los Cerritos Wetlands Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities and performance of the Authority for the fiscal year ended September 30, 2013. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

**Financial Highlights**

- The Authority's net position increased 1.31% or \$143,582 from \$10,957,337 to \$11,100,919, as a result of this year's operations.
- The Authority's total revenues increased 31.36% or \$96,968 from \$309,177 to \$406,145, from the prior year primarily due to an increase in program revenue.
- The Authority's total expenses decreased 20.22% or \$66,546 from \$329,109 to \$262,563, from the prior year primarily due to a decrease in management expenses and consulting fees.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the Authority's investments in resources (assets) and deferred outflows of resources and the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the Statements of Activities. This statement measures the success of the Authority's operations over the past year and can be used to determine the Authority's profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority in a way that helps answer this question.

These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's *net position* and changes in them. One can think of the Authority's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors, however, such as changes in the Authority's organizational agreements to assess the *overall health* of the Authority in future periods.

**Los Cerritos Wetlands Authority**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended September 30, 2013**

**Governmental Funds Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

*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, governmental fund 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 a government's near-term financing requirements.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 through 18.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's budgetary information and compliance.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets of the Authority exceeded liabilities by \$11,100,919 as of September 30, 2013.

**Condensed Statement of Net Position**

	<u>2013</u>	<u>2012</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 191,008	59,843	131,165
Capital assets, net	<u>11,000,000</u>	<u>11,000,000</u>	<u>-</u>
<b>Total assets</b>	<u>11,191,008</u>	<u>11,059,843</u>	<u>131,165</u>
<b>Liabilities:</b>			
Current liabilities	<u>90,089</u>	<u>102,506</u>	<u>(12,417)</u>
<b>Total liabilities</b>	<u>90,089</u>	<u>102,506</u>	<u>(12,417)</u>
<b>Net position:</b>			
Net investment in capital assets	11,000,000	11,000,000	-
Unrestricted	<u>100,919</u>	<u>(42,663)</u>	<u>143,582</u>
<b>Total net position</b>	<u>\$ 11,100,919</u>	<u>10,957,337</u>	<u>143,582</u>

At the end of fiscal year 2013, the Authority shows a positive balance in its unrestricted net position of \$100,919.

**Los Cerritos Wetlands Authority**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended September 30, 2013**

**Condensed Statement of Activities**

<i>Governmental Activities</i>	<u>2013</u>	<u>2012</u>	<u>Change</u>
<b>Expenses:</b>			
Authority operations	\$ 262,563	329,109	(66,546)
<b>Total expenses</b>	<u>262,563</u>	<u>329,109</u>	<u>(66,546)</u>
<b>Revenues:</b>			
Program revenues	357,137	266,171	90,966
General revenues	<u>49,008</u>	<u>43,006</u>	<u>6,002</u>
<b>Total revenues</b>	<u>406,145</u>	<u>309,177</u>	<u>96,968</u>
<b>Change in net position</b>	143,582	(19,932)	163,514
Net position – beginning of year	<u>10,957,337</u>	<u>10,977,269</u>	<u>(19,932)</u>
Net position – end of year	<u>\$ 11,100,919</u>	<u>10,957,337</u>	<u>143,582</u>

The Statement of Activities shows how the government's net position changed during the fiscal year. In the case of the Authority, net position increased by \$143,582 during the fiscal year ended September 30, 2013.

**Governmental Funds Financial Analysis**

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

As of September 30, 2013, the Authority's General Fund reported a fund balance of \$100,919. This amount constitutes the Authority's *unreserved undesignated fund balance* that is available for future Authority expenditures.

**General Fund Budgetary Highlights**

At fiscal year-end, actual expenditures for the General Fund were \$559,837 less than final budgeted expenditures and actual revenues were \$416,255 less than final budgeted revenues. This was principally due to the Authority not securing the full balance of the grant funding in the amount of \$450,000 from the Rivers and Mountains Conservancy for the LCWA conceptual restoration plan.

**Capital Asset Administration**

At the end of fiscal year 2013, the Authority's investment in capital assets amounted to \$11,000,000. This investment in capital assets includes land that is managed by the Authority.

Changes in capital assets for the year were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2013</u>
Land	\$ 11,000,000	-	-	11,000,000
Total capital assets, net	<u>\$ 11,000,000</u>			<u>11,000,000</u>

**Los Cerritos Wetlands Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended September 30, 2013**

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the Authority's current financial position, net position or operating results in terms of past, present and future.

**Requests for Information**

The Authority's basic financial statements are designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional information, please contact the Authority at Los Cerritos Wetlands Authority, C/O the City of Long Beach Financial Management Department, 333 West Ocean Blvd., Long Beach, CA 90802 or directly at 100 Old San Gabriel Canyon Rd., Azusa, CA 91702, (626) 815-1019.



