

City of Long Beach, California



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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

City of Long Beach
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2005

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CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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GERALD R. MILLER
CITY MANAGER

March 31, 2006

Honorable Mayor and City Council
City of Long Beach

In accordance with Section 302(e) of the City Charter, submitted herewith is the Comprehensive Annual Financial Report (CAFR) for the City of Long Beach (City) for the fiscal year ended September 30, 2005. This report has been prepared by the Department of Financial Management in accordance with generally accepted accounting principles (GAAP) and was audited in accordance with generally accepted auditing standards and government auditing standards by the City Auditors' Office and a firm of licensed certified public accountants.

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

The City's basic financial statements have been audited jointly by the City Auditor and by KPMG LLP, an international public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended September 30, 2005 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Government

The City of Long Beach, incorporated in 1897, is the fifth largest City in the State of California, located within Los Angeles County in Southern California. The City occupies a land area of approximately 50 square miles and services a population of approximately 491,564.

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

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

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

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

all City employees except for classified civil service employees, the City Clerk, Elected Officers, and their appointees.

The City provides a full range of municipal services, including police, fire, public health and environmental services, library, parks and recreation, social services, engineering, public works, sanitation, general administration, 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, several beaches and marinas. The City also administers oil extraction operations under a trust agreement with the State of California.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager must submit a proposed budget to the Mayor on or before August 1st and the Mayor must present that proposed budget along with recommendations to the City Council on or before August 15th. The City Council is required to hold one or more public hearings on the proposed budget and to adopt a final budget on or before September 30, the close of the City's fiscal year. The budget is prepared by fund and department. The City Council adopted the fiscal year 2005 budget prior to September 30, 2004 for all funds except for expendable trust funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Facing Continuing Challenges and Inspired By Recent Successes

Through the combined efforts of the Mayor, City Council, City management, and with the support and input of residents, Long Beach continues to make progress toward ultimate financial stability. Faced with a General Fund structural deficit in excess of \$100 million three years ago, the City adopted a Financial Strategic Plan that has eliminated \$92 million of the deficit. The challenge of reducing the remaining \$10 million structural deficit in Fiscal Year 2007 is undoubtedly daunting, but the successes achieved to date inspire confidence for a positive outcome.

Further demonstrating the City's financial progress, Long Beach was recently singled out as a paragon of transparent and inclusive budgeting. Dan Walters, the influential and discerning political columnist of the *Sacramento Bee*, recently wrote when comparing the State of California to the City of Long Beach's financial situation, "If [Governor] Schwarzenegger and the Legislature were serious about closing the deficit...Long Beach could show them how."

In addition, in late 2005, Standard and Poor's Rating Services improved its outlook on Long Beach's rating from negative to stable, and reaffirmed its AA- issuer credit rating.

The aphorism, "Nothing succeeds like success" describes the City's efforts to eliminate its structural deficit. The notable accomplishments of the past three years will undeniably validate both the expectation and inevitability of future success.

Balancing Increasing Expenses with Limited Revenues

Ongoing pressures for increased spending will have to be balanced or moderated by the level of modest revenue growth. In 2000, Long Beach citizens voted to reduce the Utility Users Tax (UUT) from 10 percent down to 5 percent, with a 1 percent reduction each year. The last scheduled reduction in the UUT occurred in October 2004. The UUT reductions, which took place equally over five years, have offset natural revenue growth. Fortunately, burgeoning private investment in high-end residential construction, increased retail space and growing property values all suggest the promise of a sustainable and growing revenue base.

However, costs are increasing in many significant areas of governance. Recently concluded labor negotiations will increase salary expenses for public safety and other employees. There is a significant amount of competition for police recruits from neighboring jurisdictions that are adding, in aggregate, thousands of new police officers. Recruitment and retention of qualified employees is a major challenge for the City and the enhancement of salaries and benefits is necessary to respond to competition in the labor market.

The City is mitigating to some extent increased pension and medical costs through the modification of benefits. An additional tier of reduced pension benefits for new non-public safety employees has been negotiated and all employees have begun contributing to both the California Public Employees Retirement System (CalPERS) and to their medical coverage.

An ongoing positive development in the protection of current and future City revenues came by way of the statewide passage of Proposition 1A in November 2004. The Proposition, which was passed overwhelmingly by California voters, prevents the State government and legislators from fixing State budget shortfalls by usurping local government funds. Proposition 1A has created a welcome climate of stability in local government financing.

Stimulating Economic Success and Commercial Development

Long Beach is the 34th largest city in the United States—larger than Cleveland, Atlanta, Miami, Minneapolis, Pittsburgh and Kansas City. The City has had a remarkable changeover from the 20th century to what it has become in the 21st century - a dynamic coastal community, strategically located for business growth and becoming a tourism destination of choice throughout Southern California. New and recent commercial developments such as the Pike, the Towne Center, Wrigley Marketplace, Los Altos Market Center, Towne Square, Marina Pacifica, Los Altos Gateway, the Market Place, Marina Shores and Bixby Knolls Shopping Center continue to thrive while attracting visitors, providing much needed shopping opportunities for citizens, and generating sales tax dollars.

Rising property values have stimulated commercial development throughout the city on tracts that have been vacant for years. Locales such as 7th Street and Redondo Avenue,

Willow Street and Bellflower Boulevard, and Clark Avenue and Los Coyotes Diagonal all have projects nearing completion on lots that have long been unoccupied. Moreover, the City is taking pains to ensure that new developments are architecturally distinctive and true enhancements to their respective neighborhoods.

The City's Economic Development Bureau has provided 256 loans totaling more than twenty million dollars to area businesses. In addition, a total of 859 \$2,000 start-up grants have been awarded to small businesses. On the residential front, by 2010 there will be more than 5,000 new mid- to high-end living spaces downtown, bringing in more than 10,000 new full-time residents. Notably, the City's efforts are being directed all across the economic spectrum, not only to the coveted "upper end." For example, the Long Beach Enterprise Zone program has issued over 15,000 vouchers, each representing a job for an economically disadvantaged individual, while saving Long Beach businesses more than \$250 million in State income taxes.

Another stimulus to economic development is the reality that in a time of seemingly uncontrolled energy costs, Long Beach has the lowest natural gas costs in Southern California. The City's and community's commitment to conservation and wise utilization of resources is further exemplified by the recent construction of the nation's largest federally authorized seawater desalination research and development facility.

A Legacy of Economic Achievement – Mayor Beverly O'Neill

In 2006, Mayor Beverly O'Neill will complete her third term as Mayor of Long Beach and will leave office after twelve exciting years. Her tenure is unique and remarkable in Long Beach history, both for its longevity and for its record of accomplishment. Many achievements could be highlighted; a few of the most significant are:

- Since 1994 Sales tax revenues have grown by 96 percent.
- Transit Occupancy Tax has tripled in that time.
- Assessed Property Valuation is up 60 percent since 1994.
- The number of Construction Permits is up 52% and Construction Valuation has tripled.
- Secured property taxes have increased 35 percent.
- In the past decade more than 2 million square feet of retail space has been added or refurbished with additional retail venues under development.
- Since 1995, Long Beach has successfully completed four Navy re-use plans completing adaptive re-use for 700-acres of land.

Clearly, the last twelve years of economic stimulus and growth in Long Beach have been unprecedented. It is expected that the seeds of economic development that have been sown during the Mayor's tenure will continue to provide financial benefits for years to come.

The Importance of Tourism

Long Beach has an outstanding Convention and Visitors Bureau (LBCVB), which is regularly honored by major trade publications for their professionalism and creativity in marketing Long Beach as a meeting site. The LBCVB booked over 220,000 room nights this year.

These room nights have a total economic impact of well over \$200 million on City businesses. Meeting space on the West Coast has increased nearly 50 percent in the past five years, but in spite of the competition, room nights in Long Beach have increased by 40 percent since 1995.

The LBCVB did a particularly outstanding job this year in creating awareness of Long Beach, epitomized in October 2005 by local television station KTLA's Morning News Show that featured a three-hour live broadcast from the Pike at Rainbow Harbor.

Visitors to Long Beach discover a community that offers a unique combination of attractions: an ocean, the Pike at Rainbow Harbor, the Aquarium of the Pacific, Carnival cruise lines, the Queen Mary, two museums, easy access to Catalina island and ocean sport fishing, and the second largest automobile race in the nation, the Long Beach Grand Prix, which grows bigger and better with more events and attractions each year.

Plans are now under way for new downtown hotels in close proximity to the Convention Center to ensure that large groups visiting Long Beach will be housed in the center of a dynamic waterfront setting. The natural beauty of the City's oceanfront setting will always be a convincing selling point when Long Beach competes with landlocked locales for conventions and tourism.

Trade and the Port of Long Beach

For its significant economic impact, the Port has been called the "crown jewel" of the City of Long Beach. While addressing issues of congestion and pollution, Long Beach will do what is necessary to ensure the Port maintains its status as a regional economic driver that directly or indirectly supports one in every nine jobs in the area. In slightly over ten years, the number of containers passing through the Port has increased by 184 percent and cargo tonnage has increased over 89 percent. The Port of Long Beach and its adjacent neighbor, the Port of Los Angeles, together bring in 35 percent of imported goods into the United States.

The Airport

In 1994, Long Beach Airport (LBG) had fewer than 500,000 passengers yearly. Today, under a court mandated limit of 41 commercial flights per day, LBG is serving three million passengers annually. LBG is a vital component of economic health and convenience for our citizens and visitors alike.

After two years of public debate on airport improvements, necessary technical information has been assembled and the City is documenting potential environmental impacts. The City is determined to bring resolution and closure to this important issue.

Neighborhoods

The strength of any city is in its neighborhoods, with their vibrancy and diversity supplying the energy necessary to sustain life in an urban environment.

In Long Beach, there is more focus on neighborhoods today than in many years. Sidewalk and street repairs are ongoing and such efforts will continue and accelerate as more funding becomes available through the anticipated growth in our revenue sources. In addition, historic neighborhoods throughout Long Beach help to define the community and give it texture and identity. Improving neighborhoods also means making more homes available for the growing number of Long Beach residents. During the past year the Redevelopment Agency acquired property in the central and north project areas and issued \$160 million in bonds that will assist in funding parks, neighborhood facilities, street and sidewalk improvements, housing and commercial projects.

The City has also increased graffiti and nuisance abatement efforts, and officials are seeking extensive community input on both maintaining and prioritizing core services. Another example of reinvestment in our neighborhoods is taking place with the scheduled groundbreaking for the Mark Twain library, a new 16,000 square foot facility that will be replacing a 50-year old 2,000 square foot facility. It will be the City's first 21st Century library and the first public environmentally "green" building for the City.

If parks are the "lungs" of a city, then Long Beach is working to ensure that all of its citizens will breathe more easily. Construction has recently been completed on three mini-parks: Rotary Centennial, Daryle Black Memorial and Burton Chace - and on supplemental phases for Cesar Chavez Community Park and Admiral Kidd Park. A new park in North Long Beach is under construction (55th Way) and a large new park to host adult sports leagues is being planned. There are also renovated and new swimming pools at Silverado and Martin Luther King, Jr. Parks.

A Future Full of Promise

As Mayor Beverly O'Neill said in her final State of the City Address, "Long Beach has that rare opportunity to rise to a level that few communities can hope to attain." Challenges, financial and otherwise, will continue to test the mettle of Long Beach's officials and residents, but the vast potential embodied in the City's seaside location and the expectations of its thriving, diverse population make failure unthinkable. It is in this spirit of eager anticipation that the City reaffirms and embraces its course to a future as golden as a California sunrise.

Long-term Financial Planning

The City enacted a rolling three year financial planning model with the adoption of the fiscal year 2003 budget, and at the same time the City Council adopted a financial policy requiring long-term financial planning as part of each years budget process. In addition, in order to ensure the City's ongoing financial viability, the City Council adopted a policy to maintain an Emergency Reserve equal to 10 percent of General Fund recurring expenditures. An Emergency fund balance of over \$36 million in the General Fund, (10 percent of total General Fund expenditures) meets the policy guidelines set by the Council for budgetary and contingency planning purposes.

Cash Management Policies and Practices

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

The City's pooled investments for fiscal year 2005 averaged \$1,259,597,000 and earned an annual average return of 2.68%. The City's pooled investments averaged \$1,172,332,000 for fiscal year 2004 and earned an annual average return of 2.52%.

The rate of return demonstrates that the City maintained a reasonable and safe return on its investments during fiscal year 2005, while employing prudent investment policies to safeguard the City's cash assets and maintaining adequate levels of liquidity. The City's Department of Financial Management presents cash and investment reports to the City Manager, Mayor and City Council each fiscal quarter. The City Auditor also performs a quarterly independent audit of City cash accounts and investments for adherence to the City's Statement of Investment Policy. The City's general investment strategies are set forth in a formal Statement of Investment Policy, which has been written in accordance with State law and is reviewed and approved annually by the City Council.

Risk Management

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

Debt Administration

During fiscal year 2005, the City and its agencies issued approximately \$488.5 million in debt as follows:

<u>Fund / Agency</u>	<u>Amount (millions)</u>	<u>Purpose</u>
General Fund	\$ 30.0	Tax Revenue Anticipation Notes
Redevelopment Agency/Gas Enterprise Fund	192.4	Redevelopment Projects/ Refund 1993 Gas Bonds
Fleet Internal Service Fund	8.1	Refinance portion of 1998 Fleet Bonds
Harbor	258.0	Improvements to the Port of Long Beach
	<u>\$ 488.5</u>	

Tax Revenue Anticipation Notes were issued in October 2004 to meet cash flow needs of the City's General Fund. Funds from Operations were accumulated prior to September 30, 2005 to pay off the notes.

More detailed information about the debt position of the City is reported in Notes 8 through 11 of the notes to the Basic Financial Statements in the accompanying Financial

Section of this report, as well as in Exhibits 7 through 14 of the accompanying Statistical Section.

Pension and Other Post Employment Benefits

The City provides full-time employees retirement and disability benefits, including annual cost-of-living adjustments and death benefits through the California Public Employees' Retirement System (CalPERS), agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. The contribution requirements to the pension plan are established and amended by CalPERS. The City's funding policy is to make contributions as determined by CalPERS. Based on the latest actuarial valuations by CalPERS, the City contributed the employer portion of 7.199 percent and 14.208 percent of salary for miscellaneous and safety employees' respectively out of its budget in fiscal year 2005. Based on the latest CalPERS valuation of June 30, 2004, the miscellaneous employee's pension plan was funded at 95.9 percent and the safety employee's plan at 102.2 percent, according to CalPERS, compared to 99.0 percent and 103.7 percent, respectively for fiscal year 2003.

The City provides Special Status Contractors, and Seasonal and Temporary employees retirement, death and disability benefits through a Public Agency Retirement System (PARS) defined benefit single employer retirement plan. The PARS plan is administered through a third-party administrator. The City's funding policy is to make the contribution as determined by the PARS plan's actuary. The PARS plan was funded at 206 percent as of September 30, 2005 and the City was not required to make any contributions according to the PARS plan's actuary through fiscal year 2005.

The City also provides post-retirement health care benefits under the provisions of the City's Personnel Ordinance where upon retirement, the City allows retirees, their spouses and eligible dependents to use the cash value at retirement of the employee's accumulated unused sick leave to pay for health, dental and long-term care insurance under the City's Retired Employees Health Care Program. As of September 30, 2005, there were 810 participants in this program at a cost of \$6,212,000 during the fiscal year.

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

Independent Audit

Section 803 of the City Charter requires the City Auditor, at least once in each fiscal year, to audit the financial statements of the City. Immediately upon completion of such audit, the City Auditor shall make and file with the City Clerk a written report thereof. The City Auditor contracted with an independent certified public accounting firm to join with his staff in a joint audit of the City's Basic Financial Statements for the fiscal year ended September 30, 2005. The Independent Auditors' report has been included in this report.

Awards

The California Society of Municipal Finance Officers (CSMFO) awards its Certificate of Award for Outstanding Financial Reporting to recognize those entities whose comprehensive annual financial reports are judged to conform substantially to the highest standards for preparation of state and local government financial reports. The Comprehensive Annual Financial Report (CAFR) of the City of Long Beach has been awarded this certificate by the CSMFO for the fiscal year ended September 30, 2004.

Acknowledgments

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

Respectfully submitted,



GERALD R. MILLER
City Manager



MICHAEL A. KILLEBREW
Director of Financial Management

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2003-04

Presented to the

City of Long Beach

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

February 24, 2005



William J. Seamp

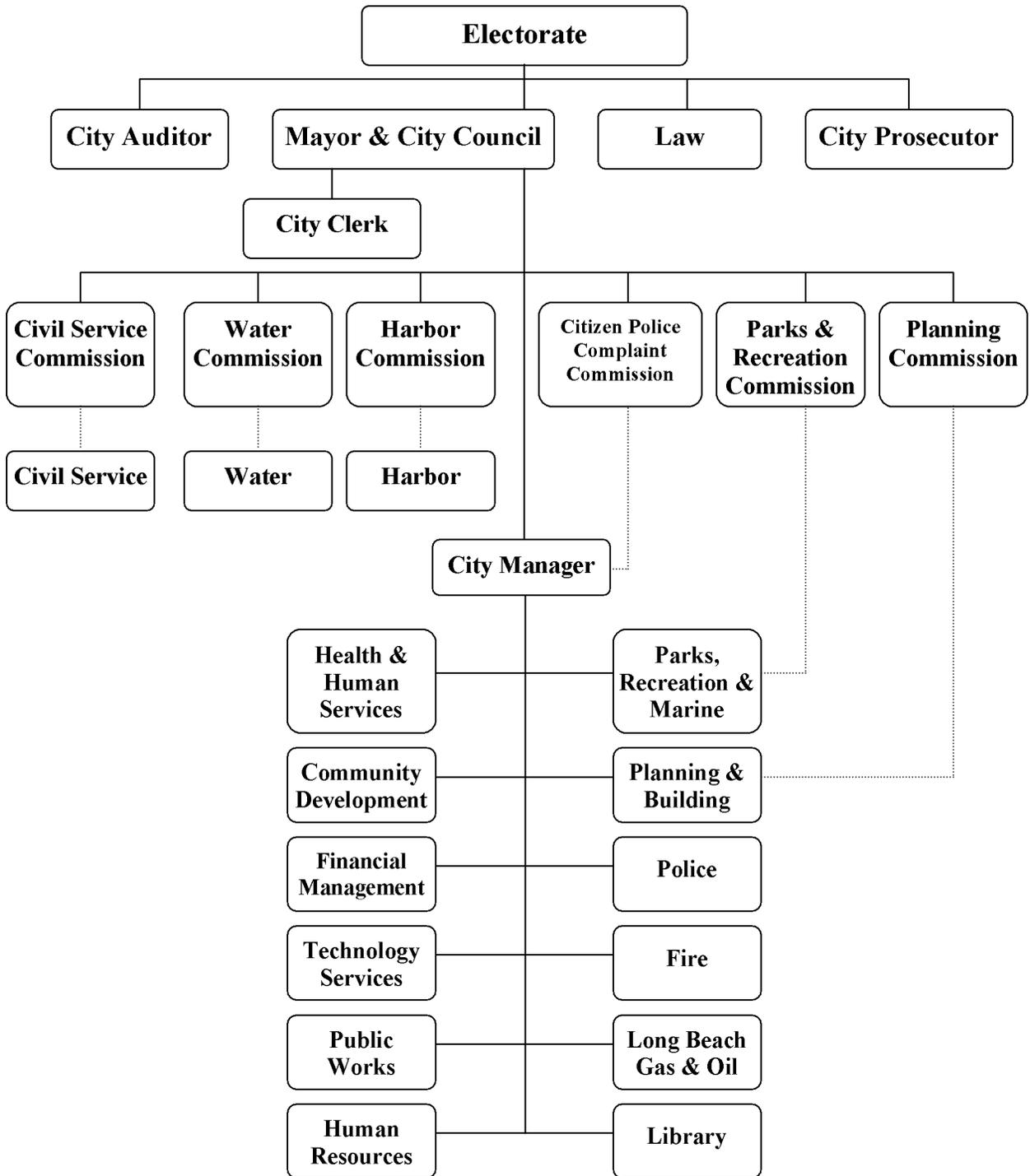
Bill Seamp, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

LONG BEACH CITY GOVERNMENT

ORGANIZATION CHART

As of September 30, 2005



Current
Directory of City Officials *

Beverly O'Neill
Mayor

Jackie Kell
Vice-Mayor
5th District

Bonnie Lowenthal
Councilmember
1st District

Vacant
2nd District

Frank Colonna
Councilmember
3rd District

Patrick O'Donnell
Councilmember
4th District

Laura Richardson
Councilwoman
6th District

Tonia Reyes Uranga
Councilmember
7th District

Rae Gabelich
Councilwoman
8th District

Val Lerch
Councilmember
9th District

Elected Department Heads

City Attorney
City Auditor
City Prosecutor

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

Appointed by Council or Commission

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

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

City Manager
Gerald R. Miller

Assistant City Manager
Christine F. Shippey

Deputy City Managers
Reginald I. Harrison
Suzanne R. Mason

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

Patrick West
Michael Killebrew
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year's summarized comparative information included for the fund financial statements has been derived from the City's 2004 financial statements, and in our report dated March 17, 2005, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California as of September 30, 2005, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Housing Development Fund, and the Community Development Grants Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

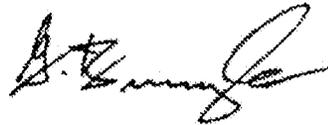
In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 22 and the schedules of the City's pension plan funding progress on pages 122 and 123 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

KPMG LLP
Los Angeles, California
March 31, 2006



Gary L. Burroughs, CPA
City Auditor

Management's Discussion and Analysis

As management of the City of Long Beach (the City), we present to readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. We encourage readers to consider this information in conjunction with additional information included in our letter of transmittal.

Financial Highlights

Government-wide:

- The restricted and unrestricted assets of the City exceeded its liabilities as of the close of the fiscal year by \$3.1 billion (*net assets*). Of this amount, \$468.0 million may be used to meet the government's ongoing General Fund, grant funds, capital project and business-type activity obligations to citizens and creditors; however, expenditure restrictions apply to the grant funds and much of the Business-type and capital project funds.
- The City's total net assets, including all funds, increased by \$162.7 million, reflecting an increase of \$177.2 million in net assets for Business-type activities offset by a decrease of \$14.5 million in net assets of Governmental activities.
- The City's total net long-term liabilities, including such items as bonds payable, notes and leases payable and accrued self-insured claims, increased by \$243.5 million or 9.4 percent during the fiscal year. Tax allocation bonds totaling \$184.8 million were issued to support affordable housing development (\$55.7 million) and redevelopment activities (\$129.1 million) in the Central, Los Altos, North, Poly High and West Long Beach areas. Accrued self-insured claims increased by a net \$38.2 million due to projected increases in Worker's Compensation and general liability costs, along with a \$4.0 million increase in retiree health care. The City also entered into a \$2.2 million computer capital lease.

Fund Basis:

- As of September 30, 2005, unreserved fund balance for the General Fund was \$38.4 million, or 10.3 percent of total General Fund expenditures. This balance includes designated General Fund reserves of \$34.2 million, coupled with a \$2.5 million general purpose reserve as allowed by the City Charter comprise the Emergency Reserve. A long-term advance of \$4.1 million from the Subsidence Fund is also shown and was the result of State legislation and which will be repaid over 20 years, interest free, beginning in 2007. The unreserved fund balance also includes \$5.8 million designated for FY 06 appropriations.
- As of September 30, 2005, the City's governmental funds reported an unreserved fund balance deficit of \$40.6 million. The other governmental funds, excluding the General Fund positive unreserved fund balance, reported combined ending fund balances of \$79.0 million of net unrestricted deficit fund balance. This consists of a combined \$155.0 million deficit mainly due to the Redevelopment Capital Projects Fund for long-term advances due to other funds. The advances will be repaid with future property tax increment. The remaining positive balance of \$76.0 million in the special revenue grant and capital projects funds is available for spending in accordance with restrictions, where applicable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Long Beach's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including non-major fund financial statements and a statistical section.

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused employee vacation and sick leave.

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 those related to legislative and legal, general government, public safety, public health, community and recreational, public works and City oil operations. Business-type activities include those related to gas, water and sewer utilities, airport and solid waste management operations, towing, tidelands, marina and Rainbow Harbor area operations, as well as tidelands oil revenue operations and the Port of Long Beach.

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

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

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

Fund financial statements

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, 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, Housing Development Fund, Community Development Grants Fund, General Capital Projects Fund, and the Redevelopment Capital Projects Fund, each considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*, located in the Additional Financial Information section of this report.

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

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

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

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

Internal Service funds are accounts used to accumulate and allocate 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, compensated absences, payroll taxes, health and retirement benefits.

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

Fiduciary funds are used to account for resources held for the benefit of 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 accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found in the Basic Financial Statements section of this report.

Notes to the Basic Financial Statements

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

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

The combining statements referred to above in connection with non-major governmental funds and internal service funds are presented in the Additional Financial Information Section, along with information regarding capital assets.

Government-Wide Financial Analysis

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

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of changes in a government’s financial position. In the City of Long Beach, assets exceeded liabilities by \$3.1 billion at the close of fiscal year 2005, up \$162.7 million from fiscal year 2004.

Net Assets
September 30, 2005 and 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and Other Assets	\$ 846,693	\$ 650,483	\$ 1,691,581	\$ 1,496,323	\$ 2,538,274	\$ 2,146,806
Capital Assets	626,055	617,348	3,075,446	3,062,054	3,701,501	3,679,402
Total Assets	<u>1,472,748</u>	<u>1,267,831</u>	<u>4,767,027</u>	<u>4,558,377</u>	<u>6,239,775</u>	<u>5,826,208</u>
Liabilities:						
Current Liabilities	188,429	175,644	272,007	186,162	460,436	361,806
Noncurrent Liabilities, Net	<u>829,212</u>	<u>622,607</u>	<u>1,838,068</u>	<u>1,892,446</u>	<u>2,667,280</u>	<u>2,515,053</u>
Total Liabilities	<u>1,017,641</u>	<u>798,251</u>	<u>2,110,075</u>	<u>2,078,608</u>	<u>3,127,716</u>	<u>2,876,859</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	99,122	261,014	1,564,750	1,534,595	1,663,872	1,795,609
Restricted	474,313	286,745	505,875	498,341	980,188	785,086
Unrestricted (Deficit)	<u>(118,328)</u>	<u>(78,179)</u>	<u>586,327</u>	<u>446,833</u>	<u>467,999</u>	<u>368,654</u>
Total Net Assets	<u>\$ 455,107</u>	<u>\$ 469,580</u>	<u>\$ 2,656,952</u>	<u>\$ 2,479,769</u>	<u>\$ 3,112,059</u>	<u>\$ 2,949,349</u>

The largest portion of the City’s net assets (53.5 percent) reflects its investment of \$1.7 billion in capital assets (for example, land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net assets, \$980.2 million (31.5 percent) represent resources that are subject to external restrictions on how they may be used. The restricted assets consist of 21.1 percent for debt repayment, 35.9 percent for capital projects, and 17.0 percent of grant funds with the balance related to various City special revenue and permanent funds, and a commitment by the Port of Long Beach’s Harbor Fund for the Alameda Corridor. The remaining balance of *unrestricted net assets* in all City funds of \$468.0 million may be used to meet the government’s ongoing obligations to citizens and

creditors; however, specific expenditure restrictions apply to the grant funds, and much of the business-type and capital project funds.

At September 30, 2005, the City is able to report positive balances in all three categories of net assets, for the government as a whole and for business-type activities. The governmental activities unrestricted net assets deficit in the amount of \$118.3 million is mainly due to deficits in the Internal Service Funds and in the Housing Authority Fund (See Note 15 in the accompanying notes to the basic financial statements). The deficit increased from fiscal year 2004 by \$40.1 million from the comparable deficit amount of \$78.2 million mainly due to an almost \$30 million increase long-term projected workers insurance liabilities, an \$8.5 million increase in general liability costs, and a \$4.0 million increase in retired employees' health care costs.

Analysis of Changes in Net Assets

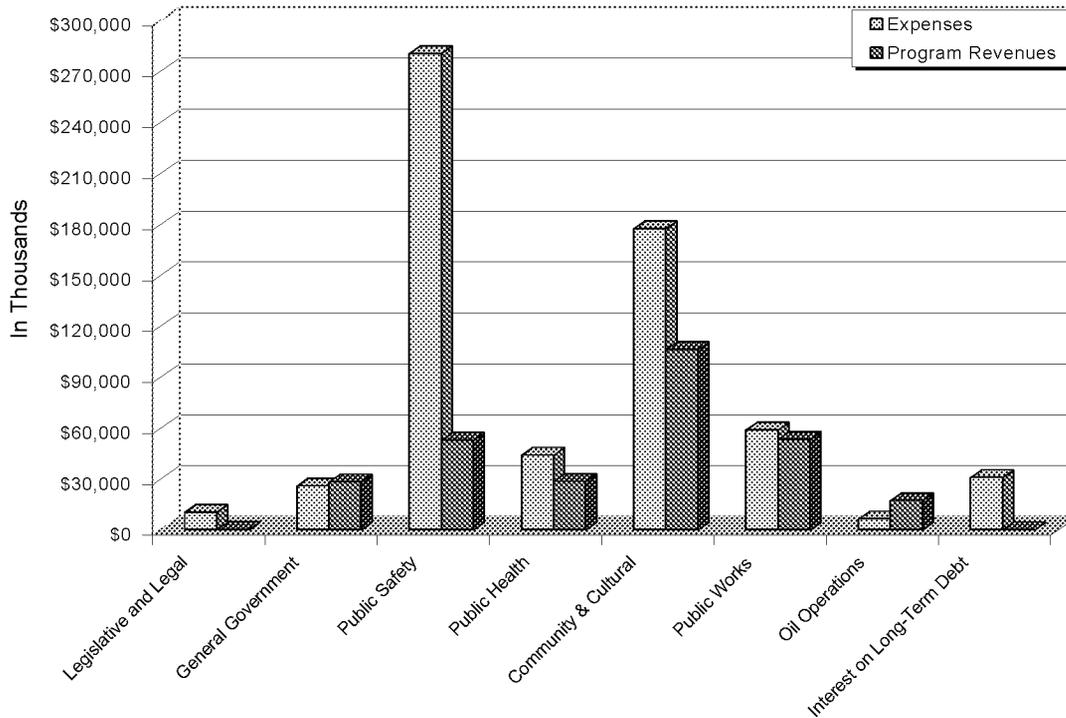
The City's net assets increased \$162.7 million in the fiscal year ended September 30, 2005. The increase is mainly due to operations in the business-type funds including the Harbor Fund for \$142.2 million and other changes explained in the governmental and business-type activities discussions below.

Changes in Net Assets
September 30, 2005 and 2004
(In Thousands)

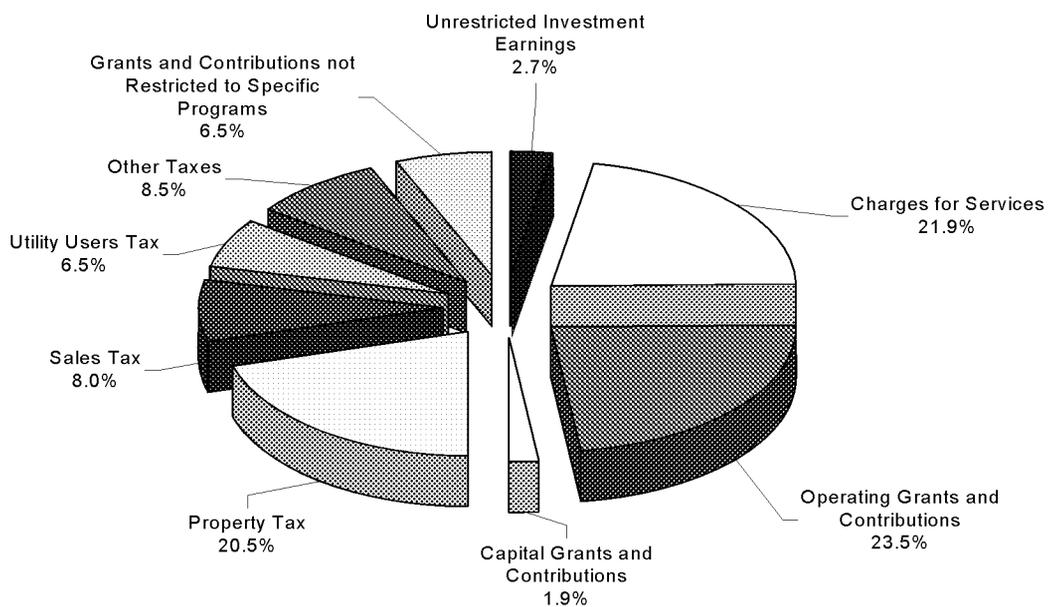
	Governmental		Business-type	
	Activities		Activities	
	2005	2004	2005	2004
Revenues:				
Program Revenues:				
Charges for Services	\$ 132,492	\$ 118,187	\$ 888,954	\$ 734,561
Operating Grants and Contributions	142,011	143,818	2,520	1,066
Capital Grants and Contributions	11,489	13,285	25,787	23,500
General Revenues:				
Taxes:				
Property	123,924	107,796	-	-
Sales	48,216	42,383	-	-
Utility Users	39,216	45,339	-	-
Other	51,238	46,616	-	-
Grants and Contributions Not Restricted to Specific Programs	39,205	28,693	-	-
Unrestricted Investment Earnings	16,213	12,325	27,599	25,280
Gain (Loss) on Sale of Capital Assets	810	317	(665)	(2,539)
Total Revenues	<u>604,814</u>	<u>558,759</u>	<u>944,195</u>	<u>781,868</u>
Expenses:				
Legislative and Legal	10,313	9,721	-	-
General Government	25,808	23,179	-	-
Public Safety	280,415	227,601	-	-
Public Health	43,874	42,184	-	-
Community & Cultural	177,210	164,982	-	-
Public Works	58,783	67,425	-	-
Oil Operations	6,367	6,215	-	-
Interest on Long-Term Debt	30,831	22,652	-	-
Gas	-	-	89,463	76,408
Water	-	-	62,075	57,849
Sewer	-	-	7,337	7,787
Airport	-	-	22,465	19,476
Solid Waste Management	-	-	70,493	70,658
Towing	-	-	6,858	6,762
Tidelands	-	-	94,033	83,501
Tideland Oil Revenue	-	-	188,250	102,098
Subsidence	-	-	4,054	441
Harbor	-	-	207,689	198,084
Total Expenses	<u>633,601</u>	<u>563,959</u>	<u>752,717</u>	<u>623,064</u>
Increase (Decrease) in Net Assets before Transfers	(28,787)	(5,200)	191,478	158,804
Capital Assets Transfers	-	926	19	(926)
Transfers	14,314	12,584	(14,314)	(12,584)
Change in Net Assets	<u>(14,473)</u>	<u>8,310</u>	<u>177,183</u>	<u>145,294</u>
Net Assets - October 1	<u>469,580</u>	<u>461,270</u>	<u>2,479,769</u>	<u>2,334,475</u>
Net Assets - September 30	<u>\$ 455,107</u>	<u>\$ 469,580</u>	<u>\$ 2,656,952</u>	<u>\$ 2,479,769</u>

Governmental Activities Year Ended September 30, 2005

Program Expenses and Revenues -Governmental Activities



Revenues By Source - Governmental Activities Year Ended September 30, 2005



Governmental activities. The charts on the previous page illustrate program expenses and revenues by function, and revenues by source. Public Safety is the largest function at 44.3 percent of total governmental expense, followed by Community and Cultural at 28.0 percent, Public Works at 9.3 percent and Public Health at 6.9 percent. Property, sales and other taxes are general revenues used to support overall government functions; therefore, these are not shown as program revenues. Operating grants and contributions make up 23.5 percent, charges for services 21.9 percent and property tax 20.5 percent of total revenues.

Governmental activities decreased the City's net assets by \$14.5 million. Although the City's total revenues increased from fiscal year 2004 by \$46.1 million, or 8.2 percent, the City's expenses increased by a greater amount of \$69.6 million, or 12.3 percent. Key factors of this change for governmental activities include the following:

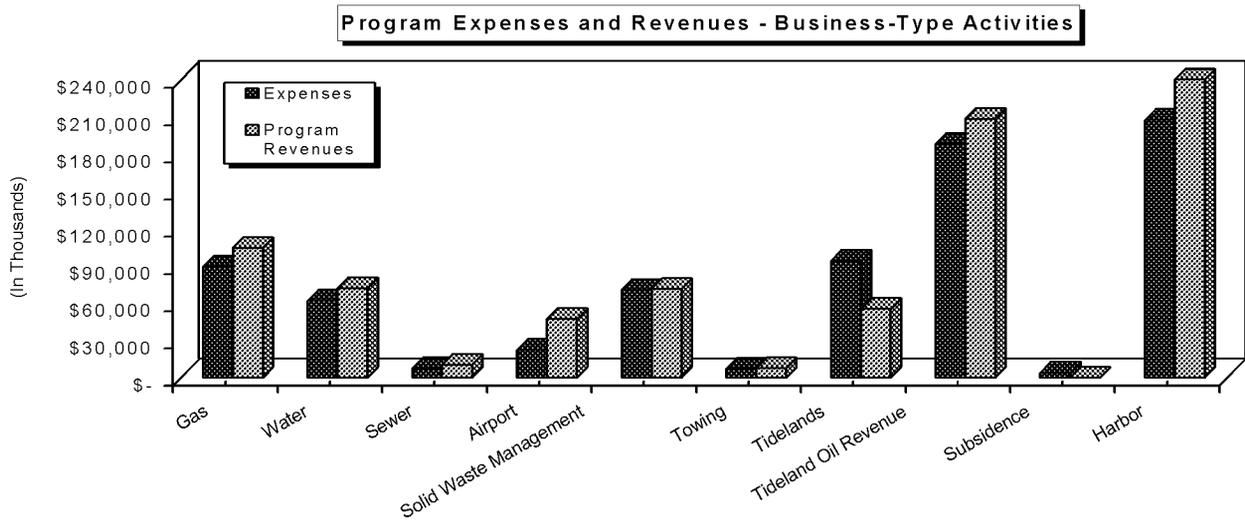
- Property tax, including Redevelopment Property Tax Increment, increased \$16.1 million or 15.0 percent primarily due to property assessed value increases fueled by an extended albeit stabilizing real estate boom, along with long-term leases of newly constructed property in the Port that accrues to the Redevelopment Agency. The redevelopment project areas growth in assessed property values gave rise to a 22.2 percent increase in property tax increment revenue, or \$9.3 million. In addition, General Fund property tax revenue increased \$5.1 million, or 9.1 percent. The remaining \$1.7 million increase in property tax revenue occurred within the Housing Development Fund.
- Sales tax revenue increased by \$5.8 million or 13.8 percent due to an improving economy and higher wages resulting in increased spending in the Greater Long Beach area, in addition to higher level of activity by a Long Beach-based utility purchasing supply company.
- Utility users tax decreased \$6.1 million or 13.5 percent due to the voter-mandated decrease in the tax rate. The rate decreased by one percent annually starting on October 1, 2000 through October 1, 2004, reducing the rate from ten to five percent. Fiscal Year 2005 represents the final year of rate cuts. It is expected this revenue source will stabilize now that the final cut has been implemented.
- Other tax revenue increased \$4.6 million or 9.9 percent and is primarily composed of pipeline fees, transient occupancy taxes, business license taxes and real estate property transfer tax revenue. Transient occupancy taxes increased due to increased hotel occupancy and room rates in fiscal year 2005, business license taxes increased partially due to the discontinuation of a 15 percent business license discount early-pay incentive program which ended early in fiscal year 2004, and increased real estate property transfer taxes attributed to an extended albeit stabilizing real estate boom.
- Program revenue charges for services increased \$14.3 million in fiscal year 2005. This was primarily due to a citywide effort to improve cost recovery for services provided by departments to help eliminate the City's structural deficit. Details include:
 - Community and Cultural charges for services increased by \$5.4 million or 29.3 percent primarily due to: \$4.6 million in increased revenue from Community Development activities from revenue generated by the Boeing parking lot, Federal reimbursement for the January 2005 storms, the sale of land on Long Beach

Boulevard, increased income from housing vouchers, and \$0.8 million from Library Services and Parks and Recreation due to increased fees for services.

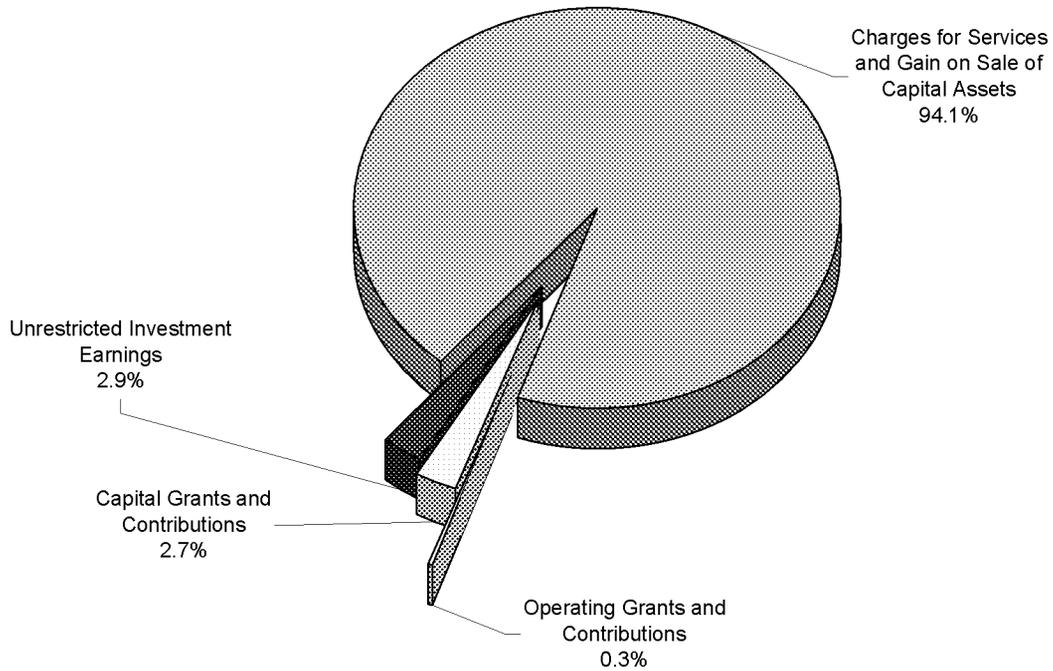
- Oil operation revenue in the City's Uplands oil extraction area increased by almost \$4.0 million as a result of increased oil prices.
- Public safety charges for services increased \$3.1 million, or 8.4 percent. Of this increase, \$1.8 million is attributed to Police Department services and \$1.5 million is attributed to the Fire Department. Increased enforcement of Vehicle code and parking regulations comprised most of the increase in the Police Department. Increases in fire plan check and other fees comprised most of the increase in the Fire Department.
- Public Works charges for services increased \$1.7 million or 11.2 percent primarily due to increased rates for parking meters and other rate increases.
- Operating grants and contributions decreased slightly by \$1.8 million. Details include:
 - Public safety operating grants and contributions increased by \$3.6 million primarily due to increased Federal funding for Homeland Security for the Police and Fire Departments.
 - Public health operating grants decreased \$1.9 million due to decreased grant funding for various public health services.
 - Community and cultural operating grants and contributions decreased \$3.6 million primarily due to fewer U.S. Department of Housing and Urban Development (HUD) Section 8 program reimbursements for low-income housing assistance.
- Governmental activities expenses increased \$69.6 million, or 12.3 percent in fiscal year 2005 mostly from ongoing efforts to reduce the structural deficit and the reallocation of certain costs to internal service funds. Details include:
 - Public safety costs increased \$52.8 million, which included \$37.2 million in increased costs in the Police Department and \$16.8 million in the Fire Department that are mainly due to increased pension costs;
 - Community and cultural costs increased by \$12.2 million, including a \$10.8 million increase in Community Development spending primarily for Redevelopment activities in the Central, Los Altos, North, Poly High and West Beach project areas, and a \$1.1 million increase in Library and Parks and Recreation services due to grant funding.
 - Public works expenses decreased \$8.6 million mainly due to infrastructure and capital projects expenses that were capitalized under GASB 34.
 - Public health expenditures increased by \$1.7 million.
 - The increase of \$8.2 million in interest on long-term debt is related to the issuance of \$184.8 million in new bonds for redevelopment agency projects.

Business-Type Activities

Year Ended September 30, 2005



Revenue by Source - Business-type Activities
Year Ended September 30, 2005



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

Business-type activities increased the City's overall net assets by \$177.2 million, essentially accounting for all of the growth in net assets. The fiscal year 2005 increase in business-type net assets was \$31.9 million more than the increase in fiscal year 2004 of \$145.3 million. Key elements of the increase in fiscal year 2005 are:

- The Port of Long Beach's net assets, which are included in the City's Harbor Fund, increased by \$142.2 million. This increase was due to net income from operations of \$180.4 million and capital grant revenue of \$2.2 million that was offset by a non-operating loss of \$30.9 million and a transfer out of \$9.5 million to the Tidelands Fund. The net non-operating loss was mainly the result of \$57.4 million of interest expense, offset by interest earnings of \$18.0 million and other income of \$9.0 million. The Port's operating income increased \$36.8 million, or 25.6 percent from last year, and is attributed to a substantial increase in containerized cargo volume.
- Water Fund net assets increased \$11.9 million from net operating income of \$6.2 million and capital contributions of \$6.3 million offset by a minor non-operating expense of \$0.5 million. Operating revenue increased \$1.3 million from an increase in demand and a rate adjustment. Operating expenses increased by \$2.7 million.
- Gas Fund net assets increased \$1.8 million due to \$11.9 million from operating income, \$5.5 million in non-operating income, less \$15.5 million in operating transfers to the General Fund. The increase of \$4.3 million in operating income from last year is primarily due to better cost recovery for services provided, coupled with savings from optimizing operations in response to the City's structural budget deficit.
- Tidelands Oil Revenue Fund net assets increased \$7.3 million due to revenue from higher oil prices. The Tidelands Fund net assets decreased \$7.9 million due to operation, maintenance, depreciation, and non-operating costs of the beaches and other facilities that exceeded facility income.
- The \$29.8 million increase in non-major business-type activities net assets include the Airport Fund net assets increase of \$25.5 million primarily due to grants for runway, infrastructure improvements and security projects. The other enterprise funds reflected minimal changes in operations.

Government Funds Financial Analysis

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

Governmental funds

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

At September 30, 2005, the City's governmental funds reported a combined ending fund balance of \$448.8 million, an increase of \$181.8 million in comparison with the prior year. This change is primarily the result of an increase in non-pooled cash and cash equivalents of \$139.0 million due to the 2005 Redevelopment Agency Bond issue, and land held for resale of \$26.3 million for Redevelopment Agency projects. Of the total fund balance, the net unreserved fund balance is a \$40.6 million deficit. Advances from the General Fund to the Redevelopment Fund make up most of the deficit, and will be repaid from future property tax increment revenue.

The unrestricted portion of the unreserved governmental funds ending fund balance at September 30, 2005 totaled \$114.5 million. Of this amount, the General Fund unrestricted fund balance of \$38.4 million includes an Emergency Reserve, and is offset by a long-term advance of \$4.1 million from the Subsidence Fund. There is also \$5.8 million of undesignated fund balance for subsequent year's appropriations. The other governmental funds reported an aggregate unreserved deficit of \$79.0 million.

The *reserved* fund balance classification indicates funds committed for: (a) long-term advances to other funds (\$132.3 million) that are not available to spend; (b) reserves for land held for resale (\$75.3 million) that are not available to spend; (c) asset seizure funds restricted by law (\$2.8 million); (d) commitments for contracts and purchase orders (\$12.8 million); (e) City Charter requirements to maintain \$1.486 million cash balance reserve; (f) future capital projects and special programs (\$203.5 million); (g) required bond reserves to pay debt service (\$57.7 million); and (h) other restricted purposes including reserve for estimated oil field abandonment costs and housing development (\$3.6 million).

Since the implementation of GASB 34 in 2002, long-term advances due from other funds have been recorded as fund balance reserved for non-current receivables. The long-term advances due from other funds (e.g. loan to the Redevelopment Agency) have no specified repayment date; therefore, the General Fund reserved fund balance in the amount of \$100.5 million is not available. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The total unreserved fund balance of \$38.4 million, including emergency reserves of \$36.6 million, represents 10.3 percent of total General Fund expenditures of \$373.5 million.

The General Fund's fund balance decreased by \$11.3 million during fiscal year 2005. This compares to a \$0.3 million increase in fiscal year 2004. Factors affecting the fiscal year 2005 decrease include the following:

- While there was an increase in General Fund revenues of \$24.9 million over the prior year, there was a slightly greater increase in General Fund expenditures of \$27.2 million thereby creating \$2.3 million in expenditures that exceeded revenues. The expenditure increase was predicted with the return of pension payments in fiscal year 2005.
- Other financing sources decreased by \$9.2 million primarily due to one-time proceeds from other long term obligations in fiscal year 2004.
- Utility users tax revenue decreased \$6.1 million due to the final year of a voter-approved five-year annual rate reduction of 1 percent.
- Public safety costs increased by \$26.1 million due to increased Police and Fire pension costs.
- Debt service expenditures increased as scheduled by \$0.9 million.

Enterprise Funds

The Enterprise Funds unrestricted net assets at September 30, 2005 amounted to \$606.0 million, before the Internal Service Fund activities allocation. The total growth in net assets was \$167.2 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.

The Gas, Water and Solid Waste Management funds reported unrestricted net assets of \$14.4 million, \$11.2 million and \$51.3 million, respectively. The Solid Waste Management Fund reported a deficit investment in Capital Assets net of Related Debt due to the 1995 refunding bond issue that extended the original repayment terms for the debt. The 1995 Series was refunded again in 2004 without extending debt service payments from that of the 1995 bond issue. The Tidelands, Tideland Oil Revenue and Harbor Funds reported unrestricted net assets of \$8.6 million, \$57.8 million and \$441.5 million, respectively. Other business-type funds reported unrestricted net assets of \$21.2 million.

Internal Service Funds

The Internal Service funds, which are used to finance and account for goods and services provided internally among City departments, had a deficit in unrestricted net assets of \$139.6 million. This deficit is in the Insurance and Employee Benefit Internal Service funds, which have always been accounted for on a pay-as-you-go basis and therefore are not fully funded for long-term liabilities. City management believes the cash position of each fund is sufficient to cover the current costs related to health insurance, worker's compensation, and general liability claims and operating costs. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained. This reflects a \$45.3 million deficit increase from the prior year and is primarily due to a change in the data used to compute long-term Worker's Compensation liabilities. The City is contracting with an actuary to update the methodology used to compute the liability.

Fiduciary Funds

The City maintains fiduciary funds for the assets of private purpose trust funds including the Miller Trust Fund and the Mayor's Fund for the Homeless. These funds are held in trust for the benefit of the Main Library Miller room staffing and books, and for homeless services expenditures, with net assets of \$851,000 and \$127,000, respectively.

Budgetary Highlights

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

General Fund

General Fund net appropriation adjustments totaled \$7.8 million. This was primarily the result of a \$8.5 million increase in general government, legislative and legal, public safety, public health expenses and operating transfers out offset by a \$.7 million reduction in community and cultural, and public works expenses.

The General Fund reflects a net positive ending fund balance variance of \$8.7 million on a budgetary basis, which consists of a favorable revenue variance of \$8.2 million, a favorable total expenditure variance of \$2.4 million and a negative other financing sources variance of \$1.9 million.

General fund actual revenues were over budget by \$8.2 million on a budgetary basis. Sales tax actual revenue was \$5.3 million more than the adopted projection of \$40.4 million, a 13.2 percent difference primarily due to an improving economy and an increase in taxable sales. Property tax was slightly less than budgeted at \$0.7 million less. License and permit revenue exceeded budget by \$1.1 million and is due to an increase in building permits and plan check fees fueled by construction activity. Revenue from other agencies is \$2.7 million more than projected. Other tax revenue of \$41.4 million was \$2.2 million over the anticipated revenue of \$39.2 million and is primarily due to real property transfer tax exceeding budget and increased pipeline fee revenue.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$3.7 billion, net of accumulated depreciation. This is an increase of \$22.1 million over fiscal year 2004. This investment in capital assets includes land, buildings, improvements, machinery and equipment, parks, right-of-ways, roads, curbs, gutters, sidewalks, alleys and bridges.

Major changes in capital projects in progress and capital assets during the year include:

- The Harbor Fund capital assets decreased \$16.8 million due to the transfer of accumulated costs from the construction in progress account to expense and to fixed assets, net of depreciation.

- The Airport Fund increase of \$21.4 million in capital assets is primarily due to project expenditures for rehabilitation of the main runway, as well as improvements to the taxiways.
- The Water Fund capital assets increased \$10.9 million due to improvements in the distribution and collection system.
- Governmental fund buildings increased \$39.8 million due to the completion of the Public Safety Building.
- Infrastructure increased by the addition of streets, curbs, gutters and sidewalks of \$2.8 million and improvements other than buildings increased \$6.5 million for the rebuild of the Skylinks Golf Course.

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

Capital Assets, Net of Depreciation
September 30, 2005 and 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 116,026	\$ 113,887	\$ 898,540	\$ 876,943	\$ 1,014,566	\$ 990,830
Right-a-way	2,806	2,806	207,823	207,823	210,629	210,629
Construction In Progress	76,710	116,502	188,092	220,754	264,802	337,256
Building	171,072	131,318	1,200,100	1,216,310	1,371,172	1,347,628
Improvements other than Buildings	34,817	28,287	146,449	97,016	181,266	125,303
Infrastructure	163,636	160,861	424,083	431,794	587,719	592,655
Machinery and Equipment	19,115	22,899	5,434	5,427	24,549	28,326
Automotive	36,194	33,689	4,925	5,987	41,119	39,676
Other Assets	5,679	7,099	-	-	5,679	7,099
Total Net Capital Assets (net)	<u>\$ 626,055</u>	<u>\$ 617,348</u>	<u>\$ 3,075,446</u>	<u>\$ 3,062,054</u>	<u>\$ 3,701,501</u>	<u>\$ 3,679,402</u>

Long-Term Indebtedness

At the end of fiscal year 2005, the City had total net long-term obligations outstanding of \$2.8 billion. Of this amount, \$1.9 billion relates to revenue bonds, certificates of participation, notes payable, capital leases, accrued oil field abandonment costs and other obligations of the City's business enterprises. The remaining balance of \$867.4 million relates to revenue bonds, tax allocation bonds, notes payable, capital leases, self-insurance and employee benefit obligations of the governmental funds.

The City's net debt outstanding increased by \$243.5 million in fiscal year 2005 (Note 8). The City issued \$273.8 million in revenue bonds for the refunding of: the Temple and Willow Project bonds issued in 1998; the 1993 Gas Utility bonds for the heating and ventilating of the Convention Center, and the 1995 Harbor bonds for capital improvements to Piers A and J at the Port of Long Beach. Tax allocation bonds totaling \$184.8 million were issued to support housing development (\$55.7 million) and redevelopment activities (\$129.1 million) in the Central Long Beach, Los Altos, North Long Beach, Poly High School and West Long Beach areas. The City also entered into a \$2.2 million computer capital lease.

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

Economic Factors and Next Year's Budget and Rates

Based on current available data, the annual unemployment rate as of September 2005 in the City of Long Beach was 6.1 percent. This compares to the State of California's unemployment rate of 5.3 percent, and the Los Angeles County rate of 5.3 percent.

To streamline and improve the annual budget process, the City Council adopted a set of financial policies to govern the City's complex budgetary and fiscal decision making prospectively. These policies address such key issues as the use of one-time resources, debt guidelines, structurally balanced budgets, financial reporting and reserve designations. Fiscal year 2006 represents year three of the City Council's Financial Strategic Plan (Plan) to eliminate the City's General Fund structural deficit. Highlights of the fiscal year 2006 budget include:

Fiscal year 2006 budgeted General Fund revenues, before transfers, are expected to show a net decrease of \$20.0 million from the fiscal year 2005 budget primarily due to directly budgeting services in the Tidelands, General Grants and Gas funds for services traditionally accounted for in the General Fund and subsequently billed to those other funds. Additional details include:

- An \$8.0 million decrease in General Fund revenue from fiscal year 2005 resulting from one-time revenue associated with the City's participation in the State's Vehicle License Fee Gap Loan Receivable Financing Program.
- A \$7.4 million increase in sales tax revenue from anticipated growth in taxable sales in Long Beach.
- A \$5.3 million increase in use of money and property due to a legal settlement and anticipated increases in interest rates.
- An increase of \$4.4 million in property tax in-lieu of vehicle license fee revenue, as this is allocated based on property tax growth, where Long Beach continues to show exceptional performance in the growth of assessed valuations.
- A \$4.4 million increase in other revenues due to the anticipated sale of four City-owned facilities including City Hall East, the State Building, Video Choice and the Cota Street property.
- A \$2.7 million increase in emergency ambulance fees in response to the City starting to provide basic life support ambulance services that had been contracted-out to a private company for well over a decade.
- An increase of \$1.8 million in pipeline franchise fees due to consumer price index increases, and in transient occupancy taxes, due to anticipated higher occupancy and room rates.

- A \$1.6 million growth in property tax revenue, a 2.8 percent increase over fiscal year 2005 actual revenue, due to continued increases in assessed valuations.
- Utility users taxes finally stabilized at 5 percent since the last voter-mandated rate decrease was implemented in fiscal year 2005.
- License and permits are projected to increase \$3.4 million and fines and forfeitures by \$0.8 million.

The fiscal year 2006 adopted General Fund operating budget decreased by a net \$19.2 million from the final fiscal year 2005 budget, excluding transfers. This difference is the result of a concerted effort to eliminate the City's structural deficit, thus bringing General Fund expenditures more closely in line with its revenues. The following, which include related funds that affect the General Fund, details key fiscal 2006 reductions:

- A \$2.1 million reduction in general administrative and management functions, including the elimination of 7 full-time positions.
- A \$4.9 million targeted reduction in employee benefits and work practices, a multi-year effort primarily focused on the area of health benefits and increased premiums.
- Contracting opportunities for a savings of approximately \$1.0 million.
- A \$5.2 million reduction through operational and organizational changes with an associated reduction in 3 full-time positions.
- A \$180,000 decrease in capital projects and infrastructure, including the deferral of non-critical projects and a reduction in wireless and computer hardware expenses.
- A \$448,500 material, supplies and equipment reduction, primarily from reducing the vehicle fleet, travel expenses and technology equipment.
- A \$457,300 reduction to recreation services with a cut in 12 full-time positions.
- A reduction of \$452,300 and 5.5 full-time equivalents in Library services with an additional one-day closure at two main library facilities.
- A \$291,000 reduction in public safety support services and 5 positions associated with the redeployment of crossing guards from Public Safety Advisory Committee-approved corners, and the restructuring of the Citywide Park Ranger Program.
- Arts and Cultural reductions of \$350,000, along with code enforcement reductions of \$150,000.

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

- A \$1.1 million increase for 15 new police officers.

- A \$378,683 increase for community development activities.
- Additional Safety Specialist staffing at the Fire Department of \$94,000.
- The restoration of animal shelter staffing at \$99,000.
- A \$993,000 increase for additional staffing in Planning and Building to keep pace with ongoing construction development activities.
- An \$80,000 increase for an Administrative Analyst position in Parks, Recreation and Marine.
- The expansion of graffiti-removal funding to allow for 48-hour removal at least 85 percent of the time.

Fiscal year 2006 represents the third year of the Financial Strategic Plan (Plan) implemented to address the City's structural deficit, while maintaining its core municipal services. The Plan was designed to be a fluid document to assess targeted accomplishments, add new ideas reflective of shifting economic conditions, confirm validity of proposed reductions and make appropriate adjustments to ensure the Plan reflects input from the City Council and the community. In the development process of the fiscal year 2006 budget, the City reached out to the community for ideas and input through a series of community meetings, including the July 9, 2005 budget summit, and dozens of neighborhood association, board, committee and commission meetings.

In addition, the fiscal year 2006 adopted budget is the first performance-based budget enacted in the City's history. The City implemented a new Focus on Results (FOR) performance based management initiative that will better align the City's financial resources and operations with the City Council and community's priorities. This effort will improve the efficiency and effectiveness of City operations and increase accountability at all levels of the organization.

Requests for Information

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

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City of Long Beach
Statement of Net Assets
September 30, 2005
(In Thousands)

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Long Beach Public Transpor- tation Company
ASSETS				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 275,474	\$ 616,013	\$ 891,487	\$ -
Non-Pooled Cash and Cash Equivalents	234,210	-	234,210	10,323
Non-Pooled Investments	-	603	603	-
Interest Receivable	3,182	716	3,898	-
Property Tax Receivable, Net	5,683	-	5,683	-
Accounts and Loans Receivables, Net	11,719	115,951	127,670	2,362
Due from Other Governments	45,603	2,628	48,231	-
Internal Balances	527	(527)	-	-
Inventory	1,519	4,088	5,607	898
Other Assets	13,648	21	13,669	143
Land Held for Resale	75,284	-	75,284	-
Restricted Assets:				
Pooled Cash and Cash Equivalents	14,332	415,682	430,014	-
Non-Pooled Cash and Cash Equivalents	11,977	41,981	53,958	16,528
Non-Pooled Investments	-	51,016	51,016	-
Accounts and Loans Receivables, Net	-	341	341	7,278
Interest Receivable	-	288	288	-
Deposits	2,848	-	2,848	-
Noncurrent Assets:				
Non-Pooled Investments	10,000	-	10,000	-
Other Noncurrent Receivables	61,752	14,191	75,943	-
Land and Other Capital Assets not being Depreciated	195,542	1,294,455	1,489,997	6,538
Capital Assets, net of Accumulated Depreciation	430,513	1,780,991	2,211,504	81,396
Other Assets	78,935	428,589	507,524	-
Total Assets	1,472,748	4,767,027	6,239,775	125,466
LIABILITIES				
Current Liabilities:				
Accounts Payable	34,143	47,955	82,098	1,034
Accrued Wages and Benefits Payable	38,648	7,517	46,165	1,201
Accrued Interest Payable	4,381	646	5,027	1,799
Tax and Revenue Anticipation Notes Payable	30,000	-	30,000	-
Deferred Revenue, Credits and Other Payables	22,060	29,181	51,241	11,269
Employee Benefits and Accrued Self-Insurance Claims	29,650	-	29,650	3,007
Bonds, Loans, Capital Leases and Other Long-Term Obligations	22,840	114,088	136,928	-
Liabilities Payable From Restricted Assets:				
Accounts Payable	-	30	30	-
Accrued Interest Payable	6,707	26,389	33,096	-
Deferred Revenue, Credits and Other Payables	-	-	-	14,878
Customers Deposits	-	2,733	2,733	-
Bonds and Other Long-Term Obligations	-	43,468	43,468	-
Noncurrent Liabilities:				
Deferred Revenue, Credits and Other Payables	14,294	40,264	54,558	-
Employee Benefits and Accrued Long-Term Obligations	211,900	328,700	540,600	739
Bonds, Loans, Capital Leases and Other Long-Term Obligations	603,018	1,469,104	2,072,122	-
Total Liabilities	1,017,641	2,110,075	3,127,716	33,927
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	99,122	1,564,750	1,663,872	87,934
Restricted for:				
Asset Seizure Money	2,763	-	2,763	-
Debt Service	60,609	145,798	206,407	-
Capital Projects	225,793	125,609	351,402	-
Public Health	4,221	-	4,221	-
Community and Cultural	162,721	-	162,721	-
Health Care Insurance	13,088	-	13,088	-
Alameda Corridor Transportation Authority Contingency	-	78,587	78,587	-
Other Purposes	5,118	155,881	160,999	-
Unrestricted	(118,328)	586,327	467,999	3,605
Total Net Assets	\$ 455,107	\$ 2,656,952	\$ 3,112,059	\$ 91,539

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, 2005
(In Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Legislative and Legal	\$ 10,313	\$ 98	\$ 60	\$ -
General Government	25,808	27,289	820	-
Public Safety	280,415	39,768	12,898	-
Public Health	43,874	7,557	20,864	-
Community and Cultural	177,210	23,649	82,305	210
Public Works	58,783	16,878	25,064	11,279
Oil Operations	6,367	17,253	-	-
Interest on Long-Term Debt	30,831	-	-	-
Total Governmental Activities	<u>633,601</u>	<u>132,492</u>	<u>142,011</u>	<u>11,489</u>
Business-Type activities:				
Gas	89,463	104,450	-	-
Water	62,075	65,813	-	6,289
Sewer	7,337	9,729	-	585
Airport	22,465	29,121	1,283	16,705
Solid Waste Management	70,493	70,128	1,237	-
Towing	6,858	7,622	-	-
Tidelands	94,033	55,436	-	-
Tideland Oil Revenue	188,250	208,488	-	-
Subsidence	4,054	-	-	-
Harbor	207,689	338,167	-	2,208
Total Business-Type Activities	<u>752,717</u>	<u>888,954</u>	<u>2,520</u>	<u>25,787</u>
Total Primary Government	<u>\$ 1,386,318</u>	<u>\$ 1,021,446</u>	<u>\$ 144,531</u>	<u>\$ 37,276</u>
Component Unit:				
Long Beach Public Transportation Company	<u>\$ 69,910</u>	<u>\$ 13,661</u>	<u>\$ 40,444</u>	<u>\$ 31,083</u>

General Revenues

Taxes:

Property

Sales

Utility Users

Other

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Gain (Loss) on Sale of Capital Assets

Capital Asset Transfers

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - October 1

Net Assets - September 30

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
\$ (10,155)	\$ -	\$ (10,155)	\$ -
2,301	-	2,301	-
(227,749)	-	(227,749)	-
(15,453)	-	(15,453)	-
(71,046)	-	(71,046)	-
(5,562)	-	(5,562)	-
10,886	-	10,886	-
(30,831)	-	(30,831)	-
<u>(347,609)</u>	<u>-</u>	<u>(347,609)</u>	<u>-</u>
-	14,987	14,987	-
-	10,027	10,027	-
-	2,977	2,977	-
-	24,644	24,644	-
-	872	872	-
-	764	764	-
-	(38,597)	(38,597)	-
-	20,238	20,238	-
-	(4,054)	(4,054)	-
-	132,686	132,686	-
-	164,544	164,544	-
<u>(347,609)</u>	<u>164,544</u>	<u>(183,065)</u>	<u>-</u>
-	-	-	15,278
123,924	-	123,924	-
48,216	-	48,216	-
39,216	-	39,216	-
51,238	-	51,238	-
39,205	-	39,205	-
16,213	27,599	43,812	595
810	(665)	145	-
-	19	19	-
14,314	(14,314)	-	-
<u>333,136</u>	<u>12,639</u>	<u>345,775</u>	<u>595</u>
(14,473)	177,183	162,710	15,873
469,580	2,479,769	2,949,349	75,666
<u>\$ 455,107</u>	<u>\$ 2,656,952</u>	<u>\$ 3,112,059</u>	<u>\$ 91,539</u>

City of Long Beach
 Governmental Funds
 Balance Sheet
 September 30, 2005
 With Summarized Financial Information for 2004
 (In Thousands)

	General	Housing Development	Community Development Grants
ASSETS			
Pooled Cash and Cash Equivalents	\$ 28,670	\$ 21,714	\$ 3,738
Non-Pooled Cash and Cash Equivalents	35,385	2,430	-
Non-Pooled Investments	-	-	-
Receivables:			
Interest Receivable	20	6	-
Property Taxes	7,353	-	-
Accounts Receivable	20,260	-	-
Notes and Loans Receivable	2,370	-	-
Due from Other Governments	15,835	100	2,212
Due from Other Funds	21,341	-	-
Allowance for Receivables	(17,080)	-	-
Inventory	-	-	-
Other Assets	6	1	371
Advances to Other Funds	100,455	20,707	6,719
Land Held for Resale	-	995	1,333
Other Noncurrent Receivables	-	21,835	32,819
Total Assets	\$ 214,615	\$ 67,788	\$ 47,192
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 7,833	\$ 35	\$ 932
Accrued Wages Payable	7,157	28	212
Accrued Interest Payable	900	-	-
Tax and Revenue Anticipation Notes Payable	30,000	-	-
Due to Other Funds	3,346	13	2,225
Deferred Revenues	8,054	21,835	33,280
Deposits and Collections Held in Trust	3,042	31	31
Advances from Other Funds	4,054	3,819	-
Total Liabilities	64,386	25,761	36,680
Fund Balances (Deficit):			
Reserved for:			
Other Noncurrent Receivables	100,455	20,707	6,719
Asset Seizure Money	2,763	-	-
Encumbrances	1,714	-	26
Future Advances to Other Funds	1,486	-	-
Future Capital Projects and Special Programs	-	-	-
Housing Development	-	480	-
Land Held for Resale	-	995	1,333
Estimated Oil Field Abandonment Costs	-	-	-
Debt Service	5,407	-	-
Unreserved, Designated for:			
Subsequent Years' Appropriations	5,802	23,664	2,434
Emergency	34,156	-	-
Unreserved, Undesignated, Reported in:			
General Fund	(1,554)	-	-
Special Revenue Funds	-	(3,819)	-
Capital Projects Funds	-	-	-
Total Fund Balance	150,229	42,027	10,512
Total Liabilities and Fund Balances	\$ 214,615	\$ 67,788	\$ 47,192

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

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2005	September 30, 2004
\$ 20,290	\$ 46,170	\$ 50,050	\$ 170,632	\$ 164,099
1,259	195,119	17	234,210	95,250
-	10,000	-	10,000	10,000
-	3,156	-	3,182	330
-	-	-	7,353	7,903
141	394	3,660	24,455	22,081
-	-	-	2,370	2,413
8,396	80	18,014	44,637	36,050
48	347	-	21,736	20,820
-	-	(581)	(17,661)	(15,044)
-	-	-	-	62
-	13,605	35	14,018	8,753
1,732	10,839	-	140,452	138,429
-	72,956	-	75,284	48,963
-	4,330	2,768	61,752	55,231
<u>\$ 31,866</u>	<u>\$ 356,996</u>	<u>\$ 73,963</u>	<u>\$ 792,420</u>	<u>\$ 595,340</u>
\$ 1,428	\$ 5,225	\$ 11,649	\$ 27,102	\$ 27,072
95	77	793	8,362	7,995
-	-	-	900	437
-	-	-	30,000	30,000
44	13,654	5,945	25,227	24,157
629	14,550	5,747	84,095	75,520
1	655	3,062	6,822	6,760
-	148,330	4,900	161,103	156,340
<u>2,197</u>	<u>182,491</u>	<u>32,096</u>	<u>343,611</u>	<u>328,281</u>
1,732	2,641	-	132,254	133,452
-	-	-	2,763	2,607
6,257	852	3,911	12,760	23,015
-	-	-	1,486	1,486
9,534	167,427	26,549	203,510	56,055
-	-	-	480	943
-	72,956	-	75,284	48,962
-	-	3,136	3,136	2,698
-	52,105	200	57,712	41,390
12,146	26,854	10,971	81,871	74,535
-	-	-	34,156	33,756
-	-	-	(1,554)	2,500
-	-	(2,900)	(6,719)	(7,774)
-	(148,330)	-	(148,330)	(146,566)
<u>29,669</u>	<u>174,505</u>	<u>41,867</u>	<u>448,809</u>	<u>267,059</u>
<u>\$ 31,866</u>	<u>\$ 356,996</u>	<u>\$ 73,963</u>	<u>\$ 792,420</u>	<u>\$ 595,340</u>

City Of Long Beach
 Reconciliation of Total Governmental Fund Balances to **Net** Assets
 of Governmental Activities in the Statement of **Net** Assets
 September 30, 2005
 (in Thousands)

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

Total governmental fund balances	\$ 448,809
Capital assets used in the governmental activities, that are not included in the internal service funds, are not financial resources and, therefore, are not reported in the funds.	494,647
Certain property taxes receivable are not available to pay current-period expenditures and, therefore, are deferred in the funds.	1,089
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.	53,989
Governmental long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period, therefore, are not reported in the funds. (note 3)	(512,612)
Internal service funds are used by management to charge the cost of operations and financing related to the Civic Center complex; operations, maintenance, financing, and timely replacement of information technology assets and vehicles; and to account for the City's risk management, self-insurance and employee benefits programs to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(30,815)
Net assets of governmental activities	\$ 455,107

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

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City of Long Beach
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
For the Fiscal Year Ended September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	<u>General</u>	<u>Housing Development</u>	<u>Community Development Grants</u>
Revenues:			
Taxes:			
Property	\$ 60,742	\$ 12,744	\$ -
Sales	45,734	-	-
Utility Users	39,216	-	-
Other Taxes	41,439	-	-
Licenses and Permits	18,096	347	3
Fines and Forfeitures	14,738	-	-
Use of Money and Property	15,998	957	932
From Other Agencies	41,616	50	18,544
Charges for Services	44,621	-	-
Other	5,868	1,482	4,476
Total Revenues	<u>328,068</u>	<u>15,580</u>	<u>23,955</u>
Expenditures:			
Current:			
Legislative and Legal	10,037	-	-
General Government	24,603	75	309
Public Safety	249,955	-	-
Public Health	4,742	-	-
Community and Cultural	41,091	4,595	23,272
Public Works	30,509	-	-
Oil Operations	-	-	-
Total Current Expenditures	<u>360,937</u>	<u>4,670</u>	<u>23,581</u>
Capital Improvements	-	-	-
Loss on Disposition of Land Held for Resale	-	3,420	-
Debt Service:			
Principal	5,892	455	-
Interest	6,696	41	-
Debt Administration Fees	-	10	-
Total Expenditures	<u>373,525</u>	<u>8,596</u>	<u>23,581</u>
Excess of Revenues Over (Under) Expenditures	<u>(45,457)</u>	<u>6,984</u>	<u>374</u>
Other Financing Sources (Uses):			
Other Deferred Payments	-	-	-
Proceeds from Other Long-Term Obligations	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Reconveyance of Land	-	3,911	-
Advances-Capitalized Interest	1,757	87	-
Transfers In	38,892	-	190
Transfers Out	(6,485)	(2,563)	(2,219)
Total Other Financing Sources (Uses)	<u>34,164</u>	<u>1,435</u>	<u>(2,029)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(11,293)</u>	<u>8,419</u>	<u>(1,655)</u>
Fund Balances (Deficit) - October 1	<u>161,522</u>	<u>33,608</u>	<u>12,167</u>
Fund Balances - September 30	<u>\$ 150,229</u>	<u>\$ 42,027</u>	<u>\$ 10,512</u>

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

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2005	September 30, 2004
\$ -	\$ 50,977	\$ -	\$ 124,463	\$ 107,825
-	-	2,482	48,216	42,383
-	-	-	39,216	45,339
-	3,261	6,537	51,237	46,616
1,464	220	6,139	26,269	22,878
-	-	6	14,744	13,581
598	11,250	19,114	48,849	36,856
10,046	210	122,256	192,722	186,426
-	-	2,012	46,633	45,948
31	1,619	2,511	15,987	13,106
<u>12,139</u>	<u>67,537</u>	<u>161,057</u>	<u>608,336</u>	<u>560,958</u>
-	-	-	10,037	10,359
-	222	-	25,209	23,407
-	-	7,914	257,869	227,176
-	-	36,909	41,651	41,927
-	38,537	72,364	179,859	177,114
-	-	12,376	42,885	43,589
-	-	6,164	6,164	5,512
-	38,759	135,727	563,674	529,084
25,223	-	4,883	30,106	55,565
-	670	-	4,090	12
-	5,230	365	11,942	11,001
-	13,916	153	20,806	16,282
-	198	112	320	247
<u>25,223</u>	<u>58,773</u>	<u>141,240</u>	<u>630,938</u>	<u>612,191</u>
<u>(13,084)</u>	<u>8,764</u>	<u>19,817</u>	<u>(22,602)</u>	<u>(51,233)</u>
-	221	-	221	229
-	184,757	3,587	188,344	17,360
-	-	(3,526)	(3,526)	(10,729)
-	(3,420)	-	491	13
-	(1,844)	-	-	-
7,836	2,863	3,001	52,782	73,563
(351)	(5,163)	(17,179)	(33,960)	(50,729)
<u>7,485</u>	<u>177,414</u>	<u>(14,117)</u>	<u>204,352</u>	<u>29,707</u>
(5,599)	186,178	5,700	181,750	(21,526)
<u>35,268</u>	<u>(11,673)</u>	<u>36,167</u>	<u>267,059</u>	<u>288,585</u>
<u>\$ 29,669</u>	<u>\$ 174,505</u>	<u>\$ 41,867</u>	<u>\$ 448,809</u>	<u>\$ 267,059</u>