# **Basic Financial Statements**

**Los Cerritos Wetlands Authority**  
**Statements of Net Position**  
**September 30, 2013**  
*(with comparative amounts for September 30, 2012)*

	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Cash and cash equivalents (note 2)	\$ 162,436	53,840
Accounts receivable	27,500	-
Prepaid insurance	1,072	6,003
Capital assets, net (note 3)	11,000,000	11,000,000
<b>Total assets</b>	11,191,008	11,059,843
<b>Liabilities:</b>		
Accounts payable	87,689	100,106
Security deposit	2,400	2,400
<b>Total liabilities</b>	90,089	102,506
<b>Net position:</b>		
Net investment in capital assets	11,000,000	11,000,000
Unrestricted	100,919	(42,663)
<b>Total net position</b>	\$ 11,100,919	10,957,337

See the accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Statements of Activities**  
**For the Fiscal Year Ended September 30, 2013**  
*(with comparative amounts for the fiscal year ended September 30, 2012)*

<i>Governmental Activities:</i>	<u>2013</u>	<u>2012</u>
<b>Expenses:</b>		
Authority operations	\$ 262,563	329,109
<b>Total expenses</b>	<u>262,563</u>	<u>329,109</u>
<b>Program revenues:</b>		
Contributions – operating	25,000	-
Capital grant	332,137	266,171
<b>Total program revenues</b>	<u>357,137</u>	<u>266,171</u>
<b>Net program expense</b>	<u>(94,574)</u>	<u>62,938</u>
<b>General revenues:</b>		
Rental income	49,000	43,000
Interest earnings	8	6
<b>Total general revenues</b>	<u>49,008</u>	<u>43,006</u>
<b>Change in net position</b>	143,582	(19,932)
<b>Net position – beginning of year</b>	<u>10,957,337</u>	<u>10,977,269</u>
<b>Net position – end of year</b>	<u>\$ 11,100,919</u>	<u>10,957,337</u>

See accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statements of Net Position**  
**September 30, 2013**

	<b>General Fund</b>	<b>Reclassifications &amp; Eliminations</b>	<b>Statement of Net Assets</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 162,436	-	162,436
Accounts receivable	27,500	-	27,500
Prepaid insurance	1,072	-	1,072
Capital assets, net	-	11,000,000	11,000,000
<b>Total assets</b>	<b>\$ 191,008</b>	<b>11,000,000</b>	<b>11,191,008</b>
<b>Liabilities:</b>			
Accounts payable	\$ 87,689	-	87,689
Security Deposit	2,400	-	2,400
<b>Total liabilities</b>	<b>90,089</b>	<b>-</b>	<b>90,089</b>
<b>Fund balance: (note 4)</b>			
Nonspendable	1,072	(1,072)	-
Unassigned	99,847	(99,847)	-
<b>Total fund balance</b>	<b>100,919</b>	<b>(100,919)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 191,008</b>		
<b>Net position:</b>			
Net investment in capital assets		11,000,000	11,000,000
Unrestricted		100,919	100,919
<b>Total net position</b>		<b>\$ 11,100,919</b>	<b>11,100,919</b>
<b>Reconciliation:</b>			
Fund balance of governmental funds			\$ 100,919
Amounts reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			11,000,000
Net position of governmental activities			<b>\$ 11,100,919</b>

See accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Type Funds to the Statements of Activities**  
**For the Fiscal Year Ended September 30, 2013**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses:</b>			
Authority operations	\$ 262,563	-	262,563
<b>Total expenditures/expenses</b>	<u>262,563</u>	<u>-</u>	<u>262,563</u>
<b>Program revenues:</b>			
Contributions – operating	25,000	-	25,000
Capital grant	<u>332,137</u>	<u>-</u>	<u>332,137</u>
<b>Total program revenues</b>	<u>357,137</u>	<u>-</u>	<u>357,137</u>
<b>Net program revenue</b>			<u>(94,574)</u>
<b>General revenues:</b>			
Rental income	49,000	-	49,000
Interest earnings	<u>8</u>	<u>-</u>	<u>8</u>
<b>Total general revenues</b>	<u>49,008</u>	<u>-</u>	<u>49,008</u>
<b>Total revenues</b>	<u>406,145</u>	<u>-</u>	
<b>Excess of revenues         over expenditures</b>	143,582	(143,582)	-
<b>Change in net position</b>	-	143,582	143,582
<b>Fund deficit/Net position – beginning of year</b>	<u>(42,663)</u>	<u>-</u>	<u>10,957,337</u>
<b>Fund balance/Net position – end of year</b>	<u>\$ 100,919</u>	<u>-</u>	<u>11,100,919</u>
 <b>Reconciliation:</b>			
Net changes in fund balance of governmental fund			\$ <u>143,582</u>
Change in net position of governmental activities			\$ <u><u>143,582</u></u>