City Of Long Beach
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended September 30, 2005
 (in Thousands)

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

Excess of revenue and other sources over expenditures and other uses - total governmental funds	\$ 181,750
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period. (Note 3)	6,670
Net effect of miscellaneous transactions involving capital assets (for example, sales, trade-ins and donations) is a decrease to net assets.	(36,335)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(317)
Governmental funds report expenditures pertaining to the establishment of certain long-term loans made. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding net expense is not reported on the statement of activities.	2,343
The issuance of long-term debt (for example, bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is reflected herein. (Note 3)	(166,509)
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. (Note 3)	(2,127)
Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of of certain activities of internal service funds is reported as governmental activities. (Note 3)	52
Change in net assets of governmental activities	<u>\$ (14,473)</u>

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

City of Long Beach
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2005
 (In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 61,483	\$ 61,483	\$ 60,742	\$ (741)
Sales Taxes	40,390	40,390	45,734	5,344
Utility Users Taxes	40,425	40,425	39,216	(1,209)
Other Taxes	39,217	39,217	41,439	2,222
Licenses and Permits	16,861	16,969	18,096	1,127
Fines and Forfeitures	13,526	13,526	14,738	1,212
Use of Money and Property	16,703	16,703	15,998	(705)
From Other Agencies	39,222	38,938	41,616	2,678
Charges for Services	44,062	44,116	44,621	505
Other	7,599	8,130	5,868	(2,262)
Total Revenues	319,488	319,897	328,068	8,171
Expenditures:				
Current:				
Legislative and Legal	11,035	11,070	10,064	1,006
General Government	14,853	20,121	25,077	(4,956)
Public Safety	250,573	252,063	250,271	1,792
Public Health	4,612	4,763	4,761	2
Community and Cultural	44,829	44,308	41,774	2,534
Public Works	32,565	32,390	30,704	1,686
Total Current Expenditures	358,467	364,715	362,651	2,064
Debt Service:				
Principal	6,419	6,419	5,892	527
Interest	6,505	6,505	6,696	(191)
Total Expenditures	371,391	377,639	375,239	2,400
Excess of Revenues Over (Under) Expenditures	(51,903)	(57,742)	(47,171)	10,571
Other Financing Sources (Uses):				
Advances change in Principal	-	-	1,757	1,757
Transfers In	43,988	43,988	38,892	(5,096)
Transfers Out	(6,381)	(7,931)	(6,485)	1,446
Total Other Financing Sources	37,607	36,057	34,164	(1,893)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(14,296)	(21,685)	(13,007)	8,678
Fund Balances - October 1, Budgetary Basis	158,760	158,760	158,760	-
Encumbrances, Beginning of the Year	2,762	2,762	2,762	-
Fund Balances - September 30, Budgetary Basis	\$ 147,226	\$ 139,837	\$ 148,515	\$ 8,678

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

City of Long Beach
Housing Development
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 9,530	\$ 9,530	\$ 12,744	\$ 3,214
Licenses and Permits	14	1,221	347	(874)
Use of Money and Property	393	385	957	572
From Other Agencies	9,926	10,176	50	(10,126)
Other - Land Sales and Contributions	-	-	234	234
Other	488	1,431	1,482	51
Total Revenues	20,351	22,743	15,814	(6,929)
Expenditures:				
General Government	78	78	75	3
Community and Cultural	23,088	21,777	4,595	17,182
Total Current Expenditures	23,166	21,855	4,670	17,185
Loss on Disposition of Land Held for Resale	-	-	3,420	(3,420)
Debt Service:				
Principal	598	214	455	(241)
Interest	-	41	41	-
Debt Administration Fees	14	14	10	4
Total Expenditures	23,778	22,124	8,596	13,528
Excess of Revenues Over (Under) Expenditures	(3,427)	619	7,218	6,599
Other Financing Sources (Uses):				
Reconveyance of Land	-	-	3,911	3,911
Advances-Capitalized Interest	-	-	87	87
Transfers In	-	27	-	(27)
Transfers Out	(1,520)	(4,315)	(2,563)	1,752
Total Other Financing Sources (Uses)	(1,520)	(4,288)	1,435	5,723
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,947)	(3,669)	8,653	12,322
Fund Balances - October 1, Budgetary Basis	32,380	32,380	32,380	-
Fund Balances - September 30, Budgetary Basis	\$ 27,433	\$ 28,711	\$ 41,033	\$ 12,322

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

City of Long Beach
Community Development Grants
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Licenses and Permits	\$ 1	\$ 1	\$ 3	\$ 2
Use of Money and Property From Other Agencies	612	612	932	320
Other	53,221	54,096	18,544	(35,552)
	3,712	12,543	4,476	(8,067)
Total Revenues	57,546	67,252	23,955	(43,297)
Expenditures:				
General Government	335	335	309	26
Community and Cultural	58,752	65,833	23,298	42,535
Total Current Expenditures	59,087	66,168	23,607	42,561
Total Expenditures	59,087	66,168	23,607	42,561
Excess of Revenues Over (Under) Expenditures	(1,541)	1,084	348	(736)
Other Financing Sources (Uses):				
Transfers In	178	3,160	190	(2,970)
Transfers Out	(635)	(1,837)	(2,219)	(382)
Total Other Financing Sources (Uses)	(457)	1,323	(2,029)	(3,352)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,998)	2,407	(1,681)	(4,088)
Fund Balances - October 1, Budgetary Basis	10,803	10,803	10,803	-
Encumbrances - Beginning of the Year	32	32	32	-
Fund Balances - September 30, Budgetary Basis	\$ 8,837	\$ 13,242	\$ 9,154	\$ (4,088)

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

City of Long Beach
Proprietary Funds
Statement of Net Assets (Deficit)
September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	Business-type Activities - Enterprise Funds				
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 12,871	\$ 6,890	\$ 50,395	\$ 8,004	\$ 120,793
Non-Pooled Cash and Cash Equivalents	-	-	-	-	-
Non-Pooled Investments	-	603	-	-	-
Receivables:					
Interest Receivable	-	-	-	103	-
Accounts Receivable	4,043	6,977	6,263	6,161	53,266
Due from Other Governments	-	-	467	101	3
Due from Other Funds	663	-	-	10,409	-
Capital Leases Receivable-Current	-	-	-	351	-
Other Receivables	-	-	-	-	-
Allowance for Receivables	(425)	(206)	(220)	(4,100)	-
Inventory	1,012	1,909	-	109	-
Other Assets-Current	-	-	-	-	-
Total Current Asset	<u>18,164</u>	<u>16,173</u>	<u>56,905</u>	<u>21,138</u>	<u>174,062</u>
Restricted Assets:					
Pooled Cash and Cash Equivalents	3,388	2,089	1,156	14,307	-
Non-Pooled Cash and Cash Equivalents	-	-	-	19,153	-
Non-Pooled Investments	764	2,996	11,445	-	-
Interest Receivable	-	-	-	247	-
Accounts Receivable	-	-	-	-	-
Deposits	-	-	-	-	-
Total Restricted Assets	<u>4,152</u>	<u>5,085</u>	<u>12,601</u>	<u>33,707</u>	<u>-</u>
Noncurrent Assets:					
Noncurrent Receivables:					
Capital Lease Receivable	-	-	-	913	-
Other Noncurrent Receivables (net)	-	-	6,138	-	610
Advances to Other Funds	5,645	-	-	-	-
Capital Assets:					
Land and Other Capital Assets not being Depreciated	3,882	32,619	7,366	58,370	-
Capital Assets net of Accumulated Depreciation	54,680	209,596	48,241	316,289	-
Other Assets-Long-Term	-	2,016	-	10,839	311,000
Total Noncurrent Assets	<u>64,207</u>	<u>244,231</u>	<u>61,745</u>	<u>386,411</u>	<u>311,610</u>
Total Assets	<u>86,523</u>	<u>265,489</u>	<u>131,251</u>	<u>441,256</u>	<u>485,672</u>

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2005	September 30, 2004
		September 30, 2005	September 30, 2004		
\$ 394,398	\$ 22,662	\$ 616,013	\$ 478,989	\$ 104,842	\$ 108,594
-	-	-	21,786	-	-
-	-	603	603	-	-
613	-	716	303	-	-
47,900	2,186	126,796	104,782	1,134	1,167
693	1,364	2,628	28,114	966	91
42	-	11,114	7,484	5,643	4,893
-	-	351	319	-	-
-	62	62	59	-	-
(6,006)	(301)	(11,258)	(4,806)	(249)	(236)
987	71	4,088	4,110	1,519	1,539
21	-	21	-	-	-
<u>438,648</u>	<u>26,044</u>	<u>751,134</u>	<u>641,743</u>	<u>113,855</u>	<u>116,048</u>
247,692	147,050	415,682	427,340	14,332	14,852
21,822	1,006	41,981	22,976	11,977	11,754
32,362	3,449	51,016	33,840	-	-
-	41	288	715	-	-
-	341	341	-	-	7
-	-	-	-	2,848	-
<u>301,876</u>	<u>151,887</u>	<u>509,308</u>	<u>484,871</u>	<u>29,157</u>	<u>26,613</u>
-	-	913	1,264	-	-
5,987	543	13,278	12,820	-	-
27,435	4,054	37,134	33,743	-	-
1,175,268	16,950	1,294,455	1,305,520	7,314	9,754
1,047,927	104,258	1,780,991	1,756,534	124,094	83,282
104,734	-	428,589	356,474	78,565	83,259
<u>2,361,351</u>	<u>125,805</u>	<u>3,555,360</u>	<u>3,466,355</u>	<u>209,973</u>	<u>176,295</u>
<u>3,101,875</u>	<u>303,736</u>	<u>4,815,802</u>	<u>4,592,969</u>	<u>352,985</u>	<u>318,956</u>

(continued)

City of Long Beach
Proprietary Funds
Statement of Net Assets (Deficit)
September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)
(continued)

Business-type Activities - Enterprise Funds

	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
LIABILITIES					
Current Liabilities Payable from Current Assets:					
Accounts Payable	\$ 8,573	\$ 6,144	\$ 3,053	\$ 4,443	\$ 5,413
Accrued Wages	318	315	224	346	105
Accrued Interest Payable	-	-	7	169	-
Due to Other Funds	149	225	105	825	1,113
Deferred Revenues	385	-	42	2,218	-
Collections Held in Trust	-	-	537	54	4,250
Advances from Developers	-	269	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-	-
Due to State of California	-	-	-	-	105,373
Obligations Under Capital Leases-Current	-	-	-	2,102	-
Bonds Payable Due Within One Year	-	-	-	4,660	-
Other Long-Term Obligations-Current	-	-	-	1,148	-
Total Current Liabilities	<u>9,425</u>	<u>6,953</u>	<u>3,968</u>	<u>15,965</u>	<u>116,254</u>
Current Liabilities Payable from Restricted Assets:					
Accounts Payable	-	-	-	-	-
Accrued Interest Payable	32	789	1,640	3,823	-
Customers Deposits/Deferred Revenue	1,944	764	-	25	-
Other Long-Term Obligations	-	138	-	-	-
Bonds Payable Due Within One Year	885	1,155	6,355	-	-
Total Liabilities Payable from Restricted Assets	<u>2,861</u>	<u>2,846</u>	<u>7,995</u>	<u>3,848</u>	<u>-</u>
Noncurrent Liabilities:					
Advances from Other Funds	-	-	-	16,483	-
Deferred Revenues	-	-	6,138	-	-
Deferred Credits and Other Deferred Liabilities	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims	-	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	-	311,000
Due to State of California	-	-	-	-	610
Obligations Under Capital Leases	-	-	-	5,470	-
Other Long-Term Obligations	-	6,230	-	17,657	-
Unamortized Discount/Deferred cost	-	(92)	-	(213)	-
Bonds Payable	6,500	34,675	107,695	180,935	-
Unamortized Discount/Deferred cost	(118)	(3,638)	1,672	(15,567)	-
Total Noncurrent Liabilities	<u>6,382</u>	<u>37,175</u>	<u>115,505</u>	<u>204,765</u>	<u>311,610</u>
Total Liabilities	<u>18,668</u>	<u>46,974</u>	<u>127,468</u>	<u>224,578</u>	<u>427,864</u>
NET ASSETS (DEFECIT)					
Investment in Capital Assets, Net of Related Debt	51,295	202,958	(60,115)	178,467	-
Restricted for:					
Debt Service	2,176	4,321	11,442	21,210	-
Capital Projects	-	-	1,153	1,004	-
Health Care Insurance	-	-	-	-	-
Alameda Corridor Transportation Authority Contingency	-	-	-	-	-
Aquarium	-	-	-	7,397	-
Subsidence	-	-	-	-	-
Unrestricted	14,384	11,236	51,303	8,600	57,808
Total Net Assets (Deficit)	<u>\$ 67,855</u>	<u>\$ 218,515</u>	<u>\$ 3,783</u>	<u>\$ 216,678</u>	<u>\$ 57,808</u>

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

Net Assets of Business - Type Activities

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2005	September 30, 2004
		September 30, 2005	September 30, 2004		
\$ 18,412	\$ 1,917	\$ 47,955	\$ 39,168	\$ 7,041	\$ 3,214
5,914	295	7,517	4,857	30,286	30,293
289	181	646	486	3,481	2,251
10,047	153	12,617	8,728	649	312
17,075	4,193	23,913	40,471	-	18
8	119	4,968	5,439	513	131
-	31	300	16	-	-
-	-	-	-	7,900	7,300
-	-	-	-	21,750	20,900
-	-	105,373	13,815	-	-
-	-	2,102	1,912	1,887	1,762
-	-	4,660	1,455	7,300	6,635
55	750	1,953	1,710	-	-
<u>51,800</u>	<u>7,639</u>	<u>212,004</u>	<u>118,057</u>	<u>80,807</u>	<u>72,816</u>
-	30	30	1,300	-	146
20,105	-	26,389	27,448	-	-
-	-	2,733	2,728	-	-
-	-	138	132	-	-
34,935	-	43,330	45,225	-	-
<u>55,040</u>	<u>30</u>	<u>72,620</u>	<u>76,833</u>	<u>-</u>	<u>146</u>
-	-	16,483	15,832	-	-
-	2,574	8,712	9,267	-	-
31,552	-	31,552	30,523	-	-
-	-	-	-	61,576	58,134
-	-	-	-	112,362	75,035
17,700	-	328,700	316,100	-	-
-	-	610	744	-	-
-	-	5,470	7,572	2,449	2,282
60,234	10,980	95,101	89,165	-	-
-	(1,324)	(1,629)	(1,575)	-	-
1,031,815	-	1,361,620	1,445,250	161,295	167,885
25,583	-	7,932	(4,600)	(15,016)	(16,445)
<u>1,166,884</u>	<u>12,230</u>	<u>1,854,551</u>	<u>1,908,278</u>	<u>322,666</u>	<u>286,891</u>
<u>1,273,724</u>	<u>19,899</u>	<u>2,139,175</u>	<u>2,103,168</u>	<u>403,473</u>	<u>359,853</u>
1,080,336	111,809	1,564,750	1,534,595	66,410	26,952
105,476	1,173	145,798	126,704	9,604	10,223
122,259	1,193	125,609	70,269	-	6,268
-	-	-	-	13,088	9,976
78,587	-	78,587	147,294	-	-
-	-	7,397	5,485	-	-
-	148,484	148,484	148,589	-	-
441,493	21,178	606,002	456,865	(139,590)	(94,316)
<u>\$ 1,828,151</u>	<u>\$ 283,837</u>	<u>2,676,627</u>	<u>2,489,801</u>	<u>\$ (50,488)</u>	<u>\$ (40,897)</u>
		(19,675)	(10,032)		
		<u>\$ 2,656,952</u>	<u>\$ 2,479,769</u>		

City of Long Beach
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
For the Fiscal Year Ended September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
Operating Revenues:					
Licenses and Permits	\$ -	\$ -	\$ -	\$ 361	\$ -
Fees, Concessions and Rentals	-	-	-	26,598	201,772
From Other Agencies	-	-	-	528	-
Charges for Services	98,998	64,522	70,128	27,795	5,459
Other	-	-	-	-	260
Total Operating Revenues	<u>98,998</u>	<u>64,522</u>	<u>70,128</u>	<u>55,282</u>	<u>207,491</u>
Operating Expenses:					
Personal Services	11,281	12,731	9,330	16,175	4,342
Purchases of Gas and Water	62,674	20,936	-	-	-
Maintenance and Other Operations	9,813	16,422	48,453	47,678	6,340
Insurance Premiums	-	-	-	-	-
Self-Insured Losses	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Payments to Other Entities	-	-	-	-	164,078
Bad Debt	341	57	263	-	-
Amortization	-	-	-	58	-
Depreciation	3,007	8,174	4,449	14,951	-
Total Operating Expenses	<u>87,116</u>	<u>58,320</u>	<u>62,495</u>	<u>78,862</u>	<u>174,760</u>
Operating Income (Loss)	<u>11,882</u>	<u>6,202</u>	<u>7,633</u>	<u>(23,580)</u>	<u>32,731</u>
Non-Operating Income (Expense):					
Interest Income	562	556	1,815	2,142	-
Interest Expense	(448)	(2,253)	(5,216)	(13,004)	-
Gain (Loss) on Disposition of Capital Assets	(156)	(137)	-	28	-
Oil Field Abandonment Costs	-	-	-	-	(13,310)
Operating Grants	-	-	1,237	-	-
Other Income (Expense)	5,452	1,291	(1,233)	132	997
Total Non-Operating Income (Expense)	<u>5,410</u>	<u>(543)</u>	<u>(3,397)</u>	<u>(10,702)</u>	<u>(12,313)</u>
Income (Loss) Before Contributions and Transfers	<u>17,292</u>	<u>5,659</u>	<u>4,236</u>	<u>(34,282)</u>	<u>20,418</u>
Capital Grants and Contributions	-	6,289	-	19	-
Transfers:					
Transfers In	-	-	-	26,352	-
Transfers Out	(15,497)	-	(2,577)	-	(13,091)
Change in Net Assets (Deficit)	<u>1,795</u>	<u>11,948</u>	<u>1,659</u>	<u>(7,911)</u>	<u>7,327</u>
Net Assets (Deficit) - October 1	<u>66,060</u>	<u>206,567</u>	<u>2,124</u>	<u>224,589</u>	<u>50,481</u>
Net Assets (Deficit)- September 30	<u>\$ 67,855</u>	<u>\$ 218,515</u>	<u>\$ 3,783</u>	<u>\$ 216,678</u>	<u>\$ 57,808</u>

Change in Net Assets of Business - Enterprise Funds

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

Change in Net Assets of Business - Type Activities

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

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2005	September 30, 2004
		September 30, 2005	September 30, 2004		
\$ -	\$ -	\$ 361	\$ 300	\$ -	\$ -
325,489	24,695	578,554	458,224	-	-
-	-	528	792	-	-
-	17,340	284,242	264,782	252,267	204,227
3,719	-	3,979	3,241	5,468	4,912
<u>329,208</u>	<u>42,035</u>	<u>867,664</u>	<u>727,339</u>	<u>257,735</u>	<u>209,139</u>
31,282	10,863	96,004	85,013	30,288	26,493
-	-	83,610	70,122	-	-
30,734	20,947	180,387	168,549	37,808	38,889
-	-	-	-	2,906	3,010
-	-	-	-	54,088	9,020
-	-	-	-	39,424	42,050
-	-	-	-	115,306	67,720
-	-	164,078	92,979	-	-
-	-	661	498	-	-
4,721	-	4,779	5,605	6,539	5,909
82,033	3,218	115,832	112,337	10,375	10,585
<u>148,770</u>	<u>35,028</u>	<u>645,351</u>	<u>535,103</u>	<u>296,734</u>	<u>203,676</u>
<u>180,438</u>	<u>7,007</u>	<u>222,313</u>	<u>192,236</u>	<u>(38,999)</u>	<u>5,463</u>
17,965	4,559	27,599	25,280	1,890	1,668
(57,448)	(736)	(79,105)	(82,237)	(8,737)	(6,705)
(400)	-	(665)	(2,539)	332	715
-	-	(13,310)	-	-	-
-	1,283	2,520	1,066	-	-
8,959	383	15,981	813	5,886	3,974
<u>(30,924)</u>	<u>5,489</u>	<u>(46,980)</u>	<u>(57,617)</u>	<u>(629)</u>	<u>(348)</u>
149,514	12,496	175,333	134,619	(39,628)	5,115
2,208	17,290	25,806	22,574	34,546	(21,212)
-	-	26,352	19,732	1,350	324
<u>(9,500)</u>	<u>-</u>	<u>(40,665)</u>	<u>(32,317)</u>	<u>(5,859)</u>	<u>(10,573)</u>
142,222	29,786	186,826	144,608	(9,591)	(26,346)
1,685,929	254,051	2,489,801	2,345,193	(40,897)	(14,551)
<u>\$ 1,828,151</u>	<u>\$ 283,837</u>	<u>\$ 2,676,627</u>	<u>\$ 2,489,801</u>	<u>\$ (50,488)</u>	<u>\$ (40,897)</u>
		186,826	144,608		
		(19,675)	(10,032)		
		<u>\$ 167,151</u>	<u>\$ 134,576</u>		

City of Long Beach
Proprietary Funds
Statement of Cash Flows
 For the Fiscal Year Ended September 30, 2005
 With Summarized Financial Information for 2004
 (In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Business-Type Activities - Enterprise Funds</u>				
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 97,596	\$ 63,149	\$ 72,544	\$ 55,185	\$ -
Receipts from Oil Companies	-	-	-	-	189,300
Receipts from Other Governments	-	-	-	822	-
Receipts from Other Funds	-	-	-	-	-
Payments for Employee Salaries	(11,112)	(12,686)	(9,279)	(16,165)	(4,349)
Payments for Goods and Services	(68,267)	(34,765)	(54,396)	(45,242)	(3,466)
Payments for Compensated Absences	-	-	-	-	-
Payments for Employee Benefits	-	-	-	-	-
Payments for Liability Claims	-	-	-	-	-
Payments to Other Entities	-	-	-	-	(72,654)
Payments in Lieu of Taxes	-	(4,047)	-	-	-
Other Income (Expense)	5,452	1,260	(2,533)	133	(12,313)
Net Cash Provided by (Used for)					
Operating Activities	<u>23,669</u>	<u>12,911</u>	<u>6,336</u>	<u>(5,267)</u>	<u>96,518</u>
Cash Flows from Non-Capital Financing Activities:					
Operating Grants Received from Other Governments	-	-	1,121	-	-
Transfers In	-	-	-	22,794	-
Receipts for Oil Well Abandonment Reserve	-	-	-	-	(63,828)
Transfers Out	(15,497)	-	(2,577)	-	(13,091)
Net Cash Provided by (Used for)					
Non-Capital Financing Activities	<u>(15,497)</u>	<u>-</u>	<u>(1,456)</u>	<u>22,794</u>	<u>(76,919)</u>
Cash Flows from Capital and Related Financing Activities:					
Receipt of Capital Grants	-	5,349	-	84	-
Proceeds from the Sale of Capital Assets	-	23	-	28	-
Proceeds from Issuance of Long-Term Obligations	-	-	-	-	-
Proceeds from Issuance of Bonds	7,675	-	-	-	-
Receipts of Contributed Capital	-	-	-	-	-
Principal Received on Capital Leases	-	-	-	319	-
Principal Received on Capital Leases from other funds	633	-	-	-	-
Payments for Capital Acquisitions	(5,624)	(19,020)	(823)	(13,386)	-
Payments of Principal on Bonds Payable	(945)	(1,110)	-	(4,767)	-
Payments of Principal on Other Long-Term Obligations	-	(132)	-	3,781	-
Payments to Defeasance Bonds	(7,560)	-	-	-	-
Payments of Interest	(517)	(2,034)	(4,984)	(11,807)	-
Net Cash Used for Capital and Related Financing Activities	<u>(6,338)</u>	<u>(16,924)</u>	<u>(5,807)</u>	<u>(25,748)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Proceeds from the Sale of Investments	304	-	22	-	-
Payment for Investments	-	-	-	-	-
Payments to Other Government Entities	-	-	-	-	-
Harbor Oil Operations Providing Cash	-	-	-	-	-
Receipts of Interest	562	556	1,814	2,141	-
Net Cash Provided by Investing Activities	<u>866</u>	<u>556</u>	<u>1,836</u>	<u>2,141</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,700	(3,457)	909	(6,080)	19,599
Cash and Cash Equivalents - October 1	<u>13,559</u>	<u>12,436</u>	<u>50,642</u>	<u>47,544</u>	<u>101,194</u>
Cash and Cash Equivalents - September 30	<u>\$ 16,259</u>	<u>\$ 8,979</u>	<u>\$ 51,551</u>	<u>\$ 41,464</u>	<u>\$ 120,793</u>

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2005	September 30, 2004
		September 30, 2005	September 30, 2004		
\$ 322,772	\$ 43,123	\$ 654,369	\$ 593,355	\$ 4,745	\$ 4,903
-	-	189,300	120,120	-	-
-	-	822	2,003	-	-
-	-	-	-	251,548	201,647
(24,096)	(10,845)	(88,532)	(79,779)	(30,042)	(26,202)
(28,849)	(16,297)	(251,282)	(234,323)	(36,686)	(45,122)
-	-	-	-	(53,553)	(54,696)
-	-	-	-	(113,434)	(66,547)
-	-	-	-	(2,316)	(3,090)
-	-	(72,654)	(88,358)	-	-
-	(7,404)	(11,451)	(9,716)	-	-
-	4,426	(3,575)	3,024	5,730	3,974
<u>269,827</u>	<u>13,003</u>	<u>416,997</u>	<u>306,326</u>	<u>25,992</u>	<u>14,867</u>
-	1,283	2,404	1,146	-	-
-	-	22,794	21,939	-	-
-	-	(63,828)	-	-	-
(6,851)	-	(38,016)	(34,524)	(4,508)	(10,250)
<u>(6,851)</u>	<u>1,283</u>	<u>(76,646)</u>	<u>(11,439)</u>	<u>(4,508)</u>	<u>(10,250)</u>
2,208	-	7,641	10,323	-	-
42	-	93	13,631	499	845
277,683	-	277,683	410,472	10,328	1,347
-	-	7,675	5,000	-	-
-	19,201	19,201	11,541	165	153
-	-	319	290	-	-
-	-	633	603	-	-
(82,512)	(24,784)	(146,149)	(165,318)	(14,534)	(5,192)
(327,655)	310	(334,167)	(448,813)	-	-
(55)	-	3,594	(3,157)	(8,356)	(8,563)
-	-	(7,560)	-	(7,605)	-
(47,482)	(863)	(67,687)	(69,587)	(7,919)	(4,398)
<u>(177,771)</u>	<u>(6,136)</u>	<u>(238,724)</u>	<u>(235,015)</u>	<u>(27,422)</u>	<u>(15,808)</u>
2,500	3,340	6,166	4,267	-	-
(20,855)	-	(20,855)	(4,898)	-	-
-	(4,054)	(4,054)	(2,214)	-	-
11,388	-	11,388	7,506	-	-
18,193	5,047	28,313	25,707	1,889	1,668
<u>11,226</u>	<u>4,333</u>	<u>20,958</u>	<u>30,368</u>	<u>1,889</u>	<u>1,668</u>
96,431	12,483	122,585	90,240	(4,049)	(9,523)
<u>567,481</u>	<u>158,235</u>	<u>951,091</u>	<u>860,851</u>	<u>135,200</u>	<u>144,723</u>
<u>\$ 663,912</u>	<u>\$ 170,718</u>	<u>\$ 1,073,676</u>	<u>\$ 951,091</u>	<u>\$ 131,151</u>	<u>\$ 135,200</u>

(continued)

City of Long Beach
Proprietary Funds
Statement of Cash Flows
 For the Fiscal Year Ended September 30, 2005
 With Summarized Financial Information for 2004
 (In Thousands)
 (Continued)

Business-Type Activities - Enterprise Funds

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
Operating Income (Loss)	\$ 11,882	\$ 6,202	\$ 7,633	\$ (23,580)	\$ 32,731
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)					
Operating Activities:					
Depreciation and Amortization Expense	3,007	8,212	4,449	15,009	-
Other Income (Expense)	5,452	1,260	(1,233)	133	(12,313)
(Increase) Decrease in Accounts Receivable, Net	(1,247)	(1,327)	2,442	463	(17,800)
(Increase) Decrease in Amounts Due from Other Governments	-	-	203	294	91,421
(Increase) Decrease in Amounts Due from Other Funds	-	768	-	-	-
(Increase) Decrease in Inventory	178	6	-	(13)	-
(Increase) Decrease in Other Assets	-	(1,497)	-	-	-
Increase (Decrease) in Accounts Payable	4,175	(769)	(7,163)	2,452	1,811
Increase (Decrease) in Accrued Wages Payable	20	44	32	9	(8)
Increase (Decrease) in Amounts Due to Other Funds	16	-	18	(3)	1,063
Increase (Decrease) in Accrued Claims Payable	-	-	-	-	-
Increase (Decrease) in Deferred Revenues	194	-	42	58	-
Increase (Decrease) in Deferred Credits	-	-	(80)	-	-
Increase (Decrease) in Collections Held in Trust	(8)	12	(7)	(89)	(387)
Total Adjustments	11,787	6,709	(1,297)	18,313	63,787
Net Cash Provided by (Used for) Operating Activities	\$ 23,669	\$ 12,911	\$ 6,336	\$ (5,267)	\$ 96,518

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

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2005	September 30, 2004
		September 30, 2005	September 30, 2004		
\$ 180,438	\$ 7,007	\$ 222,313	\$ 192,236	\$ (38,999)	\$ 5,463
86,753	3,218	120,648	117,942	16,914	16,494
-	4,426	(2,275)	4,768	3,037	6,267
(2,938)	1,012	(19,395)	(11,613)	25	(103)
-	-	91,918	6,199	(870)	-
-	-	768	1,143	(727)	(2,458)
(142)	(10)	19	236	22	76
2,819	-	1,322	844	-	-
5,522	(1,060)	4,968	(7,103)	3,679	(3,403)
2,723	14	2,834	487	4,036	3,550
2,649	(1,691)	2,052	(543)	313	116
-	-	-	-	38,180	(7,010)
(7,997)	76	(7,627)	637	-	-
-	-	(80)	515	-	-
-	11	(468)	578	382	(4,125)
89,389	5,996	194,684	114,090	64,991	9,404
\$ 269,827	\$ 13,003	\$ 416,997	\$ 306,326	\$ 25,992	\$ 14,867

City of Long Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005
(In Thousands)

	Private Purpose Trust	Agency Funds
ASSETS:		
Pooled Cash and Cash Equivalents	\$ -	\$ 7,738
Non-Pooled Cash and Cash Equivalents	-	7,293
Restricted Pooled Cash and Cash Equivalents	978	-
Total Assets	978	15,031
LIABILITIES:		
Accounts Payable	-	91
Due to Special Assessment Bondholders	-	953
Collections Held in Trust	-	13,987
Total Liabilities	-	15,031
NET ASSETS:		
Held in Trust for Private Purpose Trust Funds	\$ 978	\$ -

City of Long Beach
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
September 30, 2005
(In Thousands)

	Private Purpose Trust
ADDITIONS:	
Interest Income	\$ 26
Contributions from Citizens	30
Total Additions	56
DEDUCTIONS:	
Community and Cultural	45
Change in Net Assets	11
Net Assets, October 1	967
Net Assets, September 30	\$ 978

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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 1 – REPORTING ENTITY

Organization

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

Financial Reporting Entity

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

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

Blended Component Entities

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

Redevelopment Agency of the City of Long Beach (the Agency) was established by action of the City Council in 1961 under provisions of State law. The Agency is administered by a five-member governing board whose members are appointed by, and serve at the will of, the City Council. The City Council approves the Agency's annual

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budget and changes thereto. Additionally, the City Council approves decisions that impact the Agency's fiscal operations, such as determination of redevelopment project areas, bonding decisions and sales of property. Further, the City provides all staffing, treasury management and investment analysis, facilities and administrative services to conduct the Agency's day-to-day operations. Accordingly, the financial activities of the Agency are blended with those of the City in the accompanying basic financial statements and are reported as the Redevelopment Capital Projects Fund.

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

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

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

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Non-profit Financing Corporations and Authorities:

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

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

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

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

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

Discretely Presented Component Unit

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

LBT is governed by a seven-member Board of Directors (Board) which provides broad policy and financial decisions, setting direction for management. The Mayor, with the

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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 & CFO, Long Beach Transit, P.O. Box 731, Long Beach, CA 90801.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items 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 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.

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

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

Major Governmental Funds

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

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

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

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

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

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

Major Enterprise Funds

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

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

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

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

The Harbor Fund is used to account for the operations and development of the Tidelands area port district, commonly referred to as the Port of Long Beach.

Additionally, the City reports the following fund types:

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

Fiduciary Funds include private trust and agency funds. Private trust funds account for assets and activities restricted to a specific purpose in accordance with a trust agreement. These include the Miller Library and Mayor's Fund for the Homeless, from which both principal and interest may be spent for the purposes 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 applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by generally accepted accounting principles, the City has also elected to apply those Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 that may apply to the accounting and reporting practices of the City's enterprise and business-type activities, except those

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

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

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

Pooled Cash and Cash Equivalents

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

Interest income arising from pooled cash and investments is apportioned to the participating funds based on the relationship of their respective daily cash balances to the total of pooled cash and investments. Investments are stated at fair value as of September 30, 2005. (See Note 4).

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" 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.

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Inventories

Inventory of 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.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the

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unamortized portion of applicable premium, discount or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs and deferred amounts on refunding are generally included in interest expense unless otherwise noted.

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

Net Assets and Fund Equity

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

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

Property Tax Calendar

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

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.

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Employee Benefits and Compensated Absences

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

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 2004, 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 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. Effective January 1, 2005 this benefit ceased for safety employees. No other City employees received such benefit.

Through fiscal year 2004, the City had established an Integral Part Trust (Post Employment Medical Benefits) for police officers. This third-party administered trust provides reimbursements for post retirement medical expenses. For eligible employees, the value of 32 hours of accumulated sick leave and excess, unused vacation, using the employee's current wage rate, was deposited, pre-tax into a trust account maintained in the employee's name. This benefit to deposit the value of 32 hours of sick leave and excess leave was effective through fiscal year 2003. The excess vacation was effective through fiscal year 2004.

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

Budgetary Principles

The City Council adopted the fiscal year 2005 budget prior to September 30, 2005 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, Housing Development and Community Development Grant 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.

Accounting for Encumbrances

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

Implementation of New Accounting Standard

For the fiscal year ended September 30, 2005, the City implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement no. 3*. This statement addresses common deposits and investment risks including credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on the City's financial statements for the year ended September 30, 2005, but required additional disclosures related to deposits and investment risks (see note 4).

Estimates

The preparation of the City's basic financial statements in conformity with 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.

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

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

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

Bonds Payable (Note 9)	\$ 429,532
Plus: issuance premium (to be amortized as a reduction of interest expense)	8,771
Less: issuance discount (to be amortized as an increase of interest expense)	(779)
Notes, certificates of participation, commercial paper and other long-term obligations	49,933
Capital lease payable	27,620
Accrued interest payable	6,709
Less: deferred charge for issuance costs (to be amortized over life of debt)	<u>(9,174)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 512,612</u>

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

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

Capital outlay	\$ 30,873
Depreciation expense	<u>(24,203)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,670</u>

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

Debt issued or incurred:	
Issuance of revenue bonds	\$ 184,757
Plus premiums	3,264
Less discounts	(668)
Less Issuance costs	(4,218)
Issuance of notes, certificates of participation, commercial paper and other long-term obligations	3,587
Increase of notes, certificates of participation, commercial paper and other long-term obligations due to deferral of charges	221
Principal repayments:	
Revenue bond debt	(5,287)
Notes, certificates of participation, commercial paper and other long-term obligations	(1,164)
Police and fire annuities paid (closed plan)	(4,966)
Capital leases	(5,491)
Payment to escrow agent for refunding	<u>(3,526)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (166,509)</u>

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

Increase in liability for police and fire annuities	\$ (328)
Accrued interest	(1,620)
Amortization of premium	352
Amortization of discount	(18)
Amortization of issuance cost	(313)
Change in estimated liability for future oil field abandonment costs	<u>(200)</u>
Net difference	<u>\$ (2,127)</u>

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

Change in net assets as reported in the internal service funds	\$ (9,591)
Activities of internal service funds related to enterprise funds are allocated to business-type activities, resulting in a negative internal balance in governmental activities	<u>9,643</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 52</u>

NOTE 4 – CASH AND INVESTMENTS

Cash and Investments as of September 30, 2005 are classified in the accompanying financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments in City pool	\$ 1,330,217
Cash and investments held by bond trustee	<u>357,080</u>
Total cash and investments	<u>\$ 1,687,297</u>

Cash and Investments as of September 30, 2005 consist of the following:	
Cash on hand	\$ 11,499
Outstanding Checks	(19,908)
Investments	<u>1,695,706</u>
Total cash and investments	<u>\$ 1,687,297</u>

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, 2005 is as follows (in thousands):

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Pooled Cash and Cash Equivalents	\$ 275,474	\$ 616,013	\$ 7,738	\$ 899,225	\$ -
Non-Pooled Cash and Cash Equivalents	234,210	-	7,293	241,503	10,323
Non-Pooled Investments	10,000	603	-	10,603	-
Restricted Assets:					
Pooled Cash and Cash Equivalents	14,332	415,682	978	430,992	-
Non-Pooled Cash and Cash Equivalents	11,977	41,981	-	53,958	16,528
Non-Pooled Investment	-	51,016	-	51,016	-
Total Deposits and Investments	<u>\$ 545,993</u>	<u>\$ 1,125,295</u>	<u>\$ 16,009</u>	<u>\$ 1,687,297</u>	<u>\$ 26,851</u>

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

The table below identifies the investment types that are authorized for the City by the 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.

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

Investment 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 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.

**CITY OF LONG BEACH
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The following schedule indicates the interest rate risk of the City's investments as of September 30, 2005 (in thousands):

Investment Type		Weighted Average Maturity (in years)
Bonds issued by the City	\$ 3,502	13.57
U.S. Treasury Notes	275,731	1.99
U.S. Treasury Bonds	10,513	0.03
Federal agency securities	858,461	1.31
Medium-Term Notes	95,404	0.84
Money Market Funds	34	-
Local Agency Investment Fund (LAIF)	94,981	0.49
Subtotal City Pool	<u>1,338,626</u>	
Cash on Hand	11,499	
Outstanding Checks	<u>(19,908)</u>	
Total City Pool	<u>\$ 1,330,217</u>	
Guaranteed Investment Contracts	\$ 173,022	-
Money Market Funds	170,224	-
Time Certificates of Deposit	10,000	1.00
City Bonds	3,448	-
Local Agency Investment Fund (LAIF)	<u>386</u>	0.49
Total held by Bond Trustees	<u>\$ 357,080</u>	

Investments with Fair Values Highly Sensitive to Investment Risk

The City had no investments with values that were highly sensitive to investment risk as of September 30, 2005.

Disclosures Relating to Credit Risk

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

Investment Type	Rating as of Year End						
	Minimum Legal Rating	Not Required To Be Rated	AAA	Aa	A	Unrated	
Bonds issued by the City	\$ 3,502	N/A	\$ 3,502	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	275,731	N/A	275,731	-	-	-	-
U.S. Treasury Bonds	10,513	N/A	10,513	-	-	-	-
Federal agency securities	858,461	N/A	-	858,461	-	-	-
Medium-Term Notes	95,404	A	-	71,783	5,018	18,603	-
Money Market Funds	34	N/A	34	-	-	-	-
Local Agency Investment Fund (LAIF)	94,981	N/A	-	-	-	-	94,981
Subtotal City Pool	<u>1,338,626</u>		<u>289,780</u>	<u>930,244</u>	<u>5,018</u>	<u>18,603</u>	<u>94,981</u>
Cash on Hand	11,499		-	-	-	-	11,499
Outstanding Checks	<u>(19,908)</u>		-	-	-	-	<u>(19,908)</u>
Total City Pool	<u>\$ 1,330,217</u>		<u>\$ 289,780</u>	<u>\$ 930,244</u>	<u>\$ 5,018</u>	<u>\$ 18,603</u>	<u>\$ 86,572</u>

Investment Type	Rating as of Year End						
	Minimum Legal Rating	Not Required To Be Rated	AAA	Aa	A	Unrated	
Guaranteed Investment Contracts	\$ 173,022	N/A	\$ 173,022	\$ -	\$ -	\$ -	\$ -
Money Market Funds	170,224	N/A	170,224	-	-	-	-
Time Certificates of Deposit	10,000	N/A	-	-	-	-	10,000
City Bonds	3,448	N/A	-	3,448	-	-	-
Local Agency Investment Fund (LAIF)	<u>386</u>	N/A	-	-	-	-	<u>386</u>
Total held by Bond Trustees	<u>\$ 357,080</u>		<u>\$ 343,246</u>	<u>\$ 3,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,386</u>

**CITY OF LONG BEACH
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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 of the City's total pooled investments are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$ 237,814
Federal Farm Credit Agency	Federal agency securities	194,999
FHLB	Federal agency securities	204,151
FHLMC	Federal agency securities	216,462
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	94,914

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 except for one City issued bond and investment in the State's Local Agency Investment Fund.

As of September 30, 2005, the City reports deposits of \$11,499,000 less \$19,908,000 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 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.

**CITY OF LONG BEACH
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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.

GASB 31

GASB 31 requires that certain investments and external investment pools be reported at fair value. At September 30, 2005 and 2004, the effect of valuating the City's investments at fair value did not have a material impact on its financial position.

Securities Lending

The City did not engage in any securities lending programs for the fiscal year ended September 30, 2005. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreements with the City's contract bank. These agreements limit the nature and amount of the transactions, and provide for full collateralization of each transaction.

Interest Rate Swaps

In connection with the 2001 Series A Aquarium Refunding Bonds, the Long Beach Bond Finance Authority ("Authority") entered into three (3) swaps with a Dealer consisting of 1) \$64.76 million 7-year fixed-receiver swap plus a 3-year reversal (fixed-payer) swap 2) sale of a \$64.76 million 3-year-Swaption on a fixed-payer BMA swap with a 15-year final maturity at a strike of 5.0% to expire May 1, 2005 and 3) a \$64.76 million 12-year BMA versus LIBOR forward-starting basis swap. On March 16, 2004 the Authority terminated the 7-year fixed-receiver swap plus the 3-year reversal (fixed-payer) swap for a payment of \$2.537 million to the Authority. The 3-year Swaption expired on May 1, 2005 without any action from the counterparty. The terms of the remaining Basis Swap are as follows:

Notional Amount		\$64,760,000
Effective Date		April 15, 2005
Maturity Date		April 15, 2017
Authority receives	74.2% of One (1) month LIBOR (semiannual, actual/360)	
Authority Pays	BMA Index (semiannual actual/actual)	
Method of averaging		Weighted
Counterparty		Citibank, N.A. (Aa3/AA-rated plus collateral)
Market Value (estimated)		\$(999,000)

**CITY OF LONG BEACH
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Component Unit

The Long Beach Transportation Company (LBT) is authorized to participate in the investments listed below, at June 30, 2005. The LBT elected to have all but \$500,000 of its investments with the Local Agency Investment Fund (LAIF). The remaining \$500,000 was an overnight repurchase agreement.

	<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

Component Unit 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 a investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of investments contained in the LAIF investment pool is approximately 180 days.

Information about the sensitivity of fair values of the LBT's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2005 (in thousands).

		<u>Maturity Date</u>
State Investment Pool (LAIF)	\$ 24,714	180 days average maturity
Repurchase Agreement (Overnight Sweep Account)	<u>500</u>	July 1, 2005
Total	<u>\$ 25,214</u>	

Component Unit 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.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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Component Unit Concentration of Credit Risk

The investment policy of LBT contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total LBT investments.

Component Unit 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 LBT'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 a local government's indirect investment in securities through the use of mutual funds or government investment pools, such as LAIF.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 5 – RECEIVABLES

Receivables at September 30, 2005 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands). All receivables are expected to be collected within one year, except for delinquent property taxes.

	General	Housing Development	Community Development Grants	General Capital Projects	Redevelopment Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Governmental Activities:								
Receivables:								
Interest	\$ 20	\$ 6	\$ -	\$ -	\$ 3,156	\$ -	\$ -	\$ 3,182
Taxes	7,353	-	-	-	-	-	-	7,353
Accounts, Unrestricted	20,260	-	-	141	394	3,660	1,134	25,589
Accounts, Restricted	-	-	-	-	-	-	-	-
Notes and Loans	2,370	-	-	-	-	-	-	2,370
Due from Other								
Governments	15,835	100	2,212	8,396	80	18,014	966	45,603
Total Receivables	45,838	106	2,212	8,537	3,630	21,674	2,100	84,097
Less Allowance for Uncollectibles	(17,080)	-	-	-	-	(581)	(249)	(17,910)
Net Receivables	<u>\$ 28,758</u>	<u>\$ 106</u>	<u>\$ 2,212</u>	<u>\$ 8,537</u>	<u>\$ 3,630</u>	<u>\$ 21,093</u>	<u>\$ 1,851</u>	<u>\$ 66,187</u>

	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue	Harbor	Nonmajor Proprietary Funds	Total
Business-Type Activities:								
Receivables:								
Interest, Unrestricted	\$ -	\$ -	\$ -	\$ 103	\$ -	\$ 613	\$ -	\$ 716
Interest, Restricted	-	-	-	247	-	-	41	288
Accounts, Unrestricted	4,043	6,977	6,263	6,161	53,266	47,900	2,186	126,796
Capital Lease-current	-	-	-	351	-	-	-	351
Other Receivables	-	-	-	-	-	-	62	62
Due from Other								
Governments	-	-	467	101	3	693	1,364	2,628
Total Receivables	4,043	6,977	6,730	6,963	53,269	49,206	3,653	130,841
Less Allowance for Uncollectibles	(425)	(206)	(220)	(4,100)	-	(6,006)	(301)	(11,258)
Net Receivables	<u>\$ 3,618</u>	<u>\$ 6,771</u>	<u>\$ 6,510</u>	<u>\$ 2,863</u>	<u>\$ 53,269</u>	<u>\$ 43,200</u>	<u>\$ 3,352</u>	<u>\$ 119,583</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2005 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due to / from Other Funds:</u>		
General	Community Development Grants	\$ 2,078
	Redevelopment Capital Projects	13,618
	Nonmajor Governmental Funds	5,227
	Tideland Oil Revenue	113
	Nonmajor Business-type Funds	13
	Internal Service Funds	292
Subtotal General Fund		<u>21,341</u>
General Capital Projects	Community Development Grants	48
Redevelopment Capital Projects	Nonmajor Governmental Funds	347
Gas	Tidelands	663
Tidelands	Tideland Oil Revenue	909
	Harbor	9,500
Subtotal Tidelands		<u>10,409</u>
Harbor	Tideland Oil Revenue	42
Internal Service Funds	General	3,346
	Housing Development	13
	Community Development Grants	99
	General Capital Projects	44
	Redevelopment Capital Projects	36
	Nonmajor Governmental Funds	371
	Gas	149
	Water	225
	Solid Waste Management	105
	Tidelands	162
	Tideland Oil Revenue	49
	Harbor	547
	Nonmajor Business-type Funds	140
	Internal Service Funds	357
Subtotal Internal Service Funds		<u>5,643</u>
Total Due to / from Other Funds		<u>38,493</u>
<u>Advances from / to Other Funds:</u>		
General	Redevelopment Capital Projects	98,455
	Nonmajor Governmental Funds	2,000
Subtotal - General Fund		<u>100,455</u>
Housing Development	Redevelopment Capital Projects	20,707
Community Development Grants	Housing Development	3,819
	Nonmajor Governmental Funds	2,900
Subtotal - Community Development Grants		<u>6,719</u>
General Capital Projects	Redevelopment Capital Projects	1,732
Redevelopment Capital Projects	Tidelands	10,839
Gas	Tidelands	5,645
Harbor	Redevelopment Capital Projects	27,435
Nonmajor Business-type Funds	General Fund	4,054
Total Advances from / to Other Funds		<u>177,586</u>
Total Interfund Balances Entity-Wide		216,079
Less Amounts Eliminated in the Entity-Wide Basis Financial Statements		(216,606)
Entity-Wide Basis Financial Statement Internal Balances		<u>\$ (527)</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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Due To / Due From Other Funds

At September 30, 2005, the Redevelopment Capital Projects Fund owed the General Fund \$13,618,000 for an advance to fund estimated Redevelopment Agency operating costs prior to receiving tax increment revenues. It is intended that this advance will be paid in the next fiscal year as tax increment revenues are received.

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

The General Fund has advanced cash in the amount of \$3,972,000 and \$2,078,000 to the General Grants Fund and Community Development Grants Fund, respectively, to cover operating costs prior to receipt of grant funds from the Homeland Security grants, Federal Government Workforce Investment Act grant, Community Development Block Grant and various other grants.

The General Capital Projects Fund has advanced cash to the Community Development Grants Fund in the amount of \$48,000 to cover operating costs at September 30, 2005. This amount will be repaid in October 2005.

The City, under authority of the City Charter Chapter XII, Section 1209(c)(4), and with the approval of the Board of Harbor Commissioners adopted a resolution to transfer 10%, or \$9,500,000, of the Harbor Fund net income for fiscal year 2004 to the City's Tidelands Fund. This amount is recorded as a due to the Tidelands Fund and due from the Harbor Fund and will be paid quarterly in fiscal year 2006.

Employee Benefits overhead costs, such as funding for health benefits and paid time off, relating to the wages and salaries accrued at September 30, 2005 are payable from various funds to the Employee Benefits Internal Service Fund in the amount of \$5,643,000 at September 30, 2005.

Advances from Other Funds

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

From 1974 to 2005, the City provided the Redevelopment Agency (the Agency) with certain Federal grant monies for use on redevelopment projects. The Agency makes discretionary payments to the City annually, which in fiscal year 2005 amounted to approximately \$80,000. At September 30, 2005, the outstanding balances of these transfers approximated \$98,455,000, \$4,346,000 and \$1,732,000 in the General Fund, Housing Development Fund, and General Capital Projects Fund, respectively, with the latter being for land acquisition and planning and engineering services provided by the City. It is the intent of the City and the Agency that the Agency repay these transfers as future property tax increment revenues permit. Due to the long-term nature of repayment, the City has reserved these interfund receivables in the General Fund, Housing Development Fund and General Capital Projects Fund as fund balance reserved for noncurrent receivables.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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The Agency has entered into a financing agreement with the Port of Long Beach (Harbor Fund), under which the Agency was advanced \$30,000,000 for the expansion of the Long Beach Convention and Entertainment Center. A payment of \$1,765,000 was made on the note by the Agency in November 1998. An amendment deferred payments to be made in quarterly installments of \$441,000 over 16 years, beginning in 2002. At September 30, 2005 and 2004, the balance of this advance is \$27,435,000. The note is payable solely from transient occupancy taxes levied in the Downtown Redevelopment Project area. The repayment to the Port is subordinated to a pledge to fund payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 bond issue in the event that the Aquarium revenues do not cover debt service payments. This advance is reported in the Redevelopment Capital Projects Fund and the corresponding receivable is reported in the Harbor Fund.

At September 30, 2005, the Redevelopment Capital Projects Fund advanced \$10,839,000 to the Tidelands Fund. Such monies arose from Downtown Redevelopment area transient occupancy taxes transferred in the amount of \$3,110,000 for fiscal year 2005 and \$7,595,000 for fiscal years 2002 through 2004. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed. The Redevelopment Agency shall be reimbursed for any such advance together with interest, at a rate of interest equal to the rate earned on the City Treasurer's Investment Pool as monies are available. Interest in the amount of \$38,000 was accrued in fiscal year 2005 and \$96,000 from fiscal years 2002 through 2004.

Community redevelopment law in the State of California requires that 20% of annual net property tax increment revenues be set aside for low- and moderate-income housing. The law allowed a deferral of such set aside under certain circumstances. In December, 1995 the Agency adopted a Downtown Project Area Housing Fund Deficit Reduction Plan that called for an analysis of available tax increment and existing obligations beginning in 2010 and every two years thereafter until reduction of the deferred debt is found feasible. The resulting interfund receivable and offsetting non-current receivable reserved fund balance aggregating \$16,361,000 have been recorded as advances to/from other funds in the Housing Development Special Revenue Fund and the Redevelopment Agency Capital Projects Fund, respectively for the Downtown Project Area. For the fiscal year 2005 all seven of the Agency's redevelopment project areas paid their full allocation of the years required 20% housing set aside.

In fiscal year 2001, the Housing Development Company entered into a \$4,000,000 zero interest loan agreement with the City for the acquisition of twenty-six parcels of land, each containing a four-plex apartment building for affordable rental housing for low and very low-income residents. The Company is required to make the principal payments to the City using 25% of the proceeds from repayments of promissory notes from the developer. Any remaining balance of the promissory note owed on April 1, 2034 shall be immediately due and payable. As of September 30, 2005 the City has advanced the Company \$3,819,000 which has been recorded as advances to/from other funds in the Community Development Grants Fund and the Housing Development Fund, respectively.

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In November 1993 the City issued \$13,490,000 in Gas Utility Bonds (1993 Bonds) with interest rates ranging from 2.6% to 5.125% to construct an energy plant adjacent to the Long Beach Convention and Entertainment Center. This debt was refunded by the Long Beach Bond Finance Authority 2005 Revenue Bonds with interest rates ranging from 2% to 3.125% to refund the 1993 bonds. This debt is funded by an annual payment from the Tidelands Fund in an amount necessary to cover the debt service requirements with respect to the Gas Utility Bonds. The long-term amount due at September 30, 2005 is \$5,645,000. The current amount due in fiscal year 2005 is \$663,000.

In July, 2004 the Community Development Grants Fund entered into a loan agreement with the Housing Authority Special Revenue Fund in the amount of \$2,900,000 to cover additional housing assistance payments which exceeded U.S. Department of Housing and Urban Development (HUD) funding. This has been recorded as advances to/from the respective funds.

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

In fiscal year 2005 the Subsidence non-major business fund advanced the General fund \$4,054,000 as a loan payable at \$500,000 per year starting in fiscal year 2007 at zero percent interest. 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.

Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2005 interfund transfers are as follows (in thousands):

	Transfers To:								
	General	Housing Development	Community Development Grants	General Capital Projects	Redevelopment Capital Projects	Nonmajor Governmental Funds	Tidelands	Internal Service Funds	Total Transfers Out
Transfers Out of:									
General	\$ -	\$ -	\$ 161	\$ 3,699	\$ -	\$ 1,275	\$ -	\$ 1,350	\$ 6,485
Housing Development	-	-	-	-	2,563	-	-	-	2,563
Community Development Grants	-	-	-	2,219	-	-	-	-	2,219
General Capital Projects	-	-	-	-	-	351	-	-	351
Redevelopment Capital Projects	27	-	-	-	-	1,375	3,761	-	5,163
Nonmajor Governmental	14,932	-	29	1,918	300	-	-	-	17,179
Gas	15,497	-	-	-	-	-	-	-	15,497
Solid Waste Management	2,577	-	-	-	-	-	-	-	2,577
Tideland Oil Revenue	-	-	-	-	-	-	13,091	-	13,091
Harbor	-	-	-	-	-	-	9,500	-	9,500
Internal Service Funds	5,859	-	-	-	-	-	-	-	5,859
Total Transfers In	\$ 38,892	\$ -	\$ 190	\$ 7,836	\$ 2,863	\$ 3,001	\$ 26,352	\$ 1,350	\$ 80,484

The significant transfers include:

The General Fund transferred \$3,699,000 to the General Capital Projects Fund for ongoing projects such as City street and sidewalk construction, and City building improvements, maintenance and repairs. The Health Fund, Upland Oil Fund and Park Development Fund, included as non-major governmental funds, transferred \$495,000, \$500,000 and \$923,000, respectively, to the Capital Projects Fund for ongoing City park projects and various City projects.

**CITY OF LONG BEACH
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The General Fund transferred \$161,000 to the Community Development Grants Fund to provide a City-match to the Workforce Investment Act grant.

The General Fund transferred \$713,000 to the General Grants Fund, included as a non-major governmental fund, as a City match for various federal and county grants.

The General Fund transferred \$562,000 to the Health Fund, included as a non-major governmental fund, to provide monies to cover Health Fund indirect cost charges incurred.

The Upland Oil Fund, included as a non-major governmental fund, transferred \$8,623,000 to the General Fund for royalties due the City.

The Community Development Grants Fund transferred \$2,219,000 to the General Capital Projects Fund for ongoing Americans with Disabilities Act modifications and projects.

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

The Housing Development Fund transferred \$1,424,000 to the Redevelopment Agency Capital Projects Fund to provide funding of the West Gateway developments, a project that provides affordable residential units. Also, the Housing Development Fund transferred \$1,139,000 to the Redevelopment Agency Capital Projects Fund for payment of bond principal and interest payments related to Redevelopment Agency Housing Bonds.

The Redevelopment Capital Projects Fund transferred \$651,000 to the Tidelands Fund to partially fund the Convention Center energy plant, along with \$3,110,000 from transient occupancy taxes to partially fund the Aquarium of the Pacific debt.

The Redevelopment Capital Projects Fund transferred \$1,375,000 to the Business Assistance non-major fund to fund a business loan program, including administrative and operating expenditures.

The Gas Fund transferred \$15,497,000 to the General Fund as allowed by City charter.

The Solid Waste Management Fund transferred \$2,577,000 to the General Fund based on a Joint Power Agreement between the City and the Los Angeles County Sanitation District Number 2 (District). Under the agreement net remaining retained earnings over a required amount as stipulated in the agreement can be distributed equally between the District and the City.

The Harbor Fund accrued an operating transfer of \$9,500,000 due to the Tidelands Fund as allowed by the City Charter.

The Tidelands Oil Revenue Fund shares revenue from the tidelands oil operation under an optimized water flood program. In fiscal year 2005, \$13,091,000 was transferred to the Tidelands Fund from the Tidelands Oil Revenue Fund under this program.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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Internal Service Fund transfers reflect cable franchise fee revenue from the General Services Internal Service Fund and a one-time reimbursement to the General Fund.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2004	Increase	Decrease	Balance at September 30, 2005
Capital Assets not being Depreciated:				
Land	\$ 113,887	\$ 2,139	\$ -	\$ 116,026
Right-of-way	2,806	-	-	2,806
Construction In Progress	116,502	31,471	(71,263)	76,710
Total Capital Assets not being Depreciated	233,195	33,610	(71,263)	195,542
Capital Assets being Depreciated:				
Buildings	190,815	46,203	-	237,018
Improvements Other than Buildings	45,735	8,625	-	54,360
Infrastructure	329,906	14,295	(1,887)	342,314
Machinery and Equipment	57,841	3,390	(986)	60,245
Automotive	77,003	8,606	(4,154)	81,455
Other Assets	30,719	-	-	30,719
Total Capital Assets being Depreciated	732,019	81,119	(7,027)	806,111
Less Accumulated Depreciation for:				
Buildings	(59,497)	(6,449)	-	(65,946)
Improvements Other than Buildings	(17,448)	(2,095)	-	(19,543)
Infrastructure	(169,045)	(11,520)	1,887	(178,678)
Machinery and Equipment	(34,942)	(7,117)	929	(41,130)
Automotive	(43,314)	(5,976)	4,029	(45,261)
Other Assets	(23,620)	(1,420)	-	(25,040)
Total Accumulated Depreciation	(347,866)	(34,577)	6,845	(375,598)
Total Capital Assets being Depreciated, Net	384,153	46,542	(182)	430,513
Governmental Activities Capital Assets, Net	\$ 617,348	\$ 80,152	\$ (71,445)	\$ 626,055

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

Legislative and Legal	\$ 138
General Government	310
Public Safety	6,949
Public Health	274
Community and Cultural	4,876
Public Works	11,655
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	10,375
Total governmental activities depreciation	\$ 34,577

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Capital asset activity for business-type activities for the year ended September 30, 2005 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2004	Increase	Decrease	Balance at September 30, 2005
Capital Assets not being Depreciated:				
Land	\$ 876,943	\$ 21,597	\$ -	\$ 898,540
Right-of-way	207,823	-	-	207,823
Construction In Progress	220,754	64,270	(96,932)	188,092
Total Capital Assets not being Depreciated	1,305,520	85,867	(96,932)	1,294,455
Capital Assets being Depreciated:				
Buildings	1,893,949	60,565	(4,296)	1,950,218
Improvements Other than Buildings	221,531	57,275	-	278,806
Infrastructure	919,920	20,644	(1,056)	939,508
Machinery and Equipment	21,537	1,268	(504)	22,301
Automotive	22,752	773	(473)	23,052
Total Capital Assets being Depreciated	3,079,689	140,525	(6,329)	3,213,885
Less Accumulated Depreciation for:				
Buildings	(677,639)	(76,834)	4,355	(750,118)
Improvements Other than Buildings	(124,515)	(7,842)	-	(132,357)
Infrastructure	(488,126)	(28,069)	770	(515,425)
Machinery and Equipment	(16,110)	(1,252)	495	(16,867)
Automotive	(16,765)	(1,835)	473	(18,127)
Other Assets	-	-	-	-
Total Accumulated Depreciation	(1,323,155)	(115,832)	6,093	(1,432,894)
Total Capital Assets being Depreciated, Net	1,756,534	24,693	(236)	1,780,991
Business-type Activities Capital Assets, Net	\$ 3,062,054	\$ 110,560	\$ (97,168)	\$ 3,075,446

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

Gas	\$ 3,007
Water	8,174
Sewer	1,161
Airport	2,046
Solid Waste Management	4,449
Towing	11
Tidelands	14,951
Harbor	82,033
Total business-type activities depreciation	\$ 115,832

Capitalized Interest

There was no capitalized interest in fiscal years 2005 and 2004.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Component Unit

Capital asset activity of the LBT for the year ended June 30, 2005 was as follows (in thousands):

	Balance at July 1, 2004	Increases	Decreases	Balance at June 30, 2005
Capital Assets not being Depreciated:				
Land	\$ 5,525	\$ -	\$ -	\$ 5,525
Construction in Progress	2,710	672	(2,369)	1,013
Total Capital Assets not being Depreciated	<u>8,235</u>	<u>672</u>	<u>(2,369)</u>	<u>6,538</u>
Capital Assets being Depreciated:				
Buildings and Improvements	30,678	554	-	31,232
Fleet	76,330	27,812	(456)	103,686
Communications Systems	5,535	651	-	6,186
Fare Collection System	1,901	197	(184)	1,914
Office, Shop and Garage Equipment	13,648	1,237	(338)	14,547
Passenger Facilities	2,559	2,511	-	5,070
Total Capital Assets being Depreciated:	<u>130,651</u>	<u>32,962</u>	<u>(978)</u>	<u>162,635</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(14,214)	(1,617)	-	(15,831)
Fleet	(37,773)	(9,349)	456	(46,666)
Communications Systems	(1,081)	(1,458)	-	(2,539)
Fare Collection System	(1,466)	(76)	-	(1,542)
Office, Shop and Garage Equipment	(11,391)	(1,602)	338	(12,655)
Passenger Facilities	(900)	(1,106)	-	(2,006)
Total Accumulated Depreciation	<u>(66,825)</u>	<u>(15,208)</u>	<u>794</u>	<u>(81,239)</u>
Total Capital Assets being Depreciated, Net	<u>63,826</u>	<u>17,754</u>	<u>(184)</u>	<u>81,396</u>
Total LBT Capital Assets, Net	<u>\$ 72,061</u>	<u>\$ 18,426</u>	<u>\$ (2,553)</u>	<u>\$ 87,934</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 8 – CHANGE IN LONG – TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2005, was as follows (in thousands):

	Balance at October 1, 2004	Additions	Reductions	Balance at September 30, 2005	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 249,290	\$ 8,145	\$ (14,750)	\$ 242,685	\$ 8,815
Tax Allocation Bonds	175,292	184,757	(4,605)	355,444	7,415
Plus (less) deferred amounts:					
Premium	5,859	3,264	(352)	8,771	-
Discount	(1,966)	(748)	238	(2,476)	-
Refunding	(11,903)	(756)	1,878	(10,781)	-
Issuance costs	(7,971)	(4,348)	606	(11,713)	-
Total Bonds Payable	<u>408,601</u>	<u>190,314</u>	<u>(16,985)</u>	<u>581,930</u>	<u>16,230</u>
Notes Payable	9,269	3,865	(1,163)	11,971	572
Capital Leases	40,682	2,183	(10,908)	31,957	6,038
Police and Fire Annuities	37,600	328	(4,966)	32,962	-
Estimated Oil Field Abandonment Costs	4,800	200	-	5,000	-
Accrued Self-Insured Claims	95,935	54,088	(15,911)	134,112	21,750
Employee Benefits	<u>65,434</u>	<u>10,709</u>	<u>(6,667)</u>	<u>69,476</u>	<u>7,900</u>
Governmental Activities Long-Term Liabilities	<u>\$ 662,321</u>	<u>\$ 261,687</u>	<u>\$ (56,600)</u>	<u>\$ 867,408</u>	<u>\$ 52,490</u>
<u>Business-Type Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 1,491,930	\$ 265,650	\$ (347,970)	\$ 1,409,610	\$ 47,990
Plus (less) deferred amounts:					
Premium	39,000	19,708	(2,912)	55,796	-
Discount	(4,397)	(38)	2,574	(1,861)	-
Refunding	(18,722)	(9,988)	1,780	(26,930)	-
Issuance Cost	(20,481)	(2,084)	3,492	(19,073)	-
Total Bonds Payable	<u>1,487,330</u>	<u>273,248</u>	<u>(343,036)</u>	<u>1,417,542</u>	<u>47,990</u>
Certificates of Participation	15,985	-	(960)	15,025	1,015
Discount	(296)	-	34	(262)	-
Refunding	(740)	-	88	(652)	-
Issuance costs	(405)	-	41	(364)	-
Total Certificates of Participation	<u>14,544</u>	<u>-</u>	<u>(797)</u>	<u>13,747</u>	<u>1,015</u>
Notes Payable	75,022	12,968	(5,823)	82,167	1,076
Issuance costs	(134)	-	(217)	(351)	-
Total Notes Payable	<u>74,888</u>	<u>12,968</u>	<u>(6,040)</u>	<u>81,816</u>	<u>1,076</u>
Capital Leases	9,484	-	(1,912)	7,572	2,102
Due to State of California	14,559	255,502	(164,078)	105,983	105,373
Estimated Oil Field Abandonment Costs	<u>316,100</u>	<u>12,600</u>	<u>-</u>	<u>328,700</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,916,905</u>	<u>\$ 554,318</u>	<u>\$ (515,863)</u>	<u>\$ 1,955,360</u>	<u>\$ 157,556</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 9 – BONDS PAYABLE

At September 30, 2005 bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued	Outstanding at September 30, 2005
GOVERNMENTAL ACTIVITIES					
GENERAL CITY BONDS					
Long Beach Museum of Art Project	10/15/99	09/01/09	Variable	\$ 3,060	\$ 3,060
Belmont Shore Parking Meter	06/30/93	06/01/12	5.75%	2,220	1,170
Skylinks Golf	05/01/03	05/01/29	1.57%-6.3%	6,890	6,490
Parking Plaza Bonds	06/14/01	11/01/27	4.4%-5.375%	11,500	11,005
Public Safety Facility	03/01/02	11/01/31	3.0%-5.25%	40,915	40,915
Towne Center Site Refinancing	01/01/04	11/01/30	Variable	11,595	11,450
Total General City Bonds				<u>76,180</u>	<u>74,090</u>
REDEVELOPMENT BONDS					
Tax Allocation Bonds:					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/17	2.9% - 6.0%	81,020	38,520
West Long Beach Industrial	12/01/92	11/01/17	2.9% - 6.0%	36,470	17,345
2005 Central	03/02/05	08/01/40	3.52% - 5.34%	56,930	56,930
2005 Los Altos	03/02/05	08/01/20	2.2% - 4.0%	4,685	4,685
2005 North Long Beach	03/02/05	08/01/35	3.52% - 5.16%	64,080	64,080
2005 Poly High	03/02/05	08/01/24	3.79% - 4.9%	2,558	2,558
2005 West Beach	03/02/05	08/01/20	4.59% - 4.66%	840	840
2005 Housing	03/02/05	08/01/40	3.52% - 5.44%	55,665	55,665
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.0% - 5.5%	21,860	19,775
2002B Downtown	12/05/02	11/01/22	2.25% - 5.5%	25,920	22,615
2002 West Beach	06/25/02	08/01/18	5.15%	8,895	7,757
2002 Downtown Project	06/25/02	08/01/24	5.05%-5.25%	26,820	24,597
2002 North Long Beach	06/25/02	08/01/31	6.1%	40,290	38,799
2002 Poly High	06/25/02	08/01/12	4.81%	1,710	1,278
Total Redevelopment Bonds				<u>427,743</u>	<u>355,444</u>
INTERNAL SERVICE BONDS					
Civic Center Fund:					
1997 Civic Center Project Series A	12/01/97	10/01/27	4.0% - 5.0%	43,655	37,355
Fleet Services:					
1998 Temple and Willow Facility Series B	05/01/98	10/01/27	4.5%-5.5%	29,565	25,840
2005 Temple and Willow Facility Series A	05/01/05	05/01/28	2.75-4.5%	8,145	8,145
Total Fleet Services				<u>37,710</u>	<u>33,985</u>
Employee Benefits Fund:					
Pension Obligation Refunding Bonds Series 2002	09/01/02	09/01/21	Variable	87,590	78,950
Pension Obligation Bonds Series 1995	10/01/95	09/01/11	5.90% - 7.24%	23,920	18,305
Total Employee Benefits				<u>111,510</u>	<u>97,255</u>
Total Internal Service Funds				<u>192,875</u>	<u>168,595</u>
Total Governmental Activities Bonds Payable				<u>696,798</u>	<u>598,129</u>
BUSINESS-TYPE ACTIVITIES:					
ENTERPRISE BONDS					
Gas Fund:					
2005 Gas Utility	08/01/05	08/01/13	2.0% - 4.39%	7,675	7,385
Water Fund:					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	35,830
Solid Waste Management Fund:					
2003 SERRF	12/01/03	12/01/18	2.0%-5.375%	120,235	114,050
Tidelands Fund:					
Aquarium of the Pacific	05/03/01	11/01/30	3.875%-5.5%	129,520	129,520
1994 Marina Subordinate Revenue Bond	04/01/94	04/01/09	6.25%	1,310	475
1995 Marina Refunding Revenue Bond	11/01/95	01/15/08	3.85% - 5.15%	31,725	9,320
1999 Rainbow Harbor Financing Project	07/01/99	05/01/24	4.25%-5.5%	47,970	46,280
Total Tidelands Fund				<u>210,525</u>	<u>185,595</u>
Harbor Fund:					
1998 Harbor	02/01/98	05/15/19	5.25%-9.0%	206,330	163,755
2000 Harbor	05/15/01	05/15/25	5%-5.75%	275,000	255,355
2002 Harbor	06/19/02	05/15/27	Variable	300,000	281,675
2004 Harbor	05/15/04	05/15/18	2.5-5.0%	113,410	107,990
2005 Harbor	05/15/05	05/15/25	3.0-5.0%	257,975	257,975
Total Harbor Fund				<u>1,152,715</u>	<u>1,066,750</u>
Total Business-Type Activities Bonds Payable				<u>1,538,095</u>	<u>1,409,610</u>
Total Primary Government Bonded Indebtedness				<u>\$ 2,234,893</u>	<u>\$ 2,007,739</u>

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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

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

Year-End	Principal Payments - Governmental Activities										Total Annual Debt Service Requirements		
	Museum of Art Project	Belmont Shore Parking Revenue	Skylinks Golf	Parking Plaza	Public Safety Facility	Towne Center Refinance	Redevelopment Capital Projects	Civic Center	Fleet	Employee Benefits	Principal	Interest	Total
2006	\$ -	\$ 145	\$ 140	\$ 265	\$ 810	\$ 155	\$ 7,415	\$ 970	\$ 940	\$ 5,390	\$ 16,230	\$ 29,801	\$ 46,031
2007	-	155	145	280	835	165	7,778	1,015	865	5,925	17,163	29,154	46,317
2008	-	165	150	290	860	180	8,216	1,060	900	6,445	18,266	28,325	46,591
2009	3,060	175	160	305	885	190	8,632	1,110	945	7,050	22,512	27,422	49,934
2010	-	185	165	320	910	205	9,090	1,165	980	7,700	20,720	26,375	47,095
2011 - 2015	-	345	960	1,840	5,175	1,285	53,342	6,790	5,640	27,495	102,872	116,329	219,201
2016 - 2020	-	-	1,275	2,375	6,650	1,835	68,137	8,725	7,245	30,250	126,492	89,080	215,572
2021 - 2025	-	-	1,705	3,065	8,590	2,670	74,150	11,200	9,180	7,000	117,560	56,884	174,444
2026 - 2030	-	-	1,790	2,265	10,995	3,820	44,133	5,320	7,290	-	75,613	31,723	107,336
2031 - 2035	-	-	-	-	5,205	945	44,291	-	-	-	50,441	14,937	65,378
2036 - 2040	-	-	-	-	-	-	30,260	-	-	-	30,260	4,899	35,159
Totals	\$ 3,060	\$ 1,170	\$ 6,490	\$ 11,005	\$ 40,915	\$ 11,450	\$ 355,444	\$ 37,355	\$ 33,985	\$ 97,255	\$ 598,129	\$ 454,929	\$ 1,053,058

The Long Beach Museum of Art Project principal of \$3,060,000 is due September 1, 2009. Interest is payable monthly at variable interest rates. Rates for fiscal year 2005 ranged from 1.35% to 2.97%. For purposes of illustration a fixed rate of 2.49% has been used in the table above. The Employee Benefits Fund Pension Obligation Bonds Series 2002 interest is payable monthly at variable interest rates. Rates for fiscal year 2005 ranged from 1.90% to 3.66%. The debt service requirements to maturity for these bonds for the purpose of illustration is 3.66% in the table above.

In May 2004, the City issued \$6,890,000 in Long Beach Bond Finance Authority Lease Revenue bonds, Skylinks Golf Course Project, Series 2004. The bonds were issued to finance improvements to the Skylinks Golf Course, a municipal golf course owned by the City, to fund a reserve account and to pay certain costs of issuance on the Series 2004 bonds. Interest rates range from 1.57% to 6.30%.

In January 2004 the City issued \$11,595,000 in Long Beach Towne Center Site Refinancing Project Taxable Variable Rate Demand Revenue Bonds, 2004 Series A. The bonds were issued to prepay a note issued by the U.S. Department of the Navy, the proceeds of which were used to acquire a parcel of real property located in the City of Long Beach, which, with two adjacent parcels, was developed by the City into a retail/entertainment complex known as the Long Beach Towne Center, and to pay certain costs of issuance of the bonds. Interest rates for fiscal year 2005 ranged from 1.67% to 3.66%. For the purpose of illustration, a fixed rate of 3.66% has been used in the table above.

In February 2005, the City issued \$192,433,000 in Long Beach Bond Finance Authority Bonds 2005 Series A Revenue Bonds and Series B Taxable Revenue Bonds. The bonds were issued to provide funds to finance certain redevelopment projects of the Redevelopment Agency (Agency), to finance certain housing projects of the Housing Authority, refinance certain indebtedness of the Agency, and to fund reserve accounts and pay costs of issuance of the Series 2005 Bonds. The interest rates range from 2.0% to 5.44%. Current refunding and defeasement of the refunded 1993 Gas Utility Bonds was included in this issue. The Series 2005 bonds for the Gas Utility Refunding in the amount of \$7,675,000 are payable through August 1, 2013 with a total debt service of \$8,678,000 with interest rates ranging from 2.0% to 3.125%. The refunding issue resulted in an accounting gain of approximately \$50,000 which will be recognized over the life of the bonds.

**CITY OF LONG BEACH
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SEPTEMBER 30, 2005**

Aggregate debt service decreased by \$908,000, thereby resulting in an economic gain of approximately \$474,000.

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

Year-End	Principal Payments by Fund -- Business-Type Activities					Total Annual Debt Service Requirements		
	Gas	Water	Solid Waste Management	Tidelands	Harbor	Principal	Interest	Total
2006	\$ 885	\$ 1,155	\$ 6,355	\$ 4,660	\$ 34,935	\$ 47,990	\$ 70,763	\$ 118,753
2007	905	1,210	6,540	7,580	38,205	54,440	66,881	121,321
2008	925	1,265	6,690	7,815	40,090	56,785	64,514	121,299
2009	940	1,330	6,860	4,860	42,150	56,140	62,024	118,164
2010	970	1,405	7,050	4,930	44,355	58,710	59,424	118,134
2011 - 2015	2,760	8,205	40,215	28,460	260,495	340,135	249,882	590,017
2016 - 2020	-	10,655	40,340	36,815	298,670	386,480	152,966	539,446
2021 - 2025	-	10,605	-	43,490	267,035	321,130	67,344	388,474
2026 - 2030	-	-	-	38,130	40,815	78,945	9,987	88,932
2031 - 2032	-	-	-	8,855	-	8,855	232	9,087
Totals	<u>\$7,385</u>	<u>\$35,830</u>	<u>\$ 114,050</u>	<u>\$185,595</u>	<u>\$1,066,750</u>	<u>\$1,409,610</u>	<u>\$ 804,017</u>	<u>\$2,213,627</u>

The Harbor 2002 Series A Bonds interest rate through May 14, 2004 was 4%. At the end of the initial long-term interest rate period the Series A bonds converted to a variable rate. The initial variable rate was 1.15% and the average variable rate was 2.15% through September 30, 2005. Harbor 2002 Series B Bonds interest rates range from 3.00% to 5.50%. Harbor 2002 Bonds debt service requirements to maturity for the purpose of illustration are based on 4% in the table above.

Advance Refundings

During the fiscal year ended September 30, 2005, the City advance refunded debt issues in order to take advantage of declining interest rates, to provide additional capital for related projects and/or to extend the term of the bonds.

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

In August 2005, the Long Beach Financing Authority issued \$8,145,000 in Lease Revenue Bonds 2005 Series A (Temple and Willow Facility Refinancing Project) to refinance the cost of a new fleet services, towing and lien sales operations and integrated resource operations facility, purchase a reserve surety bond and 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 \$12,959,000. The interest rates range from 2.75% to 4.50%. The

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refunding resulted in an accounting loss of \$598,000 which will be recognized over the life of the bonds. Aggregate debt service decreased by \$316,000, thereby resulting in an economic gain of \$333,000.

Southeast Resource Recovery Facility Authority Bond Issue

The Southeast Resource Recovery Facility Authority (Authority) issued \$120,235,000 in lease revenue bonds Series A and Series B in October 2003 (Series 2003) to current refund the Authority's Lease Revenue Refunding Bonds, Series 1995A and Series 1995B (Series 1995), finance certain public improvement projects in the City, fund a reserve fund for the Series 2003 Bonds and pay certain costs of issuance. The Series 2003 bonds are payable through December 1, 2018 with a total debt service in the amount of \$170 million. The 2003 Bonds have interest rates ranging from 2.0% through 5.375%. The refunding issue resulted in an accounting loss of approximately \$2,109,000, which will be recognized over the life of the bonds. Aggregate debt service increased by approximately \$4.9 million over the next fifteen years to level overall debt service requirements, thereby resulting in an economic loss of approximately \$6.4 million.

Harbor Revenue Refunding Bonds

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

In March 2005, the City issued the City of Long Beach Harbor Revenue Refunding Bonds Series 2005A & B (the 2005 Bonds), amounting to \$257,975,000 to current refund and to defease all of the City's Harbor Revenue Bonds Series 1995, to pay the premium for the Bond Insurance Policies, to fund a reserve for the Series 2005 Bonds, and to finance the costs of issuance of the Series 2005 Bonds. The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$4,214,000 which will be recognized over the life of the bonds. The aggregate debt service decreased by \$84,664,000 thereby resulting in a economic gain of approximately \$24,178,000.

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

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

As of September 30, 2005, the total amount of the defeased debt outstanding and removed from the City's funds and account groups aggregated \$83,580,000.

Special Assessment Debt

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

The proceeds from special assessment debt issued for City infrastructure improvements are usually accounted for in the General Capital Projects Fund. The proceeds from special assessment debt issued for the Pike Public Improvements are accounted for in the Tidelands Fund. Special assessment revenues to repay the debt issues are being accounted for in Agency Funds.

At September 30, 2005, aggregate special assessment debt issued through the City consisted of six issues, summarized as follows:

- Dates Issued: 8/16/93 – 7/19/05
- Final Maturities: 10/01/13 – 10/01/32
- Range of Interest Rates: 2.625% – 9.75%
- Amounts Authorized and Issued: \$3,000,000 – \$43,000,000
- Range of Amounts Outstanding: \$534,000 – \$43,000,000
- Aggregate Outstanding at September 30, 2005: \$80,064,000

Pike Public Improvements

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

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Earthquake Assessment

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

To structure a remedy for the default, the City formed the Long Beach Bond Financing Authority (LBBFA). The LBBFA divided District properties into performing and delinquent pools. The assessment revenue from each pool was then used as collateral for new LBBFA bonds sold in July 1997. Series A bonds (Series A) and Series B bonds (Series B) represent the 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 \$2,100,000 in Series 2005A Bonds and \$1,249,000 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.

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

Conduit Debt

The bond issues described below do not constitute general obligations of either the City, its Housing Authority (Authority) or the City's Redevelopment Agency (Agency). There is no

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legal or ethical obligation on the part of the City to make debt service payments on the conduit debt issues. Likewise the City has no responsibility for bond administration, as the issues are completely administered by independent trustees. Accordingly, these programs and issues have been excluded from the accompanying basic financial statements.

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

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

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

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

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

At September 30, 2005, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2005
Multi Family Mortgage Bonds			
Housing Authority	2028	\$ 12,500	\$ 12,500
Industrial Development Refunding Bonds	2023	11,620	10,005
Marina Pacifica Land Acquisition Revenue Bonds	2030	22,000	1,445
Carnival Bonds	2022	32,100	30,530
Grisham Housing Bonds Series A	2035	2,340	2,326
Jamboree West Gate Home Mortgage Revenue Bonds	2037	11,000	50
Total Conduit Debt		<u>\$ 91,560</u>	<u>\$ 56,856</u>

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

At September 30, 2005, the City had several notes and installments payable, certificates of participation, commercial paper notes and other long-term obligations which consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2005
<u>GOVERNMENTAL ACTIVITIES:</u>					
<u>NOTES PAYABLE:</u>					
Health Fund					
Health Facility	04/22/05	04/22/19	Variable	\$ 3,586	\$ 3,500
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	1,016	1,016
California Housing Finance Agency	10/06/99	10/06/09	3%	1,200	1,189
California Housing Finance Agency	04/17/00	04/17/10	3%	800	789
California Housing Finance Agency	02/05/02	02/05/12	3%	600	508
California Housing Finance Agency	03/13/03	03/13/13	3%	1,300	1,300
U.S. Department of Housing and Urban Development	04/30/03	04/30/06	N/A	1,088	362
Total Housing Development Fund				6,004	5,164
Redevelopment Capital Projects Fund:					
Los Angeles County	01/21/92	N/A	3.75%	1,857	1,857
West Broadway, LLC	06/03/04	06/18/09	6.0-8.0%	1,450	1,450
Total Redevelopment Capital Projects Fund				3,307	3,307
<u>ANNUITY OBLIGATION:</u>					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	32,962
Governmental Activities Notes and Annuity Obligation				\$ 50,497	\$ 44,933
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<u>NOTES PAYABLE:</u>					
Water Fund:					
Commercial Paper Notes	01/08/03	N/A	.95 - 1.05%	\$ 6,000	\$ 6,000
State Resources	06/30/88	06/30/08	4.0128%	2,000	368
Total Water Fund				8,000	6,368
Tidelands Fund:					
State of Calif DBAW/Seawalls	Var 1997	08/01/24	4.5%	1,285	1,003
State of Calif DBAW/Downtown Marina	08/01/83	08/01/11	4.5%	3,900	1,571
State of Calif DBAW/Downtown Marina	08/01/84	08/01/12	4.5%	3,500	1,771
State of Calif DBAW/Downtown Marina	08/01/85	08/01/12	4.5%	600	295
State of Calif DBAW/Shoreline Marina	08/01/82	08/01/10	4.5%	1,300	388
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/32	4.5%	6,088	6,088
State of Calif DBAW/Los Cerritos Channel	08/01/81	08/01/08	4.5%	1,238	237
State of Calif DBAW/Basin 8	09/30/98	08/01/28	4.5%	2,650	2,507
State of Calif DBAW - Lighthouse	06/23/00	06/23/30	4.5%	700	630
Total Tidelands Fund				21,261	14,490
Harbor Fund:					
Commercial Paper Notes	03/01/94	N/A	0.85 - 0.93%	383,500	60,150
Nassir	09/21/94	09/12/08	6%	579	125
Locke	03/22/91	03/22/06	10%	203	14
Total Harbor Fund				384,282	60,289
Airport Fund:					
Commercial Paper Notes	07/01/05	N/A	2.2-2.85%	1,020	1,020
<u>CERTIFICATES OF PARTICIPATION:</u>					
Airport Fund:					
1993 Airport Refunding	07/01/93	06/01/16	2.7-5.35%	16,815	10,710
Tidelands Fund:					
Parking Authority/Aquarium Parking Structure	05/01/97	05/01/17	4.25-5.75%	5,855	4,315
Business-type Activities Notes and Certificates of Participation				\$ 437,233	\$ 97,192

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

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Housing Development Fund Loan

The Housing Development Fund loan in the amount of \$1,016,000 at September 30, 2005 is payable to the State of California in January 2022. The Housing Development Fund also has authorization to borrow \$3,900,000 from the California Housing Finance Agency at an interest rate of 3%. To date, \$2,600,000 has been utilized for a revolving loan program that will allow for the acquisition and rehabilitation of multiple residential buildings located in specific neighborhoods designated for revitalization. As of September 30, 2005, \$1,178,000 is payable through 2009, \$800,000 is payable through 2010 and \$508,000 is payable through 2012. The remaining amount of \$1,300,000 will be used for the rehabilitation of rental units to assist lower income households. As of September 30, 2005, \$1,300,000 is payable through 2013.

The Housing Development Fund also entered into an agreement with the U.S. Department of Housing and Urban Development to repay \$1,088,000 in Homeownership Zone (HOZ) costs. The amount is payable without interest over three years through April 30, 2006. In fiscal years 2005 and 2004, \$363,000 was repaid in each year. As of September 30, 2005, \$362,000 remains outstanding and for which funds have been set aside.

Tax Increment Obligation

The Redevelopment Agency has an agreement to pay Los Angeles County 49.44% of tax increment generated by the Los Altos Area, payable commencing in 2020 at a simple interest rate of 3.75%. The tax increment due to the County at September 30, 2005 totaled \$1,857,000.

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

Year-end	Principal Payments By Fund			Annual Debt Service Requirements		
	Governmental Activities			Principal	Interest	Total
	Health Fund	Housing Development Fund	Redevelopment Capital Projects Fund			
2006	\$ 210	\$ 362	\$ -	\$ 572	\$ 347	\$ 919
2007	213	-	-	213	340	553
2008	220	-	-	220	333	553
2009	226	1,189	1,450	2,865	303	3,168
2010	233	789	-	1,022	195	1,217
2011 - 2015	1,295	1,808	-	3,103	496	3,599
2016 - 2020	1,103	-	-	1,103	238	1,341
2021 - 2025	-	1,016	-	1,016	61	1,077
Indeterminant	-	-	1,857	1,857	1,889	3,746
Totals	<u>\$ 3,500</u>	<u>\$ 5,164</u>	<u>\$ 3,307</u>	<u>\$ 11,971</u>	<u>\$ 4,202</u>	<u>\$ 16,173</u>

No payment dates have been established for the Redevelopment Capital Projects Fund notes payable of \$1,857,000; therefore, no interest has been listed in the above table.

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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-end	Principal Payments By Fund				Annual Debt Service Requirements		
	Business-Type Activities				Principal	Interest	Total
	Water	Tidelands	Harbor	Airport			
2006	\$ 138	\$ 883	\$ 55	-	\$ 1,076	\$ 662	\$ 1,738
2007	143	912	42	-	1,097	628	1,725
2008	87	951	42	-	1,080	576	1,656
2009	-	907	-	-	907	528	1,435
2010	-	948	-	-	948	489	1,437
2011 - 2015	-	2,536	-	-	2,536	1,934	4,470
2016 - 2020	-	1,979	-	-	1,979	1,486	3,465
2021 - 2025	-	2,388	-	-	2,388	999	3,387
2026 - 2030	-	2,249	-	-	2,249	465	2,714
2031 - 2035	-	737	-	-	737	50	787
Indeterminant	6,000	-	60,150	1,020	67,170	-	67,170
Totals	\$ 6,368	\$ 14,490	\$ 60,289	1,020	\$ 82,167	\$ 7,817	\$ 89,984

In January 1987, the Water Department entered into a low-interest loan contract for \$2,000,000 with the State Water Resources Control Board for the purpose of funding the Reclaimed Water System Extension Project. The loan was funded in fiscal year 1988 and is payable in annual installments ranging from \$70,450 to \$143,040, at an interest rate of 4.0128% per year through January 2008. The balance outstanding at September 30, 2005 is \$368,000.

In October 2002, the Water Department authorized the issuance and sale of \$15,000,000 of City of Long Beach Subordinate Water Revenue Commercial Paper Notes Series A. Proceeds from the variable rate debt will be used for interim financing needs to assist with completing reclaimed water system expansion projects that are partially funded with Federal and State grants, and for ocean desalination research and development. On January 8, 2004, notes in the amount of \$6,000,000 were issued with interest rates ranging from 0.95% to 1.05%. The Water Department intends to extend the notes to periods greater than one year, therefore, the outstanding amount has been classified as long-term obligations.

The Tidelands Fund entered into various loan agreements from August 1982 through September 2005 for construction and improvements to the Shoreline Marina, Downtown Marina, seawalls and a lighthouse with a harbormaster's office, with an aggregate authorized and issued amount of \$21,261,000 as of September 30, 2005. The amount outstanding at September 30, 2005 is \$14,490,000. Annual principal payments in the amount of \$705,000 are currently in effect at an interest rate of 4.5%.

The Harbor Department authorized the issuance of up to \$383,500,000 in Commercial Paper notes. In 1994 the Harbor Department issued \$148,000,000 of Series A Commercial Paper Notes to pay for acquisition costs of property, facilities and oil rights in the North

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Harbor District. The Harbor Department intends to extend the notes for a period greater than a year; therefore, the outstanding amount has been classified under long-term obligations. The Harbor Department redeemed \$12,850,000 of notes in 1997, and another \$75,000,000 in 2002. The amount outstanding at September 30, 2005 is \$60,150,000, with interest rates ranging from 2.48% to 2.68%. The Harbor Department also has other notes outstanding for \$124,000 and \$14,000 at September 30, 2005.

Airport Commercial Paper

On October 19, 2004, the City Council authorized the City's Public Works Department, Airport Bureau, to issue, on an as needed basis, up to \$15,000,000 of variable-rate, Airport Projects Commercial Paper Notes for short-term financing of qualified Airport capital projects. When issued, the net proceeds from the sale of the notes will be used to pay for projects that will be funded by Passenger Facility Charges (PFC) and FAA entitlement grants. As of September 30, 2005, \$1,020,000 in commercial paper notes had been issued with interest rates ranging from 2.2% to 2.85%.

Certificates of Participation

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

Year-end	Principal Payments By Fund		Annual Debt Service Requirements		
	Airport	Tidelands	Principal	Interest	Total
2006	\$ 750	\$ 265	\$ 1,015	\$ 782	\$ 1,797
2007	785	280	1,065	730	1,795
2008	825	295	1,120	674	1,794
2009	870	310	1,180	616	1,796
2010	920	325	1,245	552	1,797
2011 - 2015	5,330	1,915	7,245	1,728	8,973
2016 - 2020	1,230	925	2,155	141	2,296
Totals	<u>\$ 10,710</u>	<u>\$ 4,315</u>	<u>\$ 15,025</u>	<u>\$ 5,223</u>	<u>\$ 20,248</u>

Police and Fire Annuity Obligation Program

The City administers a Police and Fire Annuity Program (Program) under the City Charter Section 187, prior to the programs termination in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2005, there were 109 participants in this program.

Total expenditures to this closed group of individuals amounted to \$4,966,000 for the fiscal year ended September 30, 2005. The City's accrued Program liability was \$32,962,000 at September 30, 2005. Program benefits are funded when required to be paid. Accordingly, there are no assets of the Program.

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

Accrued Program Liability at October 1, 2004	\$ 37,600
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(4,966)
Estimated Change in Annualized Value of Benefits	<u>328</u>
Accrued Program Liability at September 30, 2005	<u>\$ 32,962</u>

The number of Program participants diminishes each year. Since 1996, the number of program participants has been reduced by 109 individuals. The following table presents additional information for the Program (in thousands) (1996 benefits paid is for fifteen months, reflecting the City's change in its fiscal year end):

<u>Year-end</u>	<u>Number of Participants</u>	<u>Annuity Benefits Paid</u>	<u>Accrued Program Liability</u>
1996	218	\$9,367	\$64,073
1997	205	7,783	61,207
1998	191	7,162	56,596
1999	181	7,093	57,500
2000	167	6,913	53,668
2001	157	6,641	51,222
2002	144	6,437	47,543
2003	131	5,865	40,948
2004	128	5,507	37,600
2005	109	4,966	32,962

NOTE 11 – LEASING ARRANGEMENTS

Hyatt Long Beach Corporation Lease

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

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

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developer is obligated to pay the City approximately \$477,000 annually through 2008, with their proportionate share of the incidental costs thereafter.

The City has accounted for the lease and the sublease of the parking structure and public facilities as a capital lease payable and long-term lease receivable, respectively, in the Tidelands Fund using an interest rate of approximately 10%. At September 30, 2005, the outstanding capital lease payable and long-term lease receivable are \$7,572,000 and \$1,550,000, respectively.

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

Fiscal Year-end	Debt Service Payments			Minimum Rentals
	Principal	Interest	Total	
2006	\$ 2,102	\$ 753	\$ 2,855	\$ 477
2007	2,312	544	2,856	477
2008	2,509	346	2,855	477
2009	649	65	714	119
Totals	<u>\$ 7,572</u>	<u>\$ 1,708</u>	<u>\$ 9,280</u>	<u>\$ 1,550</u>

Other Leases:

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

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2005
<u>GOVERNMENTAL ACTIVITIES</u>					
General Fund:					
Emergency Communications Center (a)	06/21/02	06/21/07	3.62%	\$ 4,000	\$ 1,686
Emergency Communications Center (a)	06/21/02	06/21/09	3.94%	9,125	5,517
Helicopter (b)	02/03/03	02/03/10	2.91%	2,785	1,791
Park Sports Lighting (c)	04/12/01	09/01/06	5.25%	98	20
City Light and Power (d)	05/01/96	10/03/19	8.73%	18,500	16,205
Street Sweepers (e)	10/02/03	10/02/07	2.36%	2,922	1,495
Ambulances (f)	10/02/03	10/02/09	2.97%	993	682
Software Lease (g)	05/06/04	05/06/07	2.46%	400	225
Total General Fund				<u>38,823</u>	<u>27,621</u>
Internal Service Funds:					
Civic Center Fund:					
Sisco Lease (h)	07/17/96	01/17/07	6.07%	<u>6,278</u>	<u>1,020</u>
General Services Fund:					
Personal Computers (i)	05/01/03	05/01/06	6.63%	24	5
Personal Computers (i)	04/23/03	04/25/07	3.64%	1,276	519
Personal Computers (i)	08/18/04	08/18/08	2.71%	997	717
IBM Mainline (j)	06/29/05	06/29/09	3.02%	2,183	2,054
Disk Storage (k)	01/01/03	12/01/05	4.00%	<u>350</u>	<u>21</u>
Total General Services Fund				<u>4,830</u>	<u>3,316</u>
Total Governmental Activities Leases				<u>\$ 49,931</u>	<u>\$ 31,957</u>

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- (a) The City entered into capital lease agreements to purchase equipment for the Emergency Communications and Operations Center. The annual payment, including principal and interest, is \$2,386,000 which is paid annually through fiscal year 2009.
- (b) The City entered into a capital lease agreement to purchase a helicopter for use by the Police Department for safety enforcement. The lease is payable monthly in the amount of \$37,000 at 2.91% interest, or \$444,000 per year through February 2010.
- (c) The City entered into a capital lease agreement to install lighting systems in certain parks. The lease is payable monthly in the amount of \$1,900 at 5.25% interest through fiscal year 2006.
- (d) The City entered into a capital lease agreement in May 1996 to improve and replace the street lighting infrastructure in the City. The lease is payable monthly; the amount varies by year, with the initial year at \$57,000 per month and the maximum amount for the sixth through twenty-fifth years at \$163,000 per month.
- (e) The City entered into a capital lease agreement in October 2004 for the acquisition of street sweepers, payable in monthly installments of \$63,800 through 2007.
- (f) The City entered into a capital lease agreement in October 2004 to finance the replacement of ten advanced life-support ambulances. The lease is payable in monthly installments of \$15,000 through 2009.
- (g) The City entered into a capital lease agreement in May 2004 to purchase a legislative information management system. The lease is payable in monthly installments of \$11,500 through 2007.
- (h) The City entered into a capital lease to make energy conservation improvements to the Civic Center building. The monthly installments vary through January 2007 and do not exceed \$78,000 per month.
- (i) The City entered into several capital lease agreements to finance the acquisition of personal computers. The leases are payable monthly through 2008, and the aggregate monthly payments are \$50,000.
- (j) The City entered into a capital lease to finance the purchase of IBM processors and related equipment. The lease is payable monthly in installments of \$10,000 through June 2009.
- (k) The City entered into a capital lease agreement to purchase a high speed disk storage system. The lease is payable in monthly installments of \$10,300 through December 2005.

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

Year-end	Principal Payments By Fund - Governmental Activities			Annual Debt Service Requirements		
	General	Civic Center	General Services	Principal	Interest	Total
2006	\$ 4,151	\$ 764	\$ 1,123	\$ 6,038	\$ 1,867	\$ 7,905
2007	4,272	256	988	5,516	1,623	7,139
2008	2,661	-	775	3,436	1,437	4,873
2009	2,827	-	430	3,257	1,278	4,535
2010	996	-	-	996	1,146	2,142
2011 - 2015	5,442	-	-	5,442	4,445	9,887
2016 - 2020	7,272	-	-	7,272	1,441	8,713
Totals	<u>\$ 27,621</u>	<u>\$ 1,020</u>	<u>\$ 3,316</u>	<u>\$ 31,957</u>	<u>\$ 13,237</u>	<u>\$ 45,194</u>

Future Rental Income Under Operating Leases

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

<u>Year-end</u>	
2006	\$ 217,499
2007	181,580
2008	177,917
2009	170,633
2010	158,360
2011-2015	723,236
2016-2020	662,306
2021-2025	503,844
2026-2030	196,245
2031-2035	47,818
2036-2040	46,809
2041-2045	45,623
2046-2050	43,839
2051-2055	9,053
THEREAFTER	21,113
Total	<u>\$ 3,205,875</u>

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NOTE 12 – RETIREMENT PROGRAMS

Plan Description

The City contracts with the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, including annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City's retirement plan are made on a fiscal year ending June 30, which differs from the City's September 30 fiscal year end.

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

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

Funding Policy

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

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

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respectively. Miscellaneous employees paid 1% to PERS, that when added to the 7% paid by the City makes up the 8% employee rate which was effective August 24, 2004.

The funded normal cost rates are as follows:

Contribution Rates for Fiscal Year 2006

Employees Covered	Normal Cost	Amortization of Unfunded Liability	Total Employer Rate	Employee Rate *
Safety	17.914 %	(2.814) %	15.100 %	9%
Miscellaneous	10.101 %	1.224 %	11.325 %	8%

Contribution Rates for Fiscal Year 2005

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

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

Annual Pension Cost

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2005 for miscellaneous and safety employees is shown below.

	Assumptions
Valuation Date	June 30, 2003
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% 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%.

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

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the excess assets to payroll.

Three-Year Trend Information for CalPERS – Net Pension Obligation

(Unaudited)
(In thousands)

<u>September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	--	100%	--
2004	--	100%	--
2005	\$48,147	100%	--

The City's contribution rate from July 1999 through fiscal year 2004 was zero, therefore there is no annual pension cost through fiscal year 2004.

Public Agency Retirement System – Defined Benefit Plan

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

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

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The City's funding policy is to make the contribution as determined by the Plan's actuary as of September 30, 2005. The following information describes the calculation methodology:

- The Plan's annual pension cost (APC) for the fiscal year ended September 30, 2005 is based on the period from October 1, 2004 to September 30, 2005. The APC for this period was zero, the same amount contributed for this period.
- The actuarial liabilities and assets are valued as of September 30, 2005.
- The actuarial funding method used is the projected-unit-credit-method. Under this method the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

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

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level dollar amount (over a seven year period in the 2004 actuarial valuation used to determine fiscal year 2005 Annual Pension Cost) to determine the unfunded actuarial liability rate.

The following is a summary of the actuarial assumptions:

Interest Rate:	6.00%			
Mortality:	1983 Group Annuity Mortality Table			
Turnover:	Sample rates are:			
	<u>Age</u>	<u>Turnover</u>	<u>Age</u>	<u>Turnover</u>
	25	15%	45	10%
	30	15%	50	10%
	35	15%	55	5%
	40	15%	60	5%
	Seasonal and Temporary Employees' first five years of service assume the following rates:			
	<u>Years of Service</u>	<u>Turnover</u>		
	0	50%		
	1	35%		
	2	25%		
	3	25%		
	4	20%		
Salary Scale:	5.0%			
Retirement Age:	Age 65 or attained age, if older.			
Form of Benefit:	Participants are assumed to receive a lump sum upon termination.			

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The interest rate was changed for the 2005 valuation from 7.5% to 6.0%. The turnover assumption was also changed for the 2005 valuation to better reflect experience. The net impact of these assumption changes decreased the actuarial accrued liability by approximately \$281,000.

The net pension obligation information below is based on periods from July 1 through June 30 prior to 2005 and October 1 through September 30 beginning in 2005.

<u>Fiscal Year</u>	<u>Annual Pension Costs</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>	<u>Net Pension Obligation</u>
1996	\$ 143,292	\$ 143,292	100%	-
1997	181,910	181,910	100%	-
1998	170,014	170,014	100%	-
1999	196,853	196,853	100%	-
2000	188,924	188,924	100%	-
2001	102,749	102,749	100%	-
2002	74,497	74,497	100%	-
2003	75,338	75,338	100%	-
2004	19,471	19,471	100%	-
2005	-	-	100%	-

NOTE 13 – POST RETIREMENT HEALTH CARE BENEFITS

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

At September 30, 2005, there were 810 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$22,717,000. Total premiums paid by the City under the Retired Employees Health Insurance Program during the twelve months ended September 30, 2005, were \$6,212,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The City has recorded a liability in the Employee Benefits Internal Service Fund of \$69,476,000, based on an actuarial study of current and future retiree accumulated sick leave as of September 30, 2005. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and

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active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes an investment return of 5.0%; wage increases of 3.5% per year for miscellaneous and 4.5% per year for safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$7,900,000, recorded in current accrued wages and benefits, has been fully funded; the long-term portion of the liability of \$61,576,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

NOTE 14 – SELF – INSURANCE PROGRAMS

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. At September 30, 2005, the City accrued nondiscounted estimates totaling \$134,112,000 for workers' compensation and general liability claims. This represents estimates of amounts to be paid for actual, and incurred but not reported claims based upon past experience, modified for current trends and developments. The City has no outstanding annuities payable. The City has recorded a current liability of \$21,750,000 and a long-term liability of \$112,362,000 in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2005 is dependent on future developments. Based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual adequately represents such losses.

A summary of the City's claims activity for the fiscal year ended September 30, 2005 and 2004 is as follows (in thousands):

	Worker's Compensation Claims	General Liability Claims	Total
Balance at October 1, 2003	\$ 79,345	\$ 23,600	\$ 102,945
Additions	9,730	(710)	9,020
Payments	(12,940)	(3,090)	(16,030)
Balance at September 30, 2004	76,135	19,800	95,935
Additions (Reductions)	43,272	10,816	54,088
Payments	(13,595)	(2,316)	(15,911)
Balance at September 30, 2005	<u>\$ 105,812</u>	<u>\$ 28,300</u>	<u>\$ 134,112</u>

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Component Unit

Under its insurance program, the LBT retains the risk for each occurrence of worker's compensation and public liability and property damage claimed up to \$3,000,000 and \$1,000,000, respectively. Claims in excess of \$3,000,000 for worker's compensation and \$1,000,000 for public liability and property damage are covered under policies in force with an independent insurer up to \$25,000,000 for workers compensation and \$10,000,000 for public liability and property damage. The amount of settlements for both worker's compensation and public liability and property damage did not exceed the insurance coverage limits in fiscal year 2005 and 2004.

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

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

	<u>Worker's Compensation</u>	<u>Public Liability and Property Damage</u>	<u>Total</u>
Balance at July 1, 2003	\$ 2,249	\$ 1,402	\$ 3,651
Reserves:			
New claims	269	627	896
Adjustments to existing claims	3,012	819	3,831
Payments	<u>(2,830)</u>	<u>(1,160)</u>	<u>(3,990)</u>
Balance at June 30, 2004	2,700	1,688	4,388
Reserves:			
New claims	464	586	1,050
Adjustments to existing claims	1,547	166	1,713
Payments	<u>(2,497)</u>	<u>(1,647)</u>	<u>(4,144)</u>
Balance at June 30, 2005	<u>\$ 2,214</u>	<u>\$ 793</u>	<u>\$ 3,007</u>

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NOTE 15 – GOVERNMENTAL ACTIVITIES FUND BALANCE

The composition of the reserved portion of the governmental activities fund balance at September 30, 2005 is as follows (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Totals
Reserved for:				
Other Noncurrent Receivables (a)	\$ 100,455	\$ 31,799	\$ -	\$ 132,254
Asset Seizure Money (b)	2,763	-	-	2,763
Encumbrances	1,714	7,135	3,911	12,760
Future Advances to Other Funds - restricted by				
City Charter	1,486	-	-	1,486
Transportation Projects (c)	-	-	3,770	3,770
Housing Development - restricted by State law	-	480	-	480
Future Projects	-	176,961	22,779	199,740
Land Held For Resale	-	75,284	-	75,284
Estimated Oil Field Abandonment Costs	-	-	3,136	3,136
Debt Service Covenants	5,407	52,105	200	57,712
Totals	<u>\$ 111,825</u>	<u>\$ 343,764</u>	<u>\$ 33,796</u>	<u>\$ 489,385</u>

- (a) The reserve for noncurrent receivables represents long-term loan receivables and long-term advances to other funds not available to finance current expenditures because receipt is not anticipated in the near future since there is no specified repayment dates for these advances. The General Fund reserve for noncurrent receivables funds mainly consists of \$98,455,000 due from the Redevelopment Capital Projects Fund, based on a cooperative agreement in which the City agreed to advance funds to use on redevelopment projects. Debt service payments to the General Fund are expected as future property tax increment funds become available. At this time there is no repayment schedule. In addition, \$2,000,000 is due from the Health Fund for advances to cover cash flow. There is no repayment date for the Health Fund advance.

Other major governmental fund advances to other funds consist of \$20,707,000 due to the Housing Development Special Revenue Fund from the Redevelopment Capital Projects Fund, \$3,819,000 due to the Community Development Grants Fund from the Housing Development Special Revenue Fund and \$1,732,000 due to the General Capital Projects Fund from the Redevelopment Capital Projects Fund. Repayments depend on available future tax revenue increments. The Housing Assistance nonmajor governmental fund advance from the Community Development Grants Fund in the amount of \$2,900,000 is due to a loan for the purpose of meeting voucher obligations of the Authority under the HUD Section 8 Program. Repayment is dependent on HUD funding and no annual payments are required by the Authority to repay the loan.

**CITY OF LONG BEACH
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The balance of \$2,641,000 mainly represents long-term notes receivable for the Redevelopment Agency and Housing Development Special Revenue Fund, which do not provide current available resources.

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

Fund Deficits

The Internal Service Funds include accumulated deficits in the Insurance and Employee Benefits Internal Service Funds which aggregate \$109,370,000 and \$44,284,000, respectively. The City's Management believes the cash position is sufficient to cover the current costs related to retired health insurance, worker's compensation, general liability claims and current operating costs in the Insurance and Employee Benefits Internal Service funds. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained.

At September 30, 2005 the Housing Assistance Fund, a non-major governmental fund, had a deficit fund balance of \$1,251,000. This deficit resulted from funding from grants accounted for in the Community Development Grants Special Revenue Fund. The loan made in fiscal year 2004 was to cover additional housing assistance payments which exceeded U.S. Department of Housing and Urban Development (HUD) funding. It is anticipated that the deficit will be funded by future HUD receipts for housing assistance.

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

The following reconciles actual revenues and expenditures for general fund and major special revenue funds to the non-GAAP budgetary basis for the fiscal year ended September 30, 2005 (in thousands):

	General Fund	Housing Development Fund	Community Development Fund
Beginning Fund Balance- Actual (GAAP Basis)	\$ 161,522	\$ 33,608	\$ 12,167
Cumulative Effect of Capitalization of Land Held For Resale at October 1, 2004	-	(1,228)	(1,332)
Beginning Fund Balance - Budgetary Basis	<u>161,522</u>	<u>32,380</u>	<u>10,835</u>
Actual (GAAP-Basis) Revenues	328,068	15,580	23,955
Basis Adjustments: Proceeds from Sale of Land Held for Resale	-	234	-
Revenues on the Budgetary Basis	<u>328,068</u>	<u>15,814</u>	<u>23,955</u>
Actual (GAAP-Basis) Expenditures	373,525	8,596	23,581
Basis Adjustments: Encumbrances Outstanding at September 30, 2005	1,714	-	26
Expenditures - Budgetary Basis	<u>375,239</u>	<u>8,596</u>	<u>23,607</u>
Excess of Revenues Over (Under) Expenditures - Budgetary Basis	(47,171)	7,218	348
Other Financing Sources (Uses) (GAAP-Basis)	<u>34,164</u>	<u>1,435</u>	<u>(2,029)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis	<u>(13,007)</u>	<u>8,653</u>	<u>(1,681)</u>
Ending Fund Balance - Budgetary Basis	<u>\$ 148,515</u>	<u>\$ 41,033</u>	<u>\$ 9,154</u>

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

NOTE 17 – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES FUNDS

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

The Aquarium of the Pacific 2001 Revenue Bonds, issued in the amount of \$129,520,000, are accounted for in the Tideland Operating segment. The Tideland

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Operating segment is used to account for the business-type operations of the Long Beach Convention and Entertainment Center, as well as beach maintenance and beach/water safety programs directly related to the tidelands area, including lifeguards and patrol boats. Beginning with the 1997 fiscal year, leases for areas adjacent to the Queen Mary were also included in the Tideland Operating segment. The Tideland Operating segment had purchase of goods and services and construction project commitments of \$192,000.

The 1994 Marina Subordinate Revenue Bonds, issued in the amount of \$1,310,000 and the 1995 Marina Refunding Revenue bond issued in the amount of \$31,725,000 are accounted for in the Marina segment. The Marina segment is used to account for the enterprise operations of the City's Alamitos Bay and Downtown Marinas. The Marina segment had commitments of \$16,810,000 for the purchase of goods, services and construction.

The 1999 Rainbow Harbor Financing Project Revenue Bonds, issued in the amount of \$47,970,000, are accounted for in the Rainbow Harbor Area segment. The Rainbow Harbor Area segment is used to account for the Rainbow Harbor Area administration, the Rainbow Harbor financing and the Aquarium of the Pacific Parking Structure operations. The Rainbow Harbor Area segment had commitments of \$119,000 for the purchase of goods, services and construction.

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

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Summary financial information for each segment is presented below (in thousands) as of September 30, 2005:

City of Long Beach			
Business-Type Activities			
Tidelands Fund Segments			
Statement of Net Assets			
September 30, 2005			
(In Thousands)			
	Tideland Operating	Marina	Rainbow Harbor Area
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 6,858	\$ 922	\$ 224
Receivables:			
Interest Receivable	-	-	103
Accounts Receivable	5,916	182	6
Due from Other Governments	67	34	-
Due from Other Funds	10,409	-	-
Capital Leases Receivable-Current	351	-	-
Allowance for Receivables	(3,947)	(153)	-
Inventory	-	109	-
Total Current Assets	19,654	1,094	333
Restricted Assets:			
Pooled Cash and Cash Equivalents	7,548	3,546	2,498
Non-Pooled Cash and Cash Equivalents	14,470	-	4,683
Interest Receivable	247	-	-
Total Restricted Assets	22,265	3,546	7,181
Noncurrent Assets:			
Noncurrent Receivables:			
Capital Lease Receivable	913	-	-
Capital Assets:			
Land and Other Capital Assets not being Depreciated	31,098	14,215	11,953
Capital Assets net of Accumulated Depreciation	200,787	27,053	78,556
Deferred Charges-Long-Term	10,839	-	-
Total Noncurrent Assets	243,637	41,268	90,509
Total Assets	285,556	45,908	98,023

(continued)

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

**City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Net Assets
September 30, 2005
(In Thousands)
(continued)**

	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
LIABILITIES			
Current Liabilities Payable from Current Assets:			
Accounts Payable	\$ 743	\$ 1,964	\$ 1,736
Accrued Wages	174	153	19
Accrued Interest Payable	8	161	-
Due to Other Funds	745	71	9
Deferred Revenues	63	2,130	25
Collections Held in Trust	38	15	1
Obligations Under Capital Leases-Current	2,102	-	-
Bonds Payable Due Within One Year	-	3,145	1,515
Other Long-Term Obligations-Current	34	835	279
Total Current Liabilities	<u>3,907</u>	<u>8,474</u>	<u>3,584</u>
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	<u>2,732</u>	<u>-</u>	<u>1,091</u>
Noncurrent Liabilities:			
Advances from Other Funds	16,483	-	-
Obligations Under Capital Leases-Current	5,470	-	-
Other Long-Term Obligations	969	12,022	4,666
Unamortized Discount/Deferred Costs	-	-	(213)
Bonds Payable	129,520	6,650	44,765
Unamortized Discount/Deferred Costs	<u>(13,134)</u>	<u>(444)</u>	<u>(1,989)</u>
Total Noncurrent Liabilities	<u>139,308</u>	<u>18,228</u>	<u>47,229</u>
Total Liabilities	<u>145,947</u>	<u>26,702</u>	<u>51,904</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	106,924	19,060	41,486
Restricted for:			
Debt Service	11,888	3,546	5,776
Capital Projects	-	-	314
Aquarium Operations and Maintenance Reserve	7,397	-	-
Unrestricted	<u>13,400</u>	<u>(3,400)</u>	<u>(1,457)</u>
Total Net Assets	<u>\$ 139,609</u>	<u>\$ 19,206</u>	<u>\$ 46,119</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

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

	Tideland Operating	Marina	Rainbow Harbor Area
Operating Revenues:			
Licenses and Permits	\$ 358	\$ -	\$ 3
Fees, Concessions and Rentals	4,989	15,931	5,383
From Other Agencies	528	-	-
Charges for Services	27,718	77	-
Total Revenues	<u>33,593</u>	<u>16,008</u>	<u>5,386</u>
Operating Expenses:			
Personal Services	8,066	7,292	817
Maintenance and Other Operations	35,567	4,045	8,080
Amortization	-	58	-
Depreciation	9,720	1,795	3,169
Total Operating Expenses	<u>53,353</u>	<u>13,190</u>	<u>12,066</u>
Operating Income (Loss)	<u>(19,760)</u>	<u>2,818</u>	<u>(6,680)</u>
Non-Operating Income (Expense):			
Interest Income	1,676	121	345
Interest Expense	(9,091)	(990)	(2,923)
Gain (Loss) on Disposition of Fixed Assets	-	28	-
Other Income	3	151	(8)
Total Non-Operating Expense	<u>(7,412)</u>	<u>(690)</u>	<u>(2,586)</u>
Income (Loss) Before Contributions and Transfers	(27,172)	2,128	(9,266)
Capital Grants and Contributions	-	19	-
Transfers:			
Transfers In	27,112	-	6,447
Transfers Out	(6,707)	(500)	-
Change in Net Assets	<u>(6,767)</u>	<u>1,647</u>	<u>(2,819)</u>
Net Assets - October 1	146,376	17,559	48,938
Net Assets - September 30	<u>\$ 139,609</u>	<u>\$ 19,206</u>	<u>\$ 46,119</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

City of Long Beach
Business-Type Activities
Tidelands Major Segments
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2005
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 33,322	\$ 16,060	\$ 5,500
Receipts from Other Governments	822	-	-
Payments for Employee Salaries	(8,040)	(7,308)	(817)
Payments for Goods and Services	(35,063)	(2,337)	(7,856)
Other Income	3	152	(8)
Net Cash Provided by (Used for) Operating Activities	<u>(8,956)</u>	<u>6,567</u>	<u>(3,181)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers In	23,554	-	6,447
Transfers Out	(6,707)	(500)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>16,847</u>	<u>(500)</u>	<u>6,447</u>
Cash Flows from Capital and Related Financing Activities:			
Receipt of Capital Grants	-	84	-
Proceeds from the Sale of Capital Assets	-	28	-
Principal Received on Capital Leases	319	-	-
Payments for Capital Acquisitions	(510)	(12,268)	(594)
Payments of Principal on Bonds Payable	-	(3,060)	(1,707)
Payments of Principal on Other Long-Term Obligations	(2,563)	6,358	(14)
Payments of Interest	(8,166)	(887)	(2,754)
Net Cash Used for Capital and Related Financing Activities	<u>(10,920)</u>	<u>(9,745)</u>	<u>(5,069)</u>
Cash Flows from Investing Activities:			
Receipts of Interest	1,675	121	345
Net Cash Provided by Investing Activities	<u>1,675</u>	<u>121</u>	<u>345</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,354)	(3,557)	(1,458)
Cash and Cash Equivalents - October 1	<u>30,230</u>	<u>8,025</u>	<u>8,863</u>
Cash and Cash Equivalents - September 30	<u>\$ 28,876</u>	<u>\$ 4,468</u>	<u>\$ 7,405</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2005
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Operating Income (Loss)	\$ (19,760)	\$ 2,818	\$ (6,680)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization Expense	9,720	1,853	3,169
Other Income (Loss)	3	152	(8)
(Increase) Decrease in Accounts Receivable, Net	312	29	114
Increase in Amounts Due from Other Governments	294	-	-
Increase in Inventory	-	(13)	-
Decrease in Accounts Payable	503	1,726	223
Increase in Accrued Wages Payable	26	(17)	-
Increase in Amounts Due to Other Funds	-	(4)	1
Increase (Decrease) in Deferred Revenues	35	23	-
Increases (Decrease) in Collections Held in Trust	(89)	-	-
Total Adjustments	<u>10,804</u>	<u>3,749</u>	<u>3,499</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,956)</u>	<u>\$ 6,567</u>	<u>\$ (3,181)</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

The City also conducts Business-type services that provide natural gas water, airport, refuse collection, sewer and towing services. Segment information for the Business-type activities funds at September 30, 2005, and for the fiscal year then ended, are as follows (in thousands):

<u>Business-Type Activities Major Activities</u>	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue	Harbor	Total Major Funds
Operating Revenues	\$ 98,998	\$ 64,522	\$ 70,128	\$ 55,282	\$ 207,491	\$ 329,208	\$ 825,629
Depreciation Expense	3,007	8,174	4,449	14,951	-	82,033	112,614
Operating Income (Loss)	11,882	6,202	7,633	(23,580)	32,731	180,438	215,306
Non-Operating Income (Expense)	5,410	(543)	(3,397)	(10,702)	(12,313)	(30,924)	(52,469)
Transfers Net	(15,497)	-	(2,577)	26,352	(13,091)	(9,500)	(14,313)
Change in Net Assets	1,795	11,948	1,659	(7,911)	7,327	142,222	157,040
Capital Assets:							
Additions	(5,624)	(19,020)	(823)	(13,386)	-	(82,512)	(121,365)
Deletions	(156)	(137)	-	28	-	(400)	(665)
Net Working Capital	8,739	9,220	52,937	5,173	57,808	386,848	520,725
Total Assets	86,523	265,489	131,251	441,256	485,672	3,101,875	4,512,066
Bonds and Other Long-Term Liabilities Payable from							
Operating Revenues	6,382	37,175	115,505	204,765	311,610	1,166,884	1,842,321
Total Net Assets	<u>\$ 67,855</u>	<u>\$ 218,515</u>	<u>\$ 3,783</u>	<u>\$ 216,678</u>	<u>\$ 57,808</u>	<u>\$ 1,828,151</u>	<u>\$ 2,392,790</u>

Included in non-operating income for the Solid Waste Management Enterprise Fund are operating grants totaling \$1,237,000 received for the recycling program during fiscal year September 30, 2005.

<u>Business-Type Activities Non-major Activities</u>	Sewer	Airport	Towing	Subsidence	Total Nonmajor Activities	Total Business-Type Activities
Operating Revenues	\$ 9,718	\$ 24,695	\$ 7,622	\$ -	\$ 42,035	\$ 867,664
Depreciation Expense	1,161	2,046	11	-	3,218	115,832
Operating Income	2,651	3,462	894	-	7,007	222,313
Non-Operating Income (Expense)	224	5,311	59	(105)	5,489	(46,980)
Transfers Net	-	-	-	-	-	(14,313)
Change in Net Assets	3,460	25,478	953	(105)	29,786	186,826
Current Capital Contributions (net)	-	19,201	-	-	19,201	19,201
Capital Assets:						
Additions	(1,291)	(23,493)	-	-	(24,784)	(146,149)
Deletions	-	-	-	-	-	(665)
Net Working Capital	9,178	10,829	2,452	(4,054)	18,405	539,130
Total Assets	50,942	97,484	2,772	152,538	303,736	4,815,802
Bonds and Other Long-Term Liabilities Payable from						
Operating Revenues	-	12,230	-	-	12,230	1,854,551
Total Net Assets	<u>\$ 50,385</u>	<u>\$ 82,360</u>	<u>\$ 2,608</u>	<u>\$ 148,484</u>	<u>\$ 283,837</u>	<u>\$ 2,676,627</u>
Total Business Activities Net Assets						\$ 2,676,627
Internal Service Funds Consolidation						(19,675)
Net Assets of Business-Type Activities						<u>\$ 2,656,952</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 18 – SOUTHEAST RESOURCE RECOVERY FACILITY

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

A final settlement to the contractor litigation provided that the City would receive \$6 million in cash and approximately \$10 million over a 20 year period in monthly installments which began in 1999. Additionally, a \$6 million payment from the present operator for future improvements has been accounted for as contributed capital. The long-term portion of future payments receivable from the former contractor of approximately \$10 million has been accounted for as a receivable and deferred revenue. The long-term receivable at September 30, 2005 is \$6,138,000 with the current portion recognized as revenue during the fiscal year aggregating \$501,000.

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

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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Net Assets
September 30, 2005
(In Thousands)

	Solid Waste Management Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub-Total			
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 18,030	\$ 32,365	\$ 50,395	\$ -	\$ -	\$ 50,395
Receivables:						
Accounts Receivable	1,985	4,278	6,263	-	-	6,263
Due from Other Governments	238	229	467	-	-	467
Capital Leases Receivable-Current	-	-	-	6,355	(6,355)	-
Allowance for Receivables	(234)	14	(220)	-	-	(220)
Total Current Asset	<u>20,019</u>	<u>36,886</u>	<u>56,905</u>	<u>6,355</u>	<u>(6,355)</u>	<u>56,905</u>
Restricted Assets:						
Pooled Cash and Cash Equivalents	-	-	-	1,156	-	1,156
Non-Pooled Investments	-	-	-	11,445	-	11,445
Accounts Receivable	-	-	-	1,641	(1,641)	-
Total Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,242</u>	<u>(1,641)</u>	<u>12,601</u>
Noncurrent Assets:						
Noncurrent Receivables:						
Capital Lease Receivable	-	-	-	107,695	(107,695)	-
Other Noncurrent Receivables	-	6,138	6,138	-	-	6,138
Capital Assets:						
Land and Other Capital Assets not being Depreciated	-	7,366	7,366	-	-	7,366
Capital Assets net of Accumulated Depreciation	183	48,058	48,241	-	-	48,241
Other Assets-Long-Term	-	3,358	3,358	1,053	(4,411)	-
Total Noncurrent Assets	<u>183</u>	<u>64,920</u>	<u>65,103</u>	<u>108,748</u>	<u>(112,106)</u>	<u>61,745</u>
Total Assets	<u>20,202</u>	<u>101,806</u>	<u>122,008</u>	<u>129,345</u>	<u>(120,102)</u>	<u>131,251</u>
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	1,001	3,693	4,694	-	1,641	3,053
Accrued Wages	215	9	224	-	-	224
Accrued Interest Payable	7	-	7	-	-	7
Due to Other Funds	101	4	105	-	-	105
Deferred Revenues	-	42	42	-	-	42
Collections Held in Trust	514	23	537	-	-	537
Other Long-Term Obligations-Current	-	6,355	6,355	-	6,355	-
Total Current Liabilities	<u>1,838</u>	<u>10,126</u>	<u>11,964</u>	<u>-</u>	<u>7,996</u>	<u>3,968</u>
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	1,640	-	1,640
Bonds Payable Due Within One Year	-	-	-	6,355	-	6,355
Total Liabilities Payable from Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,995</u>	<u>-</u>	<u>7,995</u>
Noncurrent Liabilities:						
Deferred Revenues	-	6,138	6,138	-	-	6,138
Deferred Credits and Other Deferred Liabilities	-	1,053	1,053	3,358	4,411	-
Obligations Under Capital Leases	-	107,695	107,695	-	107,695	-
Bonds Payable	-	-	-	107,695	-	107,695
Unamortized Discount/Deferred cost	-	-	-	1,672	-	1,672
Total Noncurrent Liabilities	<u>-</u>	<u>114,886</u>	<u>114,886</u>	<u>112,725</u>	<u>112,106</u>	<u>115,505</u>
Total Liabilities	<u>1,838</u>	<u>125,012</u>	<u>126,850</u>	<u>120,720</u>	<u>120,102</u>	<u>127,468</u>
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	183	(56,322)	(56,139)	-	3,976	(60,115)
Restricted for:						
Debt Service	-	-	-	11,442	-	11,442
Capital Projects	-	-	-	1,153	-	1,153
Unrestricted	<u>18,181</u>	<u>33,116</u>	<u>51,297</u>	<u>(3,970)</u>	<u>(3,976)</u>	<u>51,303</u>
Total Net Assets	<u>\$ 18,364</u>	<u>\$ (23,206)</u>	<u>\$ (4,842)</u>	<u>\$ 8,625</u>	<u>\$ -</u>	<u>\$ 3,783</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

**City of Long Beach
Solid Waste Mangement Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Revenues, Expenses and
Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2005
(In Thousands)**

	Solid Waste Mangement Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub-Total			
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ -	\$ -	\$ 5,277	\$ 5,277	\$ -
Charges for Services	31,430	38,698	70,128	-	-	70,128
Total Operating Revenues	<u>31,430</u>	<u>38,698</u>	<u>70,128</u>	<u>5,277</u>	<u>5,277</u>	<u>70,128</u>
Operating Expenses:						
Personal Services	8,982	348	9,330	-	-	9,330
Maintenance and Other Operations	20,376	28,077	48,453	-	-	48,453
Rental Expense	-	5,277	5,277	-	(5,277)	-
Bad Debt	263	-	263	-	-	263
Depreciation	56	4,393	4,449	-	-	4,449
Total Operating Expenses	<u>29,677</u>	<u>38,095</u>	<u>67,772</u>	<u>-</u>	<u>(5,277)</u>	<u>62,495</u>
Operating Income	<u>1,753</u>	<u>603</u>	<u>2,356</u>	<u>5,277</u>	<u>-</u>	<u>7,633</u>
Non-Operating Income (Expense):						
Interest Income	424	811	1,235	580	-	1,815
Interest Expense	-	-	-	(5,216)	-	(5,216)
Gain on Disposition of Capital Assets	-	-	-	-	-	-
Operating Grants	1,237	-	1,237	-	-	1,237
Other Income (Expense)	1,778	(2,077)	(299)	(934)	-	(1,233)
Total Non-Operating Income (Expense)	<u>3,439</u>	<u>(1,266)</u>	<u>2,173</u>	<u>(5,570)</u>	<u>-</u>	<u>(3,397)</u>
Income (Loss) Before Contributions and Transfers	5,192	(663)	4,529	(293)	-	4,236
Transfers:						
Transfers Out	-	(2,577)	(2,577)	-	-	(2,577)
Change in Net Assets	5,192	(3,240)	1,952	(293)	-	1,659
Net Assets - October 1	13,172	(19,966)	(6,794)	8,918	-	2,124
Net Assets - September 30	<u>\$ 18,364</u>	<u>\$ (23,206)</u>	<u>\$ (4,842)</u>	<u>\$ 8,625</u>	<u>\$ -</u>	<u>\$ 3,783</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

City of Long Beach
Solid Waste Mangement Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2005
(In Thousands)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Solid Waste Mangement Fund			SERRF Authority	Eliminations Increase (Decrease)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub- Total			
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 31,127	\$ 41,417	\$ 72,544	\$ -	\$ -	\$ 72,544
Receipts from Capital Lease	-	-	-	4,423	(4,423)	-
Payments for Employee Salaries	(8,932)	(347)	(9,279)	-	-	(9,279)
Payments for Goods and Services	(21,121)	(37,698)	(58,819)	-	4,423	(54,396)
Other Income (Expense)	1,777	(2,076)	(299)	(2,234)	-	(2,533)
Net Cash Provided by Operating Activities	<u>2,851</u>	<u>1,296</u>	<u>4,147</u>	<u>2,189</u>	<u>-</u>	<u>6,336</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	1,121	-	1,121	-	-	1,121
Transfers Out	-	(2,577)	(2,577)	-	-	(2,577)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,121</u>	<u>(2,577)</u>	<u>(1,456)</u>	<u>-</u>	<u>-</u>	<u>(1,456)</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds from the Sale of Capital Assets	-	-	-	-	-	-
Proceeds from Issuance of Bonds	-	-	-	-	-	-
Payments for Capital Acquisitions	-	(823)	(823)	-	-	(823)
Payments of Principal on Bonds Payable	-	-	-	(6,185)	6,185	-
Payments of Principal on Other Long- Term Obligations	-	-	-	-	-	-
Payments of Interest	-	-	-	(4,984)	-	(4,984)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(823)</u>	<u>(823)</u>	<u>(11,169)</u>	<u>6,185</u>	<u>(5,807)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	22	-	22
Principal Received under Capital Lease	-	-	-	6,185	(6,185)	-
Payment for Investment	-	-	-	-	-	-
Receipts of Interest	424	811	1,235	579	-	1,814
Net Cash Provided by (Used for) Investing Activities	<u>424</u>	<u>811</u>	<u>1,235</u>	<u>6,786</u>	<u>(6,185)</u>	<u>1,836</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,396	(1,293)	3,103	(2,194)	-	909
Cash and Cash Equivalents - October 1	13,634	33,658	47,292	3,350	-	50,642
Cash and Cash Equivalents - September 30	<u>\$ 18,030</u>	<u>\$ 32,365</u>	<u>\$ 50,395</u>	<u>\$ 1,156</u>	<u>\$ -</u>	<u>\$ 51,551</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

City of Long Beach
Solid Waste Mangement Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2005
(In Thousands)
(Continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	Solid Waste Mangement Fund			SERRF Authority	Eliminations Increase (Decrease)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub- Total			
Operating Income	\$ 1,753	\$ 603	\$ 2,356	\$ 5,277	\$ -	\$ 7,633
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	56	4,393	4,449	-	-	4,449
Other Income (Expense)	1,777	(2,076)	(299)	(934)	-	(1,233)
(Increase) Decrease in Accounts Receivable, Net	(32)	2,474	2,442	41	(41)	2,442
Increase in Amounts Due from Other Governments	-	203	203	-	-	203
(Increase) Decrease in Deferred Charges	-	895	895	-	(895)	-
Increase (Decrease) in Accounts Payable	(745)	(5,159)	(5,904)	(1,300)	41	(7,163)
Increase (Decrease) in Accrued Wages Payable	31	1	32	-	-	32
Increase (Decrease) in Amounts Due to Other Funds	18	-	18	-	-	18
Increase (Decrease) in Deferred Revenues	-	42	42	-	-	42
Increase (Decrease) in Deferred Credits	-	(80)	(80)	(895)	895	(80)
Increase (Decrease) in Collections Held in Trust	(7)	-	(7)	-	-	(7)
Total Adjustments	1,098	693	1,791	(3,088)	-	(1,297)
Net Cash Provided by Operating Activities	\$ 2,851	\$ 1,296	\$ 4,147	\$ 2,189	\$ -	\$ 6,336

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 19 – OIL ABANDONMENT LIABILITY

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

Tideland Oil Revenues

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

The City also withholds an amount equivalent to the State's estimated cost of future abandonment and site clearance of the oil properties. This estimate is based on the number and life of productive wells, general changes in the life of the oil field, and changes in oil prices. Amounts withheld are maintained in a separate interest bearing account within the Tideland Oil Revenue Fund and are only expended for the specific purpose of oil field abandonment when ongoing operations are unable to fund such expenses. However, Assembly Bill (AB) 137 was introduced in the 2005-06 regular session of the California legislature and passed on August 31, 2005 which established the Oil Trust Fund in the State treasury and appropriates money in the fund to the State Lands Commission for specified costs associated with removal of oil and gas facilities. AB 137 requires the City of Long Beach, on or before March 1, 2006, to pay to the State Lands Commission all money, including both principal and interest, in the abandonment reserve fund. AB 137 also provided that the total amount of subsequent deposits to the City's Oil Trust Fund shall not exceed \$300,000,000 and all interest earned thereafter shall be transferred to the State's General Fund. The abandonment cost liability recorded by the City in trustee capacity for the State is \$311,000,000 at September 30, 2005 increasing \$11,900,000 from fiscal year 2004. The abandonment reserve in the City's Tideland Oil Revenue Fund at September 30, 2005 is \$97,354,000 which will be paid to the State Lands Commission on March 1, 2006. The actual payment was \$98,718,000 with additional accrued interest in the amount of \$1,364,000 through March, 2006.

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 \$5,000,000 of which \$2,665,000 has been funded as of September 30, 2005 in the Upland Oil Properties Special Revenue Fund.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Subsidence

In accordance with State legislation, the City established a Reserve for Subsidence Contingencies to indemnify the City, State and Contractors for claims or costs arising from subsidence alleged to have resulted from oil operations. A maximum of \$40,000,000, plus accrued interest, was originally set-aside for this purpose. Under provisions of State law that allowed the State's contractors to substantially increase oil production, and for a period of eight years that ended December 31, 1999, the City's Tidelands Fund received 50% of the interest earnings on the Reserve for Subsidence Contingencies while the other 50% accrued to the Subsidence Fund. For a period of four years beginning January 1, 2000, 50% of the interest earnings was paid to the State of California while the other 50% accrued to the Subsidence Fund. After the expiration of the above provisions, 100% of the interest accrues to the Reserve for Subsidence. As of September 30, 2005, the reserve balance within the Subsidence Fund was \$148,589,000. As part of the adoption of the State's fiscal year 05 budget, 100% of this fund's interest earnings for calendar years 2004 and 2005 are eligible to be loaned to the City's General Fund, with repayment to commence in fiscal year 2008, without interest, in equal annual installments of \$500,000 for up to 20 years. This action was taken to assist the City in making \$5 million contributions to the State in fiscal year 05 and fiscal year 06.

Harbor Operations

The City operates the Port of Long Beach. Leasing activities comprise a large portion of the Port's revenues. A provision for costs related to the abandonment and site clearance of oil properties purchased in March 1994 approximates \$17,700,000 as of September 30, 2005. A provision for the long-term abandonment costs in the amount of \$17,700,000 and \$17,000,000 has been recorded as of September 30, 2005 and 2004, respectively, as a long-term obligation. Estimates of abandonment costs are reviewed annually, and adjusted to reflect modifications in abandonment practices, number and life of productive wells, varying abandonment expenses, general changes in the life of the oil field and changes in oil price levels.

NOTE 20 – INVESTMENT IN JOINT VENTURES

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (Venturers) have entered into a joint venture agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) to finance and construct a facility to transfer cargo containers between trucks and railroad cars. The facility is leased to Southern Pacific Transportation Company, now merged with Union Pacific Railroad (tenant). The facility has been fully developed by the tenant who has assumed operational responsibility for the facility. The Venturers share net income and equity distributions from ICTF equally. A condensed, audited balance sheet as of June 30, 2005 and 2004, and statement of income and Venturer's equity for the year then ended are as follows:

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

ICTF
Condensed Balance Sheet
June 30, 2005 and 2004
(In Thousands)

	2005	2004
Current Assets	\$ 8,942	\$ 6,741
Property and Equipment	3,383	3,491
Total Assets	\$ 12,325	\$ 10,232
Current Liabilities	\$ 8	\$ -
Venturer's Equity:		
Port of Long Beach Harbor Department	5,986	5,295
Port of Los Angeles	6,331	4,937
Total Venturer's Equity	12,317	10,232
Total Liabilities and Venturers' Equity	\$ 12,325	\$ 10,232

Condensed Statement of Income and Venturer's Equity
for the Years Ended June 30, 2005 and 2004
(In Thousands)

	2005	2004
Operating Revenues	\$ 7,050	\$ 5,551
Operating Expenses	(108)	(108)
Operating Income	6,942	5,443
Interest Income	143	147
Net Income	7,085	5,590
Venturers' equity, July 1	10,231	11,642
Cash Disbursement to Venturers	(5,000)	(7,000)
Venturers' Equity, June 30	\$ 12,316	\$ 10,232

Pursuant to an Indenture of Trust dated November 1, 1984, ICTF issued \$53,900,000 of 1984 Series A bonds on behalf of the tenant to construct the facility. On May 1, 1989, ICTF issued \$52,300,000 of 1989 Series A Refunding Revenue Bonds on behalf of the tenant to advance refund the 1984 Series A bonds. The bonds are payable solely from payments by the tenant under a long-term lease agreement for use of the facility. The nature of the bonds is such that the long-term indebtedness is that of the tenant and not of ICTF, the City's Harbor Department or the Port of Los Angeles.

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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 21 – DEFERRED COMPENSATION

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

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

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

NOTE 22 – COMMITMENTS AND CONTINGENCIES

Commitments

At September 30, 2005, business-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

Gas	\$ 340
Water	3,703
Sewer	2,010
Airport	3,686
Solid Waste Management	68
Towing	5
Tidelands	17,120
Harbor	149,118
Total	<u>\$176,050</u>

At September 30, 2005 the City's commitments for governmental activity construction projects and for the purchase of goods and services aggregated \$12,760,000.

The component unit, Long Beach Transportation Company has \$7,198,000 in purchase commitments at June 30, 2005, mainly for the purchase of new buses and an advanced communication system.

Health Insurance

The City contracts with an insurance company to provide group health insurance to City employees. In an effort to maintain rates at acceptable levels, the City deposited with the insurance company certain securities valued at approximately \$5,000,000 to cover terminal

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

liability claims. The securities are included in the City's pooled cash and investments and all interest earned on the securities accrues to the City. In the event of the City terminates its contract with the insurance company, the unneeded portion of the securities will be returned to the City.

Self Insurance

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

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

Environmental Remediation

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

Allocation:

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

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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

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

Alameda Corridor Development Project

In December 1994, the City's Harbor Department and the Port of Los Angeles (collectively the Ports) executed the purchase of the rights-of-way needed for the development of the Alameda Corridor Project (the Corridor), which is a comprehensive transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost equally with the railroad companies serving the Ports. With the development of the Corridor, the Ports consolidated the rail services of these railroad companies onto a single set of rail lines, thus improving rail transportation conditions, securing efficient and competitive service to and from the Ports, and providing for public safety and convenience along the route on which the Ports related traffic occurs. These benefits will extend to other government entities by allowing them to utilize the right-of-way.

As of September 30, 2005 and 2004, the total cost to the City's Harbor Department related to the rights-of-way purchase amount to \$207,823,000 for both years.

Construction of the Corridor began in 1997 and was completed in April 2002. Construction funds were provided from Federal, State, and local sources, and from issuance of debt. Repayment to the City's Harbor Department for monies advanced and its initial investment in the corridor right-of-way acquired will occur once the Alameda Corridor Transportation Authority (ACTA) has generated sufficient revenues to retire all debt and to fund a maintenance reserve. The Harbor Department's management estimates that as much as \$445 million could be returned to the Port of Long Beach Harbor Department through the year 2037.

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

To the extent that such fees and charges are not sufficient to meet ACTA's obligations, the Ports are required to advance the funds necessary to make up the difference. This obligation began after completion of the Corridor project and is limited to a total of 40% of the total annual required amount, with the Ports sharing the costs equally. Any advances made by the Ports are reimbursable with interest after maturity of the debt. In accordance with computations prepared by ACTA, the projected shortfall amount that the Harbor Department could be obligated may reach \$10,250,000, payable in annual installments, from fiscal year 2007 until 2019. ACTA's financial estimates, which were developed in April of 2004, are dependent upon the accuracy of the assumptions used in their formulation. Therefore, there are likely to be differences between the forecasts and actual results, and those differences may be material. In the event funds are advanced, repayment with

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

interest of this amount to the Harbor Department may begin in 2018. The Harbor Department is funding a cash reserve to satisfy claims related to this potential obligation. The balance of this reserve as of September 30, 2005 and 2004 is \$78.6 million and \$74.6 million, respectively.

Environmental Mitigation Costs

In 1997, the Long Beach Harbor Department (Port) disbursed approximately \$39.4 million to secure environmental mitigation credits. An agreement between the Port and the Harbor Department of the City of Los Angeles, and several Federal and State regulatory agencies provided for the Harbor Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. Such land was transferred to the State in return for environmental mitigation credits to allow for the construction of up to 267 acres of landfill in the City's outer harbor area. Costs incurred in the acquisition of the land were classified as a non-current asset. As of September 30, 2005, the Harbor Department completed landfills that required the utilization of \$6.5 million of the available credits. The balance of environmental mitigation costs will be adjusted as landfill credits are used for port development.

Gerald Desmond Bridge Matching Contribution

The Long Beach Harbor Department has begun efforts to replace the Gerald Desmond Bridge. Preliminary planning and development of an environmental impact report are underway. It is estimated that the total cost of this project will approximate \$800,000,000. The Harbor Department anticipates that the funding of this project will come primarily from Federal and State sources, but local matching funds will also be required. In anticipation of this funding requirement, the Harbor Department has set aside the expected 10% local match. As of September 30, 2005 and 2004, the Harbor has set aside \$74,800,000 and \$72,650,000, respectively.

Pike Public Improvements

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

Component Unit – Long Beach Transportation Company (LBT)

The labor agreement between the LBT and Amalgamated Transit Union, Local 1589 (ATU) expired September 30, 2004. Both parties have participated in contract negotiations since August 2004, but have been unable to reach agreement on a new contract. The two parties have a written agreement extending the terms and conditions of the expired contract until a new labor agreement can be ratified.

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Effective, August 1, 2005, the State of California's Industrial Welfare Order 9 entitles all coach operators to two ten minute breaks and one 30 minute unpaid lunch period during a normal eight hour day or receive up to two hours of additional pay. However, both the Company and the Union may negotiate different terms regarding the meal and break law. On September 2, 2005, the ATU ratified an agreement modifying strict compliance of the law by allowing all operators to receive 50 minutes of paid meal and rest time spread throughout their day. The agreement establishes a procedure for correcting verified reports of inadequate meal and rest periods.

Long Beach Transit has offered to enter into binding arbitration to resolve all other outstanding contract terms and conditions. However, at this date, the terms for arbitration have not been agreed upon by both parties.

Pension Obligation Bonds

In December 2005, the City remarketed the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A and Series 2002B. The Series 2002A Bonds in the aggregate principal amount of \$38,300,000 and the Series 2002B Bonds in the aggregate principal amount of \$38,250,000 were remarketed on December 30, 2005 in connection with the conversion of such Series 2002A Bonds and Series 2002B Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity. Additionally, on December 30, 2005, \$1,200,000 aggregate principal amount of the Series 2002A Bonds and \$1,200,000 aggregate principal amount of the Series 2002B Bonds (which were not being remarketed) were redeemed by the City.

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

<u>June 30</u> <u>Actuarial</u> <u>Valuation Date</u>	<u>Entry Age</u> <u>Normal</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Excess</u> <u>Funded</u> <u>(Deficit/</u> <u>Unfunded)</u> <u>Assets</u>	<u>Funded</u> <u>Status</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>Excess Funded</u> <u>(Deficit/</u> <u>Unfunded)</u> <u>Assets as a %</u> <u>of Covered</u> <u>Payroll</u>
<u>Miscellaneous Employees</u>						
2002	\$1,150,365	\$1,233,612	\$ 83,247	107.2%	\$189,050	44.0%
2003	1,234,749	1,222,710	(12,039)	99.0%	192,004	(6.3)%
2004	1,310,060	1,256,773	(53,287)	95.9%	191,222	(27.9)%
<u>Safety Employees</u>						
2002	\$1,185,352	\$1,267,348	\$81,996	106.9%	\$102,929	79.7%
2003	1,212,393	1,257,639	45,246	103.7%	103,510	43.7%
2004	1,266,688	1,295,136	28,448	102.2%	102,845	27.7%
<u>Miscellaneous Employees – 1959 Survivor Program</u>						
2002	\$ -	\$ -	\$ -	\$ -	\$189,050	0%
2003	N/A	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A	N/A
<u>Safety Employees – 1959 Survivor Program</u>						
2002	\$ -	\$ -	\$ -	N/A	\$102,929	0%
2003	N/A	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditors' report.

City of Long Beach
Required Supplementary Information

Public Agency Retirement System
Analysis of Funding Progress
(Unaudited)

Actuarial Valuation Date (1)	Actuarial Value of Assets	Actuarial Accrued Liabilities	Funded (Excess assets)	Funded Ratio	Annual Covered Payroll	Rate of Funded Liability to Annual Covered Payroll
Special Status Contractors						
1995	\$ 41,928	\$ 31,277	\$ 10,651	134%	\$ 2,306,831 (2)	0.46 %
1996	185,066	137,596	47,470	134%	9,149,652	0.52 %
1997	385,993	246,938	139,055	156%	13,985,230	0.99 %
1998	628,037	493,178	134,859	127%	14,636,213	0.92 %
1999	844,349	644,922	199,427	131%	16,239,480	1.23 %
2000	1,071,241	575,446	495,795	186%	15,124,582	3.28 %
2001	1,317,055	410,609	906,446	321%	10,697,767	8.47 %
2002	1,526,586	475,029	1,051,557	321%	8,472,945	12.41 %
2003	1,703,852	517,234	1,186,618	329%	8,504,901	13.95 %
2004	1,536,647	545,083	991,564	282%	8,265,983	12.00 %
2005	1,388,268	675,055	713,213	206%	7,697,497	9.27 %

(1) September 30 for 2005 and June 30 prior to 2005.

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

See accompanying independent auditors' report.

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CAPITAL PROJECTS FUNDS

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

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

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

City of Long Beach
 General Capital Projects
 Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2005
 (In Thousands)

	<u>Budgeted Amounts</u>		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ 3,000	\$ 3,233	\$ 1,464	\$ (1,769)
Use of Money and Property	1,380	3,599	598	(3,001)
From Other Agencies	36,642	43,610	10,046	(33,564)
Other	<u>23</u>	<u>23</u>	<u>31</u>	<u>8</u>
Total Revenues	<u>41,045</u>	<u>50,465</u>	<u>12,139</u>	<u>(38,326)</u>
Expenditures:				
Capital Improvements	<u>79,850</u>	<u>93,156</u>	<u>31,480</u>	<u>61,676</u>
Total Expenditures	<u>79,850</u>	<u>93,156</u>	<u>31,480</u>	<u>61,676</u>
Excess of Revenues Over (Under) Expenditures	<u>(38,805)</u>	<u>(42,691)</u>	<u>(19,341)</u>	<u>23,350</u>
Other Financing Sources (Uses):				
Proceeds from Other Long-Term Obligations	-	-	-	-
Transfers In	6,342	13,105	7,836	(5,269)
Transfers Out	<u>(700)</u>	<u>(700)</u>	<u>(351)</u>	<u>349</u>
Total Other Financing Sources	<u>5,642</u>	<u>12,405</u>	<u>7,485</u>	<u>(4,920)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(33,163)</u>	<u>(30,286)</u>	<u>(11,856)</u>	<u>18,430</u>
Fund Balances - October 1, Budgetary Basis	19,069	19,069	19,069	-
Encumbrances - Beginning of the Year	<u>16,199</u>	<u>16,199</u>	<u>16,199</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 2,105</u>	<u>\$ 4,982</u>	<u>\$ 23,412</u>	<u>\$ 18,430</u>

See accompanying independent auditors' report.

City of Long Beach
Redevelopment Capital Projects
Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 39,150	\$ 50,072	\$ 50,977	\$ 905
Other Taxes	3,780	3,780	3,261	(519)
Licenses and Permits	-	-	220	220
Use of Money and Property	3,526	3,599	11,250	7,651
From Other Agencies	894	894	210	(684)
Other - Land Sales and Contributions	(4,454)	873	2,735	1,862
Other	33	3,976	1,619	(2,357)
Total Revenues	42,929	63,194	70,272	7,078
Expenditures:				
General Government	-	-	222	(222)
Community and Cultural	95,951	138,563	72,767	65,796
Total Current Expenditures	95,951	138,563	72,989	65,574
Debt Service:				
Principal	5,517	9,461	5,230	4,231
Interest	10,808	14,766	13,916	850
Fiscal Agent Fees	159	159	198	(39)
Total Expenditures	112,435	162,949	92,333	70,616
Excess of Revenues Over (Under) Expenditures	(69,506)	(99,755)	(22,061)	77,694
Other Financing Sources (Uses):				
Other Deferred Payments	-	-	221	221
Proceeds from Other Long-Term Obligations	(472)	188,345	184,757	(3,588)
Advances Change in Principal	-	-	(1,844)	(1,844)
Transfers In	14,102	18,099	2,863	(15,236)
Transfers Out	(7,983)	(5,591)	(5,163)	428
Total Other Financing Sources (Uses)	5,647	200,853	180,834	(20,019)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(63,859)	101,098	158,773	57,675
Fund Balances (Deficit) - October 1, Budgetary Basis	(58,568)	(58,568)	(58,568)	-
Encumbrances - Beginning of the Year	492	492	492	-
Fund Balances (Deficit) - September 30, Budgetary Basis	\$ (121,935)	\$ 43,022	\$ 100,697	\$ 57,675

See accompanying independent auditors' report.

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

The Parking and Business Area Improvement Fund is used to account for special revenue received from businesses and property owners located within business improvement districts. Business Improvement Districts are self assessment districts created with the approval of affected businesses by City ordinance as allowed by State law. City of Long Beach business improvement districts are located in Belmont Shore, Bixby Knolls, designated hotel properties, Magnolia Industrial Area and Downtown. Self assessment revenues are used to provide safety, security, parking and marketing services in the areas.