See accompanying notes to the basic financial statements

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2013**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

In February 2006, a joint powers agreement was adopted among the Rivers and Mountains Conservancy, State Coastal Conservancy, City of Long Beach, and the City of Seal Beach. The agreement established the Los Cerritos Wetlands Authority (Authority). Each party shall, subject to the availability of funds, make equal annual contributions (minimum \$5,000 and maximum \$25,000) to, or on behalf of, the Authority. The purpose of the Authority is to provide for a comprehensive program of acquisition, protection, conservation, restoration, maintenance and operation, and environmental enhancement of the Los Cerritos Wetlands area consistent with the goals of flood protection, habitat protection and restoration and improved water supply, water quality, groundwater recharge and water conservation. The Authority has the ability to acquire and own real property, although it does not have the power of eminent domain. A second major purpose of the Authority is to conduct restoration planning and implement that restoration.

The Authority entered into an agreement of land transfer with the Trust for Public Land for approximately 68 acres of property and surface rights; commonly known as the Bryant property in Long Beach, California. The Bryant property has been an active oil field for several decades and currently contains several active oil wells and associated pipelines, roads and buildings.

The acquisition of the Bryant property involved several legal agreements as follows:

- Land Transfer Agreement - Under this agreement the Trust for Public Lands would cause the conveyance of surface fee interest in the 68 acres to the Authority. The Authority would not acquire the mineral rights or the lessor's interest in the oil and gas lease. The Authority would accept title to the surface fee interest property as-is, subject to the Land Use Agreement and the Indemnification Agreement as discussed below.
- Land Use Agreement - This agreement is between Trust for Public Lands, Signal Hill Petroleum, and the Authority, acknowledging the intended use of the conveyed property and the retained property by Signal Hill Petroleum and the Authority. The purpose of the agreement is to ensure the intended use and access of the property for both the Authority and Signal Hill Petroleum.
- Termination of Oil and Gas Lease and Grant of Easement Agreement - This agreement is to define the specific access over and use of the surface property that the Authority grants Signal Hill Petroleum to allow for the existing and future oil operations. The agreement also defines conditions for the oil operations to ensure that they are consistent with the Authority's intended use for habitat restoration and public access. The Authority grants specific easements to Signal Hill Petroleum for oil operations. The easement shall expire when all oil operations are abandoned, and Signal Hill Petroleum shall pay rent of \$25,000 per year to the Authority for the use of these easements.
- Environmental Indemnity Agreement- Under the terms of this agreement, Signal Hill Petroleum indemnifies parties from liabilities associated with any release of materials generated from the oil or gas operations beyond the levels accepted for industrial use. This indemnification only includes liabilities associated with past and future environmental releases associated with oil and gas operations but not for liability for contamination that is unrelated to those activities.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2013**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Authority are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

***Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the Authority are interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The Authority reports the following major governmental fund:

**General Fund** – is a government's only operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund when necessary.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2013**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position and Fund Equity**

**1. Cash and Cash Equivalents**

The Authority has contracted with the City of Long Beach Treasurer's Office to act as its fiscal agent. Substantially all of the Authority's cash is held in a financial institution bank account. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**2. Accounts Receivable**

The Authority considers accounts receivable to be fully collectible. Accordingly, an allowance for uncollectible accounts has not been recorded.

**3. Prepaid Expenses**

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**4. Capital Assets**

Capital assets are recorded in the government-wide financial statements. Included in capital assets is land held by the Authority. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the Authority's capitalization threshold is met.

**5. Net Position/Fund Balances**

The financial statements utilize a net position presentation. Net position categories are follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of the net position balance that does not meet the definition of *restricted* or *net investment in capital assets*.

**6. Fund Equity**

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.



**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2013**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position and Fund Equity, continued**

**6. Fund Equity (continued)**

- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the Authority’s highest level of decision-making authority (the Governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the Authority’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the Authority’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the Authority’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Governing Board established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

***Fund Balance Policy***

The Authority believes that sound financial management principles require that sufficient funds be retained by the Authority to provide a stable financial base at all times. To retain this stable financial base, the Authority needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the Authority and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the Authority’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**7. Budgetary Policies**

The Authority follows specific procedures in establishing the budgetary data reflected in the financial statements. Each June the Authority’s Executive Officer prepares and submits an operating budget to the Governing Board for the General Fund. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting.

**8. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the Authority’s net position during the reporting period. Actual results could differ from those estimates.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2013**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Implementation of New Accounting Pronouncements**

For the year ended June 30, 2013, the Authority implemented the following Governmental Accounting Standards Board pronouncements:

***Governmental Accounting Standards Board Statement No. 60***

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement address how to account for and report service concession arrangements, a type of public-private or public-public partnership that state and local governments are increasingly entering into. No service concession arrangements were noted in the fiscal years transactions.