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

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

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

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

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

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

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

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

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Combining Balance Sheet
September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	General Grants	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties	Belmont Shore Parking Meter Revenue
ASSETS							
Pooled Cash and Cash Equivalents	\$ 493	\$ 1,084	\$ 358	\$ 454	\$ 2,604	\$ 3,865	\$ 567
Non-Pooled Cash and Cash Equivalents	-	1	-	-	-	-	16
Receivables:							
Accounts Receivable	-	534	65	73	757	2,133	-
Due from Other Governments	5,916	6,739	8	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Allowance for Receivables	-	(358)	(73)	(44)	(44)	-	-
Other Assets-Current	-	1	-	-	-	-	-
Other Noncurrent Receivables	-	-	-	-	-	-	-
Total Assets	\$ 6,409	\$ 8,001	\$ 358	\$ 483	\$ 3,317	\$ 5,998	\$ 583
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 1,167	\$ 1,594	\$ 18	\$ 150	\$ 32	\$ 414	\$ 32
Accrued Wages	34	603	21	-	10	-	-
Due to Other Funds	3,989	282	10	-	1,260	-	-
Deferred Revenues	469	1,446	13	-	-	-	-
Deposits and Collections Held in Trust	734	133	18	-	25	85	-
Advances from Other Funds	-	2,000	-	-	-	-	-
Total Liabilities	6,393	6,058	80	150	1,327	499	32
Fund Balances:							
Reserved for:							
Encumbrances	-	17	-	-	10	-	-
Future Capital Projects/Transportation	-	-	-	-	-	-	-
Estimated Oil Field Abandonment Costs	-	-	-	-	-	3,136	-
Debt Service	-	-	-	-	-	-	200
Unreserved, Designated for:							
Subsequent Years' Appropriations	16	1,926	278	333	1,980	2,363	351
Unreserved, Undesignated							
Special Revenue Funds	-	-	-	-	-	-	-
Total Fund Balance	16	1,943	278	333	1,990	5,499	551
Total Liabilities and Fund balance	\$ 6,409	\$ 8,001	\$ 358	\$ 483	\$ 3,317	\$ 5,998	\$ 583

See accompanying independent auditors' report.

Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
					September 30, 2005	September 30, 2004
\$ 812	\$ 5,629	\$ 1,300	\$ 5,181	\$ 27,703	\$ 50,050	\$ 44,215
-	-	-	-	-	17	32
-	96	-	-	2	3,660	2,918
-	257	-	3,448	1,646	18,014	13,695
-	-	-	-	-	-	-
-	(62)	-	-	-	(581)	(490)
26	8	-	-	-	35	37
2,768	-	-	-	-	2,768	2,905
<u>\$ 3,606</u>	<u>\$ 5,928</u>	<u>\$ 1,300</u>	<u>\$ 8,629</u>	<u>\$ 29,351</u>	<u>\$ 73,963</u>	<u>\$ 63,312</u>
\$ 1	\$ 2,095	\$ 2	\$ 993	\$ 5,151	\$ 11,649	\$ 9,188
20	87	1	-	17	793	731
9	40	-	347	8	5,945	2,931
2,792	8	-	1,019	-	5,747	5,706
2	2,049	-	16	-	3,062	3,689
-	2,900	-	-	-	4,900	4,900
<u>2,824</u>	<u>7,179</u>	<u>3</u>	<u>2,375</u>	<u>5,176</u>	<u>32,096</u>	<u>27,145</u>
-	-	4	2,484	1,396	3,911	3,530
-	-	-	3,770	22,779	26,549	25,357
-	-	-	-	-	3,136	2,698
-	-	-	-	-	200	200
782	1,649	1,293	-	-	10,971	7,282
-	(2,900)	-	-	-	(2,900)	(2,900)
<u>782</u>	<u>(1,251)</u>	<u>1,297</u>	<u>6,254</u>	<u>24,175</u>	<u>41,867</u>	<u>36,167</u>
<u>\$ 3,606</u>	<u>\$ 5,928</u>	<u>\$ 1,300</u>	<u>\$ 8,629</u>	<u>\$ 29,351</u>	<u>\$ 73,963</u>	<u>\$ 63,312</u>

City of Long Beach
 Nonmajor Governmental Funds-Special Revenue Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances (Deficit)
 For the Fiscal Year Ended September 30, 2005
 With Summarized Financial Information for 2004
 (In Thousands)

	General Grants	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties
Revenues:						
Taxes:						
Sales	\$ -	\$ 2,482	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	2,034	4,503	-
Licenses and Permits	-	3,327	769	-	569	-
Fines and Forfeitures	6	-	-	-	-	-
Use of Money and Property	24	-	17	8	311	17,253
From Other Agencies	10,138	26,794	-	-	-	-
Charges for Services	-	2,012	-	-	-	-
Other	1	177	-	-	4	-
Total Revenues	10,169	34,792	786	2,042	5,387	17,253
Expenditures:						
Current:						
Public Safety	7,914	-	-	-	-	-
Public Health	421	35,662	826	-	-	-
Community and Cultural	1,825	-	-	2,031	3,726	-
Public Works	718	-	-	-	-	-
Oil Operations	-	-	-	-	-	6,164
Total Current Expenditures	10,878	35,662	826	2,031	3,726	6,164
Capital Improvements	-	-	-	-	-	-
Debt Service:						
Principal	-	225	-	-	-	-
Interest	-	78	-	-	-	-
Debt Administration Fees	-	109	-	-	-	3
Total Expenditures	10,878	36,074	826	2,031	3,726	6,167
Excess of Revenues Over (Under) Expenditures	(709)	(1,282)	(40)	11	1,661	11,086
Other Financing Sources (Uses):						
Proceeds from Other Long-Term Obligations	-	3,587	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	(3,526)	-	-	-	-
Transfers In	713	913	-	-	-	-
Transfers Out	-	(495)	-	-	-	(9,123)
Total Other Financing Sources (Uses)	713	479	-	-	-	(9,123)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	4	(803)	(40)	11	1,661	1,963
Fund Balances - October 1	12	2,746	318	322	329	3,536
Fund Balances (Deficit) - September 30	\$ 16	\$ 1,943	\$ 278	\$ 333	\$ 1,990	\$ 5,499

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
						September 30, 2005	September 30, 2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,482	\$ 2,485
-	-	-	-	-	-	6,537	6,037
-	3	-	1,471	-	-	6,139	4,173
-	-	-	-	-	-	6	11
455	66	134	21	135	690	19,114	14,888
-	-	61,405	-	10,234	13,685	122,256	119,064
-	-	-	-	-	-	2,012	2,094
<u>1</u>	<u>280</u>	<u>2,047</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2,511</u>	<u>861</u>
<u>456</u>	<u>349</u>	<u>63,586</u>	<u>1,492</u>	<u>10,369</u>	<u>14,376</u>	<u>161,057</u>	<u>149,613</u>
-	-	-	-	-	-	7,914	3,285
-	-	-	-	-	-	36,909	37,178
195	1,385	63,186	16	-	-	72,364	73,932
-	-	-	-	-	11,658	12,376	13,484
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,164</u>	<u>5,512</u>
<u>195</u>	<u>1,385</u>	<u>63,186</u>	<u>16</u>	<u>-</u>	<u>11,658</u>	<u>135,727</u>	<u>133,391</u>
-	-	-	-	4,883	-	4,883	5,098
140	-	-	-	-	-	365	260
75	-	-	-	-	-	153	97
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>70</u>
<u>410</u>	<u>1,385</u>	<u>63,186</u>	<u>16</u>	<u>4,883</u>	<u>11,658</u>	<u>141,240</u>	<u>138,916</u>
<u>46</u>	<u>(1,036)</u>	<u>400</u>	<u>1,476</u>	<u>5,486</u>	<u>2,718</u>	<u>19,817</u>	<u>10,697</u>
-	-	-	-	-	-	3,587	-
-	-	-	-	-	-	(3,526)	-
-	1,375	-	-	-	-	3,001	3,470
<u>-</u>	<u>(329)</u>	<u>-</u>	<u>(923)</u>	<u>(6,309)</u>	<u>-</u>	<u>(17,179)</u>	<u>(15,119)</u>
<u>-</u>	<u>1,046</u>	<u>-</u>	<u>(923)</u>	<u>(6,309)</u>	<u>-</u>	<u>(14,117)</u>	<u>(11,649)</u>
46	10	400	553	(823)	2,718	5,700	(952)
<u>505</u>	<u>772</u>	<u>(1,651)</u>	<u>744</u>	<u>7,077</u>	<u>21,457</u>	<u>36,167</u>	<u>37,119</u>
<u>\$ 551</u>	<u>\$ 782</u>	<u>\$ (1,251)</u>	<u>\$ 1,297</u>	<u>\$ 6,254</u>	<u>\$ 24,175</u>	<u>\$ 41,867</u>	<u>\$ 36,167</u>

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2005
(In Thousands)

	General Grants				Health			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,474	\$ 2,474	\$ 2,482	\$ 8
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	3,013	3,013	3,327	314
Fines & Forfeitures	-	-	6	6	-	-	-	-
Use of Money and Property	-	-	24	24	1	1	-	(1)
From Other Agencies	3,077	27,613	10,138	(17,475)	50,691	56,437	26,794	(29,643)
Charges for Services	37	37	-	(37)	2,144	2,144	2,012	(132)
Other	-	52	1	(51)	160	160	177	17
Total Revenues	3,114	27,702	10,169	(17,533)	58,483	64,229	34,792	(29,437)
Expenditures:								
Public Safety	8,613	28,966	7,914	21,052	-	-	-	-
Public Health	-	1,183	421	762	59,806	65,599	35,679	29,920
Community and Cultural	1,869	4,163	1,825	2,338	-	-	-	-
Public Works	255	1,009	718	291	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	10,737	35,321	10,878	24,443	59,806	65,599	35,679	29,920
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	140	140	225	(85)
Interest	-	-	-	-	78	78	78	-
Debt Administration Fees	-	-	-	-	194	194	109	85
Total Expenditures	10,737	35,321	10,878	24,443	60,218	66,011	36,091	29,920
Excess of Revenue Over (Under) Expenditures	(7,623)	(7,619)	(709)	6,910	(1,735)	(1,782)	(1,299)	483
Other Financing Sources (Uses):								
Proceeds from Other Long-Term Obligations	-	-	-	-	-	-	3,587	3,587
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	(3,526)	(3,526)
Transfers In	837	837	713	(124)	459	459	913	454
Transfers Out	-	-	-	-	(467)	(467)	(495)	(28)
Total Other Financing Sources (Uses)	837	837	713	(124)	(8)	(8)	479	487
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(6,786)	(6,782)	4	6,786	(1,743)	(1,790)	(820)	970
Fund Balances - October 1, Budgetary Basis	(261)	(261)	(261)	-	2,686	2,686	2,686	-
Encumbrances - Beginning of the Year	273	273	273	-	60	60	60	-
Fund Balances - September 30, Budgetary Basis	\$ (6,774)	\$ (6,770)	\$ 16	\$ 6,786	\$ 1,003	\$ 956	\$ 1,926	\$ 970

See accompanying independent auditors' report.

Certified Unified Program Agency				Parking and Business Area Improvement				Special Advertising and Promotion				Upland Oil Properties			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2,475	2,475	2,034	(441)	4,342	4,342	4,503	161	-	-	-	-
819	819	769	(50)	-	-	-	-	339	407	569	162	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	21	17	(4)	8	8	8	-	336	336	311	(25)	11,081	17,468	17,253	(215)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	64	-	(64)
-	-	-	-	-	-	-	-	103	103	4	(99)	-	-	-	-
<u>840</u>	<u>840</u>	<u>786</u>	<u>(54)</u>	<u>2,483</u>	<u>2,483</u>	<u>2,042</u>	<u>(441)</u>	<u>5,120</u>	<u>5,188</u>	<u>5,387</u>	<u>199</u>	<u>11,081</u>	<u>17,532</u>	<u>17,253</u>	<u>(279)</u>
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
878	878	826	52	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	2,445	2,445	2,031	414	4,900	3,700	3,736	(36)	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	4,428	6,834	6,164	670
<u>878</u>	<u>878</u>	<u>826</u>	<u>52</u>	<u>2,445</u>	<u>2,445</u>	<u>2,031</u>	<u>414</u>	<u>4,900</u>	<u>3,700</u>	<u>3,736</u>	<u>(36)</u>	<u>4,428</u>	<u>6,834</u>	<u>6,164</u>	<u>670</u>
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>878</u>	<u>878</u>	<u>826</u>	<u>52</u>	<u>2,445</u>	<u>2,445</u>	<u>2,031</u>	<u>414</u>	<u>4,900</u>	<u>3,700</u>	<u>3,736</u>	<u>(36)</u>	<u>4,428</u>	<u>6,837</u>	<u>6,167</u>	<u>670</u>
(38)	(38)	(40)	(2)	38	38	11	(27)	220	1,488	1,651	163	6,653	10,695	11,086	391
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(180)	(180)	-	180	(6,573)	(10,376)	(9,123)	1,253
-	-	-	-	-	-	-	-	(180)	(180)	-	180	(6,573)	(10,376)	(9,123)	1,253
(38)	(38)	(40)	(2)	38	38	11	(27)	40	1,308	1,651	343	80	319	1,963	1,644
315	315	315	-	322	322	322	-	315	315	315	-	3,536	3,536	3,536	-
3	3	3	-	-	-	-	-	14	14	14	-	-	-	-	-
<u>\$ 280</u>	<u>\$ 280</u>	<u>\$ 278</u>	<u>\$ (2)</u>	<u>\$ 360</u>	<u>\$ 360</u>	<u>\$ 333</u>	<u>\$ (27)</u>	<u>\$ 369</u>	<u>\$1,637</u>	<u>\$ 1,980</u>	<u>\$ 343</u>	<u>\$ 3,616</u>	<u>\$ 3,855</u>	<u>\$ 5,499</u>	<u>\$ 1,644</u>

(continued)

City of Long Beach
 Nonmajor Governmental Funds-Special Revenue Funds
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances and
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2005
 (In Thousands)
 (continued)

	Belmont Shore Parking Meter Revenue				Business Assistance			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	3	3	-
Fines & Forfeitures	-	-	-	-	-	-	-	-
Use of Money and Property	446	446	455	9	-	66	66	-
From Other Agencies	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Other	-	-	1	1	-	280	280	-
Total Revenues	<u>446</u>	<u>446</u>	<u>456</u>	<u>10</u>	<u>-</u>	<u>349</u>	<u>349</u>	<u>-</u>
Expenditures:								
Public Safety	-	-	-	-	-	-	-	-
Public Health	-	-	-	-	-	-	-	-
Community and Cultural	364	364	195	169	3,346	1,846	1,385	461
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	<u>364</u>	<u>364</u>	<u>195</u>	<u>169</u>	<u>3,346</u>	<u>1,846</u>	<u>1,385</u>	<u>461</u>
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	75	75	140	(65)	-	-	-	-
Interest	140	140	75	65	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	<u>579</u>	<u>579</u>	<u>410</u>	<u>169</u>	<u>3,346</u>	<u>1,846</u>	<u>1,385</u>	<u>461</u>
Excess of Revenue Over (Under) Expenditures	<u>(133)</u>	<u>(133)</u>	<u>46</u>	<u>179</u>	<u>(3,346)</u>	<u>(1,846)</u>	<u>(1,036)</u>	<u>810</u>
Other Financing Sources (Uses):								
Proceeds from Other Long-Term Obligations	-	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	3,300	1,800	1,375	(425)
Transfers Out	-	-	-	-	(300)	(300)	(329)	(29)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>1,500</u>	<u>1,046</u>	<u>(454)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(133)</u>	<u>(133)</u>	<u>46</u>	<u>179</u>	<u>(346)</u>	<u>(346)</u>	<u>10</u>	<u>356</u>
Fund Balances - October 1, Budgetary Basis	502	502	502	-	772	772	772	-
Encumbrances - Beginning of the Year	3	3	3	-	-	-	-	-
Fund Balances - September 30, Budgetary Basis	<u>\$ 372</u>	<u>\$ 372</u>	<u>\$ 551</u>	<u>\$ 179</u>	<u>\$ 426</u>	<u>\$ 426</u>	<u>\$ 782</u>	<u>\$ 356</u>

See accompanying independent auditors' report.

Housing Assistance				Park Development				Gasoline Tax			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,700	1,700	1,471	(229)	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	134	134	15	15	21	6	265	265	135	(130)
60,611	61,611	61,405	(206)	-	-	-	-	18,158	18,311	10,234	(8,077)
-	-	-	-	-	-	-	-	-	-	-	-
995	995	2,047	1,052	-	-	-	-	-	-	-	-
<u>61,606</u>	<u>62,606</u>	<u>63,586</u>	<u>980</u>	<u>1,715</u>	<u>1,715</u>	<u>1,492</u>	<u>(223)</u>	<u>18,423</u>	<u>18,576</u>	<u>10,369</u>	<u>(8,207)</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
62,396	63,391	63,186	205	49	49	20	29	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>62,396</u>	<u>63,391</u>	<u>63,186</u>	<u>205</u>	<u>49</u>	<u>49</u>	<u>20</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	24,525	25,603	7,367	18,236
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>62,396</u>	<u>63,391</u>	<u>63,186</u>	<u>205</u>	<u>49</u>	<u>49</u>	<u>20</u>	<u>29</u>	<u>24,525</u>	<u>25,603</u>	<u>7,367</u>	<u>18,236</u>
(790)	(785)	400	1,185	1,666	1,666	1,472	(194)	(6,102)	(7,027)	3,002	10,029
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(1,700)	(1,700)	(923)	777	-	-	(6,309)	(6,309)
-	-	-	-	(1,700)	(1,700)	(923)	777	-	-	(6,309)	(6,309)
(790)	(785)	400	1,185	(34)	(34)	549	583	(6,102)	(7,027)	(3,307)	3,720
(1,651)	(1,651)	(1,651)	-	744	744	744	-	5,878	5,878	5,878	-
-	-	-	-	-	-	-	-	1,199	1,199	1,199	-
<u>\$ (2,441)</u>	<u>\$ (2,436)</u>	<u>\$ (1,251)</u>	<u>\$ 1,185</u>	<u>\$ 710</u>	<u>\$ 710</u>	<u>\$ 1,293</u>	<u>\$ 583</u>	<u>\$ 975</u>	<u>\$ 50</u>	<u>\$ 3,770</u>	<u>\$ 3,720</u>

(continued)

City of Long Beach
 Nonmajor Governmental Funds-Special Revenue Funds
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2005
 (In Thousands)
 (continued)

	Transportation				Total			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,474	\$ 2,474	\$ 2,482	\$ 8
Other Tax	-	-	-	-	6,817	6,817	6,537	(280)
Licenses and Permits	-	-	-	-	5,871	5,939	6,139	200
Fines & Forfeitures	-	-	-	-	-	-	6	6
Use of Money and Property	569	569	690	121	12,742	19,129	19,114	(15)
From Other Agencies	13,694	13,694	13,685	(9)	146,231	177,666	122,256	(55,410)
Charges for Services	-	-	-	-	2,181	2,245	2,012	(233)
Other	2	2	1	(1)	1,260	1,312	2,511	1,199
Total Revenues	14,265	14,265	14,376	111	177,576	215,582	161,057	(54,525)
Expenditures:								
Public Safety	-	-	-	-	8,613	28,966	7,914	21,052
Public Health	-	-	-	-	60,684	67,660	36,926	30,734
Community and Cultural	-	-	-	-	75,369	75,958	72,378	3,580
Public Works	31,814	31,799	13,054	18,745	32,069	32,808	13,772	19,036
Oil Operations	-	-	-	-	4,428	6,834	6,164	670
Total Current Expenditures	31,814	31,799	13,054	18,745	181,163	212,226	137,154	75,072
Capital Improvements	-	-	-	-	24,525	25,603	7,367	18,236
Debt Service:								
Principal	-	-	-	-	215	215	365	(150)
Interest	-	-	-	-	218	218	153	65
Debt Administration Fees	-	-	-	-	194	197	112	85
Total Expenditures	31,814	31,799	13,054	18,745	206,315	238,459	145,151	93,308
Excess of Revenue Over (Under) Expenditures	(17,549)	(17,534)	1,322	18,856	(28,739)	(22,877)	15,906	38,783
Other Financing Sources (Uses):								
Proceeds from Other Long-Term Obligations	-	-	-	-	-	-	3,587	3,587
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	(3,526)	(3,526)
Transfers In	-	-	-	-	4,596	3,096	3,001	(95)
Transfers Out	-	(600)	-	600	(9,220)	(13,623)	(17,179)	(3,556)
Total Other Financing Sources (Uses)	-	(600)	-	600	(4,624)	(10,527)	(14,117)	(3,590)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(17,549)	(18,134)	1,322	19,456	(33,363)	(33,404)	1,789	35,193
Fund Balances - October 1, Budgetary Basis	19,479	19,479	19,479	-	32,637	32,637	32,637	-
Encumbrances - Beginning of the Year	1,978	1,978	1,978	-	3,530	3,530	3,530	-
Fund Balances - September 30, Budgetary Basis	\$ 3,908	\$ 3,323	\$ 22,779	\$ 19,456	\$ 2,804	\$ 2,763	\$ 37,956	\$ 35,193

See accompanying independent auditors' report.

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Net Assets
September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2005	September 30, 2004
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 9,274	\$ 10,979	\$ 2,409	\$ -	\$ 22,662	\$ 15,821
Receivables:						
Accounts Receivable	417	1,318	451	-	2,186	3,457
Due from Other Governments	-	1,364	-	-	1,364	3,861
Other Receivables	-	62	-	-	62	59
Allowance for Receivables	(27)	(30)	(244)	-	(301)	(286)
Inventory	71	-	-	-	71	62
Total Current Assets	9,735	13,693	2,616	-	26,044	22,974
Restricted Assets:						
Pooled Cash and Cash Equivalents	-	2,056	-	144,994	147,050	142,414
Non-Pooled Cash and Cash Equivalents	-	1,006	-	-	1,006	-
Non-Pooled Investments	-	-	-	3,449	3,449	6,849
Interest Receivable	-	-	-	41	41	468
Accounts Receivable	-	341	-	-	341	-
Total Restricted Assets	-	3,403	-	148,484	151,887	149,731
Noncurrent Assets:						
Other Noncurrent Receivables	-	543	-	-	543	600
Advances to Other Funds	-	-	-	4,054	4,054	-
Capital Assets:						
Land and Other Capital Assets not Being Depreciated	1,969	14,981	-	-	16,950	29,734
Capital Assets net of Accumulated Depreciation	39,238	64,864	156	-	104,258	69,433
Total Noncurrent Assets	41,207	80,388	156	4,054	125,805	99,767
Total Assets	50,942	97,484	2,772	152,538	303,736	272,472
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	407	1,440	70	-	1,917	3,007
Accrued Wages	80	151	64	-	295	278
Accrued Interest Payable	-	181	-	-	181	193
Due to Other Funds	39	84	30	-	153	151
Deferred Revenues	-	139	-	4,054	4,193	9
Collections Held in Trust	-	119	-	-	119	108
Advances from Developers	31	-	-	-	31	3
Other Long-Term Obligations-Current	-	750	-	-	750	710
Total Current Liabilities	557	2,864	164	4,054	7,639	4,459
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	-	30	-	-	30	1,773
Noncurrent Liabilities:						
Advances from Other Funds	-	-	-	-	-	1,833
Deferred Revenues	-	2,574	-	-	2,574	2,628
Other Long-Term Obligations	-	10,980	-	-	10,980	10,710
Unamortized Discount/Deferred cost	-	(1,324)	-	-	(1,324)	(1,209)
Total Noncurrent Liabilities	-	12,230	-	-	12,230	13,962
Total Liabilities	557	15,124	164	4,054	19,899	20,194
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	41,207	70,446	156	-	111,809	88,956
Restricted for:						
Debt Service	-	1,173	-	-	1,173	1,142
Capital Projects	-	1,193	-	-	1,193	-
Subsidence	-	-	-	148,484	148,484	148,589
Unrestricted	9,178	9,548	2,452	-	21,178	15,364
Total Net Assets	\$ 50,385	\$ 82,360	\$ 2,608	\$ 148,484	\$ 283,837	\$ 254,051

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2005	September 30, 2004
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ 24,695	\$ -	\$ -	\$ 24,695	\$ 27,893
Charges for Services	9,718	-	7,622	-	17,340	16,050
Total Operating Revenues	9,718	24,695	7,622	-	42,035	43,943
Operating Expenses:						
Personal Services	2,648	5,864	2,351	-	10,863	9,929
Maintenance and Other Operations	3,258	13,323	4,366	-	20,947	20,151
Depreciation	1,161	2,046	11	-	3,218	3,225
Total Operating Expenses	7,067	21,233	6,728	-	35,028	33,305
Operating Income	2,651	3,462	894	-	7,007	10,638
Non-Operating Income (Expense):						
Interest Income	213	338	59	3,949	4,559	4,313
Interest Expense	-	(736)	-	-	(736)	(751)
Operating Grants	-	1,283	-	-	1,283	194
Other Income (Expense)	11	4,426	-	(4,054)	383	(423)
Total Non-Operating Income (Expense)	224	5,311	59	(105)	5,489	3,333
Income (Loss) Before Contributions	2,875	8,773	953	(105)	12,496	13,971
Capital Grants and Contributions	585	16,705	-	-	17,290	13,250
Change in Net Assets	3,460	25,478	953	(105)	29,786	27,221
Net Assets - October 1	46,925	56,882	1,655	148,589	254,051	226,830
Net Assets - September 30	\$ 50,385	\$ 82,360	\$ 2,608	\$ 148,484	\$ 283,837	\$ 254,051

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					Totals	
	Sewer	Airport	Towing	Subsidence	September 30, 2005	September 30, 2004
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 9,757	\$ 25,845	\$ 7,521	\$ -	\$ 43,123	\$ 43,072
Payments for Employee Salaries	(2,659)	(5,846)	(2,340)	-	(10,845)	(9,841)
Payments for Goods and Services	(3,557)	(9,619)	(3,121)	-	(16,297)	(14,114)
Payments in Lieu of Taxes	-	(6,213)	(1,191)	-	(7,404)	(6,541)
Other Expense	-	4,426	-	-	4,426	20
Net Cash Provided by Operating Activities	<u>3,541</u>	<u>8,593</u>	<u>869</u>	<u>-</u>	<u>13,003</u>	<u>12,596</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	-	1,283	-	-	1,283	194
Cash Flows from Capital and Related Financing Activities:						
Receipts of Contributed Capital	-	19,201	-	-	19,201	11,541
Payments for Capital Acquisitions	(1,291)	(23,493)	-	-	(24,784)	(21,084)
Payments of Principal on Bonds Payable	-	310	-	-	310	(680)
Payments of Interest	-	(863)	-	-	(863)	(614)
Net Cash Used for Capital and Related Financing Activities	<u>(1,291)</u>	<u>(4,845)</u>	<u>-</u>	<u>-</u>	<u>(6,136)</u>	<u>(10,837)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	3,340	3,340	767
Payments to Other Government Entities	-	-	-	(4,054)	(4,054)	(2,214)
Receipts of Interest	213	339	59	4,436	5,047	4,194
Net Cash Provided by Investing Activities	<u>213</u>	<u>339</u>	<u>59</u>	<u>3,722</u>	<u>4,333</u>	<u>2,747</u>
Net Increase in Cash and Cash Equivalents	2,463	5,370	928	3,722	12,483	4,700
Cash and Cash Equivalents - October 1	<u>6,811</u>	<u>8,671</u>	<u>1,481</u>	<u>141,272</u>	<u>158,235</u>	<u>153,535</u>
Cash and Cash Equivalents - September 30	<u>\$ 9,274</u>	<u>\$ 14,041</u>	<u>\$ 2,409</u>	<u>\$ 144,994</u>	<u>\$ 170,718</u>	<u>\$ 158,235</u>

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

Operating Income	\$ 2,651	\$ 3,462	\$ 894	\$ -	\$ 7,007	\$ 10,638
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	1,161	2,046	11	-	3,218	3,225
Other Income (Expense)	-	4,426	-	-	4,426	20
(Increase) Decrease in Accounts Receivable, Net	49	1,063	(100)	-	1,012	(1,368)
(Increase) Decrease in Inventory	(10)	-	-	-	(10)	2
Increase (Decrease) in Accounts Payable	(437)	(676)	53	-	(1,060)	223
Increase in Accrued Wages Payable	(11)	18	7	-	14	75
Increase (Decrease) in Amounts Due to Other Funds	138	(1,833)	4	-	(1,691)	(730)
Increase (Decrease) in Deferred Revenues	-	76	-	-	76	702
Increase (Decrease) in Collections Held in Trust	-	11	-	-	11	(191)
Total Adjustments	<u>890</u>	<u>5,131</u>	<u>(25)</u>	<u>-</u>	<u>5,996</u>	<u>1,958</u>
Net Cash Provided by Operating Activities	<u>\$ 3,541</u>	<u>\$ 8,593</u>	<u>\$ 869</u>	<u>\$ -</u>	<u>\$ 13,003</u>	<u>\$ 12,596</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

City of Long Beach
Internal Service Funds
Combining Statement of Net Assets
September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2005	September 30, 2004
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 11,126	\$ 7,070	\$ 17,016	\$ 25,597	\$ 44,033	\$ 104,842	\$ 108,594
Receivables:							
Accounts Receivable	2	864	268	-	-	1,134	1,167
Due from Other Governments	-	186	721	59	-	966	91
Due from Other Funds	-	-	-	-	5,643	5,643	4,893
Allowance for Receivables	-	-	(249)	-	-	(249)	(236)
Inventory	-	157	1,362	-	-	1,519	1,539
Total Current Assets	11,128	8,277	19,118	25,656	49,676	113,855	116,048
Restricted Assets:							
Pooled Cash and Cash Equivalents	-	-	-	-	14,332	14,332	14,852
Non-Pooled Cash and Cash Equivalents	9,435	-	2,542	-	-	11,977	11,754
Accounts Receivable	-	-	-	-	-	-	7
Deposits	-	-	-	-	2,848	2,848	-
Total Restricted Assets	9,435	-	2,542	-	17,180	29,157	26,613
Noncurrent Assets:							
Capital Assets:							
Land and Other Capital Assets not Being Depreciated	5,742	391	1,181	-	-	7,314	9,754
Capital Assets net of Accumulated Depreciation	63,897	8,184	51,495	518	-	124,094	83,282
Other Assets-Long-Term	-	11	-	-	78,554	78,565	83,259
Total Noncurrent Assets	69,639	8,586	52,676	518	78,554	209,973	176,295
Total Assets	90,202	16,863	74,336	26,174	145,410	352,985	318,956
LIABILITIES							
Current Liabilities payable from Current Assets:							
Accounts Payable	388	1,467	3,732	1,106	348	7,041	3,214
Accrued Wages and Benefits	43	320	178	222	29,523	30,286	30,293
Accrued Interest Payable	5	1	94	-	3,381	3,481	2,251
Due to Other Funds	20	441	84	104	-	649	312
Deferred Revenues	-	-	-	-	-	-	18
Collections Held in Trust	-	-	-	-	513	513	131
Employee Benefits-Current	-	-	-	-	7,900	7,900	7,300
Accrued Self-Insurance Claims-Current	-	-	-	21,750	-	21,750	20,900
Obligations Under Capital Leases-Current	764	1,123	-	-	-	1,887	1,762
Bonds Payable Due Within One Year	970	-	940	-	5,390	7,300	6,635
Total Current Liabilities	2,190	3,352	5,028	23,182	47,055	80,807	72,816
Current Liabilities Payable from Restricted Assets:							
Accounts Payable	-	-	-	-	-	-	146
Noncurrent Liabilities:							
Employee Benefits	-	-	-	-	61,576	61,576	58,134
Accrued Self-Insurance Claims	-	-	-	112,362	-	112,362	75,035
Obligations Under Capital Lease	256	2,193	-	-	-	2,449	2,282
Bonds Payable	36,385	-	33,045	-	91,865	161,295	167,885
Unamortized Discount/Deferred cost	(1,778)	-	(2,436)	-	(10,802)	(15,016)	(16,445)
Total Noncurrent Liabilities	34,863	2,193	30,609	112,362	142,639	322,666	286,891
Total Liabilities	37,053	5,545	35,637	135,544	189,694	403,473	359,853
NET ASSETS							
Investment in Capital Assets, Net of Related Debt	39,506	5,259	21,127	518	-	66,410	26,952
Restricted for:							
Debt Service	2,970	-	2,542	-	4,092	9,604	10,223
Capital Projects	-	-	-	-	-	-	6,268
Health Care Insurance	-	-	-	-	13,088	13,088	9,976
Unrestricted	10,673	6,059	15,030	(109,888)	(61,464)	(139,590)	(94,316)
Total Net Assets	\$ 53,149	\$ 11,318	\$ 38,699	\$ (109,370)	\$ (44,284)	\$ (50,488)	\$ (40,897)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2005	September 30, 2004
Operating Revenues:							
Billing to Other Departments	\$ 10,454	\$ 26,246	\$ 24,189	\$ 34,271	\$ 157,107	\$ 252,267	\$ 204,227
Other	413	3,337	1,711	7	-	5,468	4,912
Total Operating Revenues	10,867	29,583	25,900	34,278	157,107	257,735	209,139
Operating Expenses:							
Personal Services	1,729	11,573	6,249	6,516	4,221	30,288	26,493
Maintenance and Other Operations	4,683	14,304	11,150	6,226	1,445	37,808	38,889
Insurance Premiums	-	-	-	2,906	-	2,906	3,010
Self-Insured Losses	-	-	-	54,088	-	54,088	9,020
Compensated Absences	-	-	-	2,662	36,762	39,424	42,050
Employee Benefits	-	-	-	-	115,306	115,306	67,720
Amortization	137	-	-	-	6,402	6,539	5,909
Depreciation	2,325	1,845	6,114	91	-	10,375	10,585
Total Operating Expenses	8,874	27,722	23,513	72,489	164,136	296,734	203,676
Operating Income (Loss)	1,993	1,861	2,387	(38,211)	(7,029)	(38,999)	5,463
Non-Operating Income (Expense):							
Interest Income	428	23	157	687	595	1,890	1,668
Interest Expense	(1,979)	(64)	(1,734)	-	(4,960)	(8,737)	(6,705)
Gain (Loss) on Disposition of Capital Assets	-	(43)	375	-	-	332	715
Other Income	4	973	1,277	759	2,873	5,886	3,974
Total Non-Operating Income (Expense)	(1,547)	889	75	1,446	(1,492)	(629)	(348)
Income (Loss) Before Contributions and Transfers	446	2,750	2,462	(36,765)	(8,521)	(39,628)	5,115
Capital Grants & Contributions	34,546	-	-	-	-	34,546	(21,212)
Transfers:							
Transfers In	-	-	-	350	1,000	1,350	324
Transfers Out	(500)	(4,879)	(180)	(300)	-	(5,859)	(10,573)
Change in Net Assets	34,492	(2,129)	2,282	(36,715)	(7,521)	(9,591)	(26,346)
Net Assets - October 1	18,657	13,447	36,417	(72,655)	(36,763)	(40,897)	(14,551)
Net Assets - September 30	\$ 53,149	\$ 11,318	\$ 38,699	\$ (109,370)	\$ (44,284)	\$ (50,488)	\$ (40,897)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2005	September 30 2004
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 417	\$ 3,337	\$ 991	\$ -	\$ -	\$ 4,745	\$ 4,903
Receipts from Other Funds	10,454	26,231	24,189	34,317	156,357	251,548	201,647
Payments for Employee Salaries	(1,730)	(11,549)	(6,206)	(6,490)	(4,067)	(30,042)	(26,202)
Payments for Goods and Services	(4,693)	(14,030)	(8,199)	(8,416)	(1,348)	(36,686)	(45,122)
Payments for Compensated Absences	-	-	-	(16,256)	(37,297)	(53,553)	(54,696)
Payments for Employee Benefits	-	-	-	-	(113,434)	(113,434)	(66,547)
Payments for Liability Claims	-	-	-	(2,316)	-	(2,316)	(3,090)
Other Income	4	819	1,276	758	2,873	5,730	3,974
Net Cash Provided by Operating Activities	<u>4,452</u>	<u>4,808</u>	<u>12,051</u>	<u>1,597</u>	<u>3,084</u>	<u>25,992</u>	<u>14,867</u>
Cash Flows from Non-Capital Financing Activities:							
Transfers Out	(500)	(4,878)	(180)	50	1,000	(4,508)	(10,250)
Cash Flows from Capital and Related Financing Activities:							
Proceeds from the Sale of Capital Assets	-	-	499	-	-	499	845
Proceeds from Issuance Of Long-Term Obligations	-	2,183	8,145	-	-	10,328	1,347
Receipts of Contributed Capital	165	-	-	-	-	165	153
Payments for Capital Acquisitions	(2,336)	(2,780)	(8,890)	(528)	-	(14,534)	(5,192)
Payments of Principal on Other Long- Term Obligations	(1,687)	(1,129)	(600)	-	(4,940)	(8,356)	(8,563)
Payments to Defeasance Bonds	-	-	(7,605)	-	-	(7,605)	-
Payments of Interest	(1,979)	(64)	(2,066)	-	(3,810)	(7,919)	(4,398)
Net Cash Used for Capital and Related Financing Activities	<u>(5,837)</u>	<u>(1,790)</u>	<u>(10,517)</u>	<u>(528)</u>	<u>(8,750)</u>	<u>(27,422)</u>	<u>(15,808)</u>
Cash Flows from Investing Activities:							
Receipts of Interest	428	23	157	686	595	1,889	1,668
Net Increase (Decrease) in Cash and Cash Equivalents	(1,457)	(1,837)	1,511	1,805	(4,071)	(4,049)	(9,523)
Cash and Cash Equivalents - October 1	<u>22,018</u>	<u>8,907</u>	<u>18,047</u>	<u>23,792</u>	<u>62,436</u>	<u>135,200</u>	<u>144,723</u>
Cash and Cash Equivalents - September 30	<u>\$ 20,561</u>	<u>\$ 7,070</u>	<u>\$ 19,558</u>	<u>\$ 25,597</u>	<u>\$ 58,365</u>	<u>\$ 131,151</u>	<u>\$ 135,200</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>							
Operating Income (Loss)	\$ 1,993	\$ 1,861	\$ 2,387	\$ (38,211)	\$ (7,029)	\$ (38,999)	\$ 5,463
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Depreciation and Amortization Expense	2,462	1,845	6,114	91	6,402	16,914	16,494
Other Income	4	973	1,276	758	26	3,037	6,267
(Increase) Decrease in Accounts Receivable, Net	-	(15)	1	39	-	25	(103)
(Increase) Decrease in Amounts Due from Other Governments	4	(153)	(721)	-	-	(870)	-
(Increase) Decrease in Amounts Due from Other Funds	-	-	23	-	(750)	(727)	(2,458)
Increase in Inventory	-	-	22	-	-	22	76
Increase (Decrease) in Accounts Payable	(10)	(28)	2,906	714	97	3,679	(3,403)
Increase (Decrease) in Accrued Wages Payable	(1)	23	43	15	3,956	4,036	3,550
Increase in Amounts Due to Other Funds	-	302	-	11	-	313	116
Increase (Decrease) in Accrued Claims Payable	-	-	-	38,180	-	38,180	(7,010)
Increase (Decrease) in Collections Held in Trust	-	-	-	-	382	382	(4,125)
Total Adjustments	<u>2,459</u>	<u>2,947</u>	<u>9,664</u>	<u>39,808</u>	<u>10,113</u>	<u>64,991</u>	<u>9,404</u>
Net Cash Provided by Operating Activities	<u>\$ 4,452</u>	<u>\$ 4,808</u>	<u>\$ 12,051</u>	<u>\$ 1,597</u>	<u>\$ 3,084</u>	<u>\$ 25,992</u>	<u>\$ 14,867</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 Assets
September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2005	September 30, 2004
ASSETS				
Restricted Pooled Cash and Cash Equivalents	\$ 851	\$ 127	\$ 978	\$ 967
NET ASSETS				
Held in Trust for Private Purpose Trust Funds	<u>\$ 851</u>	<u>\$ 127</u>	<u>\$ 978</u>	<u>\$ 967</u>

City of Long Beach
Fiduciary Funds
Private Purpose Trust Funds
Combining Statement of Changes in Net Assets
For the Fiscal Year Ended September 30, 2005
With Summarized Financial Information for 2004
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2005	September 30, 2004
Additions:				
Use of Money and Property	\$ 22	\$ 4	\$ 26	\$ 25
Contributions from Citizens	-	30	30	19
Total Additions	<u>22</u>	<u>34</u>	<u>56</u>	<u>44</u>
Deductions:				
Community and Cultural	12	33	45	94
Change in Net Assets	10	1	11	(50)
Net Assets, October 1	<u>841</u>	<u>126</u>	<u>967</u>	<u>1,017</u>
Net Assets, September 30	<u>\$ 851</u>	<u>\$ 127</u>	<u>\$ 978</u>	<u>\$ 967</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, 2005
(In Thousands)

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
<u>BELMONT SHORE PARKING</u>				
<u>DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 89	\$ -	\$ -	\$ 89
LIABILITIES				
Accounts Payable	\$ 89	\$ -	\$ -	\$ 89
<u>TAXES - OIL RIGHTS FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,385	\$ 37	\$ -	\$ 1,422
LIABILITIES				
Collections Held in Trust	\$ 1,385	\$ 37	\$ -	\$ 1,422
<u>SPECIAL ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,425	\$ 3,533	\$ 4,289	\$ 1,669
Non-Pooled Cash and Cash Equivalents	6,442	5,749	4,898	7,293
Total Assets	\$ 8,867	\$ 9,282	\$ 9,187	\$ 8,962
LIABILITIES				
Due to Special Assessment Bondholders	\$ 973	\$ 3,500	\$ 4,289	\$ 184
Collections Held in Trust	7,894	5,500	4,616	8,778
Total Liabilities	\$ 8,867	\$ 9,000	\$ 8,905	\$ 8,962
<u>INTERMODAL CONTAINER TRANSFER FACILITY</u>				
<u>JOINT POWER AUTHORITY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,517	\$ 5,257	\$ 5,000	\$ 2,774
LIABILITIES				
Collections Held in Trust	\$ 2,517	\$ 5,257	\$ 5,000	\$ 2,774
<u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,173	\$ 2,017	\$ 3,132	\$ 1,058
LIABILITIES				
Due to Special Assessment Bondholders	\$ 1,887	\$ 2,030	\$ 3,148	\$ 769
Collections Held in Trust	286	3	-	289
Total Liabilities	\$ 2,173	\$ 2,033	\$ 3,148	\$ 1,058

(continued)

City of Long Beach
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2005
(In Thousands)
(continued)

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
<u>OTHER AGENCY FUNDS</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 717	\$ 1,629	\$ 1,620	\$ 726
Non-Pooled Cash and Cash Equivalents	-	-	-	-
Accounts Receivable	-	18	18	-
Total Assets	<u>\$ 717</u>	<u>\$ 1,647</u>	<u>\$ 1,638</u>	<u>\$ 726</u>
LIABILITIES				
Accounts Payable	-	660	658	2
Collections Held in Trust	717	1,611	1,604	724
Total Liabilities	<u>\$ 717</u>	<u>\$ 2,271</u>	<u>\$ 2,262</u>	<u>\$ 726</u>
<u>TOTAL AGENCY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 9,306	\$ 12,473	\$ 14,041	\$ 7,738
Non-Pooled Cash and Cash Equivalents	6,442	5,749	4,898	7,293
Accounts Receivable	-	18	18	-
Total Assets	<u>\$ 15,748</u>	<u>\$ 18,240</u>	<u>\$ 18,957</u>	<u>\$ 15,031</u>
LIABILITIES				
Accounts Payable	\$ 89	\$ 660	\$ 658	\$ 91
Due to Special Assessment Bondholders	2,860	5,530	7,437	953
Collections Held in Trust	12,799	12,408	11,220	13,987
Total Liabilities	<u>\$ 15,748</u>	<u>\$ 18,598</u>	<u>\$ 19,315</u>	<u>\$ 15,031</u>

See accompanying independent auditors' report.

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

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

City of Long Beach
 Capital Assets Used in the Operations of Governmental Funds
 Schedule by Source ¹
 September 30, 2005
 (In Thousands)

Governmental Funds Capital Assets:

Land	\$	112,872
Right-a-way		2,806
Construction In Progress		72,550
Building		113,304
Improvements other than Buildings		50,622
Infrastructure		339,166
Machinery and Equipment		32,112
Automotive		9,929
Other Assets		30,719
Less Accumulated Depreciation		<u>(269,433)</u>
Governmental Funds Capital Assets, Net of Accumulated Depreciation	\$	<u><u>494,647</u></u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$	224,534
Special Revenue Funds		140,593
Capital Projects Funds		129,520
	\$	<u><u>494,647</u></u>

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

See accompanying independent auditors' report.

City of Long Beach
 Capital Assets Used in the Operations of Governmental Funds
 Schedule by Function ¹
 September 30, 2005
 (In Thousands)

	Capital Assets not being Depreciated				Capital Assets, net of Depreciation					Total
	Land	Right-a-way	Construction In Progress	Building	Improvements other than Buildings	Infrastructures	Machinery and Equipment	Auto-motive	Other Assets	
Legislative and Legal	\$ -	-	-	-	-	-	\$ 235	\$ -	-	\$ 235
General Government	1,737	-	-	4,945	187	-	99	-	-	6,968
Public Safety	2,765	-	-	43,449	500	-	11,424	5,206	-	63,344
Public Health	4,594	-	-	3,867	2,713	-	175	-	-	11,349
Community & Cultural	102,284	-	-	34,146	23,721	3,860	102	8	5,679	169,800
Public Works	1,492	2,806	72,550	188	5,447	157,895	61	2,512	-	242,951
	<u>\$ 112,872</u>	<u>\$ 2,806</u>	<u>\$ 72,550</u>	<u>\$ 86,595</u>	<u>\$ 32,568</u>	<u>\$ 161,755</u>	<u>\$ 12,096</u>	<u>\$ 7,726</u>	<u>\$ 5,679</u>	<u>\$ 494,647</u>

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

See accompanying independent auditors' report.

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule of Changes by Function ¹
September 30, 2005
(In Thousands)

	Balance at October 1, 2004	Increase (Decrease), net of Depreciation Expense	Decrease, net of Accumulated Depreciation	Balance at September 30, 2005
Legislative and Legal	\$ 372	\$ (137)	\$ -	\$ 235
General Government	7,253	(276)	(9)	6,968
Public Safety	63,489	(140)	(5)	63,344
Public Health	11,621	(272)	-	11,349
Community & Cultural	163,915	5,885	-	169,800
Public Works	277,663	31,489	(66,201)	242,951
	<u>\$ 524,313</u>	<u>\$ 36,549</u>	<u>\$ (66,215)</u>	<u>\$ 494,647</u>

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

See accompanying independent auditors' report.

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

Fiscal Year-enc (1) and (3)	Legislative and Legal	General Government	Public Safety	Public Health	Community and Cultural	Public Works	Oil Operations	Sub Total	Other Expenditures (2)	Total Expenditures (2)
1996	\$10,589	\$ 28,870	\$230,875	\$ 26,154	\$ 149,204	\$ 45,956	\$ 5,497	\$ 497,145	\$ 86,594	\$ 583,739
1997	8,014	22,713	189,783	24,516	115,354	48,303	5,034	413,717	77,177	490,894
1998	9,382	30,707	197,998	27,017	129,282	39,789	4,260	438,435	55,101	493,536
1999	8,945	26,207	197,004	26,856	121,207	36,667	3,734	420,620	47,322	467,942
2000	9,059	26,998	206,409	29,649	124,280	41,069	4,062	441,526	47,241	488,767
2001	9,313	25,140	202,512	32,648	134,759	35,569	5,795	445,736	50,613	496,349
2002	10,985	30,444	230,112	37,516	151,593	43,565	4,672	508,887	72,688	581,575
2003	9,588	24,655	236,341	38,146	158,190	42,751	5,517	515,188	68,930	584,118
2004	10,359	23,407	227,176	41,927	177,114	43,589	5,512	529,084	83,107	612,191
2005	10,037	25,209	257,869	41,651	179,859	42,885	6,164	563,674	67,264	630,938

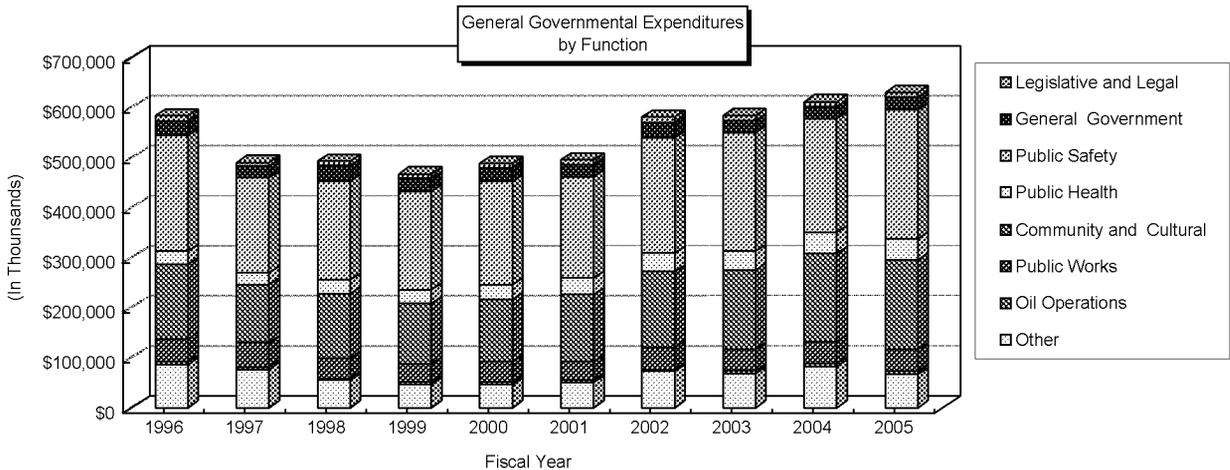
Notes:

(1) The figures include all governmental fund types (General, Special Revenue, and Capital Projects Funds), including the expenditures for the Long Beach Housing Authority and the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. Long Beach Housing Authority and Long Beach Redevelopment Agency expenditures for 1996 through 2005 are as follows (in thousands):

Fiscal Year-enc (3)	General Government	Community and Cultural	Capital Improvements	Loss on Disposition of Land Held for Resale	Debt Service	Total Expenditures
1996	\$ 248	\$ 65,904	\$ 13,215	\$ 5,838	\$14,075	\$ 99,280
1997	200	50,326	9,806	1,906	15,311	77,549
1998	199	46,424	466	426	17,896	65,411
1999	198	45,333	-	3,432	14,264	63,227
2000	182	42,608	-	1,254	13,769	57,813
2001	167	48,228	-	202	13,046	61,643
2002	165	17,556	-	43,153	18,200	79,074
2003	161	72,928	-	3,134	15,310	91,533
2004	194	95,591	-	12	15,063	110,860
2005	222	101,723	-	670	19,344	121,959

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

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



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

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

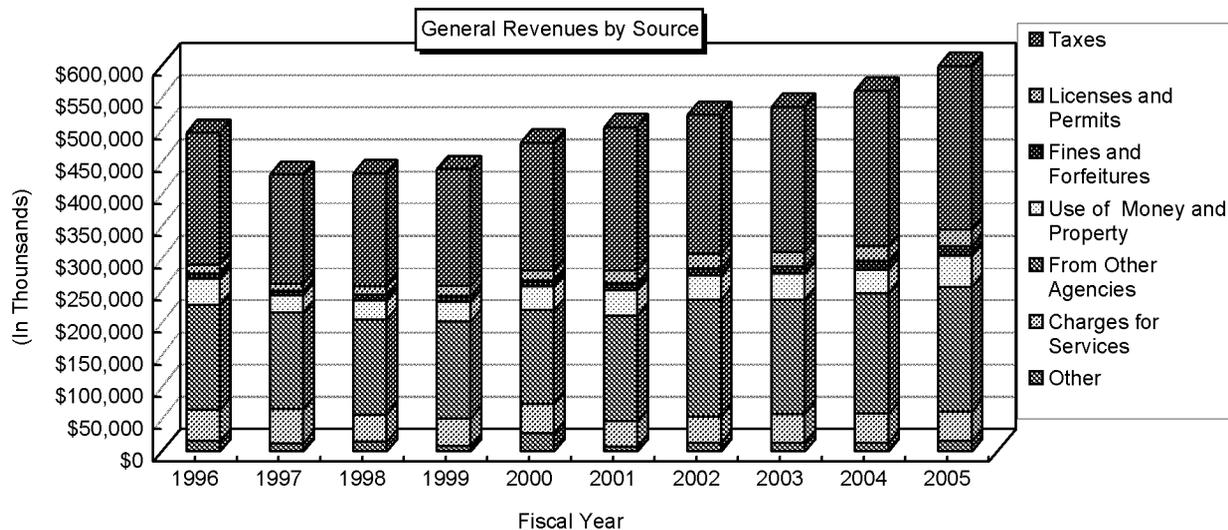
Fiscal Year-end (1) and (2)	Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	From Other Agencies	Charges for Services	Other	Total Revenues (3)
1996	\$ 205,825	\$13,505	\$ 7,954	\$ 40,561	\$163,235	\$ 48,995	\$ 16,018	\$496,093
1997	169,780	10,398	6,582	27,809	150,146	52,465	13,025	430,205
1998	176,698	12,876	7,967	29,923	148,290	42,327	15,023	433,104
1999	181,781	14,870	10,192	29,756	151,246	43,321	8,056	439,222
2000	198,971	15,703	9,867	36,428	145,467	45,409	28,891	480,736
2001	223,287	19,343	11,091	39,669	164,192	39,292	7,890	504,764
2002	215,968	23,401	11,448	36,859	181,874	41,277	13,135	523,962
2003	225,852	23,103	11,017	40,135	178,275	44,282	13,922	536,586
2004	242,163	22,878	13,581	36,856	186,426	45,948	13,106	560,958
2005	263,132	26,269	14,744	48,849	192,722	46,633	15,987	608,336

Notes:

- (1) The figures include all governmental fund types (General, Special Revenue, and Capital Projects Funds), including the revenues for the Long Beach Housing Authority and the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. Long Beach Housing Authority and Long Beach Redevelopment Agency revenues for fiscal years 1996 through 2005 are as follows (in thousands):

Fiscal Year-end (2)	Taxes	Licenses and Permits	Use of Money and Property	From Other Agencies	Other	Total Revenues
1996	\$ 17,018	\$ 497	\$ 5,123	\$ 46,868	\$ 3,482	\$ 72,988
1997	15,462	-	3,962	38,967	1,005	59,396
1998	17,793	-	3,111	38,259	960	60,123
1999	16,206	5	3,020	37,281	994	57,506
2000	20,788	8	3,473	36,278	651	61,198
2001	21,749	-	3,805	36,692	848	63,094
2002	28,400	-	4,974	42,186	787	76,347
2003	30,253	-	8,076	52,068	772	91,169
2004	44,617	-	3,908	61,432	1,291	111,248
2005	54,238	220	11,384	61,615	3,666	131,123

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



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

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

Fiscal Year-end (1) and (2)	Property Taxes	Sales and Use	Oil Production	Franchises (3)	Utility Users	Business License	Transient Occupancy	Other (4)	Totals
1996	\$ 68,055	\$ 31,495	\$ 3,694	\$ 7,694	\$ 68,151	\$ 8,848	\$ 10,392	\$ 7,496	\$ 205,825
1997	55,538	27,637	3,104	6,812	56,082	7,359	9,207	4,041	169,780
1998	60,136	30,140	2,937	7,033	55,170	7,316	10,475	3,491	176,698
1999	59,499	30,310	2,577	7,463	58,562	7,298	11,479	4,593	181,781
2000	66,635	37,362	2,479	9,695	57,396	7,752	12,788	4,864	198,971
2001	72,737	43,415	2,365	23,706	57,151	8,052	13,336	2,525	223,287
2002	80,621	41,246	2,257	9,976	55,838	8,067	12,447	5,516	215,968
2003	87,264	44,863	2,245	13,363	50,883	8,430	13,134	5,670	225,852
2004	107,825	42,383	2,306	14,460	45,339	9,284	14,089	6,478	242,164
2005	124,463	48,216	2,335	16,670	39,216	9,879	15,527	6,826	263,132

Notes:

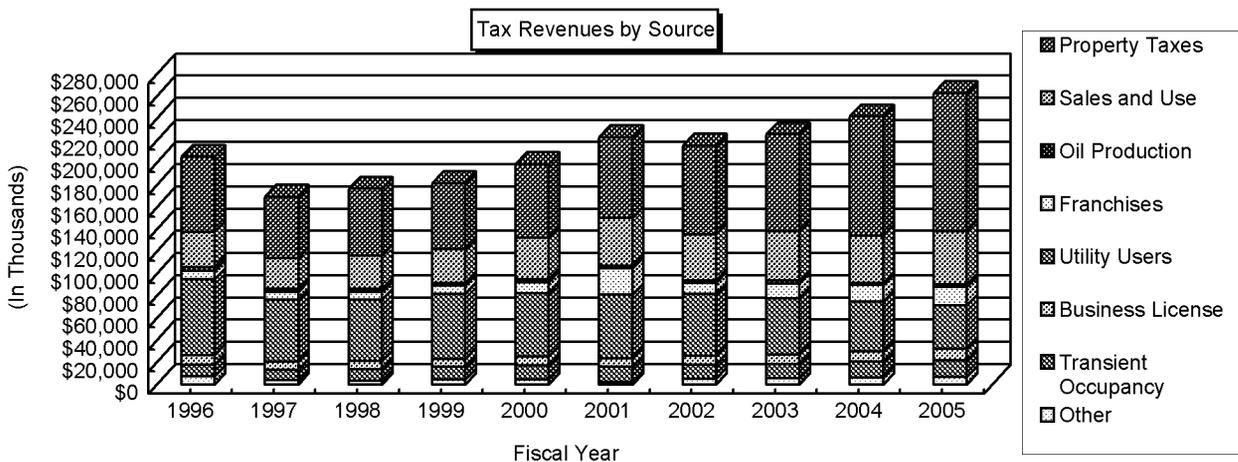
(1) Tax revenues by source include all Governmental Fund Types (General, Special Revenue, and Capital Projects Funds), including property tax and transient lodging tax for the Long Beach Redevelopment Agency as indicated below in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in fiscal year 1996 through 2005.

Fiscal Year-end (2)	Property Taxes (In Thousands)	Transient Occupancy/Other (In Thousands)
1996	\$ 14,946	\$ 2,072
1997	13,574	1,888
1998	15,593	2,200
1999	11,229	2,337
2000	18,061	2,727
2001	18,917	2,832
2002	25,796	2,604
2003	27,475	2,778
2004	41,718	2,899
2005	50,977	3,261

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

(3) Starting in fiscal year 1997, cable franchise fees were not recorded in the Special Revenue Funds. The amounts are \$2,228,000, \$2,340,000, \$2,478,000, \$2,544,000, \$2,507,000, \$2,661,000 and \$2,765,000 for fiscal years 1999, 2000, 2001, 2002, 2003, 2004 and 2005 respectively.

(4) Includes Real Property Transfer, Special Parking, Miscellaneous Taxes, and transfers from funds in lieu of taxes.



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

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

Fiscal Year-end (1) and (3)	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (2)	Collections as Percent of Levy	Outstanding Delinquent Taxes	Delinquent Tax as Percent of Current Levy
1996	\$ 58,910	\$ 54,144	91.9 %	\$ 2,152	\$ 56,296	95.6 %	\$ 4,564	7.7 %
1997	57,408	52,932	92.2	1,905	54,837	95.5	4,214	7.3
1998	58,522	56,504	96.6	3,185	59,689	102.0	3,755	6.4
1999	59,378	56,320	94.8	3,636	59,956	101.0	2,857	4.8
2000	66,177	63,892	96.5	2,989	66,881	101.1	2,873	4.3
2001	70,841	69,338	97.9	2,322	71,660	101.2	3,160	4.5
2002	77,731	77,587	99.8	3,682	81,269	104.6	2,536	3.3
2003 (4)	83,222	85,699	103.0	2,245	87,944	105.7	2,401	2.9
2004	100,538	99,745	99.2	8,634	108,379	107.8	2,489	2.5
2005	116,299	113,610	97.7	11,388	124,998	107.5	2,442	2.1

Notes:

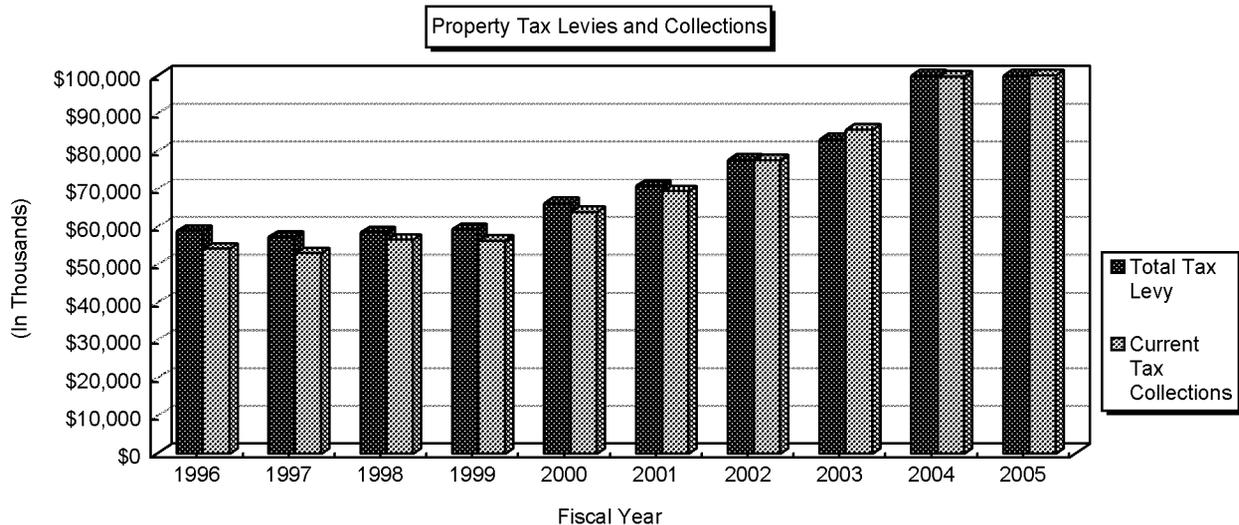
(1) Total tax collections for fiscal years 1996 through 2005 include redevelopment tax increment collections, excluding interest and penalties, in accordance with generally accepted accounting principles as follows:

Fiscal Year-end (3)	Collections (In Thousands)
1996	\$ 14,946
1997	13,574
1998	15,593
1999	11,229
2000	18,061
2001	18,917
2002	25,796
2003	27,475
2004	41,718
2005	50,977

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

(3) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Since the County of Los Angeles, which distributes the property tax, is on a June 30 fiscal year-end, the amounts for the City are for the twelve months from July 1, 1995 through June 30, 1996 for comparison purposes.

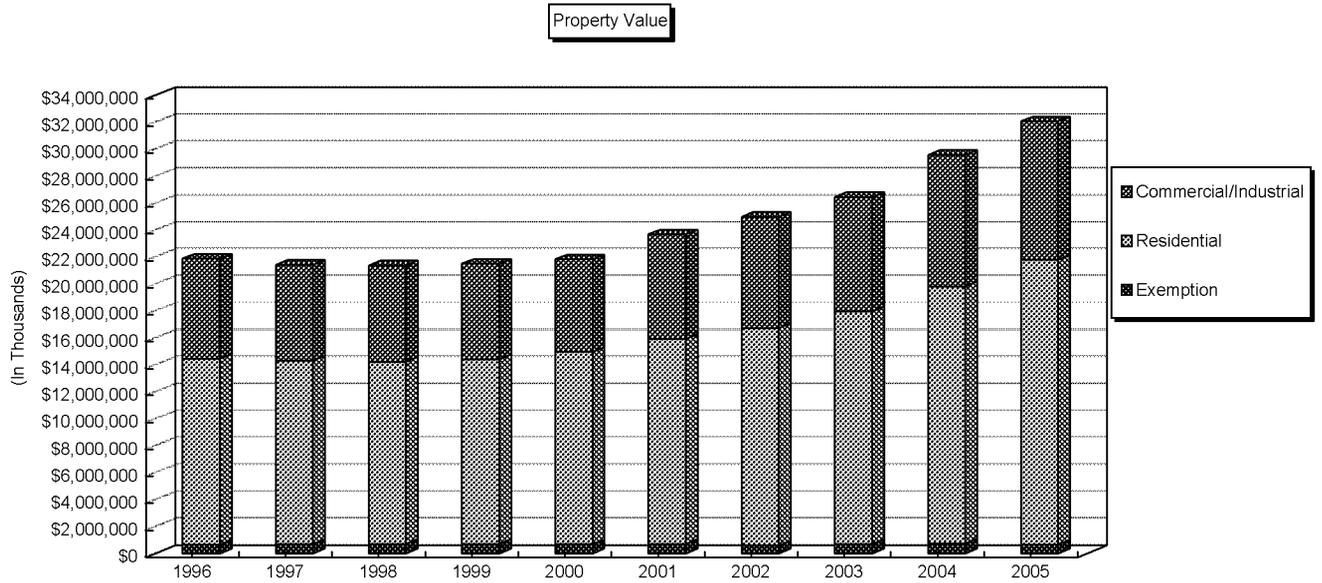
(4) Fiscal year 2003 current tax collections includes approximately \$2,870,000 in unsecured redevelopment tax increment receipts which resulted from a secured parcel audit for the entire City and its redevelopment areas for the fiscal years 1998 through 2002. The audit resulted in the correction of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



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

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

Fiscal Year-end	Assessed Value				Property Value			
	Land	Improvements	Personal Property	Total	Commercial/Industrial	Residential	Exemption	Total
1996	\$ 9,497,846	\$ 10,971,486	\$ 1,408,258	\$ 21,877,590	\$ 7,396,839	\$ 13,817,142	\$ 663,609	\$ 21,877,590
1997	9,520,895	10,527,383	1,379,679	21,427,957	7,112,998	13,594,231	720,728	21,427,957
1998	9,544,327	10,376,690	1,482,025	21,403,042	7,161,264	13,521,115	720,663	21,403,042
1999	9,513,719	10,422,267	1,579,619	21,515,605	7,113,133	13,684,447	718,025	21,515,605
2000	9,530,997	10,853,314	1,448,289	21,832,600	6,867,889	14,275,847	688,864	21,832,600
2001	10,463,320	11,828,763	1,396,288	23,688,371	7,768,092	15,195,079	725,200	23,688,371
2002	11,332,200	12,365,006	1,292,787	24,989,993	8,232,188	16,149,319	608,486	24,989,993
2003	11,925,024	12,839,549	1,689,844	26,454,417	8,483,488	17,248,508	722,421	26,454,417
2004	13,544,321	14,219,548	1,849,360	29,613,229	9,780,753	19,049,275	783,201	29,613,229
2005	15,104,108	15,147,436	1,818,167	32,069,711	10,273,437	21,117,812	678,462	32,069,711



Source: Los Angeles County Office of the Assessor.

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

Fiscal Year-end	County (A)	Special Districts (A)	Total
1996	\$ 1.0018	\$ 0.0099	\$ 1.0117
1997	1.0016	0.0109	1.0125
1998	1.0016	0.0111	1.0127
1999	1.0014	0.0109	1.0123
2000	1.0014	0.0183	1.0197
2001	1.0013	0.0263	1.0276
2002	1.0011	0.0376	1.0387
2003	1.0010	0.0428	1.0438
2004	1.0010	0.0611	1.0621
2005	1.0009	0.0651	1.0660

Note: ⁽¹⁾

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

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

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

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

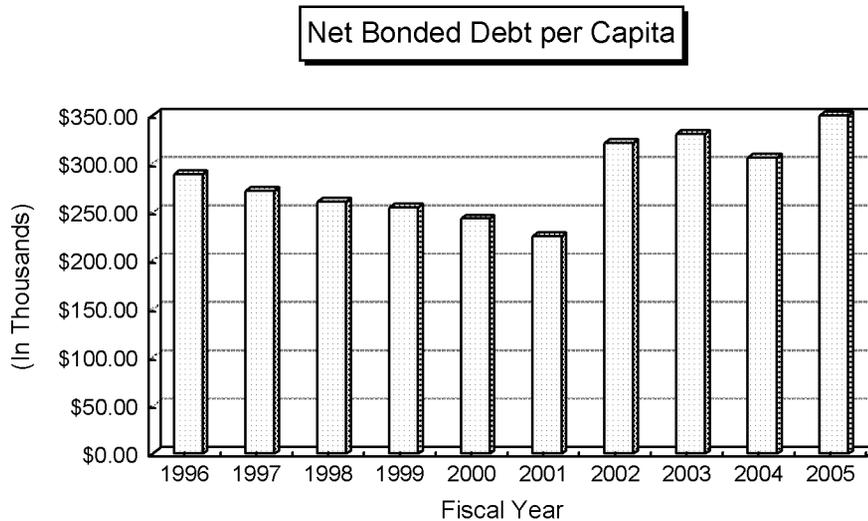
Sources:

- (1) Taxpayers Guide compiled under the supervision of the Los Angeles County Auditor-Controller.
- (A) "04-05 SEC Tax Rates and Ratios Report" provided by the Los Angeles County Auditor-Controller.

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

Fiscal Year-end (2)	Estimated Population (A)	Assessed Value (B)	Gross Bonded Debt (1)	Ratio of Gross Bonded Debt to Assessed Value	Less Debt Service Reserve (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	425,807	\$ 21,877,590	\$ 137,535	0.63 %	\$ 14,451	\$ 123,084	0.56 %	\$ 289.06
1997	441,718	21,427,957	134,640	0.63	14,427	120,213	0.56	272.15
1998	446,227	21,403,042	134,925	0.63	18,635	116,290	0.54	260.61
1999	452,905	21,515,605	132,115	0.61	16,756	115,359	0.54	254.71
2000	457,608	21,832,600	129,160	0.59	17,925	111,235	0.51	243.08
2001	461,522	23,688,371	121,480	0.51	17,522	103,958	0.44	225.25
2002	473,131	24,989,993	174,060	0.70	22,016	152,044	0.61	321.36
2003	480,973	26,454,417	179,974	0.68	20,989	158,985	0.60	330.55
2004	487,100	29,613,229	175,292	0.59	26,258	149,034	0.50	305.96
2005	491,564	32,069,711	355,444	1.11	39,059	316,385	0.99	643.63

- Notes:
- (1) Includes Redevelopment bonds issued during fiscal years 1993, 2002, 2003 and 2005.
 - (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.



- Sources:
- (A) California Department of Finance for fiscal years 1996 through 2005. In 1996 the City of Long Beach Planning and Building Department calculated the city population based on redistricting to be 425,807. The estimated population per the California Department of Finance for fiscal year 1996 was 437,708.
 - (B) "SV-13 G Report FY 04-05 Assessed Valuations" compiled under the supervision of the Los Angeles County Auditor-Controller.

City of Long Beach
 Computation of Legal Debt Margin
 September 30, 2005
 (In Thousands)

Net Assessed Valuation		\$ 31,391,249
Plus Exempt Property		<u>678,462</u>
Total Assessed Valuation (1)		<u><u>\$ 32,069,711</u></u>
Debt Limit - 15 Percent of Total Assessed Valuation (1)		\$ 4,810,457
Amount of Debt Applicable to Debt Limit:		
Redevelopment Bonded Debt	\$ 355,444	
Less:		
Assets in Redevelopment Debt Service Fund, Available for Payment of Principal	<u>39,059</u>	
Total Amount of Debt Applicable to Debt Limit		<u>316,385</u>
Legal Debt Margin (1)		<u><u>\$ 4,494,072</u></u>

Note:

- (1) The fiscal year 2005 debt limit is based on assessed valuation and reflects valuation for the property in redevelopment project areas.

Source: City of Long Beach, Department of Financial Management.
 SV-13 G Report FY04-05 Assessed Valuations"compiled under the supervision of the
 Los Angeles County Auditor-Controller.

City of Long Beach
Schedule of Direct and Overlapping Debt
September 30, 2005
(In Thousands)

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds (1)		\$ 259,155	\$ (114,580)	\$ 144,575
Marks-Roos Bonds (2)		33,985	-	33,985
Certificates of Participation		4,315	-	4,315
Pension Obligations		97,255	-	97,255
Total Direct Debt		<u>394,710</u>	<u>(114,580)</u>	<u>280,130</u>
 <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>				
	<u>% Applicable</u>			
Los Angeles County	3.835 %	16,205	(15,584)	621
Los Angeles Community College District	0.052	694,705	(694,344)	361
Cerritos Community College District	0.404	36,706	(36,558)	148
Compton Community College District	2.356	39,100	(38,179)	921
Long Beach Community College District	88.322	35,800	(4,181)	31,619
Compton Unified School District	0.030	58,655	(58,637)	18
ABC Unified School District	1.532	55,560	(54,709)	851
Long Beach Unified School District	88.325	252,235	(29,448)	222,787
Los Angeles Unified School District	0.063	4,791,690	(4,788,671)	3,019
Paramount Unified School District	9.156	33,775	(30,683)	3,092
Los Angeles County Flood Control District	3.821	142,420	(136,978)	5,442
Metropolitan Water District	1.964	419,390	(411,153)	8,237
Total Overlapping Tax And Assessment Debt (3)		<u>6,576,241</u>	<u>(6,299,125)</u>	<u>277,116</u>
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	3.835	1,350,178	(1,298,399)	51,779
Los Angeles County Pension Obligations	3.835	1,050,097	(1,009,826)	40,271
Los Angeles County Superintendent of Schools Certificates of Participation	3.835	21,785	(20,950)	835
Long Beach Community College District Certificates of Participation	88.322	34,300	(4,006)	30,294
Los Angeles Unified School District Certificates of Participation	0.063	599,653	(599,275)	378
Long Beach Unified School District Certificates of Participation	88.325	62,405	(7,286)	55,119
Compton Unified School District Certificates of Participation	0.030	30,425	(30,416)	9
Paramount Unified School District Certificates of Participation	9.156	29,835	(27,103)	2,732
County Sanitation District No. 1 Certificates of Participation	1.144	27,621	(27,305)	316
County Sanitation District No. 2 Certificates of Participation	0.166	42,648	(42,577)	71
County Sanitation District No. 3 Certificates of Participation	84.400	32,406	(5,055)	27,351
County Sanitation District No. 8 Certificates of Participation	2.308	16,875	(16,486)	389
County Sanitation District No. 19 Certificates of Participation	37.938	7,682	(4,768)	2,914
Total Overlapping General Fund Obligation Debt		<u>3,305,910</u>	<u>(3,093,452)</u>	<u>212,458</u>
Total Gross Overlapping Combined Debt		9,882,151	(9,392,577)	489,574
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		<u>(39,230)</u>	<u>(37,726)</u>	<u>(1,504)</u>
Total Net Overlapping Combined Debt		<u>9,842,921</u>	<u>(9,354,851)</u>	<u>488,070</u>
Total Net Direct And Overlapping Combined Debt (3) (4)		<u>\$ 10,237,631</u>	<u>\$ (9,469,431)</u>	<u>\$ 768,200</u>

Notes:

- (1) The lease revenue bonds amount is net of the Civic Center Project 1997 Series A \$925,000 principal payment paid to the trustee on September 15, 2005 as required by the bond resolution for principal due to bondholders on October 1, 2005.
- (2) The Marks-Roos Bonds amount is net of the Temple and Willow Facility 1998 Series A & B Bonds \$600,000 principal payment paid to the trustee on September 15, 2005 as required by the bond resolution for principal due to bondholders on October 1, 2005. Includes Temple and Willow Facility 2005 Series A Bonds.
- (3) Excludes 1915 Act and Mello-Roos Act bonds.
- (4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

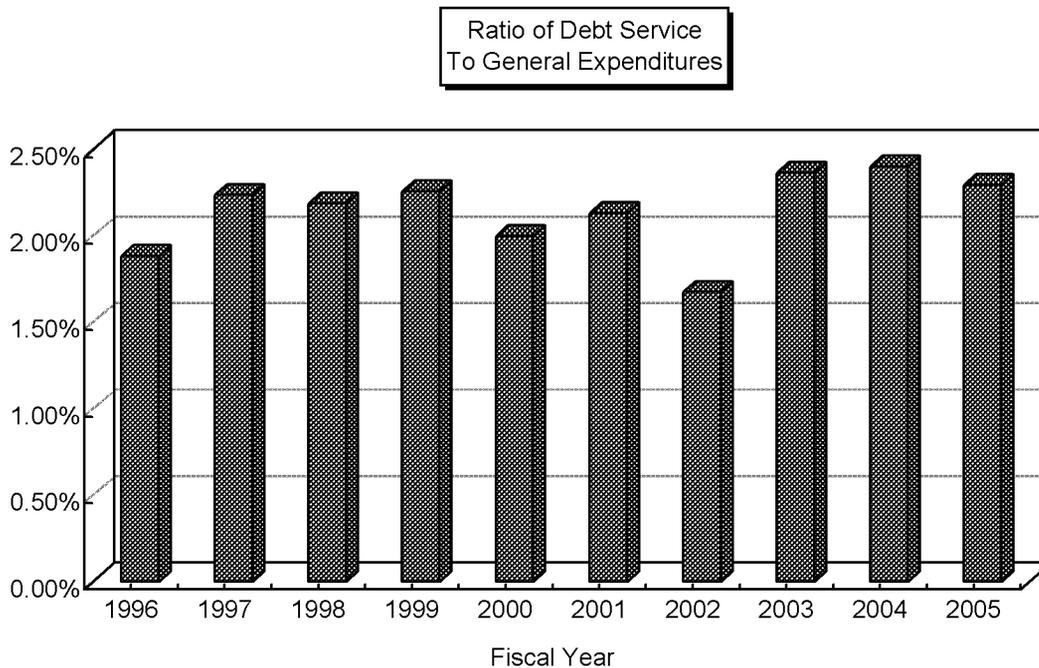
Source: California Municipal Statistics, Inc.

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

Fiscal Year-end (1) and (2)	Principal	Interest	Total Debt Service	Total General Expenditures (3)	Ratio of Debt Service to General Expenditures
1996	\$ 2,775	\$ 8,213	\$ 10,988	\$ 583,739	1.88%
1997	2,895	8,081	10,976	490,894	2.24%
1998	3,035	7,746	10,781	493,536	2.18%
1999	2,810	7,738	10,548	467,942	2.25%
2000	2,955	6,809	9,764	488,767	2.00%
2001	3,155	7,422	10,577	496,349	2.13%
2002	2,740	7,000	9,740	581,575	1.67%
2003	3,570	10,238	13,808	584,118	2.36%
2004	4,682	10,017	14,699	612,191	2.40%
2005	4,607	9,844	14,451	630,938	2.29%

Notes:

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



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

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

Fiscal Year-end (1) and (3)	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1996	\$ 80,526	\$ 45,736	\$ 34,790	\$ 2,208	\$ 36,998	\$ 465	\$ 596	\$ 1,061	34.9
1997	66,455	46,975	19,480	1,969	21,449	475	580	1,055	20.3
1998	69,511	49,492	20,019	2,251	22,270	495	563	1,058	21.0
1999	75,654	47,757	27,897	2,004	29,901	510	545	1,055	28.3
2000	70,874	56,478	14,396	1,511	15,907	530	524	1,054	15.1
2001	124,691	118,667	6,024	1,855	7,879	550	502	1,052	7.5
2002	62,301	51,289	11,012	1,004	12,016	575	478	1,053	11.4
2003	75,323	64,331	10,992	738	11,730	600	452	1,052	11.2
2004	83,752	73,059	10,693	5,360	16,053	625	424	1,049	15.3
2005	98,998	84,109	14,889	5,858	20,747	655	394	1,049	19.8

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

1996	\$ 70,784	\$ 56,027	\$ 14,757	\$ 4,022	\$ 18,779	\$ 985	\$ 2,669	\$ 3,654	5.1
1997	60,247	45,122	15,125	3,095	18,220	1,045	2,627	3,672	5.0
1998	56,395	42,932	13,463	3,130	16,593	1,125	2,539	3,664	4.5
1999	57,619	43,854	13,765	6,043	19,808	1,325	2,247	3,572	5.5
2000	60,252	46,508	13,744	1,066	14,810	1,385	2,194	3,579	4.1
2001	57,773	46,526	11,247	4,554	15,801	1,450	2,138	3,588	4.4
2002	58,969	48,324	10,645	1,616	12,261	1,505	2,080	3,585	3.4
2003	58,944	44,653	14,291	1,162	15,453	1,570	2,019	3,589	4.3
2004	63,185	47,752	15,433	2,055	17,488	1,645	1,954	3,599	4.9
2005	64,522	50,146	14,376	1,710	16,086	1,110	1,884	2,994	5.4

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

1996	\$ 88,480	\$ 58,215	\$ 30,265	\$ 3,145	\$ 33,410	\$ -	\$ 11,023	\$ 11,023	3.0
1997	73,745	49,418	24,327	4,882	29,209	-	9,623	9,623	3.0
1998	75,034	49,056	25,978	5,043	31,021	-	9,623	9,623	3.2
1999	66,486	49,643	16,843	2,886	19,729	3,000	9,623	12,623	1.6
2000	65,005	52,409	12,596	5,004	17,600	3,400	9,307	12,707	1.4
2001	71,188	59,387	11,801	6,219	18,020	3,700	9,069	12,769	1.4
2002	67,931	58,441	9,490	5,376	14,866	3,900	8,814	12,714	1.2
2003	69,441	55,073	14,368	(6,332)	8,036	4,200	5,088	9,288	0.9
2004	71,198	56,169	15,029	(2,424)	12,605	4,500	4,914	9,414	1.3
2005	70,128	58,046	12,082	1,819	13,901	6,185	4,985	11,170	1.2

Notes:

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

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

City of Long Beach
Schedule of Revenue Bond Coverage for Proprietary Funds
Civic Center Revenue Bond Coverage
Last Ten Fiscal Years (2)
(In Thousands)

Exhibit 12

Fiscal Year-end (3)	Operating Revenue (2)	Operating Expenses (1) and (2)	Net Operating Income	Non- Operating Income (Loss) (1) and (2)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1996	\$ 12,782	\$ 7,103	\$ 5,679	\$ 948	\$ 6,627	\$ 2,865	\$ 1,937	\$ 4,802	1.4
1997	10,313	5,142	5,171	826	5,997	1,560	1,176	2,736	2.2
1998	10,272	5,807	4,465	6,510	10,975	720	1,808	2,528	4.3
1999	10,207	5,859	4,348	424	4,772	795	2,091	2,886	1.7
2000	10,178	6,549	3,629	2,047	5,676	875	2,087	2,962	1.9
2001	10,314	5,988	4,326	1,877	6,203	915	2,048	2,963	2.1
2002	11,805	7,509	4,296	1,203	5,499	950	2,008	2,958	1.9
2003	11,749	6,515	5,234	675	5,909	850	1,965	2,815	2.1
2004	11,899	6,893	5,006	378	5,384	885	1,929	2,814	1.9
2005	10,867	6,549	4,318	432	4,750	925	1,891	2,816	1.7

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

1998	\$ 19,666	\$ 14,256	\$ 5,410	\$ (58)	\$ 5,352	\$ -	\$ 784	\$ 784	6.8
1999	21,644	13,818	7,826	1,642	9,468	605	1,882	2,487	3.8
2000	22,891	15,019	7,872	1,288	9,160	630	1,858	2,488	3.7
2001	24,560	15,181	9,379	2,168	11,547	655	1,832	2,487	4.6
2002	27,101	14,942	12,159	674	12,833	680	1,806	2,486	5.2
2003	26,382	14,258	12,124	52	12,176	710	1,778	2,488	4.9
2004	24,684	15,557	9,127	656	9,783	740	1,749	2,489	3.9
2005	25,900	17,399	8,501	1,809	10,310	770	1,717	2,487	4.1

Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Civic Center Authority was dissolved in December 1997. The Civic Center Project 1997 Bonds were issued in December 1997 to refund the Civic Center Authority Bonds and to provide additional project funds for improvements. The 1998 Non-Operating Income consists of \$4.6 million in miscellaneous revenues as a result of the Civic Center Authority dissolution.
- (3) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. As a result the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996. Also, since the Civic Center debt service is due on September 1, the principal amount reflects cash payments for September 1, 1995 and September 1, 1996. The interest amount reflects cash payments for September 1, 1995, and March 1 and September 1, 1996.

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

City of Long Beach
 Schedule of Revenue Bond Coverage for Proprietary Funds
 Tideland Operating Segment
 Revenue Bond Coverage
 Last Five Fiscal Years (2)
 (In Thousands)

Fiscal Year-end (4)	Beginning Unreserved Fund Balance	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non - Operating Income (Loss) (1)	Net Amount Available for Debt Service	Debt Service Requirements			Times Coverage
							Principal	Interest	Total	
2001	\$ N/A	\$ 19,240	\$ 20,746	\$ (1,506)	\$ 2,952	\$ 1,446	\$ 905	\$ 84	\$ 989	-
2002	N/A	27,783	37,623	(9,840)	5,724	(4,116)	1,000	2,761	3,761	-
2003	N/A	31,699	37,496	(5,797)	2,088	(3,709)	-	6,558	6,558	-
2004	N/A	32,390	37,600	(5,210)	1,815	(3,395)	-	6,558	6,558	-
2005	N/A	33,593	43,633	(10,040)	1,679	(8,361)	-	6,558	6,558	-

Marina Segment
 Marina Revenue Bond Coverage
 Last Ten Fiscal Years (3)
 (In Thousands)

1996	\$ 5,012	\$ 16,321	\$ 13,731	\$ 2,590	\$ 943	\$ 8,545	\$ 60	\$ 2,238	\$ 2,298	3.7
1997	3,279	13,056	10,716	2,340	294	5,913	2,150	1,500	3,650	1.6
1998	1,338	13,975	11,171	2,804	(83)	4,059	2,240	1,411	3,651	1.1
1999	821	13,940	10,617	3,323	358	4,502	2,335	1,316	3,651	1.2
2000	3,310	14,055	11,017	3,038	1,830	8,178	2,435	1,214	3,649	2.2
2001	1,014	14,995	10,727	4,268	(79)	5,203	2,545	1,107	3,652	1.4
2002	974	15,564	10,812	4,752	470	6,196	2,660	991	3,651	1.7
2003	1,412	16,171	10,293	5,878	(370)	6,920	2,785	867	3,652	1.9
2004	1,851	16,223	10,759	5,464	571	7,886	2,915	734	3,649	2.2
2005	1,950	16,008	11,395	4,613	300	6,863	3,060	592	3,652	1.9

Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Long Beach Aquarium of the Pacific Lease Revenue Refunding Bonds Series 2001 were issued to (1) refund the Long Beach Aquarium of the Pacific Revenue Bonds 1995 Series A and 1995 Series B, (2) to fund a reserve fund for the Series 2001 Bonds, and (3) to pay certain costs of issuance in connection with the Series 2001 Bonds. Fiscal year 2001 reflects final bond payment of \$1,000,000 for the Parking Authority Refunding bonds.
- (3) The Marina Refunding Revenue Bonds Series 1986 were refunded by the Marina Refunding Revenue Bonds Series 1995. Current debt service payments for the 1986 Bonds were covered by the 1995 refunding issue proceeds.
- (4) Effective July 1, 1995 the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the fiscal year ended 1996 are for a fifteen month period from July 1, 1995 through September 30, 1996.

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

City of Long Beach
 Schedule of Revenue Bond Coverage for Proprietary Funds
 Rainbow Harbor Area Segment
 Revenue Bond Coverage
 Last Seven Fiscal Years (3)
 (In Thousands)

Fiscal Year-end (2)	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non- Operating Income (1) (Loss)	Net Revenue Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1999	\$ 3,779	\$ 3,589	\$ 190	\$ 501	\$ 691	\$ -	\$ -	\$ -	-
2000	2,036	3,572	(1,536)	429	(1,107)	-	-	-	-
2001	2,170	3,808	(1,638)	372	(1,266)	-	2,440	2,440	-
2002	2,486	3,799	(1,313)	384	(929)	65	2,440	2,505	-
2003	2,672	3,740	(1,068)	596	(472)	80	2,437	2,517	-
2004	4,609	5,537	(928)	154	(774)	90	2,434	2,524	-
2005	5,386	8,897	(3,511)	337	(3,174)	1,455	2,430	3,885	-

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

1996	\$ 218,650	\$ 52,479	\$ 166,171	\$ 4,698	\$ 170,869	\$ 15,175	\$ 39,128	\$ 54,303	3.1
1997	177,230	36,874	140,356	15,189	155,545	16,620	47,384	64,004	2.4
1998	188,587	38,238	150,349	16,635	166,984	18,690	42,371	61,061	2.7
1999	198,483	39,952	158,531	5,220	163,751	22,680	44,637	67,317	2.4
2000	225,504	45,286	180,218	3,436	183,654	26,715	39,806	66,521	2.8
2001	228,079	50,573	177,506	14,080	191,586	28,290	46,165	74,455	2.6
2002	223,999	40,085	183,914	6,386	190,300	17,960	51,239	69,199	2.8
2003	249,542	45,394	204,148	(2,524)	201,624	30,145	60,757	90,902	2.2
2004	280,782	59,755	221,027	12,987	234,014	32,590	60,474	93,064	2.5
2005	329,208	66,737	262,471	26,524	288,995	34,215	58,444	92,659	3.1

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes amortization and interest expense.
- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (3) The Rainbow Harbor Area Segment of the Tidelands Fund fund balance is considered adequate to cover the debt service. Operating transfers are made to provide funding to the Rainbow Harbor Area from other Tidelands funds on an as needed basis.

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

City of Long Beach
Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year-end</u>	<u>Estimated Population (A)</u>	<u>Median Age (B)</u>	<u>Public School Enrollment (C)</u>	<u>Unemployment Rate (D)</u>
1996	425,807	29.8	88,530	8.2 %
1997	441,718	29.0	91,932	6.6
1998	446,227	28.9	89,408	6.2
1999	452,905	29.0	91,465	5.6
2000	459,900	29.0	94,527	5.5
2001	467,300	30.8	95,193	5.7
2002	473,100	31.0	97,369	6.3
2003	480,400	N/A	97,370	6.4
2004	487,100	N/A	97,560	5.9
2005	491,564	N/A	96,319	6.5

Sources:

- (A) California Department of Finance. In 1996 the City of Long Beach Planning and Building Department calculated the city population based on the redistricting to be 425,807. The estimated population per the California Department of Finance for fiscal year 1996 was 437,708.
- (B) The Los Angeles County Health Department population projections are used for fiscal year 1995. The City of Long Beach, Department of Planning and Building Advance Planning Division's estimate is used for fiscal years 1996 through 2002. As of fiscal year 2003, Advanced Planning no longer compiles this estimate.
- (C) California Department of Education. 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).

City of Long Beach
Construction Value and Bank Deposits -
Last Ten Fiscal Years

Fiscal Year-end (2)	Construction (A)								Bank Deposits (000's) (B)
	Industrial		Commercial & Office		Residential		All Others		
	Number of Permits	Valuation (000's) (1)							
1996	10	\$ 2,233	42	\$ 24,610	87	\$ 13,340	7,291	\$ 191,743	\$ 4,658,000
1997	8	1,942	21	20,614	61	13,071	5,748	112,171	3,983,000
1998	5	9,471	53	66,847	110	19,344	6,022	130,303	4,142,000
1999	2	6,627	39	48,232	61	20,697	6,470	123,666	4,084,000
2000	6	16,528	33	17,425	133	25,145	6,465	133,232	4,193,201
2001	16	12,486	37	57,391	119	113,972	6,744	166,041	4,352,495
2002	6	9,500	42	78,737	105	78,512	7,350	184,706	4,741,291
2003	35	5,000	32	59,229	63	120,566	8,581	235,922	5,271,266
2004	24	7,550	20	9,411	94	49,226	8,487	200,632	5,760,711
2005	3	2,525	17	13,385	90	74,325	8,387 (1)	205,464 (1)	5,816,005

Notes:

(1) The All Others valuation for fiscal year 1996 includes permits for the Los Altos and Marina Pacifica shopping center improvements, Long Beach Aquarium of the Pacific and Boeing SeaLaunch projects; fiscal year 2001 includes permits for the Camden development and pier improvements at the Port of Long Beach; fiscal year 2002 includes permits for numerous alterations and additions to residential units, tenant improvements for the Carnival Cruise Terminal and Boeing Building 52, and the addition of shark tanks, life support equipment, restrooms and retail area at the Aquarium of the Pacific, and fiscal year 2003 includes permits for earthquake retrofit of the Public Safety building, construction of a 130,000 square-foot wharf, wharf upgrade and conveyor system at Pier G, construction of a one-story police station, tenant development of a 14-screen cinema and Gameworks, and tenant improvements for the Carnival Cruise Terminal and Boeing Building 52.

The All Others valuation for fiscal year 2004 includes permits for: installation of 2 canopies and 13 explosive detection devices at the Long Beach Airport, remodel of the World Trade Center, seismic retrofit of Trimark's Pacific Temple Lofts, install duct and structural support at Pier D, tenant improvements for Superior Super Warehouse and Public Safety building, tenant improvement and expansion of Coast Cadillac and Toyota Motors Manufacturing USA, and tenant development of Club V.

In fiscal year 2004, a decrease in the number of permits and the valuation of these permits was primarily due to lower number of construction for large, residential building complexes and issuance of the \$16 million permit in fiscal year 2003 for earthquake retrofitting of the Public Safety building in comparison to the current fiscal year.

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

Sources:

(A) City of Long Beach, Department of Planning and Building.

(B) The data for the fiscal years 1996 through 2005 is from the Federal Deposit Insurance Corporation as of June 30.

City of Long Beach
Principal Taxpayers
September 30, 2005
(In Thousands)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004-2005 Assessed Valuation</u>	<u>Percent of Total Net Assessed Valuation</u>
The Boeing Company	Industrial	\$ 497,798	1.72 %
AES Alamos LLC	Power Plant	292,200	1.01
TrizecHahn Centers, Inc.	Office Building	144,284	0.50
Greit One World Trade Center LP	Office Building	113,648	0.39
Camden Realty Inc.	Apartments	96,470	0.33
Arco Terminal Services Corp	Industrial	79,320	0.27
350 Ocean Garage LLC	Commercial	70,754	0.24
200 Oceangate LLC	Office Building	59,300	0.20
Alamos Bay Partnership	Hotel	54,127	0.19
ER California LLC	Apartments	<u>53,227</u>	<u>0.18</u>
	Total	<u>\$ 1,461,128</u>	<u>5.03 %</u>

Note:

Beginning with fiscal year 1989, the State Board of Equalization has deleted the public utility "unitary" values from the total public utility assessed value. The valuations exclude mineral rights, possessory interest and unsecured assessed valuations.

Source: California Municipal Statistics, Inc.

City of Long Beach
Miscellaneous Utility Statistics

Gas Utility
Last Ten Fiscal Years
(In Thousands)

Fiscal Year-end (1)	Consumption in Sales Dollars				Consumption in Cubic Feet				Average Rate per MCF (2)	Average No. of Customers
	Residential	Commercial Industrial	Others	Total	Residential	Commercial Industrial	Others	Total		
1996	\$ 48,249	\$ 24,720	\$ 30	\$ 72,999	6,403,666	7,040,942	8,323	13,452,931	\$ 5.43	138
1997	43,097	18,144	65	61,306	5,783,834	5,571,864	30,913	11,386,611	5.38	138
1998	46,133	18,706	30	64,869	6,270,643	6,362,973	22,828	12,656,444	5.13	139
1999	52,352	18,462	34	70,848	6,844,493	6,481,684	23,780	13,349,957	5.31	140
2000	47,083	18,122	14	65,219	6,016,099	6,174,824	15,237	12,206,160	5.31	140
2001	87,404	32,083	25	119,512	6,036,334	5,414,312	16,657	11,467,303	10.42	140
2002	42,400	13,886	81	56,367	6,049,213	4,848,943	39,049	10,937,205	5.15	144
2003	49,888	18,354	1,350	69,592	5,651,109	4,287,971	640,659	10,579,739	6.58	145
2004	56,173	21,486	2,006	79,665	5,810,339	5,366,542	805,992	11,982,873	6.65	145
2005	63,556	25,579	2,440	91,575	5,735,844	5,298,961	757,496	11,792,301	7.77	149

Notes:

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

Ten Largest Gas Users
For the Fiscal Year Ended September 30, 2005
(In Thousands)

	Consumption	
	In Dollar Sales	In Cubic Feet
Montenay Pacific Power Corporation	\$2,394	306,384
Memorial Hospital	1,030	122,854
Long Beach Aquarium Cogeneration	795	91,013
National Gypsum	559	680,244
International Garment & Finish	375	41,633
American Textile	353	46,854
Edington Oil	351	875,540
Long Beach Convention Center	351	42,452
Long Beach Community College	318	75,401
THUMS Cogeneration	221	351,991
Total	<u>\$6,747</u>	<u>2,634,366</u>

Other Gas Utility Miscellaneous Statistics:

Number of gas meters	152,007	
Average daily consumption	32,308	MCF
Gas mains	921.5	miles

Source: City of Long Beach, Long Beach Department of Gas & Oil.

City of Long Beach
Miscellaneous Utility Statistics
Water Utility
Last Ten Fiscal Years
(In Thousand Gallons)

Fiscal Year-end (1)	Consumption		Source of Supply			Total Available Supply
	Daily Average Demand	Annual Demand	Total Pumped	Total Purchased	Total Reclaimed	
1996	64,281	29,252,458	7,733,422	21,514,638	1,993,882	31,241,942
1997	63,374	23,134,900	7,479,258	15,652,253	1,647,829	24,779,340
1998	59,561	21,743,070	7,700,837	14,038,964	1,370,203	23,110,004
1999	60,615	22,127,958	7,703,443	14,421,188	1,494,353	23,618,984
2000	63,619	23,220,794	8,076,869	15,143,925	1,691,167	24,911,961
2001	61,226	22,347,490	7,971,945	14,375,569	1,363,361	23,710,875
2002	62,259	22,724,523	8,478,643	14,245,880	1,789,900	24,514,423
2003	60,308	22,012,177	7,445,369	14,567,169	1,670,638	23,683,176
2004	63,331	23,115,870	8,354,494	14,761,376	1,956,084	25,071,954
2005	53,118	19,388,070	7,041,640	14,536,539	1,382,586	22,960,765

Note:

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

Ten Largest Water Users
For the Fiscal Year Ended September 30, 2004
(In Thousands)

	Consumption	
	In Dollar Sales	In Gallons
City of Long Beach	\$ 2,831	1,214
Long Beach Unified School District	706	270
Montenay Pacific Power Corporation	489	234
AES Southland LLC	425	318
California State University, Long Beach	319	143
L.A. County Community Development	256	93
Generation LLC, Long Beach	236	111
Veterans Affairs Medical Center	212	99
Memorial Medical Center	211	96
L.A. Department of Water and Power	206	93
Total	\$ 5,891	2,671

Other Water Utility Miscellaneous Statistics:

Number of water services	94,860
Number of fire hydrants	6,501
Water mains	907 miles

Source: City of Long Beach, Water Department.

City of Long Beach
Miscellaneous Statistics
Public Works Department
Airport
Last Ten Fiscal Years

Fiscal Year-end (1)	Commercial Passengers		Air Cargo (Pounds) (000's)		Number of Aircraft Landings & Take Offs				Fuel Flowage (Gallons) (000's)
	Enplaned	Deplaned	Enplaned	Deplaned	Air	Air	General	Military	
					Carrier	Taxi	Aviation		
1996	291,559	288,770	49,524	24,241	9,908	6,053	597,873	2,268	14,794
1997	274,029	268,283	44,551	21,485	9,035	4,678	433,958	1,596	14,555
1998	303,979	308,303	50,457	26,858	9,727	6,278	433,826	1,279	16,366
1999	461,411	451,064	55,486	34,066	15,518	6,535	480,538	2,033	20,163
2000 (2)	318,580	340,875	62,539	37,405	12,623	5,416	392,130	1,385	19,768
2001	280,528	277,590	67,705	46,571	9,913	6,400	344,937	764	17,104
2002 (3)	515,634	503,360	64,858	47,477	11,973	8,906	328,952	83	24,701
2003 (4)	1,386,078	1,371,173	66,498	48,805	27,702	7,501	303,238	929	42,929
2004 (5)	1,479,623	1,462,348	65,035	48,384	28,478	7,458	307,232	825	45,313
2005	1,520,918	1,506,953	65,328	43,142	28,613	6,718	308,402	644	43,652

Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. The amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Commercial passenger count decreased due to cessation of service by Winair Airlines. General Aviation take offs and landings reflect modification of FAA Air Traffic Control Tower counting methodology which no longer includes aircraft transiting Long Beach Airport airspace.
- (3) In fiscal year 2002 the total number of daily flights for JetBlue, American, and America West airlines increased from eleven to thirty-two.
- (4) In fiscal year 2003, the total number of daily flights for JetBlue, American and America West Airlines increased from thirty-two to thirty-five. Horizon started operations in October 2002 with three commuter flights.
- (5) In fiscal year 2004, all 41 air carrier slots were used: 36 flights from four commercial airlines - JetBlue, American, America West and Alaska; and 5 slots from cargo carriers - Airborne Express, Federal Express, and UPS.

Source: City of Long Beach, Public Works Department, Airport Bureau.

City of Long Beach

Miscellaneous Statistics
Last Ten Fiscal Years

Fiscal Year-end (2)	Trees Trimmed Number of Trees	Refuse Collected Tons Collected	Curbs & Keys Swept Miles	Southeast Resource Recovery Facility (SERRF)	
				Tons of Refuse Received	Power Produced In Megawatt- Hours (1)
1996	21,500	251,907	207,406	589,042	322,756
1997	18,274	203,803	173,518	489,581	264,040
1998	23,169	209,262	190,018	464,324	258,735
1999	22,891	204,902	198,041	494,275	259,552
2000	23,427	211,051	189,953	480,515	267,580
2001	21,499	218,570	196,295	494,464	264,143
2002	21,807	224,776	195,778	504,626	272,239
2003	19,758	233,787	176,112	495,542	265,079
2004	14,908	224,331	164,253	490,196	267,888
2005	25,629	225,467	157,976	463,956	237,518

Notes:

(1) Megawatt-hours sold to Southern California Edison included in the total power produced is as follows

<u>Fiscal Year (2)</u>	<u>Megawatt-Hours</u>
1996	280,832
1997	230,681
1998	225,985
1999	226,699
2000	233,714
2001	230,712
2002	236,730
2003	230,619
2004	233,062
2005	206,640

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

Source: City of Long Beach, Public Works and Long Beach Energy Departments

City of Long Beach
Miscellaneous Statistics
Harbor Department
Last Ten Fiscal Years

<u>Fiscal Year-end (1)</u>	<u>Container Movements (2)</u>	<u>Cargo (3)</u>	<u>Number of Ship Calls</u>
1996	3,769,935	97,710	5,834
1997	3,386,118	103,940	4,726
1998	3,972,378	107,959	4,673
1999	4,301,770	117,449	5,028
2000	4,564,529	126,785	5,428
2001	4,491,690	124,078	5,501
2002	4,694,432	125,620	5,036
2003	4,388,815	118,236	4,937
2004	5,355,972	138,023	4,997
2005	6,644,080	158,136	5,301

Notes:

- (1) Effective July 1, 1995 the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Twenty-foot equivalent units (TEU)
- (3) Thousands of metric revenue tons.

Source: City of Long Beach, Harbor Department.

City of Long Beach
Summary of Major Employers
September 30, 2005

Employer	Number of Employees
Boeing	9,175
Long Beach Unified School District	9,050
City of Long Beach	6,153
Pacific Maritime Association	5,120
Long Beach Memorial Medical Center	4,675
California State University, Long Beach	4,050
Veterans Affairs Medical Center	2,345
Long Beach City College	1,810
St. Mary Medical Center	1,765
United States Postal Service	980
Ralphs	885
Pacific Hospital of Long Beach	800
CSLB Foundation	710
Long Beach Transit	695
Target Stores	670
Sams Club	670
The UPS Companies	635
First Medical Staffing	630
Gulfstream Aerospace Corporation	600
Edge Management West	595
Queen Mary Seaport	580
Hertsons	540
Cambrian Homecare	535
Progressive Staff	530
Epson America Inc	530

Source: City of Long Beach, Department of Community Development, Long Beach Major Employer Directory-current listing. City of Long Beach Employees as of September 30, 2005 for permanent and part-time employees.

City of Long Beach
Other Miscellaneous Statistics
September 30, 2005

Date of incorporation	December 13, 1897	
Form of government	Mayor/Council-Manager	
Area	50 square miles	
Streets	815 miles	
Number of street lights	31,582	
Storm drain lines	180 miles	
	Fiscal Year	Fiscal Year
	2005	2004
Fire Protection (adopted budget):		
Number of firefighters and officers	458	473
Other non-safety personnel	82	81
Total Fire Personnel	<u>540</u>	<u>554</u>
Number of stations	23	23
Police Protection (adopted budget):		
Number of police officers and other sworn personnel	975	968
Civilian personnel	485	530
Total Police Personnel	<u>1,460</u>	<u>1,498</u>
Number of stations	1	1
Number of substations (full facility)	2	2
Number of storefronts	4	4
Education (Elementary and Secondary):	<u>2005</u>	<u>2004</u>
Attendance Centers	91	91
Number of teachers	4,430	4,466
Number of students	96,319	97,560
Sewers:		
Sanitary sewers		712 miles
Manholes		16,041
Sanitary sewer pump stations		28
Storm drain pump stations		23
Recreation and culture:		
Number of parks (acres includes golf courses)		108 with 2,817 acres
Number of libraries		12
Number of library holdings (books, videos, tapes)		998,330
Number of library circulations		1,467,069
Employees:		
Permanent, classified service		3,915
Permanent, unclassified service		805
Part-time, temporary and seasonal		<u>1,433</u>
Total Employees		<u>6,153</u>

City of Long Beach
 Schedule of Insurance in Force
 September 30, 2005

LIABILITY¹

<u>Program</u>	<u>Expiration</u>	<u>Company/Policy Number</u>	<u>Kind of Insurance</u>	<u>Amount/limits by carrier</u>	<u>Limit by program</u>
Excess Municipal Liability	07-01-06	Insurance Company of the State of Pennsylvania/ 4205-3012	Third party liability; public officials errors and omissions; unfair employment practices	\$10,000,000 excess of \$3,000,000 self-insured retention	\$20 million over a \$3 million self-insured retention
	07-01-06	Lexington Insurance/ 164-4603	Third party liability; public officials errors and omissions, unfair employment practices	\$10,000,000 excess of \$10,000,000	
Airport Liability	06-30-06	1. Old Republic Insurance ORPR0002309-02 2. Lloyds of London JDDNX0980702	General liability, products liability, hangarkeepers legal liability	\$100,000,000 limit per occurrence with no deductible subject to various sublimits for personal injury, malpractice, excess auto, and excess employers liability including extended coverages and TRIA	
Aircraft Liability	06-30-06	Old Republic Insurance/ ORHL000708-02	Aircraft Liability and Hull insurance for two police Eurocopters	Liability Limit of \$50,000,000 Single Limit including Passengers and Property Damage with no Deductible; Hull Limit of \$2,529,463 for both Eurocopters excludes War, Noise, Pollution with deductible of \$1,000 – Rotors Not In Motion and \$126,473 – Rotors In Motion.	

1 Liability coverage for the SERRF Authority is purchased by the operator, Montenay Pacific Power Corporation.

City of Long Beach
Infrastructure Maintenance and Improvements
September 30, 2005

Public Works Department						
Fiscal Year-end (1)	City Streets Resurfaced and Striped (In Miles)	Red Curbs Repainted (In Linear Feet)	Traffic Signs Replaced	Burned-Out Street Lights Replaced	Sidewalk Repaired (In Square Feet)	Graffiti Removed (Number of Sites)
1996	80	780,000	5,460	7,220	67,650	34,222
1997	90	399,945	3,697	6,001	56,835	23,242
1998	69	150,025	3,514	3,997	52,862	21,806
1999	73	117,000	3,610	2,038	53,000	19,207
2000	67	171,061	5,549	2,395	546,000	29,431
2001	11	147,840	3,743	2,482	480,558	39,998
2002	81	128,000	4,949	4,379	540,615	59,708
2003	52	66,000	3,569	7,774	372,104	60,137
2004	53	79,200	3,813	8,367	426,559	34,852
2005	30	32,000	8,593	6,540	379,070	42,767

Water Department							
Fiscal Year-end (1)	Cast Iron Water Mains Replaced (In Feet)	Fire Hydrants Repaired	Water Meters Repaired	Sewer Mains & Laterals Repaired (3)	Sewer Mains Cleaned (In Miles)	Sewer Manholes Chemically Treated.	Storm Drain Catch Basins Cleaned (2)
1996	58,946	1,111	17,351	26,283	588	11,909	5,900
1997	68,148	1,165	14,238	7,186	453	10,142	4,950
1998	70,583	185	12,200	1,600	405	7,959	4,990
1999	75,244	475	18,674	2,232	318	7,184	6,436
2000	75,005	183	17,561	4,524	257	4,843	5,070
2001	61,765	358	10,713	384	291	3,501	6,865
2002	85,297	732	2,960	147	396	5,000	6,269
2003	71,000	395	2,900	97	341	3,000	8,614
2004	63,960	376	7,076	316	437	3,000	10,202
2005	50,601	342	6,889	246	338	3,000	3,911

Long Beach Energy Department			
Fiscal Year-end (1)	Gas Mains Replaced/ Relocated (In Feet)	Gas Mains Installed (In Feet)	Gas Meters Installed/ Removed/ Replaced
1996	9,728	4,754	7,749
1997	10,588	8,097	5,786
1998	8,230	6,698	7,537
1999	42,525	32,397	6,707
2000	10,932	4,892	6,707
2001	19,612	4,347	4,162
2002	28,324	10,102	5,697
2003	51,444	19,306	4,846
2004	10,388	4,450	4,716
2005	52,813	7,647	5,482

Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30, from a June 30 fiscal year end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Effective October 1, 1998, the Water Department maintains the storm drain operations.
- (3) For fiscal years 1996 through 2000, the Water Department tracked repairs by the number of feet. Beginning in fiscal year 2001, repairs are tracked according to the number of jobs.

Source: City of Long Beach

City of Long Beach
 Schedule of Insurance in Force
 September 30, 2005
 (Continued)

MISCELLANEOUS COVERAGES

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
Bonds	1. 06-30-06	1. AIG – Primary Policy #2824389	Employee dishonesty with faithful performance. Covers all officials and employees. Computer and electronic fraud coverage is included.	\$10,000,000 (\$2,500 deductible)
	2. 07-01-06	2. Hartford Deductible Buydown Policy #72BPEBT4965		
	Various	Hartford Insurance Company	Vehicle Verifier Bonds covering various employees	\$5,000 per bond
Excess Workers Compensation	07-01-06	CSAC Excess Insurance Authority/ CPEIA-05-EWC- 10	Excess workers' compensation and employer's liability over a \$5,000,000 self-insured retention REINSURED LAYER: \$145,000,000 Workers Compensation each occurrence excess of \$5,000,000 Retention.; \$25,000,000 - Terrorism	Statutory work comp; \$5,000,000 employers' liability and Jones Act coverage
Travel Accident	10-15-07	AIG Life Insurance Co./ GTP8038087	Accidental death and dismemberment coverage for officials and employees injured on business travel and for guests in City helicopters	\$500,000 per person, \$5,000,000 aggregate
Special Events				
<u>Primary layer</u>	01-01-06	Axis Surplus Ins. Co./ ELP707041-05	Liability coverage available for persons or entities seeking a special event permit from the City. The City of Long Beach is an additional insured on these policies.	\$250,000 per occurrence, \$1,000,000 general aggregate
<u>Excess layer</u>	0-01-06	General Indemnity Ins. Co./ ZXB300938B	Liability coverage available for persons or entities seeking a special event permit from the City. The City of Long Beach is an additional insured on these policies.	\$750,000 per occurrence, \$1,500,000 general aggregate

City of Long Beach
 Schedule of Insurance in Force
 September 30, 2005
 (Continued)

OTHER LIABILITY INSURANCE POLICIES

Entities purchasing under the direction of Risk Management that are directly related to the City of Long Beach are listed below.

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
Redevelopment Agency	09-29-06	Evanston Ins. Company /SLIP3000-05	General liability, errors and omissions liability, non-owned auto liability, employment practices liability	\$5,000,000 (\$10,000 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)
Long Beach K-9 Officers' Assn	09-29-06	Evanston Ins. Company /SLIP3000-05	Liability protection (dogs off-duty)	\$1,000,000 per occurrence (\$2,500 deductible)
Long Beach Housing Development Company	09-29-06	Evanston Ins. Company /SLIP3000-05	General liability, directors and officers liability, non-owned auto liability	\$5,000,000 (\$5,000 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)

The other Long Beach-based entities assisted by Risk Management include the Community Hospital of Long Beach, Rancho Los Cerritos Foundation, Partners of Parks, Long Beach Museum of Art Foundation, Long Beach Opera Association, Long Beach Public Library Foundation, Friends of the Long Beach Public Library Foundation, Aquarium of the Pacific, RMS Foundation (Queen Mary), and the Spring Street Corridor JPA.

City of Long Beach
Schedule of Insurance in Force
September 30, 2005
(Continued)

PROPERTY

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount by carrier</u>	<u>Limit by program</u>
General Property					
Primary Layer	07-01-06	Lexington Ins. Co./ RKS105900602	All Risk Property	\$10,000,000	
Excess Layer A: 50% of \$240 million xs \$10 million	07-01-06	RKH – Great Lakes/ RKS105900602A	All Risk Property	\$60,000,000	\$1 billion of All Risk property coverage for the full replacement value of City-owned property, including the Queen Mary properties
	07-01-06	RKH – Lloyds of London/ RKS105900602C	All Risk Property	\$60,000,000	
Excess Layer B: 50% of \$90 million xs \$10 million	07-01-06	Commonwealth/ US5736	All Risk Property	\$18,000,000	
	07-01-06	AXIS Speciality/ TBD	All Risk Property	\$10,800,000	
	07-01-06	Essex Ins. Co./ EPEP10048	All Risk Property	\$9,000,000	
Excess Layer C: 50% of \$150 million xs \$100 million	07-01-06	ARCH Ins./ ESP000834600	All Risk Property	\$7,200,000	
	07-01-06	Commonwealth/ US5737	All Risk Property	\$37,500,000	
Excess Layer D: \$250 million xs \$250 million	07-01-06	AXIS Speciality/ TBD	All Risk Property	\$37,500,000	
	07-01-06	RKH – Lloyds of London/ RKS105900602C	All Risk Property	\$250,000,000	
Excess Layer E: \$500 million xs \$5050 million	07-01-06	Ins. Co. of the West/ CHO187181102	All Risk Property	\$500,000,000	
Boiler and Machinery					
	07-01-06	Lexington Ins. Co./ RKS105900602	Property damage and business interruption	\$10,000,000	\$100 million of coverage for the full replacement value of property damage and business interruption on City-owned properties, except SERRF (various deductibles ranging from \$2,500 to \$375,000 based on size and power)
Excess Layer A: 50% of \$90 million	07-01-06	CNA/ BM1098667553	Property damage and business interruption	\$45,000,000	
Excess Layer B: 50% of \$90 million	07-01-06	Great Lakes/ RKS105900602A	Property damage and business interruption	\$22,500,000	
	07-01-06	Lloyds of London / RKS105900602C	Property damage and business interruption	\$22,500,000	

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THE CITY OF LONG BEACH HARBOR DEPARTMENT LONG BEACH CALIFORNIA

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For the Fiscal Year Ended
September 30, 2005

The Harbor Department of The City of Long Beach, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2005

Richard D. Steinke
Executive Director

Michael J. Slavin
Chief Financial Officer

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The Harbor Department of the City of Long Beach
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2005

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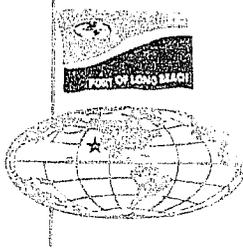
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INTRODUCTORY SECTION

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The Port of Long Beach

P.O. BOX 570 • LONG BEACH, CA 90801-570 • TELEPHONE (562) 437-0041 • FAX (562) 901-1725 •
WWW.POLB.COM

January 31, 2006

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 generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards 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, 2005. 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 jointly audited by KPMG, a firm of licensed certified public accountants and by the Office of the City Auditor of the City of Long Beach. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended September 30, 2005, 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 unqualified opinion that the Department's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this CAFR.

GAAP requires that management provides 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. 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; 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. Its transactions are recorded on a flow of economic resources measurement using the accrual basis of accounting. This method provides for the recognition of revenues when they are earned, and expenses when they are incurred. All the assets and liabilities associated with the Department's operations are included in the Statement of Net Assets. Net assets are segregated into invested in capital assets net of related debt, restricted for capital projects, restricted for debt service, and unrestricted. The City, through other 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

The Departments operating revenue for fiscal year 2005 was \$329 million; an unprecedented yearly increase of \$48.4 million (17.2%). Containerized cargo grew by \$43.3 million or 89.5% of the total increase. Liquid bulk revenues increased \$0.9 million or 5.3%; dry bulk facilities increased \$1.6 million or 10.3%; both increases are related to higher volumes of cargo handled by the terminals (increases of 2.5% and 4.6% respectively), other facilities increased \$1.6 million or 65.7%; the change is attributed to rental revenue received from a tenant operating in parcels previously sub-leased from the U.S. Navy rent-free. The only specialized terminals reporting a decline in its operations are the lumber terminals; they reported a decline of \$0.2 million or 14.2%.

Cargo volumes

Measured in terms of metric revenue tons (MRT's), volumes of cargo handled by the Port increased from 138 million to 158 million this year, for an increase of 14.6%.

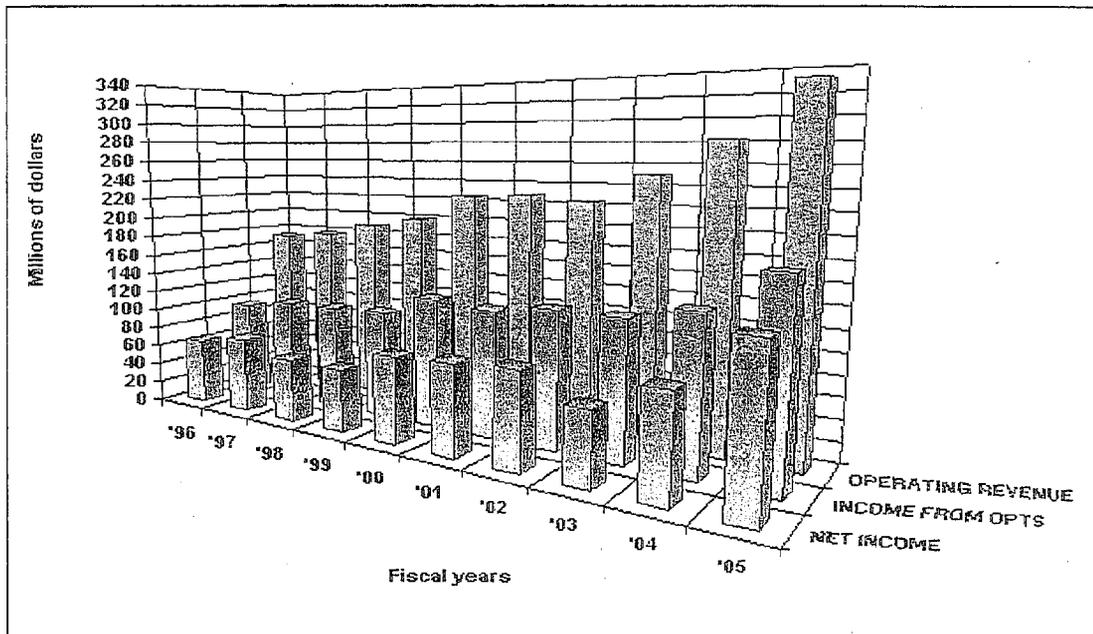
Measured in terms of Twenty Foot Equivalent Units (TEU's) (One twenty-foot container = 1 TEU) containerized cargo increased from 5.3 million to 6.6 million this year or 24%.

CARGO HIGHLIGHTS (in thousands)			
	09/30/2005	09/30/2004	% Change
Container revenue (\$'s)	256,736	213,403	20.3
Total tonnage (MRT's)	158,135	138,022	14.6
Container tonnage (MRT's)	113,952	84,932	17.6
Containers (TEU's)	6,644	5,356	24.0

Net income

Net Income is shown in the Financial Statements as increase in Fund Net Assets; during fiscal year 2005 it increased 48.3% because of higher operating revenues resulting from increases in cargo volumes combined with an across the board rate increase of 5% effective July 1st, 2005, higher crude oil prices, and higher interest rates earned on cash deposits held with the City Treasurer.

OPERATING REVENUE , INCOME FROM OPERATIONS AND NET INCOME GRAPH



Revenue increases were partially offset by a 14.7% increase in operating expenses such as environmental impact mitigation and port security expenses, a 69.3% increase in other non-operating expenses, and a 67.0% reduction in grant revenues. Depreciation expense increased 4.6%.

Operating expense, oil operations, and other income and expense

Operating expenses include facilities and infrastructure maintenance, fire and safety, indirect terminal operation, and general and administration expenses. These expenses increased \$7.9 million, or 14.7%, to \$62.2 million. The increase was caused by expenses incurred to fund environment-protection policies adopted by the Department and to fund efforts aimed to protect Port's installations. Depreciation expense for the year was \$86.7 million, an increase of \$3.8 million or 4.6% from last year. The increase is due to the addition of cargo handling facilities to Pier C, Pier G-J, and Pier T.

Borrowing costs dropped due to an interest expense decline of \$3.0 million or 5.1% afforded by lower interest rates in the current refunding of the 1993 and 1995 Harbor Revenue bonds. These transactions took place during fiscal years 2004, and 2005, respectively.

Revenue from oil operations increased \$12.5 million, or 44.3%, to \$40.8 million due to higher oil prices and increased production levels. Expenses from oil operations increased \$4.1 million, or 20.2%, to \$24.5 million because of costs incurred to add new wells and costs related to higher production volumes.

Other income includes interest earned by the Department's pooled-cash accounts held by the City and the investment income earned from the Intermodal Container Transfer Facility. Income from this facility increased \$740,216 or 26.5%, which is also a direct result of higher cargo volumes passing through the San Pedro Bay ports complex. Interest income increased \$4.5 million or 33.6% to \$18.0 million. The increase was prompted by higher returns on the cash and cash equivalent deposits and investments held by the Port and managed by the City of Long Beach Treasurer.

The City Charter provides for a transfer of 10% to the City's Tidelands Fund of the Department's net income as stated in the latest audited financial statements. This transfer is classified as an intergovernmental transfer. For fiscal year 2005 the Board of Harbor Commissioners approved a transfer in the amount of \$9.5 million, corresponding to 10% of the net income earned during fiscal year 2004.

The following tables summarize financial and cargo highlights:

FINANCIAL HIGHLIGHTS			
(in thousands)			
	09/30/2005	09/30/2004	% Change
Port operating revenue	\$ 329,208	\$ 280,782	17.25
Operating expenses	62,015	54,207	14.40
Depreciation	86,754	82,921	4.62
Income from operations	180,438	143,654	25.61
Increase in net fund assets	142,222	94,997	49.71
Harbor oil operations income (loss)	13,541	1,807	649.51
Other income (expense)	(45,793)	(43,613)	5.00
Operating transfers	(9,500)	(6,851)	38.67

Annual Budget

The following table shows revenues, expenditures, and employee headcount budgetary performance for fiscal year 2005.

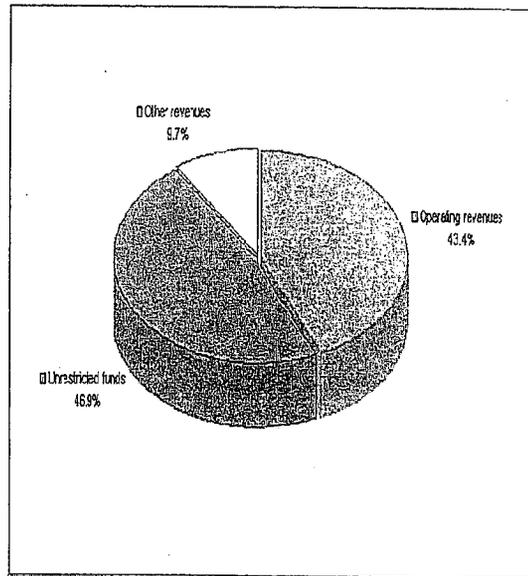
	In thousands		% of budget
	Actual	Budget	
Operating revenues	\$ 329,208	\$ 275,400	119.5
Non-operating revenues	23,708	38,871	61.0
Oil operation revenues	40,845	22,350	182.8
Total Revenues	\$ 393,761	\$ 336,621	117.0
Expenditures:			
Personal Services (benefits included)	\$ 24,644	\$ 28,178	87.5
Non-personal	54,142	44,794	120.9
Debt Service	91,945	95,721	96.1
Capital Outlay	73,139	260,732	28.1
Oil Operations	24,476	21,360	114.6
Total Expenditures	\$ 268,346	\$ 450,785	59.5
Employee headcount:			
Regular	315.8	354.0	89.2
Part-time/temporary	21.8	23.2	94.0
Total Employees	337.6	377.2	89.5

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

The budget, when in effect, constitutes an appropriation covering expected revenues and expenditures of the Department.

Actual operating revenues exceeded budgeted revenues because of a substantial increase in cargo volumes generated by strong imports and because of the effect of a 5% tariff increase effective July 1, 2005. Other factors contributing to this increase are the availability of improved facilities; most of the container cargo terminals at the Port are capable of accommodating vessels carrying 8,000 or more TEU's; convenient state-of-the-art infrastructure, paired with traffic-congestion alleviation measures adopted by the Port or its tenants to expedite the cargo processed at the Port's terminals.



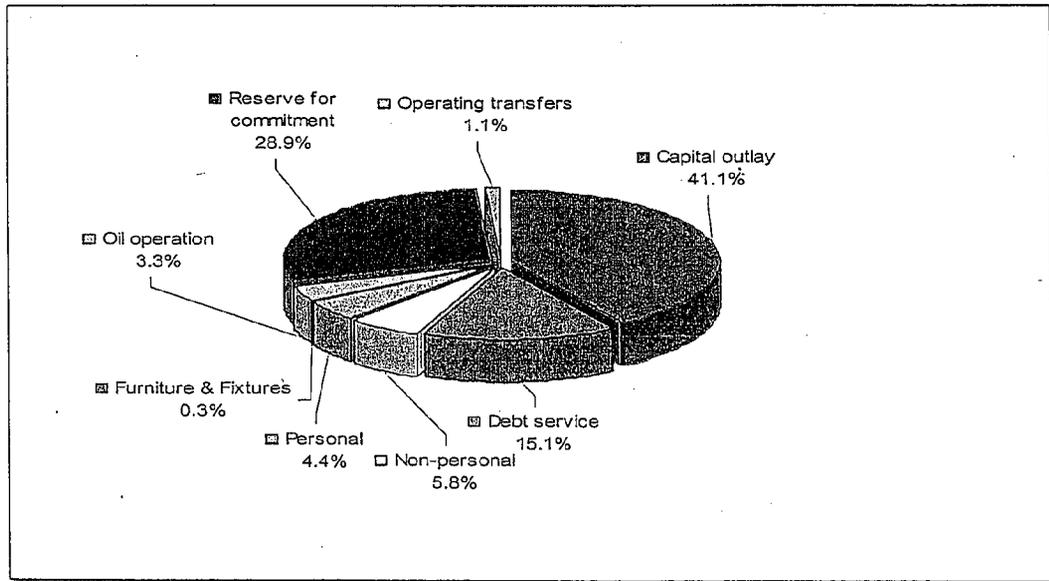
Revenue from non-operating activities were lower than budget because reimbursement from the California Department of Transportation (Caltrans) were not received as anticipated due to the State of California budgetary constraints, and because of construction delays in grant funded projects. Oil operations revenue exceeded budget by \$18.5 million because of higher oil prices and higher oil extraction from the Port's owned oil fields during the fiscal year.

Expenses budget to actual

Personal expenditures, when compared to the budget, are lower because the Port did not fill all budgeted positions. The Department is committed to fulfill its hiring goals, but specialized classifications such as civil engineers, environmental specialists, and security officers are in high demand, and are not always available in local labor market. Non-personal expenses exceeded budget because of the enhanced funding of environmental protection policies and additional costs to provide secure facilities.

Debt service expenses were under budget because of lower interest obtained during the remarketing of the 2002A & B bonds, the current refunding of the 1993 revenue bonds with the 2004 revenue refunding bonds, and the current refunding of the 1995 revenue bonds with the 2005 revenue refunding bonds.

Capital outlay was substantially lower than budget because of an overall slowing down of the expansion and improvement of current facilities. This is a result of the Port's realignment of its capital program to go along with an improved and expanded environmental protection policy.



Oil operations expense was higher because of higher extraction costs and drilling/re-drilling of oil wells. Increased oil extraction was prompted by higher crude oil prices prevailing in the oil market during the current fiscal year.

Debt Administration

The following table shows bond issuance information and long-term changes (exclusive of unamortized bond premium or discount) during the current fiscal year. Note 8 of the Financial Statements provides additional information related to the Department's long-term debt program.

In thousands, except for rates and dates of issuance						
	1995 Refunded	1998	2000	2002	2004	2005
Original Issue	\$ 343,420	\$ 206,330	\$ 275,000	\$ 300,000	\$ 113,410	\$ 257,975
Date of issue	11/01/95	02/01/98	11/01/00	06/26/02	03/10/04	03/23/05
Original coupon rate	5.4-9.0%	5.0-6.0%	5.0-6.0%	4.0%	2.5 -5.0%	5.0 -6.0%
Beginning balance	\$ 301,055	\$ 171,240	\$ 262,245	\$ 288,480	\$ 113,410	\$ 257,975
FY 05 redemptions	(301,055)	(7,485)	(6,890)	(6,805)	(5,420)	-0-
Ending balance	\$ -0-	\$ 163,755	\$ 255,355	\$ 281,675	\$ 107,990	\$ 257,975

During FY 2005, and to take advantage of favorable market conditions, the Department current refunded and defeased all of the City's Harbor Revenue Bonds Series 1995 with the 2005 Harbor Revenue Refunding Bonds. The Department has a commercial paper outstanding balance of \$60.5 million at the end of both 2005 and 2004; the weighted average interest rate for the year was 2.1% and 1.0%, respectively.

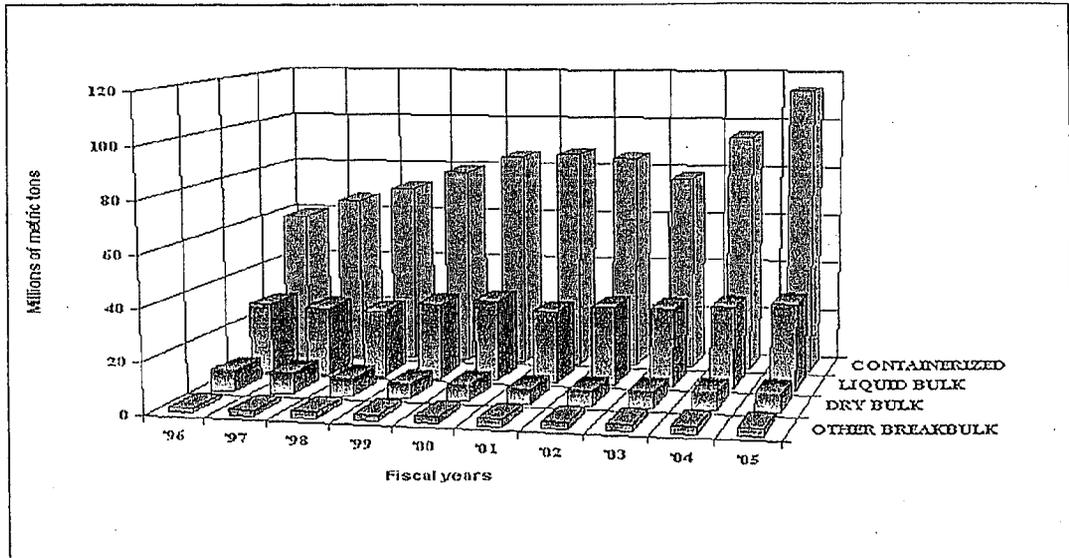
Cash Management

The City Charter requires that the Department deposits all cash received with the City Treasurer who is in charge of administering the City's cash investment program. This includes most of the restricted funds for construction projects, debt service, and reserve accounts, as well as unrestricted funds from operations. Cash investment earnings are allocated monthly to all participating City agencies based on the average daily balance of pooled funds on deposit. Earnings from specific (non-pooled) investments are accrued monthly or credited at maturity, depending on the type of investment. All investments are insured, registered, or held by the City of Long Beach or its agent in the City's name. The following table shows cash and investment balances credited to the Department at the end of the fiscal year.

	In thousands (except for rates)	
	2005	2004
Unrestricted pooled cash	\$ 294,067	\$ 304,728
Restricted funds-pooled	369,845	262,752
Restricted funds-non pooled	32,362	11,460
12-month average yield	2.7%	2.5%

Responsible growth and community outreach

The Port's revenue derived from cargo facilities increased by 91% between 1995 and 2005; cargo volumes measured in metric revenue tons grew by 52% during the same period of time.



This growth is a consequence of increased volumes of cargo from Asia driven by consumer demand of lower priced consumer goods, the continuing shift of manufacturing to the Far East, particularly China, and the expansion of direct shipping services from China to the West Coast of the United States. The Port capital program is responding to these changes, but it is now marching at a slower pace in order to provide room for environment protective measures. The Port is also determined to provide adequate, safe, and secure facilities to its tenants. This capital projects program is financed with Port's own resources, through the issuance of long-term debt, and with funds provided by federal grants.

To ensure the achievement of its environmental protection measures, the Board of Harbor Commissioners has adopted the Green Port Policy, a wide-ranging policy designed to make environmental protection a top priority at the Port of Long Beach. This policy includes five guiding principles entailing: 1) protect the local community and environment from harmful port impacts; 2) employ the best available technology to minimize port impacts and explore advance technology solutions; 3) promote sustainability in terminal design, development and operations; 4) distinguish the Port as a leader in environmental stewardship and regulatory compliance; and 5) engage and educate the community about Port development and environmental programs.

Diesel is considered a major source of air pollution in the Los Angeles basin. The Port has undertaken several initiatives to lower air pollution levels, and its tenants are joining Port sponsored programs to alleviate diesel related pollution. The Vessel Speed Reduction Program, adopted four years ago, asked vessels entering the Ports complex to lower their speeds (faster speeds produce higher emissions). Through the first half of 2005, compliance rate on this program was 67%, as an additional incentive, and aiming to reach 100% compliance, the Board of Harbor Commissioners has given its preliminary approval to the Green Flag Incentive Program to recognize individual ships and to reward fleet operators for reducing vessel speed to improve air quality. As part of its commitment to reduce emissions from vehicles owned by the Port or its tenants, the Port adopted the Diesel Emission Reduction Program which continues to provide funds for the installation of exhaust control devices such as the diesel oxidation catalysts or diesel

particulate filters in diesel-powered equipment (diesel filters cut diesel soot by 50% and nitrogen oxide by 20%).

Cold ironing is a technique that allows ships to use electric power rather than internal combustion engines while at berth. It is estimated that one third of vessel emissions occur while they are at berth. Providing an alternate electric source of power could significantly reduce harmful emissions. The Port is actively negotiating with tenants to provide assistance to retrofit vessels, provide power sources, and built the shore-side infrastructure needed to implement this program.

The Port has entered into a financial commitment to help a local railroad operator to replace its fleet of locomotives with clean diesel and alternative-fuel locomotives. With the cleaner engines and fuels, exhaust devices, and operational charges, the railroad operator will reduce nitrogen oxide by two thirds or more that 200 tons a year, and cut particulate matter by three-quarter or more than five tons a year.

Concurrently, terminal operators established a non-profit corporation known as PierPass to administer an off-hour program. This program calls for financial incentives to encourage container truck traffic to off-peak hours (night and weekends), and promotes the better utilization of on-dock rail facilities. Information provided by PierPass indicates than one-third of the container cargo moving through the San Pedro Bay ports is being trucked during nighttime and Saturday shifts and eliminated nearly 8,000 truck trips a day from freeway commuter traffic.

Port and cargo security

The Port continues its quest to procure funds to enhance safety and security around its installations. The latest round of projects that benefited from federal awards are a new fiber optic data transfer and interoperability network and fixed and mobile undersea surveillance systems. Federally funded projects currently underway enhance landside-law enforcement patrols, provide for the installation of a video surveillance system to monitor bridges and roadways, and encompass other needed infrastructure protective measures. Additionally, the Port increased the budget allocated to its Security Division; this increase will translate into more patrolling services provided by the City of Long Beach and the expansion of its own patrolling capabilities.

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 \$1,000,000,000, including \$100,000,000 for acts of terrorism. Terrorism limits of \$500,000,000 are provided through a combination of the all-risk property insurance policy and excess policies.

A comprehensive general liability insurance program is carried in the total amount of \$150,000,000 excess of \$1,000,000 self-insured retention. The excess liability policy covers the Harbor Department's operations and includes acts of terrorism within the \$150,000,000 limit. The Department also carries specialized policies providing coverage for damage to owned vessels, damage to other vessels, automobile liability.

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. At September 30, 2005, 2004 and 2003, the Department recognized litigation claim liabilities of \$2,385,000, \$3,000,000, and \$3,670,000 respectively.

	2005	2004	2003
Insurance coverage for fire and other risks	\$ 1,000,000,000	\$ 750,000,000	\$ 750,000,000
Comprehensive general liability coverage	150,000,000	100,000,000	100,000,000
Self-insured retention	1,000,000	1,000,000	1,000,000
Accrued litigation claim liabilities	\$ 2,385,000	\$ 3,000,000	\$ 3,670,000

The Department funds annual contributions to an Insurance Reserve account intended to cover uninsured losses or the payment of deductibles and self-insured minimums. During fiscal year 2005, the Board approved the addition of \$3,000,000 to the reserve. The balances of the reserve for fiscal years 2005 and 2004 are \$35,505,888 and \$31,667,638, respectively. The balances are made up of annual contributions plus interest earnings.

The Department participates in the City's self-insured workers' compensation program, and during fiscal years 2005 and 2004 made payments to the City's Insurance Fund totaling \$1,141,810 and \$1,444,550, respectively, for Department employees, both permanent and temporary. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

Port customers are required to carry commercial general liability insurance on the leased premises; the insurance must include bodily injury and property damage liabilities, and must name as additional insured the City of Long Beach acting through the Board, the Board members, individually and collectively, and the Department's officers and employees. The amount of settlements reached by the Department did not exceed the amount of insurance coverage in any of the past three fiscal years.

AWARDS AND ACKNOWLEDGEMENTS

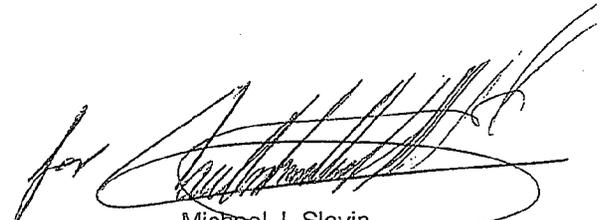
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Harbor Department of the City of Long Beach, California for its comprehensive annual financial report for the fiscal year ended September 30, 2004. This was the twenty-second 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.

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.

Respectfully submitted:

Richard D. Steinke
Executive Director



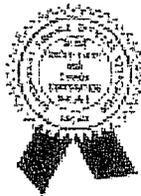
Michael J. Slavin
Chief Financial Officer

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, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employer retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

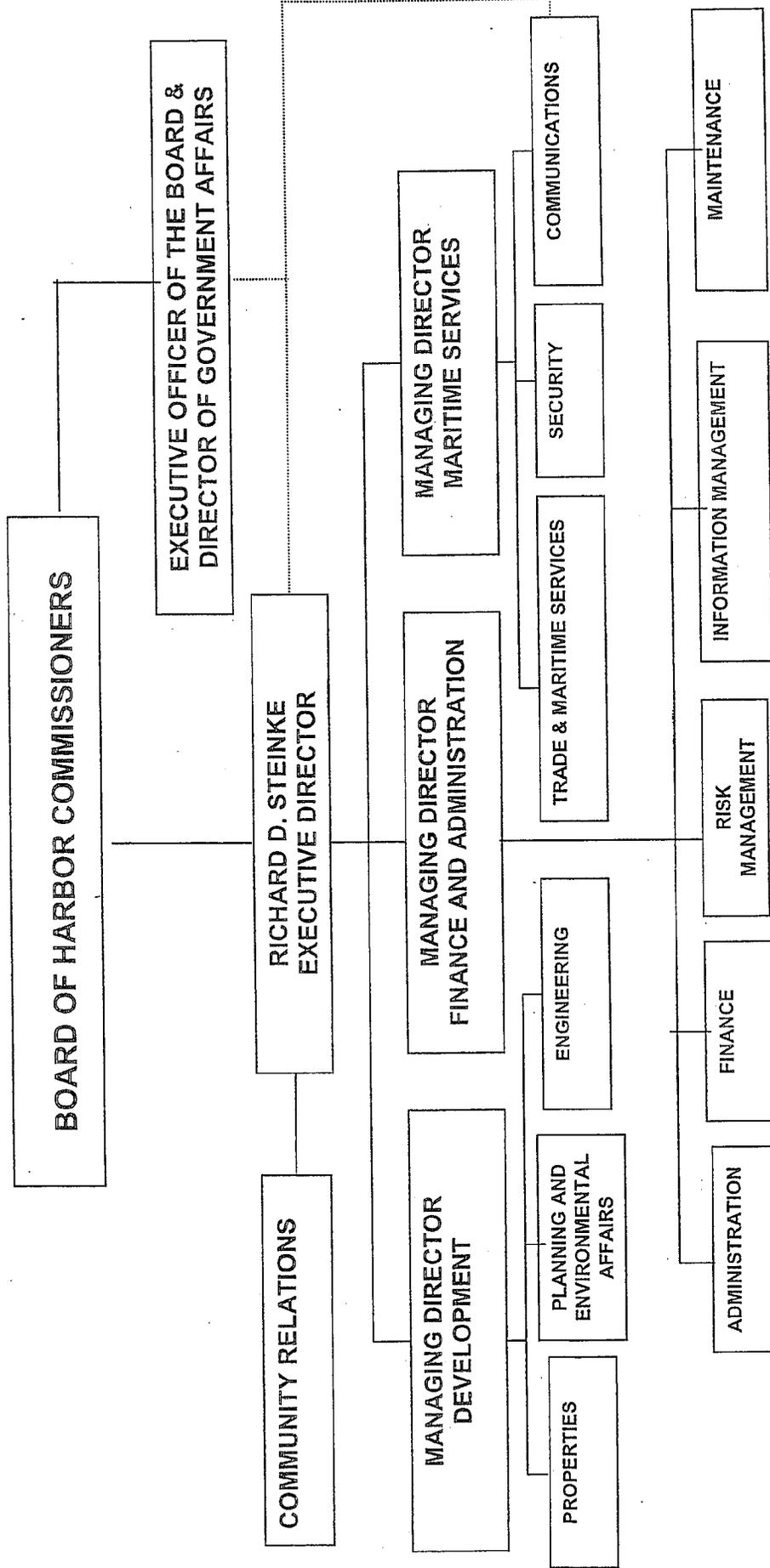
President

Jeffrey R. Evans

Executive Director

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

ORGANIZATIONAL CHART



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

BOARD OF HARBOR COMMISSIONERS

Doris Topsy-Elvord, President
James C. Hankla, Vice President
Mario Cordero, J.D., Secretary
John W. Hancock, Commissioner
Dr. Mike Walter, Commissioner

SENIOR STAFF

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Executive Director

Geraldine Knatz, Ph.D.
Managing Director
Development

Steven B. Rybin
Managing Director
Finance & Administration

Thomas N. Teofilo
Managing Director
Maritime Services

Gustav T. Hein
Executive Officer of the Board
Director of Government Affairs

Carl A. Kemp
Director of Community Relations

Toni K. Whitesell
Director of Administration

Michael J. Slavin
Chief Financial Officer

Randy Rich
Director of Maintenance

Douglas L. Albrecht
Director of Information
Management

Robert G. Kanter
Director of Planning and
Environmental Affairs

Douglas A. Thiessen
Chief Harbor Engineer

Kathryn J. Mc Dermott
Director of Properties

Cosmo A. Perrone
Director of Security

Heather C. Morris
Director of Communications

Donald B. Snyder
Director of Trade and Maritime Services

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FINANCIAL SECTION

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OFFICE OF THE
CITY AUDITOR

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

333 West Ocean Blvd.
Long Beach, CA 90802

Independent Auditors' Report

The Honorable Mayor and City Council
The Honorable Members of the Board of Harbor Commissioners
The Citizens of the City of Long Beach:

We have jointly 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, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in note 1, the financial statements present only the Harbor Department of the City of Long Beach and not purport to, and do not, present fairly the financial position of the City of Long Beach, California, as of September 30, 2005 and 2004, and the changes in its financial position or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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 as of September 30, 2005 and 2004, 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.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP



KPMG LLP
Los Angeles, California
December 16, 2005

Gary L. Burroughs, CPA
City Auditor

**The Harbor Department of the City of Long Beach
Management's Discussion and Analysis
September 30, 2005 and 2004**

As management of the Harbor Department of the City of Long Beach, California (the Department), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2005 and 2004.

Overview of the financial statements

The Department's financial statements include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Fund Net Assets, the Statement of Cash Flows, and the Notes to the Financial Statements. This overview and analysis are intended to serve as an introduction to the Department's financial statements.

Condensed financial position information

The Statement of Net Assets presents information concerning the Department's assets, liabilities, and net assets. The difference between assets and liabilities is net assets. Increases or decreases in net assets may indicate improvement or deterioration of the Department's financial condition.

The following condensed financial information provides an overview of the Department's financial position as of September 30 of 2005, 2004, and 2003.

NET ASSETS SEPTEMBER 30, 2005, 2004, AND 2003			
ASSETS	2005	2004	2003
Assets:			
Capital assets, net	\$ 2,223,194,894	\$ 2,240,011,817	\$ 2,212,718,620
Other assets	878,678,023	791,361,452	741,645,892
TOTAL ASSETS	3,101,872,917	3,031,373,269	2,954,364,512
Liabilities:			
Long-term obligations, net of current portion	1,166,883,504	1,221,787,948	1,263,229,143
Current liabilities	106,838,907	123,656,653	100,203,591
TOTAL LIABILITIES	1,273,722,411	1,345,444,601	1,363,432,734
Net assets:			
Invested in capital assets, net of related debt	1,080,335,939	1,045,167,222	1,006,492,465
Restricted	306,321,367	285,386,351	248,036,849
Unrestricted	441,493,200	355,375,095	336,402,464
TOTAL NET ASSETS	\$ 1,828,150,506	\$ 1,685,928,668	\$ 1,590,931,778

Analysis fiscal year 2005

The assets of the Department exceeded its liabilities at the close of the 2005 fiscal year by \$1,828,150,506 (*net assets*). Total net assets increased by \$142,221,838. This change consists of \$180,438,209 of operating income, \$3,535,373 of income from equity in a joint venture, \$13,540,959 of income from oil operations, and \$2,208,461 of income derived from grants received from federal and State governments; less \$57,101,426 from non-operating expenses including financing costs, and \$399,737 in losses resulting from the disposition of capital assets.

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 \$1,080,335,939 or 59% of the aggregate net assets.

**The Harbor Department of the City of Long Beach
Management's Discussion and Analysis
September 30, 2005 and 2004**

Capital assets facilitate tenants' cargo operations and the Department does not intend to liquidate such capital assets to fund ongoing port operations.

The Department holds \$306,321,367 of net assets subject to external restrictions, an increase of \$20,935,016 when compared to last year. This increase consists mainly of \$20,152,791 restricted for repayment of long-term debt. Restricted net assets are 17% of the Department's total net assets. They are presented in the Statement of Net Assets as restricted net assets.

At the end of the current fiscal year, the Department reported unrestricted net assets of \$441,493,200 an increase of \$86,118,105 when compared to last year. This increase consists of current year net income of \$142,221,838, less \$3,000,000 used to fund an insurance reserve, and additional funds provided to current refund the 1995 Harbor Revenue bonds. A set-aside fund of \$100,000,000 needed to fund environmental protection projects is an integral part of the unrestricted assets. Unrestricted net assets represent 24% of the Department's aggregate net assets, and are not subject to external restrictions. Such unrestricted net assets are available to fund the Department's continuing obligations.

Analysis fiscal year 2004

The assets of the Department exceeded its liabilities at the close of the 2004 fiscal year by \$1,685,928,668 (*net assets*). Total net assets increased by \$94,996,890. This change consists mainly of \$143,653,500 of operating income, \$2,795,157 of income from equity in a joint venture, \$1,806,653 of income from Harbor oil operation, and \$5,752,052 in grants received from federal and state governments; less \$56,121,850 from non-operating expenses including financing costs, and \$93,464 in losses resulting from the disposition of capital assets.

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 \$1,045,167,222 or 62% of the aggregate net assets. Capital assets facilitate tenants' cargo operations and the Department does not intend to liquidate such capital assets to fund ongoing port operations.

The Department holds \$285,386,351 of net assets subject to external restrictions such as the construction of capital assets, the payment of long-term debt, the fulfillment of contractual obligations with third parties, and the matching requirements of federally funded projects. Such net assets represent 17% of the Department's net assets. They are presented in the Statement of Net Assets as restricted net assets.

At the end of the 2004 fiscal year, the Department reported unrestricted net assets of \$355,375,095, an increase of \$18,972,631 when compared to the prior fiscal year. The positive change is a combination of an increase in the volume of business of approximately \$95 million offset by a transfer of \$72.6 million to a cash reserve to fund the matching requirements of federally funded projects. Unrestricted net assets represent 21% of the Department's aggregate net assets, and are not subject to external restrictions. Such unrestricted net assets are wholly available to fund the Department's continuing obligations.

Summary of operations and changes in net assets

The Statement of Revenues, Expenses, and Changes in Fund Net Assets shows how the Department's net assets changed 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, i.e.: uncollected receivables and earned, but unused, vacation leave.

**The Harbor Department of the City of Long Beach
Management's Discussion and Analysis
September 30, 2005 and 2004**

The table below summarizes the operations for fiscal years 2005, 2004, and 2003.

CHANGES IN FUND NET ASSETS			
YEARS ENDED SEPTEMBER 30, 2005, 2004, AND 2003			
	2005	2004	2003
Operating revenues:			
Berth and special facilities	\$ 314,563,390	\$ 267,455,834	\$ 237,081,753
Miscellaneous	14,644,072	13,325,847	12,459,682
Total operating revenues	329,207,462	280,781,681	249,541,435
Operating expenses:			
Facility and infrastructure	(42,905,834)	(36,632,411)	(31,613,280)
General and administrative	(19,109,527)	(17,575,004)	(12,836,768)
Depreciation and amortization	(86,753,892)	(82,920,766)	(74,433,164)
Total operating expenses	(148,769,253)	(137,128,181)	(118,883,212)
Operating income	180,438,209	143,653,500	130,658,223
Nonoperating income (expense):			
Intergovernmental	(9,499,689)	(6,850,777)	(9,057,694)
Interest expense, net of revenues	(39,483,440)	(47,094,335)	(37,441,849)
Income (loss) from oil operations	13,540,959	1,806,653	(2,586,886)
Loss on disposition of capital assets	(399,737)	(93,464)	(11,337,368)
Income from equity in joint venture	3,535,373	2,795,157	3,717,188
Other expense, net	(8,118,298)	(4,971,896)	(5,943,835)
Net non-operating expense	(40,424,832)	(54,408,662)	(62,650,444)
Income before capital grants	140,013,377	89,244,838	68,007,779
Capital grants	2,208,461	5,752,052	500,000
Change in net assets	142,221,838	94,996,890	68,507,779
Total net assets – beginning	1,685,928,668	1,590,931,778	1,522,423,999
Total net assets – ending	\$ 1,828,150,506	\$ 1,685,928,668	\$ 1,590,931,778

Analysis fiscal year 2005

Compared to the results of operations for fiscal year 2004, revenues from all berths and special facilities increased 18%; specifically containerized cargo increased 20%, liquid bulk 5%, dry bulk 10%, steel 8%, other facilities 66%, rentals 8%, and miscellaneous revenues 18%; vehicles showed no gain from last year, while lumber decreased 14%. Gross oil operations revenue increased by 44%.

In terms of volume (measured in metric revenue tons), containerized cargo increased 20%, liquid bulk 3%, steel 11%, vehicles 7%, and dry bulk 5%. Lumber declined by 5% and miscellaneous cargo declined by 10%.