***Governmental Accounting Standards Board Statement No. 61***

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity, Omnibus*. This Statement is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*.

***Governmental Accounting Standards Board Statement No. 62***

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

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

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

***Governmental Accounting Standards Board Statement No. 63***

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

***Governmental Accounting Standards Board Statement No. 65***

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2013**

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of September 30, 2013, consist of the following:

Deposits held with financial institutions	\$ <u><u>162,436</u></u>
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***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The Authority had deposits with a bank balance of \$162,436 as of September 30, 2013. Of the bank balance, up to \$250,000 is federally insured and any remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

**(3) Capital Assets**

Changes in capital assets for the year were as follows:

	<b>Balance 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2013</b>
Land	\$ 11,000,000	-	-	11,000,000
Total capital assets, net	\$ 11,000,000			11,000,000

**(4) Unrestricted Net Position**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1C.7 for a description of these categories). A detailed schedule of fund balance and their funding composition at September 30, 2013, is as follows:

<b>Fund Balance Category</b>	
Nonspendable:	
Prepaid insurance	\$ 1,072
Unassigned fund balance:	99,847
Total fund balance	\$ 100,919

**(5) Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased various commercial insurance policies to manage the potential liabilities that may occur from the previously named sources.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2013**

**(5) Risk Management, continued**

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the years ending September 30, 2013, 2012, and 2011. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of September 30, 2013, 2012, and 2011.

**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to September 30, 2013, that has an effective date that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 66***

In March 2012, the GASB issued Statement No. 66 – *Technical Corrections–2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 68***

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 69***

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

**Los Cerritos Wetlands Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended September 30, 2013**

**(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

***Governmental Accounting Standards Board Statement No. 70***

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Guarantees*. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

**(7) Contingencies**

***Grant Awards***

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Authority believes that such disallowances, if any, would not be significant.

***Litigation***

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(8) Subsequent Events**

Events occurring after September 30, 2013 have been evaluated for possible adjustment to the financial statements or disclosure as of January 31, 2014, which is the date the financial statements were available to be issued.

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## **Required Supplementary Information**





**Los Cerritos Wetlands Authority**  
**Budgetary Comparison Schedule – General Fund**  
**For the Fiscal Year Ended September 30, 2013**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures/Expenses:</b>					
Authority operations:					
Services and supplies	\$ 814,400	5,000	819,400	262,563	556,837
Capital outlay	3,000	-	3,000	-	3,000
<b>Total expenditures/expenses</b>	<u>817,400</u>	<u>5,000</u>	<u>822,400</u>	<u>262,563</u>	<u>559,837</u>
<b>Program revenues:</b>					
Contributions - operating	31,500	5,000	36,500	25,000	(11,500)
Capital grant	678,000	-	678,000	332,137	(345,863)
<b>Total program revenues</b>	<u>709,500</u>	<u>5,000</u>	<u>714,500</u>	<u>357,137</u>	<u>(357,363)</u>
<b>General revenues:</b>					
Rental income	107,900	-	107,900	49,000	(58,900)
Interest earnings	-	-	-	8	8
<b>Total general revenues</b>	<u>107,900</u>	<u>-</u>	<u>107,900</u>	<u>49,008</u>	<u>(58,892)</u>
<b>Total revenues</b>	<u>817,400</u>	<u>5,000</u>	<u>822,400</u>	<u>406,145</u>	<u>(416,255)</u>
<b>Excess(deficiency) of revenues       over(under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,582</u>	<u>(976,092)</u>
<b>Fund balance – beginning of year</b>	<u>8,737</u>		<u>8,737</u>	<u>(42,663)</u>	
<b>Fund balance – end of year</b>	<u>\$ 8,737</u>		<u>8,737</u>	<u>100,919</u>	

**Notes to Required Supplementary Information**

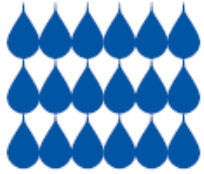
**(1) Budgets and Budgetary Data**

The Authority follows specific instructions in establishing the budgetary data reflected in the financial statements. Each year the Authority’s Executive Officer prepares and submits an operating and capital budget to the Board of Directors no later than September. The basis used to prepare the budget does not differ substantially in form from the modified accrual basis of accounting. The adopted budget becomes operative on October 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

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# **Report on Internal Controls and Compliance**





Charles Z. Fedak, CPA, MBA  
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## **Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Governing Board  
Los Cerritos Wetlands Authority  
Long Beach, California

We have audited, in accordance with the 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, the financial statements of the Los Cerritos Wetlands Authority (Authority) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated January 31, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, continued**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Charles Z. Fedak & Company CPAs - An Accountancy Corporation*

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**  
Cypress, California  
January 31, 2014