Operating expenses increased due partly to the implementation of the new Green Port policy, which provided for higher environmental mitigation expenses. There was also a substantial increase in Port security related costs, and closing of capital work orders considered to be operating expenses rather than operating assets.

**The Harbor Department of the City of Long Beach
Management's Discussion and Analysis
September 30, 2005 and 2004**

Depreciation expense increased because of depreciation attributed to installations placed in service during the current fiscal year. Interest expense decreased due to lower principal balances and due to the current refunding of the 1995 Revenue Bonds. Interest income, on the other hand, increased due to higher interest rates prevailing during the year, and to the increase in the principal balances of some of the reserves.

Analysis fiscal year 2004

Compared to the results of operations for the prior year, revenues from all berths and special facilities increased 13%; specifically containerized cargo increased 16%, liquid bulk 8%, steel 16%, vehicles 5%, and lumber 13%; both dry bulk and miscellaneous revenue decreased by 12%. Other rental properties increased 9%.

Volumes of containerized cargo increased by 22%, liquid bulk 4%, steel 4%, vehicles 11%, lumber 19%, and dry bulk cargo (measured in metric revenue tons) 7%. The miscellaneous cargo category declined by 29%.

Operating expenses increased due to higher security related costs and the closing of capital work orders deemed to be operating expenses rather than operating assets. Depreciation expense increased because of additional depreciation attributed to installations placed in service during the current fiscal year. Interest expense increased because interest on the Series 2002 Harbor Revenue Bonds was expensed in 2004, but was pre-funded in 2003.

Notes to the Financial Statements

The notes to the Department's financial statements can be found on pages 29-51 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Capital Assets and Debt Administration

Capital assets

The Department's investment in capital assets, net of accumulated depreciation, as of September 30, 2005, 2004, and 2003 is as follows:

	CAPITAL ASSETS, NET		
	SEPTEMBER 30, 2005, 2004, AND 2003		
	2005	2004	2003
Non-depreciable capital assets			
Land	\$ 836,811,556	\$ 815,214,993	\$ 810,461,299
Construction in progress	130,633,396	168,177,328	218,757,623
Rights of way	207,823,264	207,823,264	207,823,264
Subtotal non-depreciable capital assets	1,175,268,216	1,191,215,585	1,237,042,186
Depreciable capital assets			
Structures and Facilities	1,044,433,538	1,045,143,882	972,464,299
Furniture, fixtures, and equipment	3,493,140	3,652,350	3,212,135
Subtotal depreciable capital assets	1,047,926,678	1,048,796,232	975,676,434
Total capital assets	\$ 2,223,194,894	\$ 2,240,011,817	\$ 2,212,718,620

**The Harbor Department of the City of Long Beach
Management's Discussion and Analysis
September 30, 2005 and 2004**

Analysis fiscal year 2005

The Department's investment in capital assets includes land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights of way. These assets experienced a decrease of 1% when compared to previous year. The decrease is due to the transfer of accumulated costs from the construction in progress account to expense and to fixed assets, net of depreciation. Additional information regarding the Department's capital assets can be found in Note 5 to the financial statements.

Analysis fiscal year 2004

The Department's investment in capital assets includes land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights of way. The total increase in the Department's investment in capital assets for the 2004 fiscal year was 1% (Note 5). The increase in land is the result of site preparation disbursements; structures and facilities increased due to the construction of additional capital assets.

Debt administration

The following table summarizes the Department's long-term debt (net of current portion) as of September 30, 2005, 2004, and 2003:

LONG-TERM DEBT			
SEPTEMBER 30, 2005, 2004, AND 2003			
	2005	2004	2003
Bond debt (net of current portion)	\$1,057,398,356	\$1,113,977,595	\$ 1,151,383,947
Commercial paper outstanding	60,150,000	60,150,000	60,150,000
Notes payable	82,667	137,559	192,451
Total long-term debt	\$1,117,631,023	\$1,174,265,154	\$ 1,211,726,398

Analysis fiscal year 2005

The Department's total long-term debt decreased \$56,634,131, or approximately 5%. The decrease was the result of the regular debt service payments and the restructuring of some of the bonds issued by the Department. The 1995 Harbor Revenue Bonds were current refunded and defeased with funds from the issuance of the 2005 Harbor Revenue Refunding Bonds.

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA, stable outlook; Moody's Investors Services: Aa3, positive outlook; and Fitch Ratings: AA, stable outlook. The ratings are the result of factors such as significant size and status as a world-class facility, prime location to capture Pacific Rim trade, links to inter-modal transportation, strong financial performance, an attainable and environmentally responsible capital program, and management's commitment to environmental protection and preservation and customer service.

The debt-service coverage ratios for the fiscal years ending 2005 and 2004 are 3.1 and 2.5, respectively. The minimum rate required by the Department's various bond indenture documents is 1.25.

Additional information on the Department's long-term debt can be found in notes 6, 7, and 8 on pages 38-43 of this report.

**The Harbor Department of the City of Long Beach
Management's Discussion and Analysis
September 30, 2005 and 2004**

Analysis fiscal year 2004

The total long-term debt of the Department decreased \$37,461,244 (approximately 3%). The decrease was the result of the regular debt service payments and the restructuring of some of the bonds issued by the Department. The 1993 Harbor Revenue Bonds were current refunded and defeased with funds from the issuance of the 2004 Harbor Revenue Refunding Bonds. The 2002 Harbor Revenue Bonds issued on June 26, 2002 were remarketed and converted into the 2002A Harbor Revenue Bonds—variable rate and the 2002B Harbor Revenue Bonds—fixed rate.

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA-, positive outlook; Moody's Investors Services: Aa3, stable outlook; and Fitch Ratings: AA, stable outlook. The ratings are the result of factors such as significant size and status as a world-class facility, prime location to capture Pacific Rim trade, links to inter-modal transportation, strong financial performance, an attainable and environmentally responsible capital program, and management's commitment to customer service.

The debt-service coverage ratios for the fiscal years ending 2004 and 2003 are 2.5 and 2.6, respectively. The minimum rate required by the Department's various bond indenture documents is 1.25.

Economic Outlook

Since 1911, when the State of California granted the Long Beach tidelands area to the City of Long Beach for port operations, the Port of Long Beach has been a successful landlord port, providing the region, state and nation with seaport facilities serving as an international gateway for trade. In recent years this trade has grown exponentially. Trade is expected to double or even triple over the coming 10 to 20 years.

In 2005, vessels with 8,000-TEU (20-foot equivalent unit) capacity made more than 200 calls to the Port's terminals, facilitating the import and export of nearly 6.7 million containers – an increase of 16.1 percent from 2004. The Port's overall increases in cargo volume, supplemented by a 5 percent increase in tariff rates (effective July 1, 2005) led to significant growth in operating revenues. The Port's net income, before capital grants, increased 57 percent.

In addition to the growth in container cargo revenues, petroleum and other liquid bulk cargo revenue (the Port's second largest revenue generator) increased by 5 percent. Dry bulk revenue, consisting mainly of outbound petroleum coke and inbound cement and gypsum, increased by 10 percent. Most of the remaining revenue generators increased, including steel, vehicles, facilities, rentals and miscellaneous activities. The only revenue declines were recorded among lumber terminals.

Measured in metric revenue tons, cargo volume through the Port increased to 158 million metric revenue tons in fiscal 2005, up 15 percent from 2004. Containerized cargo terminals recorded gains of 18 percent by volume; liquid bulk volume increased 3 percent, and dry bulk volume increased 5 percent.

This expansion of trade volume provides a tremendous boost to the local, regional and national economies, and affords the Port a number of opportunities for the future. It also presents significant challenges as the Port balances its economic growth with responsible stewardship of the environment.

**The Harbor Department of the City of Long Beach
Management's Discussion and Analysis
September 30, 2005 and 2004**

The Department recovers its operating cost through leases, tariffs and other charges assessed to its tenants. No local, state or federal taxes support Port operations or activities. The Department does not fund general 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.

Trade and Commerce

Throughout its history the Port has realized the importance of providing state-of-the-art seaport facilities. As one of the world's busiest seaports, this is more important in today's operating environment than ever. Investing in modern facilities and transportation infrastructure allows for significant increases in goods movement efficiency. Increased efficiency leads to greater economic benefits for the entire region as well as a safer and cleaner Port environment.

Trade and commerce through the Port of Long Beach is expected to increase dramatically in the foreseeable future. As a landlord and land developer, the Port has the responsibility to develop and maintain much of the infrastructure within the Long Beach Harbor District. Ensuring that this infrastructure and its supporting facilities are modern and in good condition is key, not only to financial success but to meeting the needs of the community. In addition to supporting international goods movement, state-of-the-art infrastructure and transportation systems greatly reduce traffic congestion and other negative impacts on the community.

In 2005 the Port made great progress toward improving its critical infrastructure by securing \$100 million in state and federal dollars to improve the I-710 freeway and the Gerald Desmond Bridge. Other infrastructure projects now underway include:

- The Ocean Boulevard interchange project, which will reduce travel time for trucks and automobiles crossing Terminal Island, thereby improving traffic flow and reducing air pollution.
- Construction of a new automated 12-lane truck receiving gate, 8-lane delivery gate and other projects at the Pier E terminal are designed to improve traffic flow at Piers D and E.

The Port also provided funding for an Environmental Impact Study that will examine a proposed overhaul of the Long Beach (I-710) Freeway. The study will examine design alternatives and evaluate the benefits and impacts of widening the freeway.

To accommodate the increase in trade volume that is 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.

Environmental Protection

In 2005 the Port established itself as a world leader in sustainable industrial development by adopting our industry-leading Green Port Policy and dedicating an initial \$100 million to environmental initiatives for the next five years. The \$100 million will be used to develop environmentally-driven infrastructure improvements, such as dockside electrical power at Port terminals that will substantially reduce emissions from vessels calling at the Port.

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In other environmental programs, the Port has:

- Successfully implemented (together with the Port of Los Angeles, terminal operators and private businesses in the trucking industry), the innovative PierPass program, which extends gate hours on terminals to cut truck traffic on local streets and freeways during peak traffic times.
- Started the Green Flag Incentive program, which will use up to \$2.2 million in incentives every year to increase compliance with a voluntary speed reduction program, which reduces harmful emissions in the Port region. Entered a clean-diesel locomotive replacement agreement with Pacific Harbor Line.
- Invested with the Port of Los Angeles in the development of a Virtual Container Yard that will reduce empty container movements to and from the San Pedro Bay.
- Established language and methods for developing and enforcing environmental lease provisions for our tenants.
- Helped finance the remaining restoration and long-term maintenance of the Bolsa Chica Wetlands.

Security

The Port of Long Beach is dedicated to being the safest, most secure Port in the world. To assist in that effort the Port actively sought and was awarded nearly \$13 million in Federal grants in 2005 to enhance communications systems and security technology. The Port was also recently selected to participate in the American Association of Port Authorities Security Management System program.

The Port is currently establishing an Emergency Management system for the entire Port complex as well as enhancing its business continuity plan to ensure that key Port operations can continue efficiently in the event of an emergency. The Port is continually seeking funding from Federal and other sources to support these efforts, and has increased its own security budget to finance increased security technology and officer training. In addition, the Port works closely with the Long Beach Police Department, US Customs and the U.S. Coast Guard to safeguard the Harbor District.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for people or entities interested in this area. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 925 Harbor Plaza, P.O. Box 570, Long Beach, CA, 90801.

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**The Harbor Department of the City of Long Beach
Statements of Net Assets
September 30, 2005 and 2004**

Assets	2005	2004
Current assets:		
Pooled cash and cash equivalents (Note 2)	\$ 394,398,772	\$ 304,728,427
Accounts receivable – trade	41,935,066	42,822,187
Interest receivable	613,360	199,926
Due from other governmental agencies (Note 3)	2,458,101	24,985,655
Inventories of supplies	1,007,420	843,916
Sub-total	440,412,719	373,580,111
Harbor Revenue Bond Funds and other funds restricted as to use (Notes 2 and 7):		
Pooled cash and cash equivalents (Note 11)	269,513,984	262,751,576
Other investments	32,362,080	11,459,920
Sub-total restricted current assets	301,876,064	274,211,496
Total current assets	742,288,783	647,791,607
Capital assets (Notes 1 and 9):		
Land:		
Purchased	439,492,674	439,492,674
Constructed, net of allowance for subsidence	397,318,882	375,722,319
Net land	836,811,556	815,214,993
Structures and facilities	1,767,711,746	1,691,654,582
Less accumulated depreciation	(723,278,208)	(646,510,700)
Net structures and facilities	1,044,433,538	1,045,143,882
Furniture, fixtures and equipment	15,189,557	15,386,827
Less accumulated depreciation	(11,696,417)	(11,734,477)
Net furniture, fixtures and equipment	3,493,140	3,652,350
Construction in progress	130,633,396	168,177,328
Right of way (Note 4)	207,823,264	207,823,264
Net capital assets	2,223,194,894	2,240,011,817
Other assets:		
Long-term receivables (Note 3)	25,670,000	25,670,000
Oil facilities (net of accumulated depletion of \$68,528,520 and \$66,399,876 respectively)	12,607,334	14,735,978
Environmental mitigation costs (Note 13)	32,878,068	32,878,068
Investments in joint venture (Note 10)	5,986,131	4,943,358
Assets constructed for others (Note 1)	31,552,481	30,522,794
Other non-current assets	27,695,226	34,819,647
Total other assets	136,389,240	143,569,845
Total non-current assets	2,359,584,134	2,383,581,662
Total assets	\$ 3,101,872,917	\$ 3,031,373,269

(Continued)

**The Harbor Department of the City of Long Beach
Statements of Net Assets
September 30, 2005 and 2004**

Liabilities and Net Assets	2005	2004
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	\$ 25,161,621	\$ 20,423,585
Due to City of Long Beach (Note 12)	9,499,689	6,850,777
Notes payable (Note 6)	54,892	54,892
Deferred credits and unearned revenue	17,082,670	38,119,199
Total current liabilities payable from current assets	51,798,872	65,448,453
Current liabilities payable from restricted assets:		
Current portion of bonded indebtedness (Note 7)	34,935,000	37,259,999
Accrued interest – bonds	20,105,035	20,948,201
Total current liabilities payable from restricted assets	55,040,035	58,208,200
Total current liabilities	106,838,907	123,656,653
Long-term obligations net of current portion:		
Bonded indebtedness (Note 7)	1,057,398,356	1,113,977,595
Commercial paper outstanding (Note 5)	60,150,000	60,150,000
Notes payable (Note 6)	82,667	137,559
Deferred liability (Note 1)	31,552,481	30,522,794
Oil well abandonment (Note 11)	17,700,000	17,000,000
Total long-term obligations	1,166,883,504	1,221,787,948
Total liabilities	1,273,722,411	1,345,444,601
Commitments and contingencies (Notes 5, 8, and 11)		
Net assets:		
Invested in capital assets, net of related debt	1,080,335,939	1,045,167,222
Restricted-Non-related party debt service contingency and matching contribution for future federally funded projects (Note 11)	153,416,559	147,293,788
Restricted-Capital projects	47,428,818	52,769,364
Restricted-Debt service	105,475,990	85,323,199
Unrestricted	441,493,200	355,375,095
Total net assets	\$ 1,828,150,506	\$ 1,685,928,668

See accompanying notes to the financial statements.

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The Harbor Department of the City of Long Beach
Statements of Revenues, Expenses, and Changes in Fund Net Assets
September 30, 2005 and 2004

	2005	2004
Port operating revenues (Note 9):		
Berths and special facilities	\$ 314,563,390	\$ 267,455,834
Rental properties	10,925,736	10,163,733
Miscellaneous	3,718,336	3,162,114
Total Port operating revenues	<u>329,207,462</u>	<u>280,781,681</u>
Port operating expenses:		
Facility maintenance	5,801,371	7,139,132
Infrastructure maintenance	16,738,699	11,024,764
Fire and safety	14,210,253	12,928,027
Other indirect	6,155,509	5,540,488
General and administrative	19,109,527	17,575,004
Port operating expenses before depreciation and amortization	<u>62,015,361</u>	<u>54,207,415</u>
Depreciation and amortization	<u>86,753,892</u>	<u>82,920,766</u>
Total Port operating expenses	<u>148,769,253</u>	<u>137,128,181</u>
Operating Income	<u>180,438,209</u>	<u>143,653,500</u>
Non-operating income (expense):		
Intergovernmental (Note 12)	(9,499,689)	(6,850,777)
Interest income	17,964,410	13,450,318
Interest expense	(57,447,850)	(60,544,653)
Income from Harbor oil operations	13,540,959	1,806,653
Loss on disposition of capital assets	(399,737)	(93,464)
Income from equity in joint ventures (Note 10)	3,535,373	2,795,157
Other revenue (expense), net	(8,118,298)	(4,971,896)
Net non-operating expense	<u>(40,424,832)</u>	<u>(54,408,662)</u>
Income before capital grants	140,013,377	89,244,838
Capital grants	<u>2,208,461</u>	<u>5,752,052</u>
Increase in net assets	142,221,838	94,996,890
Total net assets, October 1	<u>1,685,928,668</u>	<u>1,590,931,778</u>
Total net assets, September 30	<u>\$ 1,828,150,506</u>	<u>\$ 1,685,928,668</u>

See accompanying notes to the financial statements.

The Harbor Department of the City of Long Beach
Statements of Cash Flows
September 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Cash received from customers	\$ 322,771,573	\$ 280,074,042
Cash paid to employees net of capitalized labor of \$4,540,977 and \$4,408,328 in 2005 and 2004	(24,095,868)	(21,630,946)
Cash paid to suppliers	(28,848,619)	(28,665,515)
Net cash provided by operating activities	<u>269,827,085</u>	<u>229,777,581</u>
Cash flows from non-capital financing activities:		
Intergovernmental transfers	(6,850,777)	(9,057,694)
Net cash used in non-capital financing activities	<u>(6,850,777)</u>	<u>(9,057,694)</u>
Cash flows from capital and related financing activities:		
Proceeds from the sales of capital assets	42,388	12,917,685
Payments for capital acquisitions	(82,228,647)	(116,684,924)
Capital grants	1,925,423	7,116,198
Bond debt issuance	277,682,985	410,472,144
Principal repayment-bonds	(327,655,000)	(442,620,000)
Establishment of 2005 Bond reserve	(20,855,469)	-0-
Interest paid	(47,481,615)	(51,259,856)
Principal payment-notes	(54,892)	(54,892)
Net cash used in capital and related financing activities	<u>(198,624,826)</u>	<u>(180,113,645)</u>
Cash flows from investing activities:		
Interest received, including capitalized interest	18,193,282	13,899,318
Return on investment in joint venture	2,500,000	3,500,000
Harbor oil operations providing cash	11,387,989	7,505,623
Net cash provided by investing activities	<u>32,081,271</u>	<u>24,904,941</u>
Net increase (decrease) in cash and cash equivalents	96,432,753	65,511,183
Cash and cash equivalents, October 1,	<u>567,480,003</u>	<u>501,968,820</u>
Cash and cash equivalents, September 30,	<u>\$ 663,912,756</u>	<u>\$ 567,480,003</u>

Continued

The Harbor Department of the City of Long Beach
 Statements of Cash Flows
 September 30, 2005 and 2004

	2005	2004
Reconciliation of operating income to		
Net cash provided by operating activities:		
Operating income	\$ 180,438,209	\$ 143,653,500
Adjustments to reconcile operating income to		
Net cash provided by operating activities:		
Depreciation and amortization	86,753,892	82,920,766
(Increase) decrease in receivables	(2,938,081)	1,970,079
Decrease (increase) in inventory	(142,419)	41,777
Decrease (increase) in other current assets	(72,129)	843,769
Decrease in deferred charges	2,891,301	-0-
(Decrease) increase in vouchers payable	(767,796)	595,122
Increase in accounts payable	5,196,690	69,645
Increase in wages payable	2,722,696	-0-
(Decrease) increase in accrued claims and judgments	885,000	(170,000)
(Decrease) in deferred revenue	(8,272,098)	(131,767)
(Decrease) increase in customer deposits	275,159	(15,310)
Increase in due to other funds	2,648,912	-0-
Increase in other liabilities	207,749	-0-
Total adjustments	89,388,876	86,124,081
Net cash provided by operating activities	\$ 269,827,085	\$ 229,777,581

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The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

(1) Summary of Significant Accounting Policies

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 Department 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 Harbor Facilities Corporation (the Corporation), a non-profit public benefit corporation, has been inactive since 1995 and did not have any activity during the 2005 and 2004 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 11).

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 (the Authority). This agreement was amended and restated in 1996. The Authority was created primarily for the purpose of acquiring, constructing, financing, and operating the Alameda Corridor (the Project). The Project consists of a 20-mile-long rail cargo expressway connecting the ports in the San Pedro Bay to the transcontinental rail yards near downtown Los Angeles. The Alameda Corridor began operations in April 2003. The Authority prepares its own financial statements, and its transactions are not included as part of the Department's financial statements.

Basis of Accounting and Measurement Focus

Disbursement of funds derived from Department 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 the Department tenants. Consistent with 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 assets and changes in financial position. Operating revenues and expenses are generated and incurred through the cargo activities performed by the Port tenants; operating expenses include the maintenance of facilities and infrastructure, Harbor patrol security, and reimbursement to the Fire and Police Departments for manning fire boats, land stations, and police patrols. Administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and all FASB Statements and Interpretations, including those issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Department's financial statements include two components:

1. Management's discussion and analysis (MD&A)
2. Financial statements including:
 - Statements of net assets
 - Statements of revenues, expenses, and changes in fund net assets
 - Statements of cash flows on the direct method, and
 - Notes to the financial statements

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

New Accounting Pronouncements

Effective October 1, 2004, the Department adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposits and investment risks related to credit risks, concentration of credit risk, and interest rate risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB Statement No. 40 did not have a significant impact on the Department's financial statements but required additional footnote disclosures for the year ended September 30, 2005 (see note 2).

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 has defined cash and cash equivalents as pooled cash and investments, including restricted pooled cash and investments and short term, easily convertible to cash, non-pooled investments. Investment decisions are made by the City Treasurer and approved by an investment committee whose membership include members of the Department's management group.

Interest income and gains/losses arising from such pooled cash and investments are apportioned to each participating fund based on the relationship of the individual fund'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, 2005 and 2004, is stated at fair value (see Note 2).

Inventories

Inventories of supplies are valued at the lower of average cost or market.

Capital Assets

Capital assets are valued at historical costs. The capitalization threshold for capital assets is \$5,000. Depreciation is determined using the straight-line method with no allowance for salvage values. 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 to 75 years
Wharves and bulkheads	40 years
Transit sheds and buildings	20 years
State highway connections	10 years
Other	5 to 50 years
Furniture, fixtures, and equipment	2 to 30 years

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.

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

Pension Plan

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. For CalPERS contributions made on behalf of Department employees see Note 9.

Allowance for doubtful accounts

The allowance for doubtful accounts is maintained at an adequate level to absorb losses in the Department's accounts receivable. Management continually monitors the accounts receivable from its customers for any collection issues. The allowance for doubtful accounts is established based on reviews of specific accounts. Accounts deemed uncollectible are charged to the allowance, provisions for bad debts and recoveries on accounts previously charged-off are added to the allowance.

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 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.

Reclassifications

Certain amounts reported in fiscal year 2004 have been reclassified to conform to the fiscal year 2005 presentation. Such reclassifications had no effect on the previously reported change in net assets.

(2) Pooled Cash, Cash Equivalents and Other Investments

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 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 certificates 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 which 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.

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial 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 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's Local Agency Investment Fund.

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'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.

The table below 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.

Authorized Investment type	Maximum Maturity	Maximum % of portfolio	Maximum Investment in One Issuer
Bonds issued by the city of Long Beach	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	N/A	None	\$40 million per account
Asset-backed Securities	5 years	20 %	None
Mortgage-backed Securities	5 years	20 %	None

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

* 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.

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 of total City's pooled investments are as follows (in thousands):

Issuer	Investment type	Amount
FNMA	Federal Agency Securities	\$ 237,814,059
Federal Farm Credit Agency	Federal Agency Securities	194,998,673
FHLB	Federal Agency Securities	204,151,416
FHLMC	Federal Agency Securities	216,462,079
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	94,913,557
U.S. Treasury	U.S. Treasury notes, bond, or bills.	286,244,058
		\$ 1,234,583,842

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 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 investment risk as of September 30, 2005.

The following schedule indicates the interest rate risk of the City's investments as of September 30, 2005 (in thousands):

Investment type	Amount	Weighted average maturity (In years)
Bonds issued by the City of Long Beach	\$ 3,502,170	13.57
United States Treasury notes, bonds, or bills	286,244,058	0.84
Federal agency securities	858,472,920	1.31
Medium-term notes	95,403,829	-0-
Money market funds	33,838	-0-
Local Agency Investment Fund (LAIF)	94,913,557	0.46
TOTAL CITY POOL	\$ 1,338,570,372	
Guaranteed investment contracts	\$ 32,362,080	-0-
Money market funds	21,822,195	-0-
TOTAL HELD BY BOND TRUSTEE	\$ 54,184,275	
TOTAL CASH AND INVESTMENTS	\$ 1,392,754,647	

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

**The Harbor Department of the City of Long Beach
Notes to the Financial Statements
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Investment type	AMOUNT	RATING AS OF SEPTEMBER 30, 2005					
		Minimum rating	Not Required	Unrated	AAA	AA	A
Bonds issued by the city of Long Beach	\$ 3,502,170	N/A	100%				
U.S. Treasury notes, bonds, or bills	286,244,058	N/A	100%				
Federal Agency Securities	858,472,920	N/A			100%		
Medium-term notes	95,403,829	A			75%	5%	20%
Money Market funds	33,838	N/A	100%				
Local Agency Investment Fund	94,913,557	N/A		100%			
TOTAL CITY POOL	\$ 1,338,570,372						
Guaranteed investment contracts	\$ 32,362,080	N/A	100%				
Money market funds	21,822,195	N/A	100%				
TOTAL HELD BY BOND TRUSTEE	\$ 54,184,275						
TOTAL CASH AND INVESTMENTS	\$ 1,392,754,647						

The Department's portion of the total pooled cash and cash equivalents amount of \$642,056,000 is 48.27% of the City's pooled cash and cash equivalents.

Reverse Repurchase Agreements

The City did not engage in any transactions involving reverse repurchase agreements during the fiscal years ending September 30, 2005 and 2004.

Securities Lending

Securities lending activities are governed by formal agreement with the City's contract bank. The agreement limits the nature and amount of the transactions, and such transactions are subject to full collateralization. The City did not engage in any securities lending activities during the fiscal years ended September 30, 2005 or 2004.

(3) Other Receivables

Other receivables as of September 30, include the following:

	2005	2004
Due from other governmental agencies:		
Current:		
Reimbursements due from Caltrans	\$ -0-	\$ 1,520,901
Federal grant – Department of Transportation-MARAD	23,814	749,008
Federal grant – Department of Homeland Security	669,287	20,950,746
Redevelopment Agency – Convention Center	1,765,000	1,765,000
Total current	2,458,101	24,985,655
Long-term:		
Redevelopment Agency - Convention Center	\$ 25,670,000	\$ 25,670,000
Total due from other governmental agencies	\$ 28,128,101	\$ 50,655,655

Redevelopment Agency-Convention Center

In 1993, the Department advanced \$30,000,000 to the Long Beach Redevelopment Agency (the Agency) to fund construction costs related to the Long Beach Convention Center expansion project. Such advance was part of an amended agreement with the Agency to fund \$90,000,000 of the Long Beach Convention Center project and was to be repaid from revenue sources arising from future City transient occupancy tax revenues, payable in equal amounts over 17 years beginning October 1, 1997.

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In August 1995, the Board of Harbor Commissioners amended this agreement and agreed to subordinate the repayment of the entire receivable to a contingent City obligation related to a bond issuance to fund the construction of the Aquarium of the Pacific (the Aquarium), a not-for-profit facility in the Queensway Bay area of the City. Provided the anticipated future revenue sources from the Aquarium would not cover their bond debt service requirements, the Agency agreed to fund the remaining debt service with transient occupancy tax revenues. A subsequent amendment deferred the initial repayment to the first quarter of fiscal year 1999, with the balance of the advance to be repaid in quarterly installments over 16 years.

In a more recent development, the City and the Department amended the agreement to provide for a two-year deferral of the payments scheduled for fiscal years 2000 and 2001. As of September 30, 2001, the Agency had an unpaid liability to the Department of \$27,435,000. Under that agreement, \$1,765,000 was payable during the following fiscal year and was considered a current asset for financial statement purposes. The Agency has not made the scheduled payment for 2003, 2004, or 2005, as funds in excess of the Aquarium debt service were not sufficient. The Department continues to classify \$1,765,000 as a current asset. The remaining \$25,670,000 balance has been classified as a long-term receivable for fiscal years 2005 and 2004.

Redevelopment Agency-West Long Beach Industrial Redevelopment Project Area

In 1992, the Department and the Agency entered into an agreement whereby the Agency agreed to reimburse the Department for construction costs related to improvements in the North Harbor District (the District). The District is part of the Agency's Westside Redevelopment Area. Based on the agreement, the maximum amount reimbursable by the Agency was \$30,000,000 subject to a maximum annual reimbursement of \$2,500,000. The original agreement was amended in 1993, 1997, 1998, and 2001.

During fiscal year 2003, the Agency made a payment of \$2,648,189 and issued bonds to pay the discounted present value of the loan. The Department reclassified the asset from long-term to current assets and recognized a loss of \$1,733,028 to present the asset at its fair value as of September 30, 2003. The Agency fulfilled its obligation and paid the remaining balance on November 2003.

(4) 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, Southern Pacific Railroad Company, and Atchison, Topeka and Santa Fe Railroad Companies. 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 is comprised of 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, 2005 and 2004, total costs to the Department related to the rights-of-way purchase are \$207,823,264 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. (see Note 12). Some of the benefits derived from the project are the consolidation of the railroad services onto a single set of rail lines, the improvement of the rail transportation conditions around the Ports, the securing of efficient and competitive service to and from the Ports, and the increase in public safety along the route on which Port related traffic occurs. These benefits will extend to other governmental entities by allowing them to utilize the right-of way.

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Repayment to the Ports for their investments in the right-of-way and for any advances provided to the Project will occur after the Project has generated revenues sufficient to retire all debt and to fund a maintenance reserve. Based on current cargo forecasts, it is estimated that \$444,600,000 could be returned to the Department through the year 2037 (see Note 12).

(5) **Capital Assets**

The constructed land balances as of September 30, 2005 and 2004 are \$397,318,882 and \$375,722,319, respectively. Up to fiscal year 2004, the Department carried an allowance for subsidence in the amount of \$23,431,021 to remedy subsidence in the Harbor District. Changes in construction methods, improved oil drilling techniques, and better landscape procedures have outdated the practicality of this allowance. Management believes that this allowance no longer serves a practical purpose and has written it off against the constructed land assets.

Oil facilities are valued at historical cost plus estimated future oil well abandonment costs. Oil field depletion is determined using the estimated economic life of the oil field. Donated assets are valued at their estimated fair value on the donation date.

CAPITAL ASSETS ROLL FORWARD SCHEDULE

DESCRIPTION	BALANCE 10/01/04	ADDITIONS	DISPOSALS /TRANSFERS	BALANCE 9/30/05
Non-depreciable capital assets				
Purchased land	\$ 439,492,674	\$ -0-	\$ -0-	\$ 439,492,674
Constructed land	375,722,319	21,596,563	-0-	397,318,882
Construction in Progress	168,177,328	73,138,795	110,682,727	130,633,396
Rights of way (Note 4)	207,823,264	-0-	-0-	207,823,264
Subtotal	1,191,215,585	94,735,358	110,682,727	1,175,268,216
Depreciable capital assets				
Structures and facilities	1,691,654,582	80,353,589	4,236,425	1,767,771,746
Furniture, fixtures and eq.	15,386,827	751,076	948,346	15,189,557
Subtotal	1,707,041,409	81,104,665	5,184,771	1,782,961,303
Total capital assets	<u>\$2,898,256,994</u>	<u>\$ 175,840,023</u>	<u>\$ 115,867,498</u>	<u>\$ 2,958,229,519</u>
	BALANCE 10/01/03	ADDITIONS	DISPOSALS /TRANSFERS	BALANCE 09/30/04
Non-depreciable capital assets				
Purchased land	\$ 438,800,911	\$ 691,763	\$ -0-	\$ 439,492,674
Constructed land	371,660,389	12,599,781	8,537,851	375,722,319
Construction in progress	218,757,623	128,347,374	178,927,670	168,177,328
Rights of way (Note 4)	207,823,264	-0-	-0-	207,823,264
Subtotal	1,237,042,187	141,638,918	187,465,521	1,191,215,585
Depreciable capital assets				
Structures and facilities	1,554,534,369	156,879,212	19,758,999	1,691,654,582
Furniture, fixtures and eq.	14,331,130	1,422,698	367,001	15,386,827
Subtotal	1,568,865,499	158,301,910	20,126,000	1,707,041,409
Total capital assets	<u>\$2,805,907,686</u>	<u>\$ 299,940,828</u>	<u>\$ 207,591,521</u>	<u>\$ 2,898,256,994</u>

The Harbor Department of the City of Long Beach
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ACCUMULATED DEPRECIATION ROLL FORWARD SCHEDULE

DESCRIPTION	BALANCE 10/01/04	ADDITIONS	DISPOSALS /TRANSFERS	BALANCE 9/30/05
Structures and facilities	\$ 646,510,700	\$ 81,124,466	\$ 4,356,958	\$ 723,278,208
Furniture, fixtures and equipment	11,734,477	908,306	946,366	11,696,417
Total accumulated depreciation	<u>\$ 658,245,177</u>	<u>\$ 82,032,772</u>	<u>\$ 5,303,324</u>	<u>\$ 734,974,625</u>

DESCRIPTION	BALANCE 10/01/03	ADDITIONS	DISPOSALS /TRANSFERS	BALANCE 09/30/04
Structures and facilities	\$ 582,070,070	\$ 76,505,010	\$ 12,064,380	\$ 646,510,700
Furniture, fixtures and equipment	11,118,995	868,349	252,867	11,734,477
Total accumulated depreciation	<u>\$ 593,189,065</u>	<u>\$ 77,373,359</u>	<u>\$ 12,317,247</u>	<u>\$ 658,248,177</u>

Interest costs incurred on the construction of property, plant and equipment for which debt has been issued are capitalized, net of related interest earnings, during the period of construction.

Capitalized interest is first recorded as a non-current asset and allocated to the specific capital assets when they are completed. No capitalization of interest occurred during fiscal year 2005 or 2004. Allocations to capital projects were \$2,891,301 and \$6,791,932 for fiscal years 2005 and 2004, respectively.

CAPITALIZED INTEREST ROLL FORWARD SCHEDULE

DESCRIPTION	BALANCE 10/01/04	ADDITIONS	ALLOCATIONS	BALANCE 9/30/05
2002A & B Revenue Bonds	\$ 9,964,425	-0-	\$ 2,891,301	\$ 7,073,124

DESCRIPTION	BALANCE 10/01/03	ADDITIONS	ALLOCATIONS	BALANCE 9/30/04
2000A Revenue Bonds	\$ 4,679,527	\$ -0-	\$ 4,679,527	\$ -0-
2002A & B Revenue Bonds	12,076,830	-0-	2,112,405	9,964,425
	<u>\$ 16,756,357</u>	<u>\$ -0-</u>	<u>\$ 6,791,932</u>	<u>\$ 9,964,425</u>

Assets Constructed for Others

The Department, in agreement with the California Department of Transportation (Caltrans) and other funding agencies, engages in the construction of infrastructure assets such as roads and bridges that, when completed, and in accordance with the agreements, will be turned over to the funding agencies. The Department is reimbursed for all or a portion of the costs incurred to complete the asset.

Since the assets resulting from these agreements are not the Department's property, the reimbursed portion is classified as Assets Constructed for Others, with a matching long-term Deferred Liability. Both accounts are offset against each other when the assets are turned over to the funding agency. There is no income statement effect resulting from these transactions. The non-reimbursed portion of the cost, upon completion of the transfer process, is classified as Other Non-current Assets/Major Maintenance Projects, and they are amortized over the useful life of the assets. The Department has not transferred any assets since fiscal year 2002. This process is of a long-term nature and will continue in future years. More assets will be transferred as they are completed.

The Harbor Department of the City of Long Beach
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(6) Commercial Paper Notes

In 1994, the Board of Harbor Commissioners authorized the issuance of up to \$383,500,000 in commercial paper notes 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 secure the notes. The obligation to pay the principal portion of outstanding notes is further supported by a revolving line of credit, which is currently \$175,000,000. The notes are in bearer form in denominations of \$100,000 with integral multiples of \$50,000 in excess thereof and will mature not more than 270 days after date of issuance. The Department intends to extend the notes to periods greater than a year; accordingly, the outstanding amount has been classified as a long-term obligation. The outstanding notes as of September 30, 2005 and 2004 totaled \$60,150,000.

COMMERCIAL PAPER ROLL FORWARD SCHEDULE

DESCRIPTION	BALANCE 10/01/04	ADDITIONS	REDUCTIONS	BALANCE 9/30/05
Series A; maturity dates 10/07/05-11/08/05 Range of interest rates: 2.48% - 2.68%	\$ 60,150,000	\$ -0-	\$ -0-	\$ 60,150,000
	BALANCE 10/01/03			BALANCE 09/30/04
Series A; maturity dates 10/04/04-01/14/05 Range of interest rates: 1.09% - 1.65%	\$ 60,150,000	\$ -0-	\$ -0-	\$ 60,150,000

(7) Notes Payable

Outstanding notes payable at September 30 include the following:

	2005	2004
Notes payable	\$ 137,559	\$ 192,451
Less current portion	(54,892)	(54,892)
Long-term portion	\$ 82,667	\$ 137,559

NOTES PAYABLE ROLL FORWARD SCHEDULE

PROPERTY ACQUIRED	BALANCE 10/01/04	ADDITIONS	REDUCTIONS	BALANCE 9/30/05
W. Anaheim Street: 15 yrs, 10%	\$ 27,117	-0-	\$ 13,559	\$ 13,558
W. 9 th St.: 14 yrs., 6%	165,334	-0-	41,333	124,001
	\$ 192,451	-0-	\$ 54,892	\$ 137,559
	BALANCE 10/01/03	ADDITIONS	REDUCTIONS	BALANCE 09/30/04
W. Anaheim Street: 15 yrs, 10%	\$ 40,676	-0-	\$ 13,559	\$ 27,117
W. 9 th St.: 14 yrs., 6%	206,667	-0-	41,333	165,334
	\$ 247,343	-0-	\$ 54,892	\$ 192,451

The Harbor Department of the City of Long Beach
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(8) Bonded Indebtedness

Outstanding bonded indebtedness as of September 30 is as follows:

	2005	2004
1995 Harbor Revenue Bonds		
(Information presented for comparison purposes only; bonds were current refunded on May 15, 2005)		
maturing 2004 through 2025 at 5.4% to 8.00% interest	\$ -0-	\$ 301,055,000
Less unamortized discount	-0-	(4,345,775)
Total 1995 Harbor Revenue Bonds	-0-	296,709,225
1998 Harbor Revenue Refunding Bonds		
maturing 2004 through 2019 at 5.0% to 6.0% interest	163,755,000	171,240,000
Plus unamortized premium	2,213,994	2,376,489
Total 1998 Harbor Revenue Refunding Bonds	165,968,994	173,616,489
2000A Harbor Revenue Bonds		
maturing 2004 through 2025 at 5.0% to 5.75% interest	255,355,000	262,245,000
Plus unamortized premium	1,721,817	1,809,552
Total 2000A Harbor Revenue Bonds	257,076,817	264,054,552
2002A Harbor Revenue Bonds (Variable rate portion)		
maturing 2005 through 2027.		
Average rates: 2.15% and 1.15%, respectively	140,950,000	144,240,000
Plus unamortized premium	2,533,545	4,836,048
Total 2002A Harbor Revenue Bonds	143,483,545	149,076,048
2002B Harbor Revenue Bonds (Fixed rate portion)		
maturing 2005 through 2027 at 3.0 to 5.5% interest	140,725,000	144,240,000
Plus unamortized premium	6,711,056	4,836,049
Total 2002B Harbor Revenue Bonds	147,436,056	149,076,049
2004A & B Harbor Revenue Refunding Bonds		
maturing 2005 through 2018 at 2.5 to 5.0% interest	107,990,000	113,410,000
Plus unamortized premium	4,919,500	5,295,230
Total 2004A & B Harbor Revenue Refunding Bonds	112,909,500	118,705,230
2005A & B Harbor Revenue Refunding Bonds		
maturing 2006 through 2025 at 3.5 to 5.0% interest	257,975,000	-0-
Plus unamortized premium	7,483,444	-0-
Total 2005A & B Harbor Revenue Refunding Bonds	265,458,444	-0-
Summary:		
Principal	1,066,750,000	1,136,430,000
Net premium	25,583,356	14,807,594
Less current portion	(34,935,000)	(37,259,999)
Net long term bonded indebtedness	\$1,057,398,356	\$1,113,977,595

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HARBOR REVENUE BONDS PAYABLE ROLL FORWARD SCHEDULE					
DESCRIPTION	BALANCE 10/01/04	ADDITIONS	REDUCTIONS	BALANCE 9/30/05	AMOUNTS DUE WITHIN ONE YEAR
1995	\$ 301,055,000	\$ -0-	\$ 301,055,000	\$ -0-	\$ -0-
1998	171,240,000	-0-	7,485,000	163,755,000	7,890,000
2000 A	262,245,000	-0-	6,890,000	255,355,000	7,270,000
2002 A	144,240,000	-0-	3,290,000	140,950,000	3,470,000
2002 B	144,240,000	-0-	3,515,000	140,725,000	3,640,000
2004 A & B	113,410,000	-0-	5,420,000	107,990,000	6,465,000
2005 A & B	-0-	257,975,000	-0-	257,975,000	6,200,000
	<u>\$ 1,136,430,000</u>	<u>\$ 257,975,000</u>	<u>\$ 327,655,000</u>	<u>\$ 1,066,750,000</u>	<u>\$ 34,935,000</u>

DESCRIPTION	BALANCE 10/01/03	ADDITIONS	REDUCTIONS	BALANCE 9/30/04	AMOUNTS DUE WITHIN ONE YEAR
1993	\$ 127,470,000	\$ -0-	\$ 127,470,000	\$ -0-	\$ -0-
1995	307,860,000	-0-	6,805,000	301,055,000	8,031,250
1998	178,330,000	-0-	7,090,000	171,240,000	7,636,875
2000 A	268,780,000	-0-	6,535,000	262,245,000	7,032,500
2002 A & B	294,720,000	-0-	294,720,000	-0-	-0-
2002 A	-0-	144,240,000	-0-	144,240,000	3,357,500
2002 B	-0-	144,240,000	-0-	144,240,000	3,357,500
2004 A & B	-0-	113,410,000	-0-	113,410,000	7,844,374
	<u>\$ 1,177,160,000</u>	<u>\$ 401,890,000</u>	<u>\$ 442,620,000</u>	<u>\$ 1,136,430,000</u>	<u>\$ 37,259,999</u>

Aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year ending September 30,	Principal	Interest	Total
2006	\$ 34,935,000	\$ 57,337,711	\$ 92,272,711
2007	38,335,000	54,043,216	92,378,216
2008	40,170,000	52,290,066	92,460,066
2009	42,215,000	50,303,991	92,518,991
2010	44,410,000	48,149,141	92,559,141
2011-2015	260,605,000	202,544,757	463,149,757
2016-2020	298,705,000	124,704,469	423,409,469
2021-2025	266,575,000	53,068,982	319,643,982
2026-2027	40,800,000	3,147,600	43,947,600
	<u>\$ 1,066,750,000</u>	<u>\$ 645,589,933</u>	<u>\$ 1,712,339,933</u>

Details of each outstanding debt issue are as follows:

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 \$206,300,000, were issued to current refund all of the City's Harbor Revenue Bonds Series 1989A. The 1989 Bonds are defeased and the liability for those bonds was removed from the Department's balance sheet. No amounts remain outstanding as of September 30, 2005. Serial bonds aggregating to \$163,755,000 are outstanding and will mature on May 15 of each year from 2006 to 2019 in amounts ranging from \$7,890,000 to \$16,600,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 5% to 6%. The 1998 Bonds are not subject to optional or mandatory redemption before their respective maturity dates.

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Funds have been allocated at September 30, to the respective accounts in conformity with the bond resolution as follows:

	2005	2004
Service Account (Amount reserved to meet current debt service requirements)	\$ 6,596,363	\$ 6,598,868
Reserve Account (Amount reserved for maximum annual debt service requirements)	17,596,976	17,596,976
	<u>\$ 24,193,339</u>	<u>\$ 24,195,844</u>

The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$8,736,386. 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.

2000A Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Bonds Series 2000A (the 2000A Bonds) are secured by the Department's gross revenues. The 2000A Bonds, dated November 1, 2000, amounting to \$275,000,000 were issued to finance certain capital improvements at the Port, to fund capitalized interest on a portion of the debt issuance, to fund a reserve, and to finance the costs of issuance.

Serial bonds aggregating to \$255,355,000 will mature on May 15 of each year from 2006 to 2025 in amounts ranging from \$7,270,000 to \$20,180,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 5.25% to 5.75%. The 2000A Bonds maturing on or before May 15, 2010 will not be subject to call and redemption before maturity. Serial bonds maturing on or after May 15, 2011 are subject to call and redemption, prior to maturity, at the option of the Board of Harbor Commissioners, as a whole or in part on any date, on or after May 15, 2010 at premiums of 1%, from May 15, 2010 through May 14, 2011; at 0.5% from May 15, 2011 to May 14, 2012; and at par from May 15, 2012 and thereafter.

Funds have been allocated at September 30, to the respective accounts in conformity with the bond resolution as follows:

	2005	2004
Service Account (Amount reserved to meet current debt service requirements)	\$ 5,385,285	\$ 7,983,322
Reserve Account (Amount reserved for maximum annual debt service requirements)	21,784,826	21,785,838
	<u>\$ 27,170,111</u>	<u>\$ 29,769,160</u>

2002A Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Bonds Series 2002A (the 2002A Bonds) are secured by the Department's gross revenues. The 2002A Bonds were remarketed in the principal amount of \$144,240,000. The 2002A Bonds are dated with the original date of delivery of the original bonds: June 26, 2002.

Serial bonds aggregating to \$140,950,000 will mature on May 15 of each year from 2006 to 2027 in amounts ranging from \$3,470,000 to \$10,575,000 with interest rates re-set weekly and payable monthly in arrears. The initial variable rate was 1.15%, and the average variable rate from October 1, 2004 to September 30, 2005 was 2.15%.

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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, 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 2002A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Funds have been allocated at September 30, in conformity with the bond resolution as follows:

	2005	2004
Service Account		
(Amount reserved for maximum annual debt service requirements)	\$ 1,301,250	\$ 1,318,125

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. The 2002B Bonds are dated with the original date of delivery of the original bonds: June 26, 2002.

Serial bonds aggregating to \$102,280,000 will mature on May 15 of each year from 2006 to 2023 in amounts ranging from \$3,640,000 to \$8,460,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.00% 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, 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 of \$38,445,000 will mature on May 15, 2027. The term bonds have an interest rate of 5.20%. 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 \$8,895,000 to \$10,335,000; from 2024 to 2027, respectively, for the term bonds scheduled to mature on May 15, 2027.

Funds have been allocated at September 30, in conformity with the bond resolution as follows:

	2005	2004
Service Account		
(Amount reserved for maximum annual debt service requirements)	\$ 4,084,035	\$ 4,092,028

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 current 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 was removed from the Department's statements of net assets. No amounts remain outstanding as of September 30, 2005.

Serial bonds aggregating to \$107,990,000 are outstanding and will mature on May 15 of each year from 2006 to 2018 in amounts ranging from \$6,465,000 to \$10,825,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 2.5% to 5%. The Series 2004 Bonds maturing on or before May 15, 2014 are not subject to call and redemption prior to maturity.

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

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, 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.

Funds have been allocated at September 30, to the respective accounts in conformity with the bond resolution as follows:

	2005	2004
Service Account		
(Amount reserved to meet current debt service requirements)	\$ 4,263,422	\$ 5,381,414
Reserve Account		
(Amount reserved for maximum annual debt service requirements)	11,372,752	11,459,920
	\$ 15,636,174	\$ 16,841,334

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 financial statements as a deduction from bonds payable, is amortized using the straight-line method over the life of the bonds.

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, to pay the premium for the Bond Insurance Policies, to fund a 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, 2005. Serial bonds aggregating to \$233,005,000 are outstanding and will mature on May 15 of each year from 2006 to 2025 in amounts ranging from \$6,200,000 to \$19,785,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.5% to 5%. Serial bonds aggregating to \$24,970,000 are outstanding and will mature on May 15 of 2017 and 2018 the amounts of \$13,430,000 to \$11,540,000 with interest payable semiannually on May 15 and November 15 at 5% coupon rate.

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.

Funds have been allocated at September 30, to the respective accounts in conformity with the bond resolution as follows:

	2005	2004
Service Account		
(Amount reserved to meet current debt service requirements)	\$ 9,465,953	\$ -0-
Reserve Account		
(Amount reserved for maximum annual debt service requirements)	20,989,327	-0-
	\$ 30,455,280	\$ -0-

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$4,214,084. 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.

Debt Covenants

The Department's management believes that it has complied with all the covenants related to the outstanding debt as of September 30, 2005.

(9) Retirement Programs

The Department participates on a cost-sharing basis with the City in the California Public Employees' Retirement System (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 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 City of Long Beach, together with other California cities (the Cities), entered into negotiations with CalPERS to temporarily reduce or to eliminate retirement contributions paid on behalf of their employees. The main point of the negotiations was that CalPERS built up a cash surplus sufficient to fund a portion of future retirement contributions. The surplus consisted of contributions made by the Cities to satisfy previous years funding requirements plus the earnings accumulated on those contributions.

The result of the negotiations was that the Cities would not contribute to the CalPERS retirement plan until the existing surplus is exhausted. Based on estimates made by an actuarial consultant hired by the City, contributions to CalPERS fund would not be needed until fiscal year 2005. The Department paid \$2,676,098 to the City, which was equal to its annual required contribution for fiscal year 2005.

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% annual COLA increase) of their average salary during the highest paid year of employment for each year of credited service. Employees on tier 2 (those hired after October 20, 1989) 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% annual COLA increase) of their average salary computed considering the three highest paid years of employment for each year of credited service.

On September 2004, the basis to compute the retirement benefits was unified under tier 1 with the exception of the COLA adjustment; this will remain the same as stated in the current stipulations. The system also provides death and disability benefits.

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, 2005.

**The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004**

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 so 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 year ended September 30, 2005.

(10) 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.

Property under lease at September 30 consists of the following:

	2005	2004
Land	\$ 716,201,100	\$ 683,944,613
Docks and wharves	438,922,381	419,787,106
Warehouses and sheds	47,757,752	47,757,752
Cranes and shiploaders	183,207,838	170,926,640
Buildings and other facilities	267,065,314	261,317,055
Infrastructure	656,877,920	645,613,569
Historical cost of leased property	2,310,032,305	2,229,346,735
Less accumulated depreciation	(508,513,461)	(450,561,559)
Book value of leased property	<u>\$ 1,801,518,844</u>	<u>\$1,778,785,176</u>

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

Year ending September 30:

2006	\$ 201,848,000
2007	166,280,000
2008	162,607,000
2009	157,507,000
2010	145,821,000
2011-2015	665,585,000
2016-2020	605,643,000
2021-2025	447,742,000
2026-2029	146,661,000
Total	<u>\$ 2,699,694,000</u>

**The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004**

(11) 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 the Intermodal Container Transfer Facility Joint Powers Authority (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 Transportation Company, now merged with Union Pacific Railroad (the Tenant).

The facility has been fully developed by the Tenant who has assumed operational responsibility for the facility. The Venturers' share net income and equity distributions from ICTF equally. Audited balance sheets and statement of income and venturers' equity (in condensed format) for the years ended June 30, 2005 and 2004 are as follows:

Condensed Balance Sheets

	2005	2004
Current assets	\$ 8,942,282	\$ 6,740,585
Property and equipment	3,383,220	3,491,250
Total assets	<u>12,325,502</u>	<u>10,231,835</u>
Current liabilities	8,121	-0-
Venturers' equity:		
Harbor Department of the City of Los Angeles	6,331,250	5,288,477
Harbor Department of the City of Long Beach	5,986,131	4,943,358
Total venturers' equity	<u>12,317,381</u>	<u>10,231,835</u>
Total liabilities and venturers' equity	<u>\$ 12,325,502</u>	<u>\$ 10,231,835</u>

Condensed Statement of Income and Venturers' Equity

	2005	2004
Operating revenue	\$ 7,050,152	\$ 5,551,596
Operating expense	(108,030)	(108,030)
Operating income	6,942,122	5,443,566
Interest income	143,424	146,748
Net income	7,085,546	5,590,314
Venturers' equity, July 1, 2004 and 2003	10,231,835	11,641,521
Cash disbursement to venturers	(5,000,000)	(7,000,000)
Venturers' equity, June 30, 2005 and 2004	<u>\$ 12,317,381</u>	<u>\$ 10,231,835</u>

Pursuant to an indenture of trust dated November 1, 1984, ICTF issued \$53,900,000 of 1984 Series A bonds on behalf of the Tenant to construct the Facility. In 1989, ICTF issued \$52,300,000 of 1989 Series A Refunding Revenue Bonds on behalf of the Tenant to advance refund the 1984 Series A Bonds.

In 1999, ICTF issued its Intermodal Container Transfer Facility Refunding Revenue Bonds, 1999 Series A. In connection with the issuance, Union Pacific Railroad Company and the ICTF entered into a Second Amended and Restated Installment Sale and Security Agreement dated October 1, 1999. The proceeds of the 1999 Bonds, together with other funds, were used by the ICTF to redeem all of the Intermodal Container Transfer Facility Refunding Revenue Bonds, 1989 Series A. The bonds are payable solely from payments by the Tenant under a long-term lease agreement for the use of the Facility.

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

The nature of the bonds is such that the long-term indebtedness is that of the Tenant and not of ICTF, the Department, or the Harbor Department of the City of Los Angeles. The ICTF financial statements for the year ended June 30, 2005, can be obtained from the Department.

(12) **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 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, 2005 and 2004 aggregated \$149,118,234 and \$107,929,954 respectively.

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 \$1,000,000,000, including \$100,000,000 for acts of terrorism. Terrorism limits of \$500,000,000 are provided through a combination of the all-risk property insurance policy and excess policies.

A comprehensive general liability insurance program is carried in the total amount of \$150,000,000 excess of a \$1,000,000 self-insured retention. The excess liability policy covers the Harbor Department's operations and includes acts of terrorism within the \$150,000,000 limit. The Department also carries specialized policies providing coverage for damage to owned vessels, damage to other vessels, and automobile liability. 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 funds annual contributions to an Insurance Reserve account intended to cover uninsured losses or the payment of deductibles and self-insured minimums. During fiscal year 2005, the Board of Harbor Commissioners approved the addition of \$3,000,000 to the reserve. The balances of the reserve for fiscal years 2005 and 2004 are \$ 35,505,888 and \$31,667,638, respectively. The balances are made up of annual contributions plus interest earnings.

The Department participates in the City's self-insured workers' compensation program, and, during fiscal year 2005 and 2004 made payments to the City's Insurance Fund totaling \$1,141,813 and \$1,444,550, respectively, for Department employees, both permanent and temporary. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

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. At September 30, 2005 and 2004, the Department has recognized litigation claim liabilities of \$2,385,000 and \$3,000,000 respectively.

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

LIABILITY FOR CLAIMS AND JUDGMENTS ROLL FORWARD SCHEDULE

DESCRIPTION	BALANCE 10/01/04	ADDITIONS	REDUCTIONS	BALANCE 9/30/05
Accrued claims and Judgments	\$ 3,000,000	\$ -0-	\$ 615,000	\$ 2,385,000

DESCRIPTION	BALANCE 10/01/03	ADDITIONS	REDUCTIONS	BALANCE 9/30/04
Accrued claims and judgments	\$ 3,670,000	\$ -0-	\$ 670,000	\$ 3,000,000

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 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 to ACTA by the Department and the Port of Los Angeles under certain circumstances. 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 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.

Any Shortfall Advance made by the Department and the Port of Los Angeles is reimbursable with interest after maturity of the debt. In accordance with computations prepared by ACTA, the projected shortfall amount that the Department could be obligated for may reach \$10,250,000, payable in annual installments, from fiscal year 2007 until 2019; ACTA's financial estimates, which were developed in April of 2004, are dependent upon the accuracy of the assumptions used in their formulation. Therefore, it is anticipated there will be differences between the forecasts and actual results, and those differences may be material. In the event that funds are advanced, repayment by ACTA, with interest, could begin in 2018. The Department is currently funding a cash reserve to satisfy claims related to this potential obligation. As of September 30, 2005 and 2004, the Department set aside \$78,587,059 and \$74,643,788, respectively, to fund shortfall advances as well as other rail and roadway demands.

New Gerald Desmond Bridge Matching Contribution

The Department has begun the preliminary planning and development and is preparing an environmental impact report to replace the Gerald Desmond bridge. The total cost to replace the bridge is currently estimated at \$800,000,000. The Department anticipates that funding of this project will come primarily from federal and State sources, but local matching funds will also be required.

In anticipation of this funding requirement, the Department has set aside a fund to provide the expected 10% local match. As of September 30, 2005 and 2004 this fund is holding approximately \$74,800,000 and \$72,650,000, respectively.

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

Green Port Infrastructure Commitment

In January 2005, the Department adopted a wide-ranging Green Port Policy that greatly expanded the Department's commitment to enhancing the environment by establishing new guidelines for Port operations and future development. Key guidelines include protection of the community from the harmful impacts of Port operations and employment of the best technology to avoid and reduce environmental impacts. Air emissions from ships at berth account for over one-third of all vessel air emissions. Providing electrification at appropriate berths can reduce emissions significantly. With electrification, or "cold ironing", vessels can shut down their auxiliary engines and plug into dockside electric substations. Although the cost of adding electrical infrastructure is substantial, the Department has begun negotiations with several tenants to modify their berthing arrangements and has set aside a specific sum to begin the process. A Green Port Infrastructure Reserve fund has been cash funded in the amount of \$100,000,000 to demonstrate the Department's commitment to improving air quality.

Future Oil Well Abandonment Costs

Costs related to the abandonment and site clearance of oil properties purchased in March 1994 are based on estimates provided by the Department of Gas and Oil of the City of Long Beach. Estimates of abandonment costs are reviewed annually, and adjusted to reflect changes in abandonment practices, number and life of productive wells, increased abandonment expenses, general changes in the life of the oil field, and changes in oil price levels.

The estimates for the years ending September 30, 2005 and 2004 are \$17,700,000 and \$17,000,000. These amounts are presented as long-term abandonment cost liabilities in the financial statements.

FUTURE OIL WELL ABANDONMENT COST LIABILITY ROLL FORWARD SCHEDULE

DESCRIPTION	BALANCE 10/01/04	ADDITIONS	REDUCTIONS	BALANCE 9/30/05
Oil abandonment liability	\$ 17,000,000	\$ 700,000	\$ -0-	\$ 17,700,000
	BALANCE 10/01/03	ADDITIONS	REDUCTIONS	BALANCE 9/30/04
Oil abandonment liability	\$ 26,650,000	\$ -0-	\$ 9,650,000	\$ 17,000,000

Environmental Remediation

The Department purchased 725 acres of property in the Harbor District in 1994. The property contains soil requiring remediation of environmentally hazardous materials. The remediation is required only on the portion of the land that the Department chooses to develop. To the extent that such remediation is necessary, the Department's liability is mitigated by provisions in the purchase agreement that make Union Pacific Resource Company (UPRC), the seller, responsible for a portion of the remediation costs. UPRC was acquired by Anadarko Petroleum Co. (APC) who assumed this liability in accordance with the original purchase agreement. APC's responsibility is limited to a period not to exceed fifteen years and a maximum amount of \$112,500,000 according to the following table:

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

<u>Site Remediation Cost</u>	Allocation:	
	<u>APC</u>	<u>Department</u>
First \$ 50 million	\$ 50,000,000	\$ -0-
Second \$ 50 million	25,000,000	25,000,000
Third \$ 50 million	12,500,000	37,500,000
Fourth \$ 50 million	25,000,000	25,000,000
All Additional Costs	-0-	100%
Maximum Liability	<u>\$ 112,500,000</u>	

Currently, the Department has developed 131 acres and plans to develop 160 additional acres. Remediation costs for both areas are not anticipated to exceed the first \$50,000,000.

(13) Intergovernmental Expense

The City Council, by authority of City Charter Chapter XII, Section 1209 (c)(4) and with the approval of the Board of Harbor Commissioners, adopted a resolution to transfer 10% of the Department's net income for fiscal years 2004 and 2003 to the City's Tidelands Operating Fund (\$9,499,689 and \$6,850,777, respectively). This amount is reported as part of the Due to City of Long Beach account in the accompanying statements of net assets and as a non-operating expense in the statements of revenues, expenses, and changes in fund net assets.

(14) Environmental Mitigation Costs

The Department disbursed \$39,400,000 in fiscal 1997 to secure environmental mitigation credits. An agreement between the Department, the Harbor Department of the City 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.

The cost incurred in the acquisition of the land has been classified as a non-current asset. As of September 30, 2005, the Department has completed landfills that required the utilization of \$6,521,932 of the available credits. The balance of environmental mitigation costs will be adjusted in the future as landfill credits are used for port development.

(15) Net Assets

Net Assets is the difference between total assets and total liabilities. Increases or decreases in net assets 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 assets are available to fund the Department's continuing operations.

The Harbor Department of the City of Long Beach
Notes to the Financial Statements
September 30, 2005 and 2004

As of September 30, 2005, 2004, and 2003 the Department holds net assets as follows:

	September 30,		
	2005	2004	2003
Invested in capital assets, net of related debt	\$ 1,080,335,939	\$ 1,045,167,222	\$ 1,006,492,465
Restricted for capital projects			
2002A bonds construction fund	\$ -0-	\$ -0-	\$ 33,116,707
City of Long Beach RDA – Westside	7,477,626	9,926,871	9,689,435
Capitalized interest	7,073,124	9,964,425	16,756,357
Environmental mitigation credits	32,878,068	32,878,068	32,878,068
Restricted for debt service	105,475,990	85,323,199	86,190,573
Restricted – Third party obligations			
Non- related entity debt service contingency and matching contribution	153,416,559	147,293,788	69,405,709
Total restricted	\$ 306,321,367	\$ 285,386,351	\$ 248,036,849
Unrestricted			
Contributed capital – outside sources	30,427,546	42,969,490	42,969,490
Contributed capital – other City funds	13,253,752	14,188,744	14,188,744
Infrastructure	100,331,378	-0-	-0-
Other unrestricted	297,480,524	298,216,861	279,244,230
Total Unrestricted	\$ 441,493,200	\$ 355,375,095	\$ 336,402,464
Total Net Assets	\$ 1,828,150,506	\$ 1,685,928,668	\$ 1,590,931,778

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STATISTICAL SECTION

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The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Balance Sheet Analysis – Last Ten Fiscal Years
 (Millions of Dollars)
 Unaudited

EXHIBIT 1

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Assets:										
Current	440	374	342	305	190	91	136	155	71	87
Other	2,662	2,658	2,612	2,633	2,428	2,141	2,079	2,046	2,071	1,961
Total assets	3,102	3,031	2,954	2,938	2,618	2,232	2,215	2,201	2,142	2,048
Liabilities:										
Current	52	65	44	87	76	45	58	74	54	46
Current - restricted ^[1]	55	58	56	52	37	43	72	44	53	58
Long term	1,167	1,222	1,263	1,276	1,073	800	817	887	911	954
Total liabilities	1,274	1,345	1,363	1,415	1,186	887	946	1,005	1,017	1,057
Working capital	389	308	298	218	114	46	78	82	17	41
Current ratio	8.5	5.7	7.8	3.5	2.5	2.0	2.3	2.1	1.3	1.9
Debt to asset ratio	41.1%	44.4%	46.1%	48.2%	45.3%	39.7%	42.7%	45.6%	47.5%	51.6%

Notes:

[1] Current liabilities that are payable from restricted assets

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Operating Summary – Last Ten Fiscal Years
 Millions of Dollars, Except Number of Employees
 Unaudited

EXHIBIT 2

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Operating revenue	329	281	250	224	228	226	198	189	177	172
Operating expense	149	137	119	93	105	98	91	84	73	76
Income from operations	180	144	131	131	123	128	107	105	104	96
Other income/(Expense)	(38)	(49)	(62)	(40)	(37)	(44)	(46)	(42)	(29)	(30)
Net Income	142	95	69	91	87	83	62	63	75	66
Return on investment	7.8%	5.6%	4.3%	5.9%	6.1%	6.2%	4.9%	5.2%	6.7%	6.7%
Capital expenditures ^[1]	82	117	175	263	173	156	147	82	241	154
Personnel:										
Wages and benefits	27	24	21	23	20	20	19	21	18	20
Average # of employees	338	341	331	333	308	301	303	306	305	306
Increase/(Decrease)	-1.0%	3.0%	-0.6%	8.1%	2.3%	-0.8%	-0.8%	0.3%	-0.3%	0.7%

Notes:

[1] Capital expenditures include personal costs

The Harbor Department of the City of Long Beach EXHIBIT 3
 Statistical Section
 September 30, 2005
 Operating Revenue by Type – Last Ten Fiscal Years
 (Millions of Dollars)
 Unaudited

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Operating revenues by category:										
Specials	315	268	237	211	212	210	182	172	161	155
Rentals	11	10	9	10	12	12	13	12	12	12
Miscellaneous	4	3	4	4	3	4	3	5	4	5
Total operating revenue	329	281	250	224	228	226	198	189	177	172
Growth / (decline) %	17.2%	12.5%	11.4%	-1.8%	1.1%	13.6%	5.2%	6.4%	3.3%	11.1%
Special facility revenue by type:										
Wharfage & bunkers	267	227	192	166	168	165	142	128	119	113
Dockage	17	15	13	12	12	11	10	11	10	9
Rental	31	26	32	32	33	34	31	33	32	33
Total special facility	315	268	237	211	212	210	182	172	161	155
Special facility revenue by terminal commodity:										
Containers	258	215	185	163	159	161	136	126	111	108
Liquid bulk	18	17	15	16	16	16	14	13	13	14
Dry bulk	17	15	17	13	19	14	13	16	17	17
Vehicles	10	10	10	10	10	10	10	10	10	9
Steel	7	7	6	6	6	6	6	7	8	6
Lumber	1	1	1	1	1	1	1	1	1	0
Miscellaneous	4	2	2	1	1	2	2	1	1	2
Total special facility	315	268	237	211	212	210	182	172	161	155

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Revenue Bonds Debt Service Coverage – Last Ten Fiscal Years
 (Millions of Dollars)
 Unaudited

EXHIBIT 4

FISCAL YEAR	REVENUES ^[1]	MAINTENANCE COSTS ^[2]	NET REVENUES ^[3]	REVENUE BONDS AND PARITY DEBT SERVICE ^[5]	TIMES DEBT SERVICE COVERED ^[6]
2005	347	62	285	83 (5)	3.43
2004	294	54	240	95 (4)	2.53
2003	263	44	219	85	2.57
2002	238	40	198	56	3.52
2001	243	51	193	71	2.72
2000	237	45	191	72	2.67
1999	213	42	171	72	2.38
1998	207	38	169	82	2.05
1997	185	37	148	50	2.98
1996	179	45	134	49	2.74
Average ten years coverage					2.76
Revenue bond covenant rate					1.25
Additional bonds covenant					1.25

Notes:

- [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; does not include debt service for 2005 bonds.
- [6] Net revenues divided by revenue bonds and parity debt service.

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Tonnage Summary – Last Ten Fiscal Years
 (Thousands of Metric Revenue Tons)
 Unaudited

EXHIBIT 5

FISCAL YEAR	INBOUND TONNAGE			OUTBOUND TONNAGE				POLB TOTAL
	MUNICIPAL	PRIVATE	TOTAL	MUNICIPAL	PRIVATE	BUNKERS	TOTAL	
2005	123,169	229	123,398	32,728	0	2,011	34,739	158,136
2004	106,988	313	107,301	28,301	0	1,531	29,832	137,133
2003	91,563	256	91,819	24,737	0	1,680	26,417	118,236
2002	97,225	143	97,368	25,858	0	2,394	28,253	125,621
2001	95,626	277	95,902	25,723	0	2,452	28,176	124,078
2000	94,901	429	95,330	28,581	475	2,400	31,455	126,785
1999	87,734	460	88,194	26,086	552	2,618	29,255	117,449
1998	78,750	630	79,380	26,556	532	1,492	28,580	107,960
1997	71,729	620	72,349	29,383	779	1,429	31,591	103,940
1996	63,951	577	64,528	30,121	938	2,123	33,182	97,710
<i>Average annual growth</i>	8.2%	-10.7%	7.8%	1.8%	-17.0%	5.8%	1.4%	5.9%

Metric Revenue Ton: 1 Metric ton or 1 cubic meter, whichever is the basis for the tariff assessment.

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Tonnage by Commodity Group – Last Ten Fiscal Years
 (Thousands of Metric Revenue Tons)
 Unaudited

EXHIBIT 6

FISCAL YEAR	CONTAINERIZED		OTHER BREAKBULK		LIQUID BULK		DRY BULK		POLB		TOTAL
	IN	OUT	IN	OUT	IN	OUT	IN	OUT	INB	OUT	
2005	88,786	25,166	2,050	862	29,798	4,479	2,763	4,231	123,398	34,738	158,136
2004	74,514	20,419	2,250	722	28,262	4,280	2,275	4,411	107,301	29,832	137,132
2003	60,769	16,983	2,177	717	28,594	2,725	1,896	4,376	93,436	24,801	118,236
2002	67,230	18,653	2,160	582	26,193	4,965	1,785	4,052	97,368	28,252	125,620
2001	64,798	19,662	1,556	1,288	26,806	1,713	1,724	3,801	94,885	26,464	121,349
2000	64,520	21,150	2,232	525	26,950	5,226	1,628	4,554	95,330	31,455	126,785
1997	45,853	20,491	1,958	303	23,213	3,868	1,325	6,929	72,349	31,591	126,785
1996	38,908	20,213	1,556	329	23,189	5,052	875	7,588	64,528	33,182	126,785
<i>Average annual growth</i>	10.0%	3.4%	2.6%	14.2%	3.6%	17.3%	14.7%	-3.9%	7.8%	1.7%	5.9%

Metric Revenue Ton: 1 Metric ton or 1 cubic meter; whichever is the basis for the tariff assessment.

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Container Count – Last Ten Fiscal Years
 (Thousands of Twenty – Foot Equivalent Units – TEU's)
 Unaudited

EXHIBIT 7

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Loaded:										
Inbound	3,329	2,791	2,282	2,547	2,426	2,426	2,258	2,019	1,754	1,486
Outbound	1,185	981	823	927	970	1,048	976	999	1,109	1,081
Total loaded	4,515	3,772	3,105	3,474	3,396	3,474	3,234	3,019	2,864	2,567
<i>Annual growth</i>	<i>19.7%</i>	<i>21.5%</i>	<i>-10.6%</i>	<i>2.3%</i>	<i>-2.3%</i>	<i>7.4%</i>	<i>7.1%</i>	<i>5.4%</i>	<i>11.6%</i>	<i>9.6%</i>
Total empty	2,130	1,584	1,284	1,221	1,096	1,090	1,068	953	522	440
<i>Annual growth</i>	<i>34.4%</i>	<i>23.4%</i>	<i>5.2%</i>	<i>11.4%</i>	<i>0.5%</i>	<i>0.0%</i>	<i>12.0%</i>	<i>82.5%</i>	<i>18.6%</i>	<i>-5.9%</i>
Total TEU's	6,644	5,356	4,389	4,694	4,492	4,565	4,302	3,972	3,386	3,007
<i>Annual growth</i>	<i>24.0%</i>	<i>22.0%</i>	<i>-6.5%</i>	<i>4.5%</i>	<i>-1.6%</i>	<i>6.1%</i>	<i>8.3%</i>	<i>17.3%</i>	<i>12.6%</i>	<i>7.0%</i>

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Ten Leading Commodities – Last Two Fiscal Years
 (Thousands of Metric Revenue Tons)
 Unaudited

EXHIBIT 8

INBOUND	2005	2004
Petroleum, bulk	30,464	28,560
Electric machinery	15,440	13,710
Plastic products	10,106	9,174
Furniture	8,774	7,367
Clothing	5,444	4,779
Machinery	3,861	3,159
Rubber products	2,773	1,969
Cement	2,545	1,632
Foods, miscellaneous	1,754	1,567
Chemicals, miscellaneous	1,685	1,369

OUTBOUND	2005	2004
Petroleum, bulk	4,741	4,569
Chemicals, miscellaneous	4,370	3,329
Wastepaper	3,558	3,274
Coke, bulk	3,419	3,488
Scrap metal	1,586	1,210
Plastic products	1,466	925
Foods, Miscellaneous	1,271	938
Electric machinery	1,161	970
Feeds, miscellaneous	561	526
Sulfur, bulk	453	638

Metric Revenue Ton: 1 Metric ton or 1 cubic meter; whichever is the basis for the tariff assessment.

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Ten Leading Trading Partners by Tonnage Last Two Fiscal Years
 Unaudited

EXHIBIT 9

	Metric Revenue Tons		RANKING	
	2005	2004	2005	2004
China	48,978	38,163	(1)	(1)
South Korea	5,869	5,970	(2)	(3)
Hong Kong	5,694	7,403	(3)	(2)
Japan	4,441	4,372	(4)	(4)
Ecuador	2,549	1,984	(5)	(7)
Malaysia	2,330	2,127	(6)	(6)
Indonesia	2,030	1,899	(7)	(8)
Mexico	1,666	2,503	(8)	(5)
Thailand	1,403	1,635	(9)	(10)
Italy	1,289	1,171	(10)	(13)

Metric Revenue Ton: 1 Metric ton or 1 cubic meter; whichever is the basis for the tariff assessment

The Harbor Department of the City of Long Beach
 Statistical Section
 September 30, 2005
 Principal Customers
 Unaudited

EXHIBIT 10

The following list represents the Port's largest customers, in terms of revenue, listed alphabetically. These customers accounted for approximately 95% of the Port's operating revenue during fiscal year 2005. The largest single customer accounts for approximately 23% of the Port operating revenues.

<i>Principal Customers:</i>	Customer since Year	Current lease expiration date
BP West Coast Products, LLC (formerly BP AMOCO)	1940	05/2023
California United Terminals	1969	06/2009
CEMEX USA (Formerly Pacific Coast Cement Corp.)	1979	08/2021
Chemoil Corp. (Formerly Golden West Distribution)	1974	07/2010
Cooper / T. Smith Stevedoring Co. Inc.	1973	12/2008
Crescent Terminals, Inc.	1970	06/2015
Norske Skog Canada (USA) Inc. Formerly Forest Terminals Corp.	1975	08/2006
International Transportation Service, Inc.	1971	08/2006
Jacobsen Pilot Service, Inc.	1943	07/2017
Koch Carbon, Inc.	1987	12/2027
Long Beach Container Terminal, Inc.	1980	06/2011
Matson Navigation, Co.	2002	04/2022
Mercedes Bens U.S.A., LLC	2004	02/2007
Metropolitan Stevedore Company	1939	03/2016
Mitsubishi Cement Corporation (Formerly Lucky Cement Corp.)	1989	06/2009
Oxbow Carbon & Minerals, LLC	1975	12/2027
Pacific Coast Recycling, LLC	1992	11/2019
Pacific Container Terminal / Pacific Maritime Services, Inc., Pier J	1972	04/2022
Sea Launch Company, LLC	1996	01/2013
Shell Oil (Formerly Equilon Enterprises and Texaco)	1966	10/2006
SSA Marine – Long Beach	1984	10/2027
Thums Long Beach Company	1966	03/2025
Total Terminals International, LLC (Formerly Hanjin Shipping Co. Ltd.)	1989	08/2027
Toyota Motor Sales, U.S.A., INC.	1970	12/2006
Weyerhaeuser Co.	1942	01/2011



 **THE PORT OF
LONG BEACH**

925 Harbor Plaza
Long Beach, CA 90802
www.polb.com

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the
City of Long Beach, California)

Annual Financial Report
For the Fiscal Year Ended September 30, 2005

OFFICE OF THE CITY AUDITOR

City of Long Beach, California

GARY L. BURROUGHS, CPA
City Auditor

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)

For the Fiscal Year Ended September 30, 2005

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THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
September 30, 2005

Board of Directors

Mark Alvarez

Patrick Brown

Carol Carter

Kevin Cooper

James L. Fortunes, AIA

Ivy Goolsby

Jonathan D. Gotz

Richard Green, Chair

Michael Lo Grande

Michael W. McCarthy

Carolyn Smith Watts, Vice Chair

Froshanda Washington

Patrice Wong

Management

Patrick H. West, President

Elizabeth Stochl, Vice President

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OFFICE OF THE
CITY AUDITOR

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

333 West Ocean Blvd.
Long Beach, CA 90802

Independent Auditors' Report

The Board of Directors
The Long Beach Housing Development Company
City of Long Beach, California:

We have audited the accompanying financial statements of the governmental activities and major fund of the Long Beach Housing Development Company (Company), a component financial reporting unit of the City of Long Beach, California, as of and for the year ended September 30, 2005, which collectively comprise the Company's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year's partial comparative information included has been derived from the Company's 2004 financial statements, and in our report dated March 11, 2005 we expressed unqualified opinions on the respective financial statements of the governmental activities and the major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Long Beach Housing Development Company as of September 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the Company's governmental fund for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

KPMG LLP
Los Angeles, California
February 3, 2006

Gary L. Burroughs, CPA
City Auditor

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THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Management's Discussion and Analysis
September 30, 2005

The information presented in the "Management's Discussion and Analysis" (MD&A) is intended to be a narrative overview of The Long Beach Housing Development Company's (Company) financial activities for the fiscal year ended September 30, 2005. We encourage readers to consider this information in conjunction with the basic financial statements which can be found on pages 11 through 35 of this report.

Financial Highlights

- The Company's assets exceeded its liabilities at September 30, 2005 by \$26,318,000. Of this amount, \$25,527,000 was recorded as unrestricted for financial reporting purposes, however, is committed for the ongoing operations of the Company in fiscal year 2005.
- The net assets of the Company increased by \$11,364,000 in fiscal year 2005. This is the result of total revenues of \$14,369,000 exceeding program expenses, transfers, and interest expense of \$3,005,000. The increase in net assets is mainly attributable to \$9,403,000 received from the City of Long Beach's Housing Development Fund, which accounts for the State mandated 20% tax increment housing set aside from the Redevelopment Agency of the City of Long Beach for the development of low- and moderate-income housing. The net revenues received from reconveyance of land from the Redevelopment Agency, charges for services and unrestricted investment earnings offset by project costs, aggregating \$1,961,000, further contributed to the increase in net assets.
- As of the close of fiscal year 2005, the Company reported a fund balance of \$13,927,000, an increase of \$6,474,000 in comparison with the prior year. The Company's entire fund balance of \$13,927,000 has been appropriated for the 2006 fiscal year budget.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Company's basic financial statements. The Company's basic financial statements comprise three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Entity-Wide Financial Statements

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

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

The *statement of activities* presents information showing how the Company's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the transaction causing the change occurs, regardless of the timing of the 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.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Management's Discussion and Analysis
September 30, 2005

The Company reports all of its financial transactions as a governmental activity. Specific activities include housing, community and economic development, general projects, and debt service.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Company, like other units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Company accounts for its activities in a special revenue fund, under a broader classification called a governmental fund. Such special revenue fund is used by the Company to account for the proceeds of specific revenue sources restricted for specified purposes.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. In so doing, readers may better understand the long-term impact of the Company's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate comparisons between governmental funds and governmental activities. These reconciliations can be found on pages 14 and 16, respectively, of this annual report.

The Company maintains a special revenue fund as a governmental fund. The Company's governmental fund financial statements can be found on pages 13 through 17 of this report.

The Company adopts an annual appropriated budget. A budgetary comparison statement has been provided for the Company's governmental fund on page 17 of this report to demonstrate the Company's compliance with its budget policy.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 35 of this report.

Entity-Wide Financial Analysis

The Company's basic financial statements are presented in accordance with GASB

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Management's Discussion and Analysis
September 30, 2005

Statement No. 34 and its related pronouncements. The focus of the analysis is on the current fiscal year's net assets and changes in net assets. Comparative analysis of data is included in the current fiscal year's financial statements.

As noted earlier, net assets may serve over time as useful indicator of a government's financial position. The assets of the Company exceeded its liabilities at September 30, 2005 by \$26,318,000. Of this amount, \$16,666,000 arises from other non-current loan receivables, as described in Note 8 of the notes to the basic financial statements. The increase in current and other assets of \$10,374,000 is due to revenues from tax increment housing set aside, miscellaneous revenue generated from the loan programs and a decrease in project costs funded by set-aside.

The following table summarizes the Company's net assets (in thousands):

		Net Assets			
		September 30, 2005			
		(In thousands)			
				Change	
		2005	2004	Amount	Percent
<u>Assets</u>					
Current and other assets	\$ 32,094	\$ 21,720	\$ 10,374	47.76	%
Capital assets	1,764	1,820	(56)	(3.08)	
Total assets	<u>33,858</u>	<u>23,540</u>	<u>10,318</u>	43.83	
<u>Liabilities</u>					
Current liabilities	727	718	9	1.25	
Noncurrent liabilities	6,813	7,868	(1,055)	(13.41)	
Total liabilities	<u>7,540</u>	<u>8,586</u>	<u>(1,046)</u>	(12.18)	
<u>Net assets:</u>					
Invested in capital assets, net of related debt	748	437	311	71.17	
Restricted	43	85	(42)	(49.41)	
Unrestricted	25,527	14,432	11,095	76.88	
Total net assets	<u>\$ 26,318</u>	<u>\$ 14,954</u>	<u>\$ 11,364</u>	75.99	%

Governmental Activities

During the 2005 fiscal year, governmental activities increased the net assets by \$11,364,000 or 75.99% of the prior year's net assets. The key elements of the governmental activities contributing to the increase in net assets were an increase of \$3,951,000 in long-term receivables on loans to borrowers and a \$3,419,000 land reconveyance from the Redevelopment Agency to the Company. Pooled cash increased by \$6,629,000 due to tax increment housing set-aside revenues and fewer set-aside funded development projects.

The transfers to the Redevelopment Agency showed a decrease of \$7,804,000 compared to the prior year. In 2005, The Company revitalized a portion of one project area (West

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Management's Discussion and Analysis
September 30, 2005

Gateway) with fund transfers to the Redevelopment Agency of \$1,424,000. However, in 2004, the Company financed multiple rehabilitation and acquisition projects including West Gateway and Atlantic Avenue Phase 111 & IV with housing set-aside allocations to the Redevelopment Agency of \$9,228,000. In addition, there was a delay in incurring expenditures for new projects due to the delay in the implementation of the HAP as discussed on page 9 and decrease in anticipated expenditures caused by changes in the timing of project expenditures (note 10 on page 33).

Financial Analysis of the Company's Activities

	Changes in Net Assets September 30, 2005 (In Thousands)			
	Governmental Activities		Change	
	2005	2004	Amount	Percent
<u>Revenues</u>				
Program Revenues				
Charges for services	\$ 1,396	\$ 1,121	\$ 275	24.53 %
General Revenues				
Property tax increment - 20% set-aside	9,403	9,290	113	1.22
Unrestricted investment earnings	151	139	12	8.63
Land reconveyance	3,419	-	3,419	100.00
Loss on sale of land	-	(120)	120	(100.00)
Total revenues	<u>14,369</u>	<u>10,430</u>	<u>3,939</u>	37.77
<u>Expenses</u>				
Program Expenses				
Community and cultural/housing	1,491	522	969	185.63
Interest on long-term debt	90	90	-	-
Transfers to Redevelopment Agency	1,424	9,228	(7,804)	(84.57)
Total expenses	<u>3,005</u>	<u>9,840</u>	<u>(6,835)</u>	(69.45)
Change in net assets	11,364	590	10,774	1,826.10
Net assets, October 1	14,954	14,364	590	4.11
Net assets, September 30	<u>\$ 26,318</u>	<u>\$ 14,954</u>	<u>\$ 11,364</u>	75.99 %

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

Governmental funds - the focus of the Company's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Company's financing requirements. In particular, the unreserved/designated fund balance serves as a useful measure of the Company's net resources available for spending at the end of the fiscal year.

As of September 30, 2005, the Company's governmental funds reported an ending fund balance of \$13,927,000, an increase of \$6,474,000 compared to the prior year. The ending fund balance includes \$1,038,000 reserved for replacement and operations, and properties

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Management's Discussion and Analysis
September 30, 2005

held for resale. The remaining fund balance of \$12,889,000 is designated for long term receivables, and housing development projects.

Governmental Fund Budgetary Highlights

A comparison between the initial budget and the final amended budget for the Company's governmental fund expenditures shows a net decrease of \$1,248,000 or 8.26% in appropriations. The decrease in appropriations is attributable to housing loans, project improvements and construction costs. Land purchases for three major housing projects were completed by the Redevelopment Agency for the Company in fiscal year 2005.

Actual expenditures in the Company's budgetary basis of accounting were \$3,939,000, representing 28.40% of the \$13,868,000 final budget. Unspent budget amounts of \$9,929,000 related primarily to housing loans, caused by changes in the timing of expenditures and the development of a strategy to implement the City's Housing Action Plan (HAP) by the Company. Prior to the actual implementation of the HAP, additional studies had to be undertaken, contributing to the delay in incurring the expenditures.

Capital Assets

The Company's investments in capital assets, net of accumulated depreciation for its governmental activities as of September 30, 2005 total \$1,764,000. The Company's capital assets are as follows (in thousands):

Capital Assets, Net of Depreciation September 30, 2005	
Non depreciated capital assets	
Land	\$ 815
Capital assets subject to depreciation, net	
Building	166
Improvements other than buildings	783
Total capital assets subject to depreciation	949
Total capital assets, net	\$ 1,764

Additional information on the Company's capital assets can be found in Note 3 of the notes to the basic financial statements (page 26 of this report).

Debt Administration

At September 30, 2005, the Company's long-term liabilities totaled \$6,813,000 as follows (in thousands):

Long-Term Debt	
Advances from the City of Long Beach	\$ 3,819
Notes payable	2,994
Total long-term debt	\$ 6,813

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Management's Discussion and Analysis
September 30, 2005

The notes payable include State loans of \$1,016,000 for the construction and rehabilitation of Company property and \$1,978,000 for a housing development project. The advance from the City for the acquisition of parcels of land was subsequently conveyed to a developer for rehabilitation of the property, a childcare and community center, and open space.

Additional information on the Company's long-term debt can be found in Note 4 and 5 of the notes to the basic financial statements (pages 26 - 28 of this report).

Economic Factors and Next Year's Budget

The receipt of tax increment housing set-aside revenues has been increasing over the previous years due to the Redevelopment Agency's increased property tax increment revenues which were generated by rising home values, and new residential and retail developments within the Redevelopment Agency project areas. This trend is expected to continue and provide additional resources for the Company's fiscal year 2006 budget.

On June 1, 2004, the Long Beach City Council adopted a five-year Housing Action Plan (HAP) covering fiscal years 2005-2009 and authorized The Long Beach Housing Development Company (LBHDC) to administer the HAP. The HAP will serve as the framework for the allocation of the City's scarce resources for affordable housing.

Request for information

This financial report is designed to provide a general overview of the Company's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Long Beach
Department of Financial Management
333 W. Ocean Boulevard, 6th Floor
Long Beach, CA 90802

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)

Statement of Net Assets
September 30, 2005
(With Partial Financial Information for 2004)
(In Thousands)

	Governmental Activities	
ASSETS	2005	2004
Current assets:		
Pooled cash and cash equivalents	\$ 12,978	\$ 6,349
Interest receivable	-	3
Properties held for resale	995	1,228
Total current assets	13,973	7,580
Noncurrent Assets:		
Advances to the Redevelopment Agency	1,455	1,425
Other noncurrent receivables, net	16,666	12,715
Capital assets:		
Land and other assets not being depreciated	815	815
Building and improvements, net of accumulated depreciation	949	1,005
Total noncurrent assets	19,885	15,960
Total assets	33,858	23,540
LIABILITIES		
Current liabilities:		
Vouchers/accounts payable	29	91
Accrued wages payable	3	-
Collections held in trust	13	36
Due to the City of Long Beach	1	-
Liabilities payable from restricted assets:		
Accrued interest payable	681	591
Total current liabilities	727	718
Noncurrent liabilities:		
Advances from the City of Long Beach	3,819	4,874
Other long-term obligations - notes payable	2,994	2,994
Total noncurrent liabilities	6,813	7,868
Total liabilities	7,540	8,586
NET ASSETS		
Invested in capital assets		
Net of related debt	748	437
Restricted	43	85
Unrestricted	25,527	14,432
Total Net Assets	\$ 26,318	\$ 14,954

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

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)

Statement of Activities
Year Ended September 30, 2005
(With Partial Financial Information for 2004)
(In Thousands)

Functions/Programs	Expenses	Program Revenues			2005	2004
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Assets Special Revenue Fund-Governmental Activities	
Primary Government:						
Community and cultural/housing	\$ 1,491	\$ 1,396	\$ -	\$ -	\$ (95)	\$ 599
Interest on long-term debt	90	-	-	-	(90)	(90)
Total government activities	\$ 1,581	\$ 1,396	\$ -	\$ -	(185)	509
General Revenues:						
Property tax increment - 20% set-aside				9,403	9,290	
Unrestricted investment earnings				151	139	
Loss on sale of land				-	(120)	
Land reconveyance				3,419	-	
Transfers to the Redevelopment Agency				(1,424)	(9,228)	
Total general revenues, reconveyance and transfers				11,549	81	
Change in net assets				11,364	590	
Net assets - October 1				14,954	14,364	
Net assets - September 30				\$ 26,318	\$ 14,954	

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

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)

Balance Sheet - Governmental Fund
September 30, 2005
(With Partial Financial Information for 2004)
(In Thousands)

	<u>2005</u>	<u>2004</u>
Assets		
Pooled cash and investments	\$ 12,978	\$ 6,349
Notes/ interest receivable	-	3
Receivables-loan, long-term, net	16,666	12,715
Properties held for resale	995	1,228
Total assets	<u>\$ 30,639</u>	<u>\$ 20,295</u>
 Liabilities and Fund Balance		
Liabilities		
Accrued wages payable	\$ 3	-
Vouchers/ accounts payable	29	91
Deferred revenues	16,666	12,715
Collections held in trust	13	36
Due to other funds	1	-
Total liabilities	<u>16,712</u>	<u>12,842</u>
 Fund balance		
Reserved:		
Replacement and operations	43	85
Properties held for resale	995	1,228
Unreserved/designated - future projects	12,889	6,140
Total fund balance	<u>13,927</u>	<u>7,453</u>
Total liabilities and fund balance	<u>\$ 30,639</u>	<u>\$ 20,295</u>

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

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Assets
September 30, 2005
(In Thousands)

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

Total governmental fund balance	\$ 13,927
Capital assets used in the governmental activities, are not financial resources and, therefore, are not reported in the fund financial statements.	1,764
Advances due from/to the primary government is considered to be external activity that is reported only in the government-wide financial statements.	(2,364)
The focus of governmental fund 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 fund financial statements.	16,666
Governmental long-term liabilities are not due and payable in the current period and therefore, are not reported in the fund financial statements.	<u>(3,675)</u>
Net assets of governmental activities	<u><u>\$ 26,318</u></u>

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

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund

Year Ended September 30, 2005
(With Partial Financial Information for 2004)
(In Thousands)

	2005	2004
Revenues		
Property tax increment - 20% set-aside	\$ 9,403	\$ 9,290
Rental income	108	66
Interest income	201	185
Loan repayments	767	1,112
Gain on sale of land	492	13
Other	622	945
Total revenues	11,593	11,611
Expenditures		
Administrative costs	109	65
Acquisition costs	-	12
Relocation costs	-	16
Disposition costs	49	-
Professional services	103	166
Operation of acquired property	73	75
Low and moderate income housing loans/ grants	2,220	1,396
Project improvement/construction costs	97	167
Interdepartmental charges	55	58
Capital outlay	-	2
Loss on sale of land	3,419	-
Property and other taxes	19	5
Debt service payments:		
Principal	970	-
Total expenditures	7,114	1,962
Excess of revenues over expenditures	4,479	9,649
Other financing sources (uses)		
Transfers to the Redevelopment Agency	(1,424)	(9,236)
Transfers from the Redevelopment Agency	-	8
Reconveyance of land	3,419	-
Total other financing uses, net	1,995	(9,228)
Excess of revenues and other sources over expenditures and other uses	6,474	421
Fund balance, October 1, as restated (note 12)	7,453	7,032
FUND BALANCE, SEPTEMBER 30	\$ 13,927	\$ 7,453

**THE LONG BEACH HOUSING DEVELOPMENT COMPANY,
(A Component Financial Reporting Unit of the City of Long Beach, California)**

Reconciliation of the Statement of Revenues,
Expenditures and Changes in the Fund Balance of Governmental Fund
to the Statement of Activities
Year Ended September 30, 2005
(In Thousands)

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

Excess of revenue and other sources over expenditures and other uses - governmental fund.	\$ 6,474
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Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	(56)
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Effective October 1, 2004, the Agency changed its method of accounting for advances from/to the primary government based on additional guidance issued by Governmental Accounting Standards Board. The governmental fund now records these advances only in its government-wide financial statements	1,085
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	2,347
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Governmental funds report expenditures pertaining to the establishment of certain long-term loans made. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding net expense is not reported on the statement of activities.	1,604
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(90)</u>
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Change in net assets of governmental activities	<u><u>\$ 11,364</u></u>
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The notes to the basic financial statements are an integral part of this statement.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Property tax increment - 20% set-aside	\$ 22,821	\$ 18,242	\$ 9,403	\$ (8,839)
Rental income	500	492	108	(384)
Interest income	(67)	-	201	201
Loan repayments-principal	(729)	-	767	767
Proceeds from the sale of land	321	495	970	475
Other	126	126	622	496
Total revenues	22,972	19,355	12,071	(7,284)
Expenditures:				
Administration costs	108	173	109	64
Professional services	(385)	-	103	(103)
Planning, survey & design	(40)	-	-	-
Acquisition costs	7	7	-	7
Relocation costs	(85)	-	-	-
Disposition costs	(30)	-	49	(49)
Operation of acquired property	(145)	-	73	(73)
Low and moderate income housing loans/grants	13,885	11,344	2,220	9,124
Project improvement/construction costs	1,893	1,202	97	1,105
Interdepartmental charges	50	50	55	(5)
Capital outlay	(34)	-	-	-
Debt service payments:				
Principal	(16)	934	970	(36)
Property and other taxes	(140)	110	19	91
Land purchases	48	48	244	(196)
Total expenditures	15,116	13,868	3,939	9,929
Excess of revenues over expenditures	7,856	5,487	8,132	2,645
Other financing sources and (uses):				
Proceeds from issuance of long-term debt	(3,856)	-	-	-
Transfers to the Redevelopment Agency	(3,154)	(4,810)	(1,424)	3,386
Transfer out	(1,422)	(1,422)	-	1,422
Total other financing sources (uses)	(8,432)	(6,232)	(1,424)	4,808
Excess of revenues and other sources over (under) expenditures and other uses	(576)	(745)	6,708	7,453
Fund balance- October 1, budgetary basis	6,225	6,225	6,225	-
FUND BALANCE- SEPTEMBER 30, BUDGETARY BASIS	\$ 5,649	\$ 5,480	\$ 12,933	\$ 7,453

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

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THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

Note 1 - Summary of Significant Accounting Policies

Organization

The Long Beach Housing Development Company (Company) was established by the City of Long Beach, California (City), on July 25, 1989 for the purpose of planning, performing and assisting in meeting the housing needs of low- and moderate-income residents. The Company is a California non-profit public benefit corporation governed by a board comprised of fourteen members appointed by the Mayor and confirmed by the City Council. The City Council approves the Company's bylaws and changes thereto, and the City provides all staff and administrative support, including most of the Company's annual funding.

Reporting Entity

The Company's financial activities are accounted for in the City's Special Revenue Housing Development Fund (Fund) along with other City housing-related activities. Inasmuch as the Company meets the criteria established by the Governmental Accounting Standards Board for inclusion as a component financial reporting unit of the City of Long Beach, the accompanying basic financial statements are included in the City's Comprehensive Annual Financial Report (CAFR). The City's CAFR may be obtained by contacting the City's Department of Financial Management at 333 W. Ocean Blvd., Long Beach, CA 90802.

The Company's expenditures are paid through the City's disbursement system and are therefore subject to all City control procedures.

Basis of Accounting and Measurement Focus and Financial Statement Presentation

Entity-wide basic 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.

The Company's activities have been determined to best operate as a special revenue fund type. Consistent with generally accepted accounting principles for governmental fund types, the accounting policies of the Company conform to the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they become measurable and available. The Company considers revenues to be available if they are collected within one year at the end of the current fiscal period, with the exception of property taxes which are considered available if collected within 60 days of the end of the current fiscal period. Expenditures are recorded at the time liabilities are incurred, if measurable, except for unmatured principal and interest on long-term debt, which is recognized when due.

Generally, only current assets and current liabilities are included on the governmental fund balance sheets. However, noncurrent portions of long-term receivables related to governmental funds are also reported on the balance sheet and are offset by deferred revenue. The statement of revenues, expenditures and changes in fund balances for governmental funds generally present increases (revenues and other financing sources)

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

and decreases (expenditures and other financing uses) in current financial resources.

The Company's net assets include capital assets net of long-term obligations, restricted and unrestricted assets. Restricted assets for the Company pertain to monies which have been required under the regulatory agreement with the State to be segregated for capital improvements and for unanticipated or unusually high maintenance expenditures.

Pooled Cash and Investments

In order to enhance investment return, the Company pools its available general cash with that of the City. The City's cash management pool is used essentially as a demand deposit account by the participating units.

Interest income and realized gains and losses arising from pooled cash and investments are apportioned to each participating unit of the pool based on the relationship of its respective daily cash balance to aggregate pooled cash and investments. The Company's share of pooled cash and investments is stated at fair value at September 30, 2005.

Long-Term Obligations

In the entity-wide financial statements, long-term debt and other liabilities are reported as liabilities in the Statement of Net Assets. Initial-issue bond premium and discounts are deferred and amortized over the life of the bonds using straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense. As of September 30, 2005 there are not bonds outstanding.

In the Company's fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the period issued. The face amount of the debt is reported as another financing source. Premiums received are reported as other financing uses. Bond issuance costs are reported as debt service expenditures, whether or not withheld from the actual bond proceeds.

Properties Held for Resale

To aid in the development of low- and moderate-income housing needs of the residents, the Company acquires selected parcels of land and makes such sites available for sale to qualified developers. The purchase price of the land acquired is capitalized as "Properties Held for Resale" and the fund balance is reserved for the investment of the land in the fund financial statements.

The purchased land is recorded at the lower of cost or market value (when a definite market value can be determined) excluding demolition and relocation costs, which are considered by the Company to be expenditures in the year incurred.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

Capital Assets

The Company has adopted the City's policy regarding the recordation of capital assets. Such policy defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost.

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

Land Improvements	15-35 years
Buildings	20-50 years
Machinery and Equipment	5-20 years
Office Furniture, Fixtures and Equipment	3-20 years

Budgetary Principles

The Company is required to adopt an annual budget as part of the City's budget process on or before September 30 for the ensuing fiscal year. The Company identifies prospective projects, develops a work program and budget, and submits them to the City for approval. The Company implements programs within the approved budget limits.

Budget information is presented in the accompanying basic financial statements on a basis consistent with the budgetary basis of accounting for both the original and final amended budget.

Accounting for Encumbrances

In accordance with accounting practices adopted by the City, the Company utilizes an encumbrance system of accounting wherein encumbrances outstanding at fiscal year end are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. Under the budgetary basis of accounting, the Company records an encumbrance as a charge against appropriations in the accounting period in which a purchase order is issued, rather than when goods or services are received.

Implementation of New Accounting Standard

For the fiscal year ended September 30, 2005, the Company implemented GASB Statement No. 40, *Deposit and investment Risk disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposits and investment risks including credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on the Company's financial statements for the year ended September 30, 2005, but required

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

additional disclosures related to deposits and investment risks (see note 4).

Note 2 - Pooled Cash and Investments

The Company pools its cash and investments with other City funds maintained by the City Treasurer. The Company's individual cash deposits and investments within this pool cannot be specifically identified. Interest income earned on pooled cash and investments is allocated monthly to the various pool participants based on their average daily cash balances.

As a component financial reporting unit of the City, the Company is authorized to participate in investments 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 City's bank deposits are either covered by appropriate federal insurance, or are collateralized in accordance with the California Government Code. Pooled cash and investment detail is included in the City's Comprehensive Annual Financial Report.

Cash and Investments

The Agency's cash and investments are maintained by the City Treasurer and are pooled with other City funds and investments to enhance the investment returns for these funds. Interest income earned on pooled cash and investments is allocated monthly to the various participating entities based on their average daily cash balances. The City's bank deposits are either covered by appropriate Federal insurance, or are collateralized in accordance with the California Government Code. Pooled cash and investment for each fund type is included in the City's Comprehensive Annual Financial Report Statement of Net Assets under the caption entitled "Pooled Cash and Cash Equivalents".

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

The table below identifies the investment types that are authorized for the City by the 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.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

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
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 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

Investment 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 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 following schedule indicates the interest rate risk of the City's investments as of September 30, 2005 (in thousands):

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

<u>Investment Type</u>		<u>Weighted Average</u>
Bonds issued by the City	\$ 3,502	13.57
U.S. Treasury Notes	275,731	1.99
U.S. Treasury Bonds	10,513	0.03
Federal agency securities	858,461	1.31
Medium-Term Notes	95,404	0.84
Money Market Funds	34	-
Local Agency Investment Fund (LAIF)	94,981	0.46
Subtotal City Pool	<u>1,338,626</u>	
Cash on Hand	11,499	
Outstanding Checks	<u>(19,908)</u>	
Total City Pool	<u>\$ 1,330,217</u>	

The Housing Development Fund pooled cash and cash equivalents amount of \$12,978,000 is 1% of the City's pooled cash and cash equivalents of \$1,330,217,000.

Investments with Fair Values Highly Sensitive to Investment Risk

The City had no investments with values that were highly sensitive to investment risk as of September 30, 2005.

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Rating as of Year End</u>					
	Minimum Legal Rating	Not Required To Be Rated	AAA	Aa	A	Unrated
Bonds issued by the City	\$ 3,502	N/A	\$ 3,502	\$ -	\$ -	\$ -
U.S. Treasury Notes	275,731	N/A	275,731	-	-	-
U.S. Treasury Bonds	10,513	N/A	10,513	-	-	-
Federal agency securities	858,461	N/A	-	858,461	-	-
Medium-Term Notes	95,404	A	-	71,783	5,018	18,603
Money Market Funds	34	N/A	34	-	-	-
Local Agency Investment Fund (LAIF)	94,981	N/A	-	-	-	94,981
Subtotal City Pool	<u>1,338,626</u>		<u>289,780</u>	<u>930,244</u>	<u>5,018</u>	<u>18,603</u>
Cash on Hand	11,499		-	-	-	11,499
Outstanding Checks	<u>(19,908)</u>		-	-	-	<u>(19,908)</u>
Total City Pool	<u>\$ 1,330,217</u>		<u>\$ 289,780</u>	<u>\$ 930,244</u>	<u>\$ 5,018</u>	<u>\$ 18,603</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 5% or more on total City's pooled investments are as follows (in thousands):

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$ 237,814
Federal Farm Credit Agency	Federal agency securities	194,999
FHLB	Federal agency securities	204,151
FHLMC	Federal agency securities	216,462
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	94,914

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 except for one City issued bond and investment in the State's Local Area Investment Fund.

As of September 30, 2005, the City reports deposits of \$11,499,000 less \$19,908,000 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 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'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.

Securities Lending

The City did not engage in any securities lending programs for the fiscal year ending

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

September 30, 2005. The City may enter into securities lending agreements up to 20% of the investment portfolio. Securities to be sold in a lending agreement must be owned and fully paid for by the agency for a minimum of 30 days prior to the sale. The term of the securities lending agreement cannot exceed 92 days.

Note 3 - Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows (in thousands):

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 815	\$ -	\$ -	\$ 815
Total capital assets not being depreciated:	<u>815</u>	<u>-</u>	<u>-</u>	<u>815</u>
Capital assets, being depreciated:				
Building	236	-	-	236
Improvements other than buildings	1,053	-	-	1,053
Total capital assets being depreciated:	<u>1,289</u>	<u>-</u>	<u>-</u>	<u>1,289</u>
Less: Accumulated depreciation for:				
Building	(59)	(11)	-	(70)
Improvements other than buildings	(225)	(45)	-	(270)
Total accumulated depreciation	<u>(284)</u>	<u>(56)</u>	<u>-</u>	<u>(340)</u>
Total capital assets being depreciated, net	<u>1,005</u>	<u>(56)</u>	<u>-</u>	<u>949</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,820</u>	<u>\$ (56)</u>	<u>\$ -</u>	<u>\$ 1,764</u>

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

Community & cultural/ housing	<u>\$ 56</u>
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Note 4 - Long-Term Obligations

In the accompanying entity-wide financial statements, long-term debt of \$6,813,000 is reported as a liability in the Statement of Net Assets. Long-term debt activity for the year ended September 30, 2005 was as follows (in thousands):

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2005</u>
Governmental Activities:				
Advances from the City of Long Beach (Note 5)	\$ 4,874	\$ -	\$ 1,055	\$ 3,819
Notes payable	2,994	-	-	2,994
Long-Term Liabilities	<u>\$ 7,868</u>	<u>\$ -</u>	<u>\$ 1,055</u>	<u>\$ 6,813</u>

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

State Loans

In fiscal year 1992, the Company entered into a loan agreement totaling \$1,016,000 with the State of California Department of Housing and Community Development (State) for construction and rehabilitation of Company property. The project was completed in fiscal year 1993. Interest on the loan accrues from the date the funds were disbursed by the State at a simple interest rate of three percent (3%) per year, with the interest payment due within sixty days of fiscal year end if sufficient funds are available. The Company made an interest payment of \$14,108 in fiscal year 1997. The principal and any unpaid interest are due in January 2022. As of September 30, 2005, the entire amount remains payable to the State.

In fiscal year 1999 and fiscal year 2000, the Company received \$1,978,000 from the City, generated from a State HELP loan of \$2,000,000. The HELP loans have an interest rate of 3% and payments could be deferred for a period of ten years. The outstanding HELP loans (proceeds of \$1,978,000 used for a housing development project) will be repaid by the Company. The remaining available loan commitment of \$22,000 will not be utilized by the Company.

Aggregate annual debt service requirements to maturity are summarized as follows (in thousands):

Year Ending September 30	Principal	Interest	Total
2006	\$ -	\$ 90	\$ 90
2007	-	90	90
2008	-	90	90
2009	1,189	90	1,279
2010	789	54	843
2011 - 2015	-	152	152
2016 - 2020	-	152	152
2021 - 2022	1,016	728	1,744
Total	<u>\$ 2,994</u>	<u>\$ 1,446</u>	<u>\$ 4,440</u>

Note 5 - Advances from the City of Long Beach

City loans of \$3,819,000 have been recorded in the accompanying Statement of Net Assets.

In fiscal year 2000, the Company entered into a zero interest loan agreement with the City for \$805,000 for the acquisition of an 8-unit apartment building. The loan agreement was modified on November 25, 2002 to increase the loan to \$1,055,000. As of September 30, 2005, the Company has repaid the City \$970,000. The remaining balance of \$85,000 is forgiven per the loan agreement. The building was converted into a 4-unit townhome complex and was sold to low-income, first-time homebuyers.

In fiscal year 2001, the Company entered into another zero interest loan agreement with the City for \$4,000,000 of HOME grant funds, to be used as gap financing for the acquisition

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

of 26 parcels of land, each containing a four-unit apartment building, in addition to State loans. The 26 parcels were subsequently conveyed to the developer for \$7,680,000, pursuant to an amended Disposition and Development Agreement and a restated Promissory Note. The Developer has completed rehabilitation of the 24 four-plexes and demolished two buildings to make way for a childcare center and community center and create open space. The Promissory Note requires the developer to make annual payments based on residual receipts generated from the project, with any remaining balance fully payable on April 1, 2034. In turn, the Company is required to make principal payments to the City using 25% of the payments received from the developer. The outstanding loan balance at September 30, 2005 is \$3,819,000.

Note 6 – Fund Balance

In the fund financial statements, a portion of the fund balance is reserved for specific use that is not available for appropriation and the remaining balance is designated for future projects. The composition of the reserved and unreserved portion of fund balance at September 30, 2005 is as follows (in thousands):

Reserved for:		
Replacement and operations	\$	43
Properties held for resale		995
Unreserved/designated for		
subsequent year's appropriation		12,889
Total fund balance	\$	13,927

Note 7 – Revenues and Other Financing Sources

The Company is funded by the City of Long Beach's Housing Development Fund (Fund). The Fund's principal revenue sources include the State mandated 20% property tax increment housing set aside from the Redevelopment Agency of the City of Long Beach, of which \$9,403,000 was transferred to the Company in the fiscal year ended September 30, 2005. The transfers from the Housing Development Fund to the Company in the fiscal year ended September 30, 2005 increased by \$113,000 or 1% in comparison to the prior fiscal year, used mainly to fund major development and housing projects.

The Company received land through reconveyance of land from the Redevelopment Agency of \$3,419,000. The Company then sold the land to a developer for the West Gateway Project.

Note 8 – Long-Term Loans Receivable

In the fund financial statements, Company monies loaned out are treated as expenditures when disbursed, as most of the proceeds from these loans will not be available to finance the Company's operations for a minimum of two years, if at all. For financial reporting purposes, those loans for which repayment is reasonably expected have been recorded as a receivable and deferred revenue in the liabilities portion of the balance sheet. Some or all of the Company's remaining loans receivable may be forgiven upon attainment of future conditions. These loans are shown net of an allowance for loans not obligated to be repaid.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

In the entity-wide financial statements no deferred revenue is recorded as the financial statements are on the accrual basis of accounting.

Long-term receivables consisted of the following at September 30, 2005 (in thousands):

Borrower / Program	Principal Outstanding	Interest Rate	Payment Terms
Habitat for Humanity 635 E. Hill Street 2200 Atlantic Avenue 1355 Wesley Drive 1212 Leigh Court 525 Daisy Avenue 1010 E. 12th Street 1907 E. South Street	\$ 444	0%	These loans do not accrue interest. Not obligated to repay funds if provisions of the contract are fulfilled. There are seven agreements with Habitat for Humanity at September 30, 2005.
Habitat for Humanity 437 E. 7th Street	3	0%	This loan does not accrue interest. Monthly principal payments started in March 1999.
Second Mortgage Assistance Program Various	763	0%	Repayment obligation is triggered when the property is sold or transferred, or 30 years from the date of the promissory note. If repayment is triggered during the first 10 years, the Company is also entitled to a proportionate share in any profit realized. After 10 years, only the principal amount is due. There are thirty-two loans outstanding at September 30, 2005.
Mental Health Association 814 Atlantic Avenue	280	3%	Monthly principal payments of \$2,000 will begin on May 8, 2008. Interest begins accruing on May 8, 2008 and is due and payable in full on May 8, 2023.
Merit Hall Apartments, Inc. 1035 Lewis Avenue	400	8%	Not obligated to repay funds if provisions of the contract are fulfilled.
Multi-Family Rehabilitation Program Various	128	4%	Monthly principal and interest payments for 15 years from the date of each individual loan are to be made by the mortgagees to the Company. There are three loans outstanding at September 30, 2005.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

Long-term receivables, continued (in thousands):

Borrower / Program	Principal Outstanding	Interest Rate	Payment Terms
Los Angeles Community Design Center 1528-32 Freeman Avenue	\$ 397	3%	Annual payments of principal and interest began in November 2002 using 50% of residual receipts. Interest began accruing in November 1999 and amounted to \$54,650.40 at September 30, 2005.
Down Payment Assistance Program Various	475	0%	Funding assistance is in the form of a conditional grant. No repayment is required unless the borrower violates the terms of the agreement. Repayment is triggered if the property is sold to a non-qualified buyer within the first 10 years, along with 5% of the profit. There are 168 loans outstanding at September 30, 2005.
Atlantic Villas Second Mortgage Assistance Program Various	44	0%	No payment until property defined in the note is sold or transferred, or 30 years from the date of the promissory note. If repayment is triggered during the first 10 years, the Company is also entitled to a proportionate share in any profit realized. After 10 years, only the principal amount is due. There are three loans outstanding at September 30, 2005.
Casa Carino 408 Elm Avenue	286	6.625%	Principal amount accrues simple interest at a rate of 6.625%. Principal and interest will be due and payable on the maturity date of the HUD note which is October 1, 2035, or upon satisfaction of the HUD loan, whichever is earlier.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

Long-term receivables, continued (in thousands):

Borrower / Program	Principal Outstanding	Interest Rate	Payment Terms
Interest Rate Reduction Grant Programs Various	\$ 21	0% - 10%	Funding assistance is in the form of a conditional grant to permanently buy down the interest rate of an approved real estate loan. No repayment is required unless the property is sold or transferred during the first 10 years. Repayment equals the sum of the principal, less 10% reduction per year, plus 5% profit participation and accrued interest. There are six loans outstanding at September 30, 2005.
Renaissance Walk -Second Mortgage Assistance Program Various	561	0% - 5%	Repayment obligation is triggered when the property defined in the note is sold or transferred, or 30 years from the date of the promissory note if the property is the primary residence. If the maturity date is before 30 years, repayment equals the sum of the principal and profit participation and interest. There are nine loans outstanding at September 30, 2005.
Grisham Community Housing Limited Partnership Various	7,680	3%	The original principal amount of \$6.5 million was amended to \$7.9 million upon conveyance of the remaining 3 parcels. An amendment to the Disposition and Development Agreement on December 1, 2002 restated the promissory note to \$7,680,000 with 3% annual simple interest.
Moderate Income Homeowner Rehabilitation Loan Program Various	799	3%	Monthly principal and interest payments for 20 years from the date of each individual loan are to be made by the borrowers to the Company. There are twenty-three loans outstanding as of September 30, 2005.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

Long-term receivables, continued (in thousands):

Borrower / Program	Principal Outstanding	Interest Rate	Payment Terms
Jamboree Housing Corporation 715 - 745 W. 3rd Street	\$ 4,311	0%	This loan does not accrue interest unless the borrower defaults in paying any amount due under the terms of the Promissory Note. Payments of principal and interest (if any) are due annually on April 1, 2005 and each year thereafter, under the residual receipts provision.
Livable Places, Inc. 1856 Long Beach Blvd.-Olive Court	1,169	0%	This loan does not accrue interest unless the borrower defaults in paying any amount due. Under the terms of the Promissory Note, the outstanding balance is due on January 5, 2007.
Livable Places, Inc. 1908 Long Beach Blvd.-Barcelona	245	0%	This loan does not accrue interest unless the borrower defaults in paying any amount due. Under the terms of the Promissory Note, the outstanding balance is due on May 31, 2006.
Total:	<u>18,006</u>		
Allowance for loans not obligated to be repaid:	<u>(1,340)</u>		
Long-term loan receivables, net:	<u>\$ 16,666</u>		

Details for the allowance for loans not obligated to be repaid are as follows (in thousands):

Habitat for Humanity	\$ 444
Merit Hall Apartments, Inc.	400
Down Payment Assistance Program	475
Interest Rate Reduction Grant Program	<u>21</u>
Total	<u>\$ 1,340</u>

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

In the accompanying fund financial statements, the components of deferred revenue as of September 30, 2005, are as follows (in thousands):

Long-term loan receivables:

Moderate Income Homeowner Rehabilitation Loan Program	\$ 799
Jamboree Housing Corp./West Gateway	4,311
Livable Places, Inc.	1,414
Habitat for Humanity	3
Mental Health Association	280
Los Angeles Community Design Center	397
Atlantic Villas Second Mortgage Assistance Program	44
Casa Carino	286
Renaissance Walk Second Mortgage Assistance Program	561
Multi Family Rehabilitation Program	128
Second Mortgage Assistance Program	763
Grisham Community Housing Limited Partnership	7,680
Total	<u>\$ 16,666</u>

Note 9 - Properties Held for Resale

The purchase price of the land and buildings acquired by the Company is capitalized at cost as "Properties Held for Resale". In the fund financial statements, the fund balance is reserved for the investment in the land and buildings.

The Company purchased in 2000 a vacant parcel of land for \$750,000 for the development of market rate or affordable housing. In 2005, the Company purchased City-owned land and improvements for \$245,000 for the development of a special needs housing project targeting emancipated youth.

Note 10 - Budgetary Accounting

The Company's annual budget is adopted by the Company's Board of Directors and approved by the City Council before the beginning of the new fiscal year. Amendments, if any, to the budget within the fiscal year, are normally caused by changes in available resources and project expenditures. Any change in the total budget must be approved by the Company's Board of Directors and the City Council.

The portion of the Company's budget that relates to projects and grants are mostly allocated over a number of years. Unspent appropriations at the end of a fiscal year are "carried-over" to the next fiscal year. The carry-over budget, in addition to unspent fund balances from the prior fiscal year, are the basis for the carry-over amendment. The carry-over budget is reallocated to pre-existing or new projects to meet the goals, objectives and commitments of the Company.

The Budgetary Comparison Statement on page 17 reflects a positive variance of \$7,453,000, mainly due to the decrease in anticipated expenditures caused by changes in the timing of project expenditures. The unspent appropriation for the projects may be carried-over to the new fiscal year and allocated to various projects.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

The following reconciles actual revenues and expenditures for Company funds to the non-GAAP budgetary basis for the fiscal year ended September 30, 2005 (in thousands):

Beginning fund balance at October 1, 2004, on an actual GAAP basis	\$ 7,453
Cumulative effect of capitalization of land held for resale at October 1, 2004	<u>(1,228)</u>
Beginning fund balance at October 1, 2004, on a budgetary basis	<u>6,225</u>
Actual GAAP basis revenue	11,593
Adjustment to GAAP basis revenues:	
Proceeds from the sale of land for resale	970
Gain on sale of land	(492)
Revenues on a budgetary basis	<u>12,071</u>
Actual GAAP basis expenditures	7,114
Adjustments to GAAP basis expenditures:	
Current effect of capitalization of land held for resale	244
Loss on sale of land held for resale	(3,419)
Expenditures on a budgetary basis	<u>3,939</u>
Excess of revenues over expenditures on a budgetary basis	<u>8,132</u>
Other financing uses, on a GAAP basis	1,995
Adjustment to GAAP basis other financing source:	
Reconveyance of land	(3,419)
Other financing uses on a budgetary basis	<u>(1,424)</u>
Excess of revenues and other sources over expenditures and other uses, on a budgetary basis	<u>6,708</u>
Ending fund balance at September 30, 2005, on a budgetary basis	<u><u>\$ 12,933</u></u>

Note 11 - Commitments and Contingencies

Commitments

Available fund balance as of September 30, 2005 is committed to fund development projects, first-time homebuyer programs and moderate-income rehabilitation loan program.

THE LONG BEACH HOUSING DEVELOPMENT COMPANY
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Basic Financial Statements
September 30, 2005

Litigation

The Company is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by the Company's general and/or special legal counsel. In the event of litigation, the Company's management may make provision for probable losses if deemed appropriate on advice of legal counsel. In cases where such provision for damages would be considered necessary, appropriate amounts would be reflected in the accompanying basic financial statements. Based upon information obtained from the Company's legal counsel, it is the opinion of management that there are no existing or potential liabilities for claims and suits, which could have a material impact on the Company's basic financial statements.

Note 12 – Accounting Change for Advances from/to the City of Long Beach

Effective October 1, 2004, the Company changed its method of accounting for advances from the City of Long Beach based on additional guidance issued by the Governmental Accounting Standards Board (GASB). The Company now records its debt owed to the City of Long Beach only in its government-wide financial statements. These adjustments are summarized in the table below (in thousands):

	Governmental Activities
Fund balance at September 30, 2004, as previously reported:	\$ 4,004
Adjustment to record advances from other funds:	3,449
Fund balance at September 30, 2004 as restated:	<u>\$ 7,453</u>

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**SOUTHEAST RESOURCE RECOVERY FACILITY
JOINT POWERS AUTHORITY**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005 and 2004

OFFICE OF THE CITY AUDITOR

City of Long Beach, California

GARY L. BURROUGHS, CPA
City Auditor

**SOUTHEAST RESOURCE RECOVERY FACILITY
JOINT POWERS AUTHORITY**

**Financial Statements
September 30, 2005 and 2004**

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

333 West Ocean Blvd.
Long Beach, CA 90802

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Southeast Resource Recovery Facility Joint Powers Authority (Authority), a component financial reporting unit of the City of Long Beach, California, as of and for the years ended September 30, 2005 and 2004, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

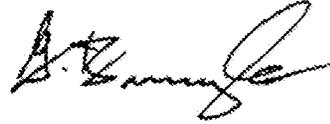
As discussed more fully in note 1, the accompanying financial statements of the Authority are intended to present the financial position and the changes in financial position and cash flows attributable to the Authority. They do not purport to, and do not, present fairly the financial position of the City of Long Beach, California as of September 30, 2005 and 2004, and the changes in its financial position and, where applicable, its cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2005 and 2004, 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.

The Authority's management has not presented management's discussion and analysis that U.S. generally accepted accounting principles require to supplement, although not to be part of, the basic financial statements

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The statement of the physical condition of the plant on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statement of the physical condition of the plant has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP



KPMG LLP

Gary L. Burroughs, CPA
City Auditor

Los Angeles, California
February 3, 2006

FINANCIAL STATEMENTS

Southeast Resource Recovery Facility
Joint Powers Authority
Statements of Net Assets
September 30, 2005 and 2004
(In Thousands)

	2005	2004
ASSETS		
Restricted Assets:		
Cash and Investments (Note 3)	\$ 12,601	\$ 14,817
Capital Lease Receivable - Current (Note 4)	6,355	6,185
Accounts Receivable	1,641	1,683
Total Restricted Assets - Current	20,597	22,685
Capital Lease Receivable - Long Term (Note 4)	107,695	114,050
Deferred Charges	1,053	1,133
Total Assets	129,345	137,868
LIABILITIES		
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	-	1,300
Interest Payable	1,641	1,682
Bonds Payable - Current (Note 5)	6,355	6,185
Total Current Liabilities Payable from Restricted Assets	7,996	9,167
Long-Term Obligations:		
Bonds Payable - Long Term (Note 5)	107,695	114,050
Less Unamortized Bond Premium/Deferred Costs (Notes 2 and 5)	1,672	1,479
Deferred Credits (Note 4)	3,357	4,253
Total Long-Term Obligations	112,724	119,782
Total Liabilities	120,720	128,949
NET ASSETS		
Restricted for Debt Service (Note 3):		
Bond Reserve	11,442	11,467
Bond Interest and Principal	3	-
Bond Project	1,156	2,050
Accumulated Deficit	(3,976)	(4,598)
Total Net Assets	\$ 8,625	\$ 8,919

See accompanying Notes to Financial Statements.

Southeast Resource Recovery Facility
Joint Powers Authority
Statements of Revenues, Expenses and Changes in Fund Net Assets
Years Ended September 30, 2005 and 2004
(In Thousands)

	<u>2005</u>	<u>2004</u>
Operating Revenues:		
Income from Capital Lease - Net of excess lease payments of \$559 and \$169 (Note 3) in 2005 and 2004, respectively and amortization of deferred credits of \$896 (Note 4) in 2005 and 2004	<u>\$ 5,277</u>	<u>\$ 5,527</u>
Operating Expenses:		
Amortization of Bond Discount/Deferred Costs	193	221
Amortization of Deferred Charges	80	73
Other Expenses	<u>934</u>	<u>3,059</u>
Total Operating Expenses	<u>1,207</u>	<u>3,353</u>
Operating Income	<u>4,070</u>	<u>2,174</u>
Non-Operating Income (Expense):		
Interest from Investments	579	787
Interest Expense	<u>(4,943)</u>	<u>(4,786)</u>
Total Non-Operating Expense	<u>(4,364)</u>	<u>(3,999)</u>
Change in Fund Net Assets	(294)	(1,825)
Net Assets - October 1	<u>8,919</u>	<u>10,744</u>
Net Assets - September 30	<u><u>\$ 8,625</u></u>	<u><u>\$ 8,919</u></u>

See accompanying Notes to Financial Statements.

Southeast Resource Recovery Facility
Joint Powers Authority
Statements of Cash Flows
Years Ended September 30, 2005 and 2004
(In Thousands)

	2005	2004
Cash Flows from Operating Activities:		
Revenues Received from Capital Lease	\$ 4,982	\$ 3,265
Refund of Excess Lease Payments (Note 4)	(559)	(169)
Other Expenses Paid	(2,234)	(1,820)
Net Cash Provided by Operating Activities	2,189	1,276
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Bonds	-	126,435
Payments of Principal on Bonds Payable	(6,185)	-
Payments to Defeasance Bonds	-	(125,100)
Payments for Issuance Cost for Bonds Payable	-	(2,773)
Payments of Interest	(4,984)	(3,190)
Net Cash Used for Capital and Related Financing Activities	(11,169)	(4,628)
Cash Flows from Investing Activities:		
Principal Received on Capital Lease	6,185	4,277
Interest Received on Investments	579	787
Net Cash Provided by Investing Activities	6,764	5,064
Net Increase (Decrease) in Cash and Cash Equivalents	(2,216)	1,712
Cash and Cash Equivalents - October 1	14,817	13,105
Cash and Cash Equivalents - September 30	\$ 12,601	\$ 14,817
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>		
<u>PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income	\$ 4,070	\$ 2,174
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	42	(1,535)
Amortization of Deferred Credits	(896)	(896)
Amortization of Bond Discount/Deferred Costs	193	221
Amortization of Deferred Charges	80	73
Increase (Decrease) in Accounts Payable	(1,300)	1,239
Total Adjustments	(1,881)	(898)
Net Cash Provided by		
Operating Activities	\$ 2,189	\$ 1,276

See accompanying Notes to Financial Statements.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

NOTE 1 – ORGANIZATION, PURPOSE AND ACTIVITIES

The Southeast Resource Recovery Facility (SERRF) Authority (Authority) was created pursuant to the provisions of the SERRF Joint Powers Agreement dated December 19, 1984, between the City of Long Beach (City) and the County Sanitation District No. 2 of Los Angeles County (District) for the purpose of constructing a facility to dispose of non-hazardous solid waste and to recover energy there from.

The City leases SERRF from the Authority for purposes of operating the facility. The City's lease payments to the Authority are paid in amounts sufficient to meet the Authority's debt service obligations on the bonds during the year, as well as pay the Authority's administrative and other costs. The lease was first amended in October 1995. Under this revised lease the City agreed to annually pay to the Authority a maximum annual rent calculated according to a prescribed formula, not to exceed \$25,361,831. Such annual rental was variable and equaled the sum of scheduled principal, calculated interest, and administrative fees.

The lease was last amended in October 2003. Under the revised lease, the City agrees to annually pay to the Authority amounts sufficient to meet the Authority's debt service obligations on the bonds during the year, and pay the Authority's administrative and other costs. Revenues available in the Authority funds will be credited against the amount to be transferred by the City to the Authority for lease payments. The revised lease is to end at the later of December 1, 2018 or when all bonds of the Authority have been retired or when the energy contract is terminated.

The Authority is a component financial reporting unit of the City of Long Beach, California. In accordance with U.S. generally accepted accounting principles, the Authority's financial statements are included in the City's Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the full accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid.

Investments

Investments are stated at fair value. The value of each investment is based on independent third party pricing provided to the City of Long Beach.

Capital Lease Receivable

Current and long-term portions of the capital lease receivable are equal to the bonds payable for the 2003 Lease Revenue Refunding Bond Issue.

Operating Revenue and Expenses

Operating revenue is lease payments from the City of Long Beach to meet the Authority's operating expenses to cover debt obligations and other administrative costs.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

Reclassifications

Certain costs reported in the prior year's financial statements have been reclassified in order to be consistent with the current year's presentation. Such reclassifications had no effect on previously reported changes in fund net assets.

Deferred Charges and Deferred Costs

Deferred charges represent the accounting loss on the lease associated with the 2003 SERRF Lease Revenue Refunding Bonds (Bonds). Such charges are being amortized over the life of the Bonds.

At September 30, 2005 and 2004, the balance of the account entitled "Unamortized Bond Premium/Deferred Costs" aggregated \$3,770,000 and \$4,377,000 respectively for bond premium and deferred costs. As of September 30, 2005 and 2004, the unamortized bond premium aggregated \$5,442,000 and \$5,856,000 respectively relating to the 2003 Bonds. Such amounts represent the unamortized bond premium, and the accounting loss (See Note 5) being amortized over the life of the refunded debt issues in accordance with provisions of the Governmental Accounting Standards Board (GASB) Statement No. 23 and costs of issuance related to the Bonds.

Cash and Cash Equivalents with Fiscal Agent

Monies held by the Trustee are regarded as demand deposits and include investment securities that can readily be converted into cash. These funds consist primarily of U.S. Government obligations and securities.

In accordance with U.S. generally accepted accounting principles, the Authority has defined such investments as cash equivalents for purposes of preparing the Statements of Cash Flows.

Implementation of New Accounting Standard

For the fiscal year ended September 30, 2005, SERRF implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposits and investment risks including credit risk, concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on SERRF's financial statements for the year ended September 30, 2005, but required additional disclosures related to deposits and investment risks (see note 3).

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

Measurement Focus and Basis of Accounting

The accompanying 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.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, are followed by the Authority to the extent that such standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City of Long Beach and, by consequence, the Authority also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City and the Authority have elected not to follow subsequent private-sector guidance.

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

The Authority's bond indenture requires the Trustee to set aside bond and operating proceeds in specified restricted-use accounts. A description of these accounts follows:

Revenue Account - is used to account for and hold in trust all revenues. Monies in the revenue account are used for the payment of principal and interest. At September 30, 2005 and 2004, the balances of the Bond Account were zero.

Interest and Principal Accounts – are used to pay interest and principal on the bonds when due. At September 30, 2005 and 2004, the balance in the Principal Account was \$3,000 and zero respectively.

Project Account - is used to account for and hold in trust all revenues deposited to the project account used to reimburse city projects per the amended lease agreement for the 2003 bonds. At September 30, 2005 and 2004, the balance in the Project Account was \$1,156,000 and \$3,350,000, respectively. In 2004, \$1,300,000 had been set up as accounts payable for bond project costs for a net asset bond project balance at September 30, 2004 amount of \$2,050,000.

Reserve Account - is used to provide for timely payment of bond principal and interest if no other monies are available. Under the terms of the bond indenture, the balance in this account must be maintained at an amount at least equal to the maximum annual debt service or \$11,175,000. At September 30, 2005 and 2004, the balances of the Bond Reserve Account aggregated \$11,442,000 and \$11,467,000, respectively, which is \$267,000 and \$292,000 in excess of the required reserve for the 2003 Bonds at September 30, 2005 and 2004, respectively. In accordance with provisions of the lease agreement, capital lease payments required from the City aggregating \$559,000 and \$169,000 were in excess of the reserve requirements which reduced lease payments made by the City in fiscal years 2005 and 2004 and was refunded to the City for fiscal years 2005 and 2004, respectively.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

Restricted cash and investments in the Project, Principal and Bond Reserve Account are stated at fair value at September 30, 2005 and 2004.

The SERRF pooled cash and cash equivalents amount of \$1,156,000 is .0869% of the City of Long Beach (City) pooled cash and cash equivalents. Cash and Investments as of September 30, 2005 are classified in the City's financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments in City pool	\$ 1,330,217
Cash and investments held by bond trustee	11,445
Total cash and investments	\$ 1,341,662

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

The table below identifies the investment types that are authorized for the City by the 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.

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
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 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.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is 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 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 following schedule indicates the interest rate risk of the City's investments as of September 30, 2005 (in thousands):

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Bonds issued by the City	\$ 3,502	13.57
U.S. Treasury Notes	275,731	1.99
U.S. Treasury Bonds	10,513	0.03
Federal agency securities	858,461	1.31
Medium-Term Notes	95,404	0.84
Money Market Funds	34	-
Local Agency Investment Fund (LAIF)	94,981	0.49
Subtotal City Pool	<u>1,338,626</u>	
Cash on Hand	11,499	-
Outstanding Checks	<u>(19,908)</u>	-
Total City Pool	<u><u>\$ 1,330,217</u></u>	
Guaranteed Investment Contracts	\$ 11,175	-
Money Market Funds	270	-
Total held by Bond Trustee	<u><u>\$ 11,445</u></u>	

Investments with Fair Values Highly Sensitive to Investment Risk

The City had no investments with values that were highly sensitive to investment risk as of September 30, 2005.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

Disclosures Relating to Credit Risk

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

Investment Type	Rating as of Year End						
	Minimum Legal Rating	Not Required To Be Rated	AAA	Aa	A	Unrated	
Bonds issued by the City	\$ 3,502	N/A	\$ 3,502	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	275,731	N/A	275,731	-	-	-	-
U.S. Treasury Bonds	10,513	N/A	10,513	-	-	-	-
Federal agency securities	858,461	N/A	-	858,461	-	-	-
Medium-Term Notes	95,404	A	-	71,783	5,018	18,603	-
Money Market Funds	34	N/A	34	-	-	-	-
Local Agency Investment Fund (LAIF)	94,981	N/A	-	-	-	-	94,981
Subtotal City Pool	1,338,626		289,780	930,244	5,018	18,603	94,981
Cash on Hand	11,499		-	-	-	-	11,499
Outstanding Checks	(19,908)		-	-	-	-	(19,908)
Total City Pool	<u>\$ 1,330,217</u>		<u>\$ 289,780</u>	<u>\$ 930,244</u>	<u>\$ 5,018</u>	<u>\$ 18,603</u>	<u>\$ 86,572</u>

Investment Type	Rating as of Year End						
	Minimum Legal Rating	Not Required To Be Rated	AAA	Aa	A	Unrated	
Guaranteed Investment Contracts	\$ 11,175	N/A	\$ 11,175	\$ -	\$ -	\$ -	\$ -
Money Market Funds	270	N/A	270	-	-	-	-
Total held by Bond Trustees	<u>\$ 11,445</u>		<u>\$ 11,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 5% or more on total City's pooled investments are as follows (in thousands):

Issuer	Investment Type	Reported Amount
FNMA	Federal agency securities	\$ 237,814
Federal Farm Credit Agency	Federal agency securities	194,999
FHLB	Federal agency securities	204,151
FHLMC	Federal agency securities	216,462
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	94,914

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

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

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 except for one City issued bond and investment in the State's Local Area Investment Fund.

As of September 30, 2005, the City reports deposits of \$11,499,000 less \$19,908,000 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 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'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.

Currently, funds maintained by the Trustee are invested in Guaranteed Investment Contract and other investments as permitted by the Authority's bond indenture. Investments are held in safekeeping by the Trustee in the Authority's name. Restricted cash and investments stated at fair value, in accordance with GASB Statement No. 31, including accrued interest thereon, and net of premiums and discounts, consisted of the following at September 30 (in thousands):

	<u>2005</u>	<u>2004</u>
Cash in Bank	\$ 270	\$ 292
City of Long Beach Treasurer's Investment Pool	1,156	3,350
Guaranteed Investment Contract	11,175	11,175
Total Restricted Cash and Investments	<u>\$12,601</u>	<u>\$14,817</u>

The bank balance is equal to \$270,000.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

NOTE 4 - CAPITAL LEASE RECEIVABLE AND DEFERRED CREDITS

Upon termination of the lease between the Authority and the City, the ownership of SERRF will revert to the City. Accordingly, the lease has been accounted for as a capital lease. The capital lease receivable in the accompanying financial statements represents the present value of the future lease payments and approximates the principal amount of the bonds payable; therefore, the terms of the capital lease receivable mirror the terms of the bonds payable.

The excess of the lease receivable over the recorded value of the facility and land as of July 1, 1989 has been deferred in the accompanying financial statements creating a deferred credit. This deferred credit is being amortized on the straight-line basis over the life of the original bonds (see Note 5); the balance is scheduled to be fully amortized by September 30, 2009. A summary of amortization of deferred credits is as follows (in thousands):

	2005	2004
Balance, October 1	\$4,253	\$5,149
Amortized to Rental Income	(896)	(896)
Balance September 30	\$3,357	\$4,253

NOTE 5 - BONDS PAYABLE

In December 1995, the Authority advance refunded the 1985, 1986 and 1986-2 SERRF Revenue Bonds (original bonds). Proceeds from the issuance of the 1995 SERRF Lease Revenue Refunding Bonds (1995 Bonds), as well as bond reserve and remaining funds from the previous 1985 and 1986 issues, were used to refund, in full, the outstanding principal, interest and premium of all original bonds and to pay costs of issuance incurred in connection with the new issuance. The 1995 advance refunding extended the lease from December 1, 2008 to December 1, 2018. Consequently, the annual rental payment, based on the effective fixed interest rate of 6.715%, decreased from \$18,500,000 to approximately \$12,800,000 for the highest annual debt service amount. The effective interest rate of 6.715% for the rental payment received from the City was the "Swap Interest Rate" as determined by the City's agreement with its investment broker. This effective interest rate also considered letter of credit fees and remarketing fees. As of May 31, 2002, the swap agreement terminated.

In October 2003, the Authority issued \$120,235,000 in lease revenue bonds Series A and Series B (2003 Bonds) to current refund the Authority's Lease Revenue Refunding Bonds, Series 1995A and Series 1995B, finance certain public improvement projects in the City, fund a reserve fund for the Series 2003 Bonds and pay certain costs of issuance. As a result of the refunding, there are no amounts outstanding for the 1995 Bonds in the accompanying financial statements. The 2003 Bonds are payable through December 1, 2018 with interest rates ranging from 2% through 5.375%. The refunding issue resulted in an accounting loss of approximately \$2,109,000, which will be recognized over the life of the bonds. Aggregate debt service increased by approximately \$4.9 million over the next fifteen years to level overall debt service requirements thereby resulting in an economic loss of approximately \$6.4 million.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

Current and long-term portions of bonded indebtedness at September 30, 2005 and 2004 aggregated \$114,050,000 and \$120,235,000, respectively.

Long-term liability activity for the years ended September 30, 2005 and 2004 was as follows (in thousands):

	Balance at October 1, 2004	Additions	Reductions	Balance at September 30, 2005	Due Within One Year
Bonds Payable					
Revenue Bonds	\$ 120,235	\$ -	\$ (6,185)	\$ 114,050	\$ 6,355
Plus (less) deferred amount					
Premium	5,856	-	(414)	5,442	-
Refunding	(1,757)	-	422	(1,335)	-
Issuance Cost	(2,620)	-	185	(2,435)	-
Total Bonds Payable	<u>\$ 121,714</u>	<u>\$ -</u>	<u>\$ (5,992)</u>	<u>\$ 115,722</u>	<u>\$ 6,355</u>

	Balance at October 1, 2003	Additions	Reductions	Balance at September 30, 2004	Due Within One Year
Bonds Payable					
Revenue Bonds	\$ 125,100	\$ 120,235	\$ (125,100)	\$ 120,235	\$ 6,185
Plus (less) deferred amount					
Premium	-	6,200	(344)	5,856	-
Discount	(189)	-	189	-	-
Refunding	(1,699)	(2,109)	2,051	(1,757)	-
Issuance Cost	(282)	(2,774)	436	(2,620)	-
Total Bonds Payable	<u>\$ 122,930</u>	<u>\$ 121,552</u>	<u>\$ (122,768)</u>	<u>\$ 121,714</u>	<u>\$ 6,185</u>

At September 30, 2005 annual debt service requirements to maturity are as follows (in thousands):

Year-end September 30	Principal	Interest	Total
2006	\$ 6,355	\$ 4,813	\$ 11,168
2007	6,540	4,635	11,175
2008	6,690	4,478	11,168
2009	6,860	4,312	11,172
2010	7,050	4,121	11,171
2011-2015	40,215	15,632	55,847
2016-2019	40,340	4,341	44,681
Totals	<u>\$ 114,050</u>	<u>\$ 42,332</u>	<u>\$ 156,382</u>

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

Redemption

Extraordinary Redemption. The series 2003 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as hereinafter provided, as a whole, or in part by lot within each stated maturity in integral multiples of \$5,000, from prepayments made by the City pursuant to the Lease and deposited by the Trustee in the Principal Account, at a prepayment price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date. Whenever less than all of the Outstanding Series 2003 Bonds of a series are to be redeemed on any one date, the Trustee shall select the Series 2003 Bonds of such series to be redeemed in part from the Outstanding Series 2003 Bonds of such series on a *pro rata* basis so that the aggregate annual Debt Service on Series 2003 Bonds that shall be payable after such redemption date shall be as nearly proportional as practicable to the aggregate annual Debt Service on Series 2003 Bonds Outstanding prior to such redemption date.

Mandatory Sinking Account Redemption. The Series 2003A Bonds (Non-AMT) maturing on December 1, 2016, upon notice as provided in the Indenture, shall also be subject to mandatory sinking account redemption prior to maturity, in part on December 1, 2015, by lot, from and in the amount of the Mandatory Sinking Account Payments set forth below at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the redemption date, without premium:

Redemption Date (December 1)	Mandatory Sinking Account Payment
2015	\$6,425,000
2016 *	5,290,000

* Final maturity of Series 2003A Term Bond (Non-AMT)

Optional Redemption. The Series 2003 Bonds maturing on and after December 1, 2014 are subject to redemption prior to their respective stated maturities at the written direction of the Authority, from moneys deposited by the Authority or the City in the Principal Account, as a whole or in part (in such order of maturity as designated in writing by the City to the Trustee) on any date on or after December 1, 2013, at a redemption price equal to the sum of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

NOTE 6 - INSURANCE

Workers' Compensation

The Authority has no employees, and accordingly, Workers' Compensation Insurance is not considered necessary, as City employees performing services for the Authority are covered under the City's Workers' Compensation self-insurance program. Employees of Montenay Pacific Power Corporation (Montenay), the SERRF facility's contract operator, are covered by insurance purchased by Montenay.

**Southeast Resource Recovery Facility
Joint Powers Authority
Notes to Financial Statements
September 30, 2005 and 2004**

General Liability

General liability insurance is carried by the contract operator, Montenay. The City is named as an additional insured for liabilities arising out of covered operations.

Performance Insurance

Performance insurance coverage is required in such amounts as may be available. To date, this protection has not been available at commercially reasonable terms and has not been purchased.

In the opinion of the Authority's management, the following coverage meets existing bond indenture requirements.

The following insurance is maintained by the City to comply with the requirements of the Authority's Resolution for Issuance of Lease Revenue Bonds:

The following insurance is maintained by the City to comply with the requirements of the Authority's Resolution for Issuance of Lease Revenue Bonds:

PROPERTY

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount by carrier</u>	<u>Limit by program</u>
A. General Property					
Primary Layer	4/1/2006	XL/ MHOU-05-110	All Risk Property	\$90,000,000	\$300 million of All Risk property coverage includes the full replacement value of SERRF
Primary Layer	4/1/2006	Starr Technical/ MHOU-05-110	All Risk Property	\$80,000,000	
Primary Layer	4/1/2006	Arch/ MHOU-05-110	All Risk Property	\$30,000,000	
Excess Layer	4/1/2006	Axis/ MHOU-05-110	All Risk Property	\$100,000,000	
Flood	4/1/2006		Flood	\$100,000,000	
EQ	4/1/2006		Earthquake	\$7,500,000	
B. Boiler and Machinery					
	4/1/2006	same as property (above)	Property damage and business interruption coverage for SERRF	\$100,000,000 (\$250,000 deductible)	

MISCELLANEOUS COVERAGES

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
Crime				
	6/30/2006	AIG / 28243892	Employee dishonesty with faithful performance. Covers all officials and employees. Computer and electronic fraud coverage is included.	\$5,000,000 (\$25,000 deductible)
	7/01/2006	Hartford / 72BPEBT4965	Deductible buy-down	\$25,000 (\$2,000 deductible)

Liability coverage for the SERRF Authority is purchased by the operator, Onyx/Montenay Pacific Power Corporation.

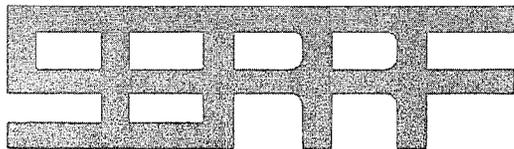
SOUTHEAST RESOURCE RECOVERY FACILITY

JOINT POWERS AUTHORITY

**Statement of Physical Condition of the Plant
(Not Covered by Independent Auditors' Report)**

September 30, 2005

Long Beach, California



562-570-1196

SOUTHEAST RESOURCE RECOVERY FACILITY
120 Pier S Avenue, Long Beach, California 90802

PHYSICAL CONDITION OF THE SOUTHEAST RESOURCE RECOVERY FACILITY

**FOR THE PERIOD
OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005**

The Southeast Resource Recovery Facility (SERRF) is a 1380 TPD waste-to-energy facility that generates 29.6 MW of electricity for sale to Southern California Edison (SCE). The City of Long Beach is obligated to operate and maintain SERRF and to perform all other obligations under the lease. From October 1, 2004 through September 30, 2005, the City of Long Beach performed these activities through a contract to operate with Montenay Pacific Power Corporation.

Significant events that took place during this period were:

- SERRF completed all the scheduled major maintenance and capital replacement work for the period. The cumulative cost for this work performed during FY 2004-2005 was approximately \$6.50 million.
- SERRF sold 206,640,288 kWh of electricity to Southern California Edison.
- SERRF accepted 463,956 tons of refuse.
- The combined electrical and tip fee revenues for FY 2004-2005 was \$38,533,000.
- SERRF successfully completed its scheduled 5-year major facility overhaul.

PHYSICAL CONDITION OF SERRF – OCTOBER 1, 2004 – SEPTEMBER 30, 2005

January 11, 2006

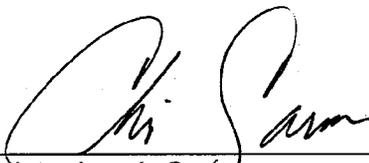
Page 2

To the best of my knowledge, the SERRF Authority is not in default under Resolution 1-03 of the Board of Directors of the Southeast Resource Recovery Facility adopted October 14, 2003, and its indenture dated as of October 1, 2003.

Southeast Resource Recovery Authority

Date: January 11, 2006

By:



Christopher J. Garner
General Manager

CJG:CRT

5002.600

1002.208

**Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the
City of Long Beach, California)**

**Annual Financial Report
For the Fiscal Year Ended September 30, 2005**

OFFICE OF THE CITY AUDITOR

City of Long Beach, California

GARY L. BURROUGHS, CPA
City Auditor

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
September 30, 2005

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Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
September 30, 2005

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North Long Beach Redevelopment Project Area	99

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
September 30, 2005

Members of the Redevelopment Agency Board

	<u>Term Expires</u>
Thomas T. Fields, Chair	June 2007
Neil E. McCrabb, Vice Chair	June 2007
Diane L. Arnold	June 2007
William E. Baker	June 2007
Terry G. Jensen	June 2009
Rick Meghiddo	June 2007
Vivian M. Tobias	June 2009

Management

Patrick H. West, Executive Director

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OFFICE OF THE
CITY AUDITOR

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

333 West Ocean Blvd.
Long Beach, CA 90802

Independent Auditors' Report

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

The Members of the Redevelopment Agency Board
City of Long Beach, California:

We have audited the accompanying combined financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Long Beach (Agency), a component unit of the City of Long Beach, California (City), and of the Low- and Moderate-Income Housing Fund as of and for the year ended September 30, 2005, which collectively comprise the Agency's combined financial statements, as listed in the table of contents. These combined financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these combined 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in note 1, the Agency has prepared these combined financial statements using accounting practices required by the State of California Health and Safety Code Section 33080.1, which practices differ from U.S. generally accepted accounting principles. The funds included in the Low- and Moderate-Income Housing Fund columns presented in these combined financial statements are not maintained by the Agency and, accordingly, are not includable in financial statements prepared in accordance with U.S. generally accepted accounting principles. However, State of California Health and Safety Code Section 33080.1 requires the Agency to prepare financial statements that include these funds. The effect on these combined financial statements of the inclusion of these funds is apparent in the columns labeled Low- and Moderate-Income Housing Fund.

In our opinion, because of the effects of including the Low- and Moderate-Income Housing Fund as a separate column in the Agency's combined financial statements, the combined financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the Agency as of September 30, 2005, or the changes in the Agency's combined financial position for the year then ended.

However, in our opinion, the combined financial statements referred to above do present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency and the Low-and Moderate-Income Housing Fund as of September 30, 2005, and the respective changes in financial position for the year then ended, on the basis of accounting described in note 1.

As discussed in note 19, the Agency changed its method of accounting for advances from the City of Long Beach and accordingly, the fund balances of the governmental funds and the Low- and Moderate-Income Housing Fund as of June 30, 2004 have been restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

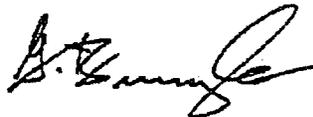
Management's discussion and analysis on pages 5 through 12 is not a required part of the basic combined financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the combined financial statements of the Redevelopment Agency of the City of Long Beach and the Low- and Moderate-Income Housing Fund. The accompanying information identified in the table of contents as the supplementary financial information section and the general information section are presented for the purposes of additional analysis and are not required parts of the basic combined financial statements. The accompanying statements and schedules included in the supplementary financial information section have been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole. The accompanying information in the general information section has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and accordingly, we express no opinion on it.

KPMG LLP

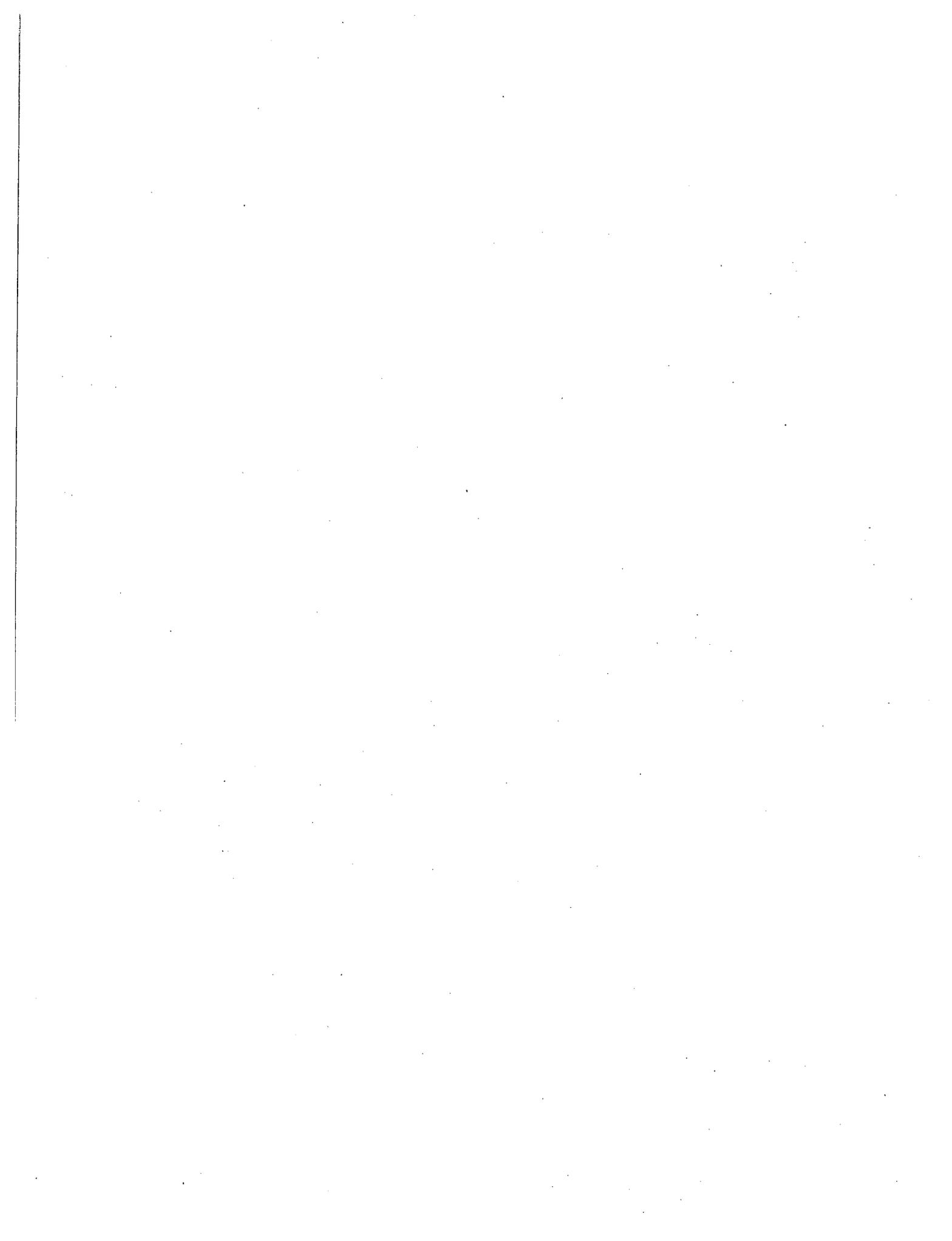
KPMG LLP

March 31, 2006



Gary L. Burroughs, CPA
City Auditor

Management's Discussion and Analysis



Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Management's Discussion and Analysis
September 30, 2005

The information presented in the "Management's Discussion and Analysis" (MD&A) is intended to be a narrative overview and analysis of the Redevelopment Agency of the City of Long Beach's (Agency) financial activities for the fiscal year ended September 30, 2005. We encourage readers to consider this information in conjunction with the accompanying combined financial statements. The MD&A includes only the activity of the Agency and excludes the Low- and Moderate-Income Housing Fund.

Financial Highlights

Government-wide

- The liabilities of the Agency exceeded its assets at September 30, 2005, by \$172,544,000. Of this amount \$13,802,000 is invested in capital assets, net of related debt and \$214,622,000 is restricted for specific purposes. The Agency's accumulated net deficit of \$172,544,000 resulted mainly from long-term debt due to the City of Long Beach and bonds payable and is intended to be relieved from future tax increment revenues, as well as any other available revenue resources.
- The Agency's total net assets increased by \$8,736,000. This is the result of total revenues of \$58,278,000 exceeding program expenses of \$49,542,000. The increase in revenues were primarily in tax increment revenues of the Downtown, Central Long Beach and North Long Beach Project Areas.
- The Agency's net long-term debt increased by \$177,103,000 during the current fiscal year. The increase is due to additional bonds issued, net of repayments and the annual deferral of the payment of allocable tax increment to the Los Angeles County in the Los Altos Project Area.

Fund basis

- As of September 30, 2005 the Agency's governmental funds reported an ending fund balance of \$322,835,000, a \$187,941,000 improvement from the prior fiscal year's restated fund balance of \$134,894,000 due to proceeds from bonds issued during the current fiscal year and the increase in tax increment revenues primarily in the Downtown, Central Long Beach and North Long Beach Project Areas.
- Effective October 1, 2004, the Agency changed its method of accounting for advances from the City of Long Beach based on additional guidance issued by the Governmental Accounting Standards Board (GASB). The Agency now records its debt owed to the City of Long Beach only in its government-wide financial statements.

	Capital Projects Fund	Debt Service Fund	Total Redevelopment Agency
Fund balance at September 30, 2004, as previously reported:	\$ (71,156)	\$ 59,484	\$ (11,672)
Adjustment to record advances from other funds:	146,566	-	146,566
Fund balance at September 30, 2004 as restated:	<u>\$ 75,410</u>	<u>\$ 59,484</u>	<u>\$ 134,894</u>

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Overview of the Financial Statements

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

Government-wide financial statements

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

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

The statement of activities presents information showing how the Agency's net assets changed during the current fiscal year. Changes in net assets are reported as soon as the underlying event giving rise to change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

Governmental activities of the Agency include housing, community and economic development, public improvements and debt service. The activities of the Agency are carried out in seven project areas.

The State of California Health and Safety Code Section 33080.1 requires every redevelopment agency to submit an annual audit of the financial statements of the agency which presents the results of the operations and financial position of the agency, including all financial activities with moneys required to be held in a separate Low-and Moderate Income Housing Fund pursuant to Section 33334.3. As such, the Agency has included in the accompanying combined financial statements the Low- and Moderate-Income Housing Fund which represents funds recorded within the City of Long Beach and the Long Beach Housing Development Company for the purpose of recording the Agency's 20% set aside tax increment revenues that the State of California Health and Safety code Section 33334.2 requires to be used to increase, improve and preserve the supply of low-and moderate-income housing within the Agency's territorial jurisdiction.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are classified as governmental funds.

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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, government 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 Agency's financial resources that are available in the near future to finance the various activities.

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 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*.

The Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the capital projects fund and the debt service fund.

The Agency adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for governmental funds as supplementary information to demonstrate compliance with this budget.

Notes to Combined Financial Statements

The notes provide narrative information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the combined financial statements and accompanying notes, this report also includes other supplementary information relating to the Agency's fund financial statements and budgetary comparison to actual expenditures for each of the redevelopment project areas. A combining schedule of changes in long-term debt has been included in this report.

Government-wide Financial Analysis

The Agency presents its financial statements in accordance with GASB Statement No. 34, and its related pronouncements, with the focus on the analysis of the current fiscal year's net assets and changes in net assets.

Analysis of Net Assets

Net assets may serve, over time, as a useful indicator of a government's financial position. At September 30, 2005 the Agency's liabilities exceeded its assets by \$172,544,000. Of this amount, \$13,802,000 is invested in capital assets, net of related debt

**Redevelopment Agency of the City of Long Beach
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and \$214,622,000 represents restricted net assets for capital projects, low-and moderate-income housing activities and debt service. The Agency's deficit is intended to be relieved from future Agency revenues. The Agency's deficit is caused from the issuance of long-term debt instead of capital contributions. This is primarily due to the nature of redevelopment financing, whereby the Agency issues bonds or incurs long-term debt to finance a substantial portion of its redevelopment activities which include land acquisition, housing, public parking, commercial and retail projects, community development activities and others. In some cases, assets may be transferred to the City of Long Beach; however, the debt remains with the Agency. The Agency also provides "gap" financing in other types of redevelopment activities; any equity assumed in these projects is usually significantly less than the underlying expenditures. Redevelopment activities are designed to alleviate urban blight. Redevelopment activities often improve property values and as a result generate additional tax increment to service the Agency's debt and finance additional projects.

The following table summarizes the Agency's net assets (net deficit) as of September 30, 2005, with comparative figures for 2004 (in thousands):

	Governmental Activities		
	2005	2004	% Change
ASSETS			
Current and other assets	\$ 356,996	\$ 161,656	120.84
Capital assets	13,802	13,803	(0.01)
Total assets	<u>370,798</u>	<u>175,459</u>	<u>111.33</u>
LIABILITIES			
Current and other liabilities	43,987	34,487	27.55
Noncurrent liabilities	499,355	322,252	54.96
Total liabilities	<u>543,342</u>	<u>356,739</u>	<u>52.31</u>
NET ASSETS			
Invested in capital assets	13,802	13,803	(0.01)
Restricted net assets	214,622	42,890	400.40
Unrestricted deficit	(400,968)	(237,973)	68.49
Total deficit	<u>\$(172,544)</u>	<u>\$(181,280)</u>	<u>(4.82)</u>

Analysis of Changes in Net Assets

During fiscal year 2005, governmental activities decreased the deficit by \$8,736,000 from the prior year to \$172,544,000. Key elements of the governmental activities are as follows:

Incremental property tax revenues are the Agency's major source of funding for redevelopment activities. For the year ended September 30, 2005, the Agency recognized \$50,977,000 in tax increment revenues. This represents 87% of the total revenues and transfers of the governmental activities of \$58,278,000. The increase of 13% in current year revenues is due to the increase in tax increment revenues resulting from higher assessed valuation of properties within the Downtown, Central Long Beach and North Long Beach Project Areas.

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In March 2005, the Agency issued \$69,772,000 of the \$77,447,000 in Long Beach Bond Finance Authority Revenue Bonds 2005 Series A bonds and \$114,985,000 in Long Beach Bond Finance Authority Taxable Revenue Bonds Series B bonds, collectively referred to as the Series 2005 Bonds. (See Note 8 for additional details).

Community and cultural expenditures totaled \$33,850,000 or 68% of the total expenses of the governmental activities of \$49,542,000.

Changes in Net Assets
Years Ended September 30
(In Thousands)

	Governmental Activities		
	2005	2004	% Change
REVENUES			
Program Revenues			
Operating grants and contributions	\$ 210	\$ 214	(1.87)
Charges for services	2,942	1,356	116.96
General revenues:			
Incremental property taxes	50,977	41,718	22.19
Interest income	6,623	1,183	459.85
Other	(2,474)	7,254	(134.11)
Total Revenues	<u>58,278</u>	<u>51,725</u>	<u>12.67</u>
EXPENDITURES			
Program expenses			
General government	222	194	14.43
Community/ economic development	33,850	30,665	10.39
Interest in long-term debt	15,470	9,857	56.94
Total expenses	<u>49,542</u>	<u>40,716</u>	<u>21.68</u>
Change in net asset	8,736	11,009	(20.65)
Deficit, October 1	(181,280)	(192,289)	(5.73)
Deficit, September 30	<u>\$(172,544)</u>	<u>\$(181,280)</u>	<u>(4.82)</u>

Community and economic development expenses shown on the Statement of Activities relate to activities intended to relieve urban blight and payments to other government entities. These expenses include costs for the acquisition and development of sites for needed public improvements such as libraries, parks, and street improvements. Other activities to remove blight include the assembly of sites for the private development of housing, commercial and retail facilities. The Agency is also required by Community Redevelopment Law to provide statutory pass-through payments to other government entities.

Financial Analysis of the Agency's Governmental Funds

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

Redevelopment Agency of the City of Long Beach
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Management's Discussion and Analysis
September 30, 2005

Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, the fund balance serves as a useful measure of the Agency's net resource available for spending at the end of the fiscal year.

At September 30, 2005, the Agency's governmental funds reported a combined accumulated ending fund balance of \$322,835,000, an increase in fund balance of \$187,941,000 over the restated fund balance in the prior fiscal year of \$134,894,000. This amount consists of fund balance reserved for debt service, land held for resale, future projects, long term receivables and encumbrances. The portion of the fund balance that is available for spending has been appropriated in fiscal year 2006.

Capital Projects Fund - The Capital Projects Fund is used to account for redevelopment expenditures from tax increment, bond proceeds, federal grants and project area program income. The Capital Projects Fund is the Agency's principal fund. The accumulated fund balance at September 30, 2005 aggregated \$102,451,000. The Capital Projects Fund restated fund balance of \$75,410,000 at September 30, 2004 increased by \$27,041,000 due to increased property tax increment revenues transferred to this fund from the Agency's Debt Service Fund and transfers received from the City to this fund for the acquisition of real property for housing development projects.

Debt Service Fund - The Debt Service Fund is used to accumulate resources to pay principal and interest and other costs related to the Agency's long-term debt. At September 30, 2005, the Debt Service Fund had a total fund balance of \$220,384,000, of which \$52,106,000 was reserved for debt service and \$168,278,000 for redevelopment projects. The net increase in fund balance over the prior year of \$160,900,000 is primarily due to proceeds from the issuance of bonds net of interfund transfers made to the Capital Projects Fund for redevelopment projects and to the City to supplement the debt service for bonds.

Low- and Moderate-Income Housing Fund - The Low- and Moderate-Income Housing Fund (Housing) primarily accounts for the portion of tax increment and related revenue designed for low-and moderate-income housing. State laws require redevelopment agencies to set aside 20% of tax increment for low-and moderate-income housing projects. At September 30, 2005, the Housing Fund balance increased by \$7,222,000 to a total of \$20,544,000. The increase in fund balance was due to the increase in the 20% tax increment set-aside from the Redevelopment Agency. The entire fund balance is reserved for low-and moderate-income housing projects.

Governmental Fund Budgetary Highlights

A comparison between the initial budget and the final amended budget for the Agency's governmental funds shows a net increase in expenditures of \$50,514,000. The increase is mainly due to the anticipated expenditures for project improvements costs, land acquisition, debt issuance costs and debt service payments.

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 September 30, 2005**

The net ending fund balance variance of \$59,438,000 is committed to be spent in various project areas in the next fiscal year. The budget variances by project area are summarized under the Supplementary Financial Information sections of this report.

Capital Assets and Debt Administration

Capital Assets

The Agency's investments in capital assets net of accumulated depreciation for its governmental activities as of September 30, 2005 totaled \$13,802,000. The Agency's capital assets include land of \$13,801,000 and machinery and equipment of \$1,000. Additional information on the Agency's capital assets can be found in Note 5 to the combined financial statements.

Long-Term Liabilities

At September 30, 2005, the Statement of Net Assets included the Agency's long-term liabilities in the amount of \$506,770,000, which includes the current portion of bond indebtedness and is net of unamortized bond discount. This is summarized as follows in the table below (in thousands).

<u>Agency's Long-Term Debt</u>	
Tax allocation bonds	\$ 355,133
Notes payable	3,307
Advances from the City of Long Beach	131,111
Advances from Low- and Moderate-Income Housing Fund	17,219
Total	<u>\$ 506,770</u>

The Agency's total bonded indebtedness at September 30, 2005, was \$355,133,000. The bonds are secured solely by specified revenue sources (i.e., property tax increment).

Additional information on the long-term liabilities can be found in Notes 7, 8 and 9 of the combined financial statements.

As of September 5, 2004, Senate Bill 1096 amended Section 33333.6 of the Health and Safety Code to allow City Council, under certain circumstances, to extend by one year the time limit on the effectiveness of a redevelopment plan and the time limit on the receipt of tax increment and the payment of indebtedness for Education Revenue Augmentation Fund (ERAF) payments made in fiscal year 2005 and to be made in fiscal year 2006. On January 18, 2005, the City Council approved extensions for the West Beach, Downtown and Poly High Project Areas. The time limits for the project areas as of September 30, 2005 are summarized in the following table:

**Redevelopment Agency of the City of Long Beach
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 Management's Discussion and Analysis
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<u>Project Area</u>	<u>Date Adopted</u>	<u>Time Limit for Incurring Indebtedness</u>	<u>Termination Date</u>	<u>Time Limit For Repayment of Indebtedness</u>
Central Long Beach	03/06/2001	03/06/2021	03/06/2032	03/06/2047
Downtown	06/17/1975	01/01/2004	06/17/2017	06/17/2027
Los Altos	12/10/1991	12/10/2011	12/10/2032	12/10/2042
Poly High	04/03/1973	None	04/03/2015	04/03/2025
West Beach	07/21/1964	None	01/01/2011	01/02/2021
West Long Beach Industrial	07/01/1975	None	07/01/2015	07/01/2025
North Long Beach	07/16/1996	07/16/2016	07/16/2027	07/16/2042

Future Outlook - Economic Factors and Next Year's Budget

- Rising home values in Long Beach have increased tax increment revenues in the North Long Beach and Central Long Beach Project Areas. New residential and retail developments in the Downtown Project Area have increased its tax increment revenues. This trend is expected to continue and provide additional resources for the fiscal year 2006 budget.
- The Redevelopment Agency will issue tax allocation revenue bonds for the Downtown and North Long Beach Project Areas to purchase a portion of the outstanding principal amount of the Long Beach 2002 Subordinate Tax Allocation Bonds Downtown Redevelopment Project, effectuate a purchase on August 1, 2012, of a portion of the outstanding principal amount of the 2002 Tax Allocation Bonds North Long Beach Project Area, finance certain Downtown Project Area redevelopment projects, pay the financial guaranty insurance premiums and pay issuance costs of the bonds.
- The State approved legislation requiring redevelopment agencies to shift, in aggregate \$250,000,000 in property tax revenues during the fiscal years 2005 and 2006 to the Education Revenue Augmentation Fund (ERAF) for K-12 schools and community colleges. The Agency remitted \$2,901,000 into ERAF in May 2005 and will be required to remit \$2,921,000 in the next fiscal year.
- The requirements for the redevelopment agencies to provide payments to ERAF in fiscal year 2005 and 2006 are contained in Senate Bill 1096 (SB1096). The Redevelopment Agency's Management used the legislation to extend the debt repayment and redevelopment plan effectiveness time limits for the West Beach, Downtown, and Poly High Project Areas in fiscal year 2005. Extending the time limits gives the Redevelopment Agency an additional year to implement projects and programs to remove blight in each of the three project areas. The Redevelopment Agency's Management will recommend to the City Council that these time limits be extended one more year for fiscal year 2006 ERAF payments.

All of the above economic factors were considered in preparing the Agency's budget for fiscal year 2006.

**Redevelopment Agency of the City of Long Beach
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September 30, 2005**

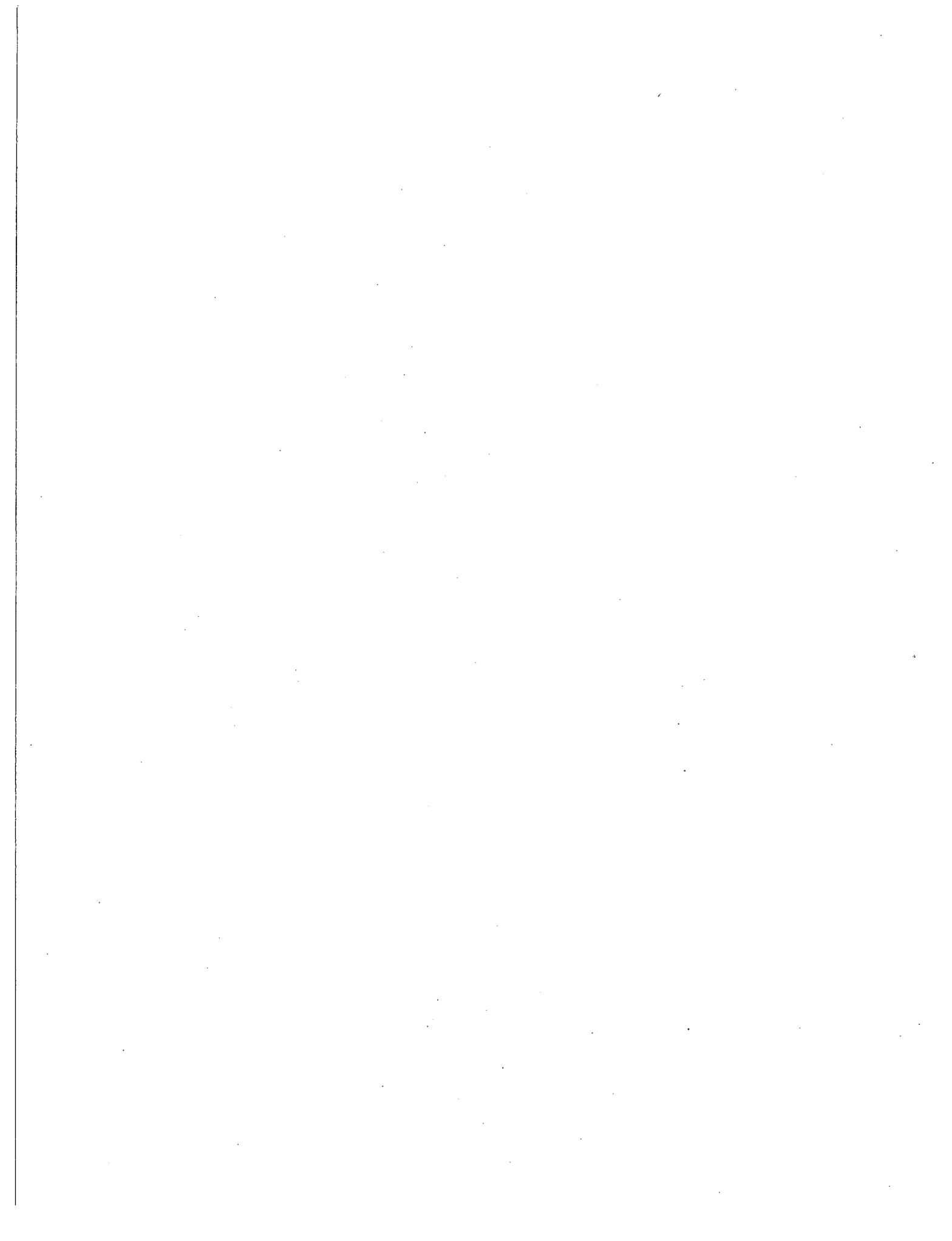
Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

City of Long Beach
Department of Financial Management
333 W. Ocean Boulevard, 6th Floor
Long Beach, California 90802

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COMBINED FINANCIAL STATEMENTS



Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combined Statement of Net Assets (Deficit)
September 30, 2005
(In Thousands)

	Governmental Activities		
	Governmental Activities	Low- and Moderate-Income Housing Fund	Total
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 46,170	\$ 17,097	\$ 63,267
Non-pooled cash and cash equivalents	195,120	2,430	197,550
Interest receivable	3,156	7	3,163
Accounts and loans receivables	394	100	494
Due from the City of Long Beach	347	-	347
Due from other governments	80	-	80
Other assets	13,604	-	13,604
Land held for resale	72,956	995	73,951
Noncurrent assets:			
Investments	10,000	-	10,000
Advances to the City of Long Beach	10,839	-	10,839
Advances to the Redevelopment Agency	-	17,219	17,219
Other non-current receivables	4,330	11,835	16,165
Capital assets			
Land and other assets not being depreciated	13,801	815	14,616
Buildings, improvements and equipment net of accumulated depreciation	1	949	950
Other Assets	-	1	1
Total assets	<u>370,798</u>	<u>51,448</u>	<u>422,246</u>
LIABILITIES			
Current liabilities:			
Accounts and vouchers payable	5,226	33	5,259
Accrued wages and other benefits	77	27	104
Due to the City of Long Beach	13,653	12	13,665
Accrued interest payable	4,910	397	5,307
Deferred revenue, credits and other payable	12,706	13	12,719
Bonds payable within one year	7,415	-	7,415
Noncurrent liabilities:			
Advances from the City of Long Beach	131,111	-	131,111
Advances from Low- and Moderate-Income Housing Fund	17,219	-	17,219
Bonds payable	347,718	-	347,718
Other long-term obligations	3,307	1,015	4,322
Total liabilities	<u>543,342</u>	<u>1,497</u>	<u>544,839</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, Net of related debt	13,802	749	14,551
Restricted for:			
Debt service	47,195	-	47,195
Operations and maintenance	-	33	33
Capital/Housing projects	167,427	19,517	186,944
Unrestricted (deficit)	(400,968)	29,652	(371,316)
Total net assets (deficit)	<u>\$ (172,544)</u>	<u>\$ 49,951</u>	<u>\$(122,593)</u>

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combined Statement of Activities
Year Ended September 30, 2005
(In Thousands)

Governmental Activities							
Program Revenues						Net (Expense) and Changes in Net Assets	Total
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Total	Low-and Moderate-Income Housing Fund	
Primary Government:							
General government	\$ 222	\$ -	\$ -	\$ -	\$ (222)	\$ -	\$ (222)
Community and cultural	33,850	2,942	210	-	\$ (30,698)	-	(30,698)
Interest on long-term debt	15,470	-	-	-	\$ (15,470)	-	(15,470)
Total governmental activities	<u>49,542</u>	<u>2,942</u>	<u>210</u>	<u>-</u>	<u>\$ (46,390)</u>	<u>-</u>	<u>(46,390)</u>
Low-and moderate-income housing fund	<u>\$ 3,377</u>	<u>\$ 749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,628)</u>	<u>\$ (2,628)</u>
General revenues							
Taxes:							
Property tax increment					50,977	12,744	63,721
Other					3,261	-	3,261
Unrestricted investment earnings					6,623	492	7,115
Gain on sale of land held for resale					1,829	-	1,829
Reconveyance of land					(3,419)	3,419	-
Transfers to/from the Redevelopment Agency					2,563	(2,563)	-
Transfers to the City					(6,708)	-	(6,708)
Total general revenues and transfers					<u>55,126</u>	<u>14,092</u>	<u>69,218</u>
Change in net assets					8,736	11,464	20,200
Net assets (deficit) - October 1					(181,280)	38,487	(142,793)
Net assets (deficit) - September 30					<u>\$ (172,544)</u>	<u>\$ 49,951</u>	<u>\$ (122,593)</u>

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combined Balance Sheet - Governmental Funds
September 30, 2005
(In Thousands)

	Capital Projects Funds	Debt Service Funds	Sub-Total	Low-and Moderate-Income Housing Fund	Total
ASSETS					
Pooled cash and cash equivalents	\$ 34,260	\$ 11,910	\$ 46,170	\$ 17,097	\$ 63,267
Non-pooled cash and cash equivalents	6	195,114	195,120	2,430	197,550
Accounts and loans receivable	3	391	394	100	494
Interest receivable on investments	-	3,156	3,156	7	3,163
Receivables from other governments	80	-	80	-	80
Investments	-	10,000	10,000	-	10,000
Due from the City of Long Beach	347	-	347	-	347
Advances to the City of Long Beach	-	10,839	10,839	-	10,839
Land held for resale	72,956	-	72,956	995	73,951
Other assets	13,604	-	13,604	1	13,605
Long-term receivables	4,330	-	4,330	11,835	16,165
TOTAL ASSETS	\$ 125,586	\$ 231,410	\$ 356,996	\$ 32,465	\$ 389,461
LIABILITIES					
Vouchers payable	\$ 4,540	\$ 11	\$ 4,551	\$ 33	\$ 4,584
Accounts payable	499	176	675	-	675
Accrued wages payable	77	-	77	32	109
Collections held in trust	656	-	656	13	669
Deferred revenue	3,710	10,839	14,549	11,836	26,385
Due to other funds	13,653	-	13,653	7	13,660
TOTAL LIABILITIES	23,135	11,026	34,161	11,921	46,082
FUND BALANCE					
Reserved:					
Land held for resale	72,956	-	72,956	995	73,951
Future projects	26,002	168,278	194,280	19,506	213,786
Debt service	-	52,106	52,106	-	52,106
Long-term receivables	2,642	-	2,642	-	2,642
Encumbrances	851	-	851	-	851
Other	-	-	-	43	43
TOTAL FUND BALANCE	102,451	220,384	322,835	20,544	343,379
TOTAL LIABILITIES, AND FUND BALANCE	\$ 125,586	\$ 231,410	\$ 356,996	\$ 32,465	\$ 389,461

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Reconciliation of Combined Balance Sheet of Governmental Fund Balance to the
Statement of Net Assets (Deficit)
September 30, 2005
(In Thousands)

	<u>Capital Projects/Debt Service Funds</u>	<u>Low- and Moderate-Income Housing Fund</u>
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:		
Total governmental fund balance	\$ 322,835	\$ 20,544
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	13,802	1,764
Advances due from/to the primary government is considered to be external activity that is reported only in the government-wide financial statements.	(148,330)	17,219
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.	2,499	11,836
Governmental long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(363,350)</u>	<u>(1,412)</u>
Net assets (deficit) of governmental activities	<u>\$ (172,544)</u>	<u>\$ 49,951</u>

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2005
(In Thousands)

	Capital Projects Funds	Debt Service Funds	Sub-Total	Low-and Moderate-Income Housing Fund	Total
REVENUES					
Property tax increment	\$ -	\$ 50,977	\$ 50,977	\$ 12,744	\$ 63,721
Interest income	794	5,828	6,622	634	7,256
Rental income	1,363	-	1,363	115	1,478
Transient occupancy tax	-	3,261	3,261	-	3,261
Other income	1,434	616	2,050	841	2,891
TOTAL REVENUES	3,591	60,682	64,273	14,334	78,607
EXPENDITURES					
Administrative costs	5,528	973	6,501	1,367	7,868
Professional services	539	-	539	115	654
Planning, survey and design	1,860	-	1,860	-	1,860
Acquisition expense	1,622	-	1,622	-	1,622
Operation of acquired property	3,192	-	3,192	74	3,266
Relocation costs	361	-	361	-	361
Relocation payments	2,282	-	2,282	-	2,282
Project improvement/construction costs	4,483	-	4,483	213	4,696
Disposal costs	20	-	20	49	69
Interdepartmental charges	-	-	-	511	511
Loss on sale of land held for resale	670	-	670	3,419	4,089
Rehabilitation grants and loans	1,556	-	1,556	2,220	3,776
Bad debt expense	13	86	99	-	99
Furniture, fixture and equipment	12	-	12	-	12
Pass-through charges	221	11,322	11,543	-	11,543
Debt issuance costs	-	4,887	4,887	-	4,887
Debt service payments:					
Bonds and notes payable - principal	-	4,607	4,607	-	4,607
City/County advances and loans - principal	80	-	80	-	80
U.S., State and other long-term debts - principal	-	623	623	-	623
Interest	264	13,653	13,917	-	13,917
TOTAL EXPENDITURES	22,703	36,151	58,854	7,968	66,822
Excess (deficiency) of Revenues over Expenditures	(19,112)	24,531	5,419	6,366	11,785
OTHER FINANCING SOURCES AND (USES)					
Other deferred payments	221	-	221	-	221
Proceeds from issuance of long-term debt	-	184,757	184,757	-	184,757
Bond Premium	-	3,264	3,264	-	3,264
Reconveyance of land	(3,419)	-	(3,419)	3,419	-
Transfer to Capital Projects/from Debt Service	49,030	(49,030)	-	-	-
Transfer to/from Redevelopment Agency	1,424	1,139	2,563	(2,563)	-
Transfers to the City	(1,103)	(3,761)	(4,864)	-	(4,864)
TOTAL OTHER FINANCING SOURCES (USES)	46,153	136,369	182,522	856	183,378
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	27,041	160,900	187,941	7,222	195,163
Fund Balance - October 1, as Restated	75,410	59,484	134,894	13,322	148,216
FUND BALANCE SEPTEMBER 30	\$ 102,451	\$ 220,384	\$322,835	\$ 20,544	\$ 343,379

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Reconciliation of Combined Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2005
(In Thousands)

	Capital Projects/Debt Service Funds	Low-and Moderate-Income Housing Fund
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Excess of revenue and other sources over expenditures and other uses - total governmental funds.	\$ 187,941	\$ 7,222
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the depreciation amount in the current period.	(1)	(56)
Effective October 1, 2004, the Agency changed its method of accounting for advances from/to the primary government based on additional guidance issued by the Governmental Accounting Standards Board. The governmental fund now records these debts only in its government-wide financial statements. Therefore, interest and principal thereon are eliminated in the governmental fund.	(1,764)	17
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	2,499	2,347
Governmental funds report expenditures pertaining to the establishment of certain long-term loans made. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding net expense is not reported on the statement of activities.	-	1,964
The issuance of long term debt (for example, bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(178,126)	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,813)	(30)
Change in net assets in governmental activities.	\$ 8,736	\$ 11,464

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

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2005

Note 1 - Description of Entity, Funds and Summary of Significant Accounting Policies

Reporting Entity

The Redevelopment Agency of the City of Long Beach (Agency) was established by action of the City Council in 1961 under provisions of State Law. The Agency is an independent public agency governed by a board comprised of seven citizens who are appointed by the Mayor and confirmed by the City Council. The City Council approves the Agency's annual budget and subsequent changes for the year. The City Council also approves all decisions that impact the Agency's fiscal operations, such as the determination of the redevelopment project areas and changes thereto, issuance of bonds and sale of properties. The City has financial oversight responsibility over the Agency and provides all staff, treasury management and investment analysis, facilities and administrative services to conduct the Agency's daily operations.

The Agency is a component financial reporting unit of the City of Long Beach, California (City). In accordance with the Governmental Accounting Standards Board Statement No. 14, the Agency's financial activities are included in the City's Comprehensive Annual Financial Report as a blended component unit.

The State of California Health and Safety Code Section 33080.1 requires every redevelopment agency to submit an annual audit of the financial statements of the agency which presents the results of the operations and financial position of the agency, including all financial activities with moneys required to be held in a separate Low- and Moderate Income Housing Fund pursuant to Section 33334.3. As such, the Agency has included in the accompanying combined financial statements the Low-and Moderate-Income Housing Fund which represents funds recorded within the City of Long Beach and the Long Beach Housing Development Company for the purpose of recording the Agency's 20% set aside tax increment revenues that the State of California Health and Safety code Section 33334.2 requires to be used to increase, improve and preserve the supply of low-and moderate-income housing within the Agency's territorial jurisdiction.

Governmental Funds

The accounts of the Agency are organized and operated on the basis of separate funds, each of which is defined as a separate fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Capital Projects Funds – were set up to account for financial resources to be used for land acquisition, relocation, demolition, public improvements, and sale of properties within the redevelopment project areas in accordance with the California Redevelopment Law. Redevelopment projects are financed with property tax increment funds, developers' contribution, grant funds, loans and operating transfers from the City, and bond proceeds.

Debt Service Funds – were set up to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and other related costs, primarily from property tax increment revenues.

**Redevelopment Agency of the City of Long Beach
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Notes to Combined Financial Statements
September 30, 2005**

Low- and Moderate-Income Housing Fund

Low-and Moderate-Income Housing Fund – was set up to account primarily for the 20% tax increment housing set-aside revenue, used to provide housing for low- and moderate-income households, as required under California Redevelopment Law, Section 33334.3.

Basis of Accounting and Measurement Focus and Financial Statement Presentation

The government-wide financial statements, (i.e., the statement of net assets (deficit) and the statement of activities) are reported using the accrual basis of accounting and economic resources measurement focus. 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.

In the statement of net assets (deficit), the amounts paid to acquire capital assets are capitalized as assets, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as reductions of the related liability, rather than as expenditures.

In the statement of activities, expenses are directly identified with a specific function or segment and are offset by program revenues. Taxes and other resources not appropriately included among program income are reported as general revenues.

The governmental fund financial statements are reported using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers revenues to be available if they are collected within one year at the end of the current fiscal period, with the exception of property taxes which are considered available if collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting, other than debt service expenditures, the matured principal and accrued interest on long-term debt, which are recorded when payment is due.

Generally, only current assets and current liabilities are included on the governmental fund balance sheets. However, non-current portions of long-term receivables related to governmental funds are also reported on the balance sheets and are offset by deferred revenue or fund balance reserve accounts. Statements of revenues, expenditures, and changes in fund balances (deficit) for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by generally accepted accounting principles, the City has also elected to apply those Financial Accounting Standards Board (FASB) Statements and

**Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
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Interpretations issued before November 30, 1989 that may apply to the accounting and reporting practices of the City's enterprise and business-type activities, except those that may conflict with GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Pooled Cash, Cash Equivalents and Investments

In order to enhance investment return, the Agency pools its available cash with that of the City for investment purposes except for the funds held by the outside fiscal agents under the provisions of bond indentures. The cash management pool is used essentially as a demand deposit account by various funds; accordingly, the City has defined Cash and Cash Equivalents as demand deposits plus all investments maintained in the cash management pool, regardless of maturity period. Investment decisions are made by the City Treasurer and approved by a general investment committee. Interest is allocated to the Agency based on its relationship of the daily cash balances to the total pooled cash and investments. Pooled cash and investments are stated at fair value at September 30, 2005.

Long-Term Receivables

In the government-wide financial statements, the Agency's loans or long-term receivables are reported net of an allowance for uncollectible accounts. In the fund financial statements, these loans are shown in the balance sheet with an offset to a deferred revenue account or a reservation of fund balance. In the fund financial statements, loans are not available spendable resources and have been recorded as expenditures when the loan was disbursed. Repayments of principal and interest were recorded as revenues in the period received.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other liabilities are reported as liabilities in the statement of net assets (deficit). Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the period issued. The face amount of the debt is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Bond issuance costs are reported as debt service expenditures, whether or not withheld from the actual bond proceeds.

Land Held for Resale

To aid in the elimination of blighted areas within the project areas, the Agency acquires selected parcels of land and makes such sites suitable for sale to recognized developers. The purchase price of the land acquired is capitalized as "Land Held for Resale" and the fund balance is reserved for the investment in the land.

**Redevelopment Agency of the City of Long Beach
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Notes to Combined Financial Statements
September 30, 2005**

Purchased land is recorded at the lower of cost or market value (when a definite market value can be determined) excluding demolition and relocation costs, which are considered by the Agency to be expenditures in the year incurred.

Capital Assets

The Agency has adopted the City's policy regarding recordation of capital assets, which is defined as assets with initial individual costs of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs.

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

Land Improvements	15-35 years
Buildings	20-50 years
Machinery and Equipment	5-20 years
Office Furniture, Fixtures and Equipment	3-20 years

Net Assets and Fund Equity

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

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

Property Tax Increment Revenues

Property tax increment represents the property taxes paid on the increase in assessed property values that result from redevelopment. Tax increment revenue up to the amount necessary to make Agency debt payments reverts to the Agency for the life of the redevelopment project area or until the time limit for repayment of indebtedness established by State law.

Property Tax Calendar

Under the State Constitution, the property tax rate is limited to 1% of assessed value, but may be adjusted for specific voter-approved indebtedness. Property taxes are levied by the Los Angeles County (County) Tax Assessor and shared among all other local taxing authorities within the City. Accordingly, the County collects property taxes and distributes such taxes on the basis of the taxing authorities' tax rate percentages, allowing for such adjustments as may be authorized for voter-approved debt. Secured property taxes are

Redevelopment Agency of the City of Long Beach
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Notes to Combined Financial Statements
September 30, 2005

levied during September of every year and become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10.

Budgetary Principles

The Agency is required to adopt an annual budget on or before September 30 for the ensuing fiscal year for all funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the funds. During the fiscal year, the Board may amend its adopted budget by motion and subsequent approval by the City Council. The Agency's executive director may transfer appropriations from one program, activity, or object to another within the same fund type. All appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Accounting for Encumbrances

The Agency utilizes an encumbrance system of accounting wherein encumbrances outstanding at year end are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The Agency records an encumbrance in the fund financial statements as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received as required by United States generally accepted accounting principles.

Personnel

The Agency is supported by employees of the City and all employee-related costs are accounted for in the City's financial systems.

Estimates

The preparation of the Agency's combined financial statements in conformity with United States 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.

Note 2 - Cash and Investments

As a component financial reporting unit of the City, the Agency is authorized to participate in investments in obligations issued or guaranteed by the Federal Government, its agencies and instrumentalities, as well as in commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, bank certificates of deposit, the State Treasurer's Local Agency Investment Fund, and shares of beneficial interest (mutual funds) issued by diversified management companies in accordance with the City's general investment policy.

**Redevelopment Agency of the City of Long Beach
 (A Component Financial Reporting Unit of the City of Long Beach, California)
 Notes to Combined Financial Statements
 September 30, 2005**

Cash and Investments

The Agency's cash and investments are maintained by the City Treasurer and are pooled with other City funds and investments to enhance the investment returns for these funds. Interest income earned on pooled cash and investments is allocated monthly to the various participating entities based on their average daily cash balances. The City's bank deposits are either covered by appropriate Federal insurance, or are collateralized in accordance with the California Government Code. Pooled cash and investment for each fund type is included in the City's Comprehensive Annual Financial Report, Statement of Net Assets under the caption entitled "Pooled Cash and Cash Equivalents".

Cash with Fiscal Agents

The Agency's funds are also held by independent fiscal agents. These funds are pledged to the payment of outstanding bonds and project costs eligible under the bond indenture for each project area related to the Tax Allocation Bonds 1992, 2002 Series A and B, and 2005 Series A and B issuance. These funds are reserved in the Debt Service Fund amounting to \$195,114,000. Monies held by fiscal agents, unless otherwise required by statute, may be invested in accordance with the underlying bond indentures specifying the types of investments the Agency's fiscal agents may make. These underlying indentures are generally more restrictive than the City's general investment policy. Additional types of investments, not permitted by the City's general investment policy, are not authorized.

Cash and Investments as of September 30, 2005 are classified in the Agency's financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments in city pool	\$ 63,267,000
Cash and investments held by bond trustee	<u>207,550</u>
Total cash and investments	<u>\$ 63,474,550</u>

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.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2005

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
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 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

Investment 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 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.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2005

The following schedule indicates the interest rate risk of the City's investments as of September 30, 2005 (in thousands):

<u>City Pooled Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Bonds issued by the City	\$ 3,502	13.57
U.S. Treasury Notes	275,731	1.99
U.S. Treasury Bonds	10,513	0.03
Federal agency securities	858,461	1.31
Medium-Term Notes	95,404	0.84
Money Market Funds	34	-
Local Agency Investment Fund (LAIF)	94,981	0.46
Total City Pool	<u>\$ 1,338,626</u>	

The Agency pooled cash and cash equivalents amount of \$63,267,000 is 4.73% of the City's pooled cash and cash equivalents of \$1,338,626,000.

<u>Agency Non-Pooled Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Guaranteed Investment Contracts	\$ 102,210	-
Money Market Funds	95,340	-
Time Certificates of Deposit	10,000	1.00
Total held by Bond Trustee	<u>\$ 207,550</u>	

Investments with Fair Values Highly Sensitive to Investment Risk

The City had no investments with values that were highly sensitive to investment risk as of September 30, 2005.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Notes to Combined Financial Statements
September 30, 2005

Disclosures Relating to Credit Risk

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

City Pooled Investment Type		Minimum Legal Rating	Not Required To Be Rated	Rating as of Year End			
				AAA	Aa	A	Unrated
Bonds issued by the City	\$ 3,502	N/A	\$ 3,502	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	275,731	N/A	275,731	-	-	-	-
U.S. Treasury Bonds	10,513	N/A	10,513	-	-	-	-
Federal agency securities	858,461	N/A	-	858,461	-	-	-
Medium-Term Notes	95,404	A	-	71,783	5,018	18,602	-
Money Market Funds	34	N/A	34	-	-	-	-
Local Agency Investment Fund (LAIF)	94,981	N/A	-	-	-	-	94,981
Total City Pool	\$ 1,338,626		\$ 289,780	\$ 930,244	\$ 5,018	\$ 18,602	\$ 94,981

Agency Non-Pooled Investment Type		Minimum Legal Rating	Not Required To Be Rated	Rating as of Year End			
				AAA	Aa	A	Unrated
Guaranteed Investment Contracts	\$ 102,210	N/A	\$ 102,210	\$ -	\$ -	\$ -	\$ -
Money Market Funds	95,340	N/A	95,340	-	-	-	-
Time Certificates of Deposit	10,000	N/A	10,000	-	-	-	-
Total held by Bond Trustees	\$ 207,550		\$ 207,550	\$ -	\$ -	\$ -	\$ -

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 (in thousands):

Issuer	City Pooled Investment Type	Reported Amount
FNMA	Federal agency securities	\$ 237,814
Federal Farm Credit Agency	Federal agency securities	194,999
FHLB	Federal agency securities	204,151
FHLMC	Federal agency securities	216,462
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	94,914
U.S. Treasury	U.S. Treasury Notes	275,731
U.S. Treasury	U.S. Treasury Bonds	10,513

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

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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 except for one City issued bond and investment in the State's Local Area Investment Fund.

As of September 30, 2005, the City reports deposits of \$10,862,000 less \$19,908,000 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 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'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.

Securities-Lending

The City did not engage in any securities lending programs for the fiscal year ending September 30, 2005. The City may enter into securities lending agreements up to 20% of the investment portfolio. Securities to be sold in a lending agreement must be owned and fully paid for by the agency for a minimum of 30 days prior to the sale. The term of the securities lending agreement cannot exceed 92 days.

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Non-Pooled Restricted Cash and Investments

Non-pooled restricted cash and investments stated at fair value, in accordance with GASB Statement No. 31, including accrued interest thereon, and net of premiums and discounts, consisted of the following at September 30th, (in thousands):

	Cash with Fiscal Agent	Non-pooled Cash	Investments
<u>Tax Allocation Bonds:</u>			
1992 Multiple Series:			
West Long Beach Beach Industrial Project	\$ 2,577	-	-
Downtown Project - Series A	5,703	-	-
2002 Multiple Series:			
2002A Poly High Project	141	-	-
2002A West Beach Project	713	-	-
2002B West Long Beach Industrial Project	555	2,430	-
2002A Downtown Project	3,311	-	-
2002B Downtown Project	1,972	-	-
2002A North Long Beach Project	19,683	-	-
2005 Multiple Series:			
2005A-2 Poly High Project	2,505	-	-
2005A-2 West Beach Project	817	-	-
2005A-1 Los Altos Project	408	-	-
2005A-1 Central Long Beach Project	23,005	-	-
2005B Central Long Beach Project	19,426	-	-
2005A-1 North Long Beach Project	35,831	-	-
2005B North Long Beach Project	24,402	-	-
2005B Housing Fund	54,065	-	-
North Long Beach Project	-	6	10,000
Total	<u>\$ 195,114</u>	<u>\$ 2,436</u>	<u>\$ 10,000</u>

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Note 3 - Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Deficit)

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets (deficit) – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds.” The details of the \$363,350,000 and \$1,412 differences are as follows (in thousands):

	Capital Projects/Debt Service Funds	Low- and Moderate- Income Housing Fund
Bonds Payable	\$ 355,443	\$ -
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(7,847)	-
Plus: Issuance premium, net (to be amortized as a reduction of interest expense)	7,537	-
Notes payable	3,307	1,015
Accrued interest payable	4,910	397
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets (deficit) - governmental activities	<u>\$ 363,350</u>	<u>\$ 1,412</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$178,126,000 difference are as follows (in thousands):

	Capital Projects/Debt Service Funds
<u>Debt issued or incurred</u>	
Issuance of tax allocation bonds	\$ 184,757
Plus premium, less discount and issuance costs	(1,622)
Issuance of notes, certificates of participation commercial paper, and other long-term obligations	\$ 221
<u>Principal payments</u>	
Tax Allocation Bonds obligation debt	(4,607)
Notes Payable	(623)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 178,126</u>

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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of such \$1,813,000 and \$30 differences are as follows (in thousands):

	Capital Projects/Debt Service Funds	Low- and Moderate- Income Housing Fund
Accrued interest	\$ 1,869	\$ 30
Amortization of premium	(317)	-
Amortization of issuance cost	261	-
Net adjustment	<u>\$ 1,813</u>	<u>\$ 30</u>

Note 4 - Receivables

The following receivables are expected to be collected within one year. There are no allowances for uncollectable accounts.

Current receivables at September 30, 2005, are as follows (in thousands):

	Capital Projects/Debt Service Funds	Low- and Moderate- Income Housing Fund
Interest	\$ 3,156	\$ 7
Accounts and loans receivable	394	100
Total	<u>\$ 3,550</u>	<u>\$ 107</u>

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Note 5 - Capital Assets

Capital asset activity for the year ended September 30, 2005 is as follows (in thousands):

<u>Capital Project/Debt Service Fund</u>	<u>Balance at</u> <u>October 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>September 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 13,801	\$ -	\$ -	\$ 13,801
Total capital assets not being depreciated	<u>13,801</u>	<u>-</u>	<u>-</u>	<u>13,801</u>
Capital assets, being depreciated:				
Machinery and equipment	20	-	(12)	8
Less accumulated depreciation for:				
Machinery and equipment	(18)	(1)	12	(7)
	<u>(18)</u>	<u>(1)</u>	<u>12</u>	<u>(7)</u>
Total capital assets being depreciated, net	<u>2</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
Redevelopment Agency capital assets, net	<u>\$ 13,803</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 13,802</u>
Depreciation was charged to functions/programs of governmental activities as follows (in thousands):				
Community and cultural/housing				
Community development	<u>\$ 1</u>			
<u>Low- and Moderate-Income Housing Fund</u>	<u>Balance at</u> <u>October 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>September 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 815	\$ -	-	\$ 815
Total capital assets not being depreciated	<u>815</u>	<u>-</u>	<u>-</u>	<u>815</u>
Capital assets, being depreciated:				
Building	236	-	-	236
Improvements other than buildings	1,053	-	-	1,053
Total capital assets being depreciated	<u>1,289</u>	<u>-</u>	<u>-</u>	<u>1,289</u>
Less accumulated depreciation for:				
Building	(59)	(11)	-	(70)
Improvements other than buildings	(225)	(45)	-	(270)
Total capital assets being depreciated	<u>(284)</u>	<u>(56)</u>	<u>-</u>	<u>(340)</u>
Total capital assets being depreciated, net	<u>1,005</u>	<u>(56)</u>	<u>-</u>	<u>949</u>
Low- and Moderate-Income Housing Fund, Governmental activities capital assets, net	<u>\$ 1,820</u>	<u>\$ (56)</u>	<u>\$ -</u>	<u>\$ 1,764</u>
Depreciation was charged to functions/programs of governmental activities as follows (in thousands):				
Community and cultural/housing				
Community and development	<u>\$ 56</u>			

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Note 6 - Due to/from and Advances from/to the City of Long Beach

The composition of receivables and payables to the City as of September 30, 2005 is as follows (in thousands):

Redevelopment Agency

<u>Due from the City of Long Beach</u>	
Special Revenue Fund	\$ 347
Total due from the City of Long Beach	<u>\$ 347</u>

<u>Due to the City of Long Beach</u>	
General Fund	\$ 13,617
Internal Service Fund	36
Total due to the City of Long Beach	<u>\$ 13,653</u>

<u>Advances from the City of Long Beach</u>	
General Fund	\$ 98,455
Housing Development Fund	20,708
General Capital Projects	1,732
Harbor Fund	27,435
Total advances from the City of Long Beach	<u>\$ 148,330</u>

<u>Advances to the City of Long Beach</u>	
Aquarium of the Pacific	
Funds transfer	\$ 10,705
Accrued interest	134
Total advance to the City	<u>\$ 10,839</u>

Low- and Moderate-Income Housing Fund

<u>Due to the City of Long Beach</u>	
Internal Service Fund	\$ 12
Total due to the City of Long Beach	<u>\$ 12</u>

<u>Advances to the Redevelopment Agency</u>	
20% set-aside	\$ 16,361
Project costs	858
Total advances to the Redevelopment Agency	<u>\$ 17,219</u>

The advances from/to the City of Long Beach of \$131,111,000 and \$17,219,000, respectively, are reported only in the government-wide financial statements in accordance with the additional guidance issued by the Governmental Accounting Standards Board, effective October 1, 2004.

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Due to/from the City of Long Beach

At September 30, 2005, the Agency owed the City's General Fund \$13,617,000 for an interim loan to fund estimated Redevelopment Agency operating costs. This loan will be paid in the next fiscal year as tax increment revenues are received.

Employee Benefit overhead costs of \$36,000, such as funding for health benefits and paid time of, relating to the wages and salaries accrued at September 30, 2005, are payable to the City's Employee Benefits Internal Service Fund at September 30, 2005.

At September 30, 2005, the City owed the Redevelopment Agency \$347,000 for reimbursement of expenditures incurred for the construction and administration of a bike station in the Downtown Project Area.

Advances from/to the City of Long Beach

In prior fiscal years, advances from the City have been recorded in the fund financial statements, which will be repaid usually with interest over an extended period of time. Effective October 1, 2004, the Agency changed its method of accounting for advances from the City of Long Beach based on additional guidance issued by the Governmental Accounting Standards Board (GASB). The Agency now records its debt owed to the City of Long Beach only in its government-wide financial statements.

From 1974 to 2005, the City transferred funds to the Agency, including Federal grant monies for use on redevelopment projects. The Agency occasionally makes discretionary payments to the City which in fiscal year 2005 amounted to \$80,000. At September 30, 2005, the outstanding balances of these transfers amounted to \$98,455,000, \$4,347,000 and \$1,732,000 in the City's General Fund, Housing Development Special Revenue Fund, and General Capital Projects Fund, respectively, for land acquisition, project and administration costs. It is the intent of the Agency to repay these transfers as future property tax increment revenues permit. Due to the long-term nature of the repayment, the City has reserved these interfund receivables in the General Fund and established deferred revenue in the Housing Development Special Revenue Fund and General Capital Projects Fund.

Effective in fiscal year 1986, the Agency was allowed to defer a portion or 100% of the housing set-aside based on the financial obligations existing prior to January 1986. The deferred payments of \$16,361,000 at September 30, 2005, are considered "Advances from the Housing Development Fund" and constitute a debt of the project area to the Housing Development Fund. There was no deferral of the 20% housing set-aside for the Downtown Project Area for the fiscal year ending September 30, 2005. The Advances from Housing Development Fund at September 30, 2005, is a component of the Statement of Net Assets, "Advances from the City of Long Beach" showing a total of \$17,219,000.

In December 1993, the City agreed to convey to the Agency real property for the Central Long Beach Project equal to the fair market value less any costs of demolition and remediation of the property or \$1,877,000. Pursuant to the loan agreement, the Agency is required to make a loan repayment equal to at least 1% of the net tax increment received by

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the Agency for the Central Long Beach Project Area. The funds paid to the City are required to be utilized for gang prevention and other youth-related activities. In fiscal year 2005, the Agency made a loan repayment of \$80,000 to the City. The balance of this advance on September 30, 2005 was \$1,732,000.

In 1990, the Agency received an advance from the Long Beach Harbor Department for the expansion of the Long Beach Convention and Entertainment Center. The resulting note was previously scheduled to be repaid commencing on October 1, 1997. In August 1995 the agreement was amended to defer payment until a certificate of occupancy was issued for the Aquarium of the Pacific Project, which was completed in fiscal year 1998. In 2002 a subsequent amendment deferred further the scheduled quarterly payments of \$441,000 over 16 years. The advance is payable solely from the Downtown Project Area's transient occupancy taxes levied pursuant to the provisions of the California Revenue and Taxation Code. At September 30, 2005, the total aggregate balance outstanding was \$27,435,000.

The repayment to the Port is subordinated to a pledge to fund payments of the Aquarium of the Pacific Project bond issue in 2001. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed. The Redevelopment Agency will be reimbursed for any such advances together with accrued interest, at an interest rate equal to the rate earned on the City Treasurer's Investment Pool as monies are available. At September 30, 2005, the Redevelopment Agency advanced \$10,839,000 to the City for the bond payment, including accrued interest of \$134,000 through fiscal year 2005.

Low-and Moderate-Income Housing Fund

The advances to the Agency of \$17,219,000 consist of the prior years deferred payments for the Downtown Project Area housing set-aside of \$16,361,000 and advances made to the Central Long Beach Project Area of \$858,000 for a residential construction project.

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Note 7 - Long-Term Obligations

Long-Term Debt activity for the year ended September 30, 2005, was as follows (in thousands):

	Balance at October 1, 2004	Additions	Reductions	Balance at September 30, 2005	Due within one year
Capital Project/Debt Service Fund					
Bonds payable					
Tax allocation bonds	\$ 175,293	\$ 184,757	\$ (4,607)	\$ 355,443	\$ 7,415
Add (less) deferred amounts					
Premium	5,258	3,264	(330)	8,192	-
Discount	-	(668)	13	(655)	-
Issuance costs	(3,890)	(4,218)	261	(7,847)	-
Total bonds payable	\$ 176,661	\$ 183,135	\$ (4,663)	\$ 355,133	\$ 7,415
Notes payable	3,652	278	(623)	3,307	-
Advances from the City of Long Beach	129,364	1,827	(80)	131,111	-
Advances from Low- and Moderate-Income Housing Fund	17,202	17	-	17,219	-
Long-term liabilities	\$ 326,879	\$ 185,257	\$ (5,366)	\$ 506,770	\$ 7,415

Low- and Moderate-Income Housing Fund

There was no activity in the long-term liabilities of the Low- and Moderate-Income Housing Fund (in thousands):

	Balance at October 1, 2004	Additions	Reductions	Balance at September 30, 2005	Due within one year
Notes payable	\$ 1,015	-	-	\$ 1,015	\$ -

Note 8 - Bonds Payable

At September 30, 2005, bonded indebtedness consisted of the following (in thousands):

	Date Issued	Final Maturity	Range of Semi- Annual Interest Rates	Authorized and Issued	Outstanding Balance September 30, 2005
<u>Tax Allocation Bonds:</u>					
1992 Multiple Series:					
Downtown Project - Series A	12/01/92	11/01/22	2.9 - 6.00%	\$ 81,020	\$ 38,520
West Long Beach Beach Industrial Project	12/01/92	11/01/22	2.9 - 6.00%	36,470	17,345
2002 Multiple Series:					
2002A Poly High Project	06/25/02	08/01/12	4.809%	1,710	1,278
2002A West Beach Project	06/25/02	08/01/18	5.152%	8,895	7,757
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.00 - 5.50%	21,860	19,775
2002A Downtown Project	06/25/02	08/01/24	5.04 - 5.25%	26,820	24,597
2002B Downtown Project	12/05/02	11/01/22	2.25 - 5.50%	25,920	22,615
2002A North Long Beach Project	06/25/02	08/01/31	6.105%	40,290	38,799
2005A-1 Los Altos Project	03/02/05	08/01/20	2.20 - 4.00%	4,685	4,685
2005A-1 Central Long Beach Project	03/02/05	08/01/40	3.52 - 5.34%	22,690	22,690
2005A-1 North Long Beach Project	03/02/05	08/01/35	3.52 - 5.16%	39,000	39,000
2005A-2 Poly High Project	03/02/05	08/01/24	3.79 - 4.90%	2,558	2,558
2005A-2 West Beach Project	03/02/05	08/01/20	4.59 - 4.66%	839	839
2005B Central Long Beach Project	03/02/05	08/01/40	3.52 - 5.34%	34,240	34,240
2005B North Long Beach Project	03/02/05	08/01/35	3.52 - 5.16%	25,080	25,080
2005B Housing Fund	03/02/05	08/01/40	3.52 - 5.44%	55,665	55,665
Total Bonds Payable				\$ 427,742	\$ 355,443

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In March 2005, the Agency issued \$69,772,000 of the \$77,447,000 in Long Beach Bond Finance Authority Revenue Bonds 2005 Series A bonds and \$114,985,000 in Long Beach Bond Finance Authority Taxable Revenue Bonds Series B bonds, collectively referred to as the Series 2005 Bonds. The balance of \$7,675,000 in 2005 Series A bonds in the Long Beach Bond Finance Authority Revenue Bonds was issued by the City.

The Series 2005 Agency Bonds were issued by the Agency to finance primarily certain redevelopment and public improvement projects and certain low- and moderate-income housing projects, to fund the repayment of a portion of the loan made by the West Long Beach Industrial Project Area to the Los Altos Project Area and the remainder to fund the reserve account and payment of certain cost of issuance of the Series 2005 Bonds. These Series 2005 Agency Bonds consist of six separate issues comprised of: (a) the \$22,690,000 Series 2005A-1 and \$34,240,000 Series 2005B Central Bonds (Central Long Beach Project), (b) the \$39,000,000 Series 2005A-1 and \$25,080,000 Series 2005B North Long Beach Bonds (North Long Beach Project), (c) the \$4,685,000 Series 2005A01 Los Altos Bonds (Los Altos Project), (d) the \$2,558,000 Series 2005 Poly High Bonds (Poly High Project), (e) the \$839,000 Series 2005 West Beach Bonds (West Beach Project), and (f) the \$55,665,000 Series 2005B Housing Bonds (Housing Set Aside).

The proceeds of these Agency bond issues have been placed in escrow accounts administered by an independent bank fiscal agent. Except for the portion used to pay for the loan, these proceeds are invested by the trustee in various securities under a flexible draw investment agreement executed for these bond issues. The interest earned on these investments and the tax increment revenues collected from the participating redevelopment project areas are earmarked to finance future payments of interest, principal and redemption premium on the Series 2005 Bonds.

Annual Payments

Combined annual debt-service payments to maturity for all bonds are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	7,415	19,005	26,420
2007	7,777	18,643	26,420
2008	8,216	18,247	26,463
2009	8,632	17,819	26,451
2010	9,090	17,364	26,454
2011 - 2015	53,342	80,541	133,883
2016 - 2020	68,137	68,461	136,598
2021 - 2025	74,150	44,404	118,554
2026 - 2030	44,133	26,854	70,987
2031 - 2035	44,291	14,640	58,931
2036 - 2040	30,260	4,899	35,159
Totals	<u>\$ 355,443</u>	<u>\$ 330,877</u>	<u>\$ 686,320</u>

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Note 9 - Notes and Interest Payable

At September 30, 2005, the Agency had the following notes payable to land sellers, developers, and other governmental entities (in thousands):

	Date Issued	Final Maturity	Range of Interest Rates	Originally Issued	Outstanding at September 30, 2005	Due Within One Year
Capital Project/Debt Service Fund						
Los Angeles County	1/21/1992	12/10/2036	3.75%	\$ 1,857	\$ 1,857	\$ -
419 West Broadway, LLC	6/3/2004	6/18/2009	6.00-8.00%	1,450	1,450	-
Total Redevelopment Capital Project Fund				<u>\$ 3,307</u>	<u>\$ 3,307</u>	<u>\$ -</u>
Low- and Moderate-Income Housing Fund						
State of California	1/23/1992	1/23/2022	3.00%	\$ 1,015	\$ 1,015	\$ -

Combined annual debt service payments to maturity for all notes are as follows (in thousands):

<u>Capital Projects / Debt Service Funds</u>			
Fiscal Year	Principal	Interest	Total Debt Service
2006	\$ -	\$ 87	\$ 87
2007	-	87	87
2008	-	87	87
2009	1,450	65	1,515
2010	-	-	-
2011-2020	-	-	-
2021-2036	1,857	1,889	3,746
Totals	<u>\$ 3,307</u>	<u>\$ 2,215</u>	<u>\$ 5,522</u>

<u>Low- and Moderate-Income Housing Fund</u>			
Fiscal Year	Principal	Interest	Total Debt Service
2006	\$ -	\$ 30	\$ 30
2007	-	30	30
2008	-	30	30
2009	-	30	30
2010	-	30	30
2011-2015	-	150	150
2016-2020	-	150	150
2021-2022	1,015	451	1,466
Totals	<u>\$ 1,015</u>	<u>\$ 901</u>	<u>\$ 1,916</u>

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Tax Increment Pass-Through Obligation

The Agency has an agreement to pay Los Angeles County 49.44% of tax increment generated by the Los Altos Project Area, payable commencing in 2020 at a simple interest rate of 3.75%. The tax increment due to the County at September 30, 2005, totaled \$1,857,000.

Central Long Beach Project Obligation

In July 2001, the Agency executed a promissory note payable for \$673,000 for real property purchased for the Central Long Beach Project. The note was fully paid in April 2005.

Downtown Project Obligation

In June 2004, the Redevelopment Agency executed a promissory note with a principal sum of \$1,450,000 for real property purchased for the Downtown Project Area. The interest rate of the note is variable and set at 2% over prime with a minimum rate of 6% and a maximum rate of 8%. Interest-only payments are due quarterly until June 2009 when the principal amount is due and payable or when the property is sold by the Agency whichever occurs first.

The Downtown project promissory note is secured by a deed of trust in favor of the lender.

Note 10 - Other Assets

Other current assets depicted in the Capital Projects/Debt Service Fund include the following at September 30, 2005 (in thousands):

Prepaid rent for the IDM structure	\$ 1,800
Deposits with Superior Court	11,802
Prepaid expense	1
Other	1
	<hr/>
Total Other Assets	<u>\$ 13,604</u>

Other non-current assets of \$1,000 depicted in the Low- and Moderate-Income Housing Fund represent loan repayments that are to be remitted by the collection agency.

Note 11 - Low- and Moderate-Income Housing Set-aside

Community Redevelopment Law requires redevelopment agencies to set-aside 20% of their property tax increment to increase or improve the supply of low- and moderate-income housing in the community. Agencies must deposit the housing set-aside funds in a low- and moderate-income housing fund. The Redevelopment Agency of the City of Long Beach deposits its housing set-aside with the City of Long Beach.

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Effective January 1, 1986, the laws governing redevelopment were amended to include project areas created prior to 1977 into the low -and moderate-income housing set-aside program. However, the law allows pre-1977 projects to set aside less than 20% of tax increment revenue if the project area's obligations from programs, projects and financial obligations existing prior to January 1, 1986, exceeded the tax increment revenue available. Beginning January 1, 1986, the portion of the set-aside not paid became indebtedness of the project area.

In fiscal year 1986, all Redevelopment Project Areas, except West Beach, qualified for reduced set-aside payments. In fiscal year 1988, only the Downtown Project Area qualified for a reduced payment but elected to recognize the amount as deferred rather than exempt. The Downtown Project Area qualified for and deferred a portion or all of the set-aside amount in fiscal years 1989 through 2002. Amendments in 1989 to the State Health and Safety Code Section 33334.6 (g) required redevelopment agencies to treat shortfalls in fiscal years 1986 and 1987 as deficits in the low -and moderate-income housing fund. As a result, in fiscal year 1995 the Agency recorded an additional \$1,821,000 as a liability in the City's Housing Development Fund; this amount was equal to the fiscal years 1986 and 1987 Downtown Project Area set-aside.

The deferred debt was previously accounted for as a current liability because it was payable from any excess funds that might have become available. However, it has been determined that projections of tax increment revenues in the immediate future made it unlikely that payments would begin soon. As a result, the Agency has determined it necessary to account for the deferred set-aside as a long-term liability beginning in fiscal year 1996. With the implementation of GASB Statement No. 34, the deferred set-aside of \$16,361,000 for the Downtown Project Area has been reclassified from the General Long-Term Debt Account Group to Advances from the City of Long Beach (see note 6). Effective October 1, 2004, the Agency changed its method of accounting for advances from the City of Long Beach based on additional guidance issued by the Governmental Accounting Standards Board (GASB). The Agency now records its debt owed to the City of Long Beach only in its government-wide financial statements. The Agency has adopted a "Downtown Project Area Housing Fund Deficit Reduction Plan" Resolution RA 21-95, which calls for an analysis of available tax increment and existing obligations beginning in 2010, and every two years thereafter, until reduction of the deferred debt is found feasible, and commences.

During fiscal year 2005, all seven Redevelopment Project Areas paid a full 20% of their tax increment revenue to the Housing Development Fund and no Project Area deferred a low- and moderate-income housing set-aside payment.

The Agency deposits set-aside funds into the Low- and Moderate-Income Housing Fund (Housing Fund). The following table shows the amount deferred from prior years, the current fiscal year's 20% set-aside requirement, the current fiscal year's payment, and the total amount not yet paid to the City's Housing Fund at September 30, 2005, for each Project Area (in thousands):

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Project Area	Advances from Housing Fund October 1, 2004	Current Year 20% Set Aside	Current Year Payment to Low- and Moderate- Income Housing Fund	Advances from Low- and Moderate- Income Housing Fund September 30, 2005
Downtown	\$ 16,361	\$ 2,614	\$ (2,614)	\$ 16,361
West Beach	-	210	(210)	-
West Long Beach Industrial	-	1,584	(1,584)	-
Poly High	-	106	(106)	-
Los Altos	-	111	(111)	-
Central Long Beach	-	1,996	(1,996)	-
North Long Beach	-	6,123	(6,123)	-
Total	<u>\$ 16,361</u>	<u>\$ 12,744</u>	<u>\$ (12,744)</u>	<u>\$ 16,361</u>

Note 12 - Transfers from/to the City of Long Beach

For the fiscal year ended September 30, 2005, the City transferred \$2,563,000 from the Low- and Moderate-Income Housing Fund to the Central Long Beach Project Area: \$1,424,000 for project development and \$1,139,000 for amortization payment on the 2005 Housing Bonds.

Details of \$4,864,000 in funds transferred from the Agency to the City for the fiscal year ended September 30, 2005 were as follows (in thousands):

Transfers to	Amount
Business Assistance Program	\$ 1,075
Tidelands Operating Fund	651
Aquarium of the Pacific	3,110
General Fund	28
Total transfers to the City	<u>\$ 4,864</u>

The Agency transferred \$1,075,000 to the City for the support and administration of the business loan program from the Downtown, West Long Beach Industrial and North Long Beach Project Areas.

The Agency transferred \$651,000 to the Tidelands Fund in fiscal year 2005 to supplement the debt service of the bonds issued for the construction of an energy plant at the Convention Center.

The Agency transferred \$3,110,000 from transient occupancy taxes (TOT) generated by Agency-sponsored hotels to the Tidelands Fund. In prior years, the TOT revenues were paid to the Port of Long Beach. However, from fiscal years 2002 to 2005, the Port of Long

**Redevelopment Agency of the City of Long Beach
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Beach agreed that the TOT revenues be used to defray a portion of the bond payment for the Aquarium of the Pacific.

The Agency transferred \$28,000 to the General Fund for the remaining balance of \$100,000 funding of a City laboratory project in fiscal year 2004.

Any redevelopment project area adopted after 1994 is required to share 20% of its tax increment with the taxing agencies affected by the adoption of the project area including city governments. As a result, the Central Long Beach and North Long Beach Project Areas paid \$475,000 and \$1,692,000, respectively, to the City of Long Beach.

In addition, an amendment to Section 33333.6 of the Health and Safety Code took effect on January 1, 2002, authorizing redevelopment agencies to eliminate the time limit for incurring indebtedness; if this time limit is eliminated for a project area that project area must commence statutory pass-through payments one year following the year its time limit for incurring indebtedness would have otherwise have been reached. On November 11, 2003, the Long Beach City Council adopted ordinances amending the Redevelopment Plans for the West Beach, Poly High and West Long Beach Industrial Project Areas to eliminate their time limits for incurring indebtedness. Fiscal year 2005 is the first year these project areas are required to make statutory pass-through payments. The Poly High and West Long Beach Industrial Redevelopment Project Areas paid \$5,000 and \$73,000, respectively, to the City. The West Beach Redevelopment Project Area did not have a sufficient increase in tax increment revenue to make a pass-through payment.

These payments are part of the pass-through charges expenditure category of \$11,322,000 under the Debt Service Fund in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance.

Note 13 - Land Held for Resale

The Agency owns various parcels of land located within its various project areas. These properties have been recorded at the lower of cost or market value (when a definite market value can be determined), excluding demolition and relocation costs. Due to the potential long-term nature of these assets, the Agency has reserved fund balance for land held for resale. At September 30, 2005, the Agency had the following amount of land held for resale in each project area (in thousands):

Project Area	Value at Lower of Cost or Market Value	
	Capital Projects/Debt Service Funds	Low- and Moderate-Income Housing Fund
Downtown	\$ 32,065	\$ -
West Long Beach Industrial	3,090	-
Central Long Beach	21,938	-
North Long Beach	15,863	995
Total	\$ 72,956	\$ 995

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Low- and Moderate-Income Housing Fund

There was an increase of \$245,000 in land held for resale during fiscal year 2005. The total amount of land held for resale as of September 30, 2005 was \$995,000.

Note 14 - Eliminations and Reclassifications of Interproject Loans

In prior years, interproject loans were recorded to allow one project area to invest excess cash in another project area. This practice is no longer used by the Agency. Existing loans are repayable by the project area if and when sufficient revenues for repayment are available or as provided for under the applicable loan agreement. The principal amount of the loan accrues interest at the various interest rates specified in the corresponding loan agreements.

The following schedule presents interproject loans outstanding as of September 30, 2005 (in thousands):

<u>From</u> <u>Project</u>	<u>To</u>				<u>Total</u>
	<u>West Beach</u>	<u>Downtown</u>	<u>Los Altos</u>	<u>Central LB</u>	
West Long Beach Industrial	\$ 303	\$ 14,565	\$ 4,056	\$ 2,161	\$ 21,085
Total	\$ 303	\$ 14,565	\$ 4,056	\$ 2,161	\$ 21,085

**Redevelopment Agency of the City of Long Beach
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Advances between redevelopment project areas are as follows
(in thousands):

	<u>Original</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
In July 1980 and September 1982, the West Long Beach Industrial and Downtown Project Areas entered into a promissory note and temporary loan agreements for the West Long Beach Industrial Project Area to advance funds necessary to finance the project costs in the Downtown Project Area. The initial interest rates on the advances were 8% and 12%. Effective July 1, 1988, the rates were revised to equal that which is earned by the City Treasurer on the City of Long Beach pooled cash. Repayment of the advances will be made as funds become available.	\$ 6,771	\$ 4,743	\$ 7,690	\$12,433
In April 1995, the West long Beach Industrial Project Area exchanged a certain property owned by the City of Long Beach in the Downtown Project Area. The purchase price of the West Long Beach Industrial Project Area was agreed to be indebtedness of Downtown and West Long Beach Industrial Project Areas. The indebtedness accrued interest at a rate equal to that which accrued on the Tax Anticipation Notes of the City of Long Beach. Repayment of the indebtedness will be made solely from the proceeds of sale of property.	861	861	297	1,158
In June 1995, the West Long Beach Industrial and Los Altos Project Areas entered into a promissory note and loan agreement for the West Long Beach Industrial Project Area to advance funds on an as needed basis to meet Los Altos acquisition and relocation expenses. The indebtedness accrued interest at a rate equal to that earned by the City Treasurer on the City of Long Beach pooled cash. The sales tax allocated to the Los Altos Project Area by the City of Long Beach and any surplus tax increment from the project are pledged to the West Long Beach Industrial Project Area loan repayment.	12,700	4,056	-	4,056
In July 1995 a promissory note and loan agreement was entered into by the West Long Beach Industrial Project Area and Poly High, West Beach, Downtown, and Central Long Beach Project Areas for the West Long Beach Project Area to advance for contributions to the development of the Long Beach Unified School District Transportation Facility. The indebtedness accrued interest at a rate equal to that which accrues on the Tax Anticipation Notes of the City of Long Beach. Repayment of the indebtedness will be made as future tax increments become available. However, in June 2002, the advance to Poly High Project Area was repaid from tax allocation bond proceeds.	2,571	2,572	866	3,438
Totals	<u>\$ 22,903</u>	<u>\$ 12,232</u>	<u>\$ 8,853</u>	<u>\$ 21,085</u>

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Notes to Combined Financial Statements
September 30, 2005

Note 15 - Long-Term Receivables, Reserved Fund Balance and Deferred Revenue

Long-term receivables are offset by either reserved fund balance-other or deferred revenue in the accompanying fund financial statements. The table below presents the detail components of the Agency's and the Low-and Moderate-Income Housing Fund's long-term receivables and corresponding offset accounts at September 30, 2005 (in thousands):

Governmental Funds:

Description	Capital Projects / Debt Service Fund			Low- and Moderate-Income Housing Fund - Deferred Revenue
	Long-Term Receivables	Reserved Fund Balance- Long Term Receivables	Deferred Revenue	
Loans receivable:				
Blk M	\$ 35	\$ 35	\$ -	\$ -
Olson, Downtown Promenade Land Sale-P/N	2,499	-	2,499	-
Public Corp. for the Arts	48	-	48	-
Delinquent Tax Los Angeles County	24	24	-	-
A & E Amador	150	150	-	-
M. Rathgeber - Artist	5	-	5	-
435 Alamos Artist Loan Program	20	-	20	-
C & P Thomas-Purchase of Replacement Home	188	-	188	-
Team Lofts, LLC	668	668	-	-
Central LB Commercial Facade Improvement	8	-	8	-
North LB Commercial Facade Improvement	685	-	685	-
Low-and moderate-income housing loans	-	-	-	11,835
Total Long-Term Receivables	\$ 4,330	877	3,453	\$ 11,835
Additional components:				
Prepaid rent for the IDM structure, non-current	-	1,765	-	-
Accounts receivable	-	-	1	-
Transfer of TOT funds for the Aquarium of the Pacific bond payment	-	-	10,839	-
Brownfields Clean-up revolving loan fund	-	-	22	-
Cash-Deposits from contractors/developers	-	-	234	-
Total Reserved / Deferred Revenues	-	\$ 2,642	\$ 14,549	-

Note 16 - Other Reserved Fund Balances

Low- and Moderate-Income Housing Fund

At September 30, 2005, the reserved fund balance of \$33,000 has been accumulated for operating and maintenance reserves required under the Regulatory Agreement of the promissory note with the State for \$1,015,000. In addition, \$10,000 was reserved for a project development bond application.

Note 17 - Commitments and Contingencies

Litigation

The Agency 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. In the event of litigation, the Agency's management may make provision for probable losses if deemed appropriate on advice of legal counsel. In cases where such provision for damages would be considered necessary, appropriate amounts would be

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Notes to Combined Financial Statements
September 30, 2005

reflected in the accompanying combined financial statements. Based upon information obtained from the City Attorney with respect to the Agency, it is the opinion of the Agency's management that there are no existing or potential liabilities for claims and suits, which could have a material impact on the Agency's combined financial statements.

Note 18 - Future Education Revenue Augmentation Fund (ERAF) Payments

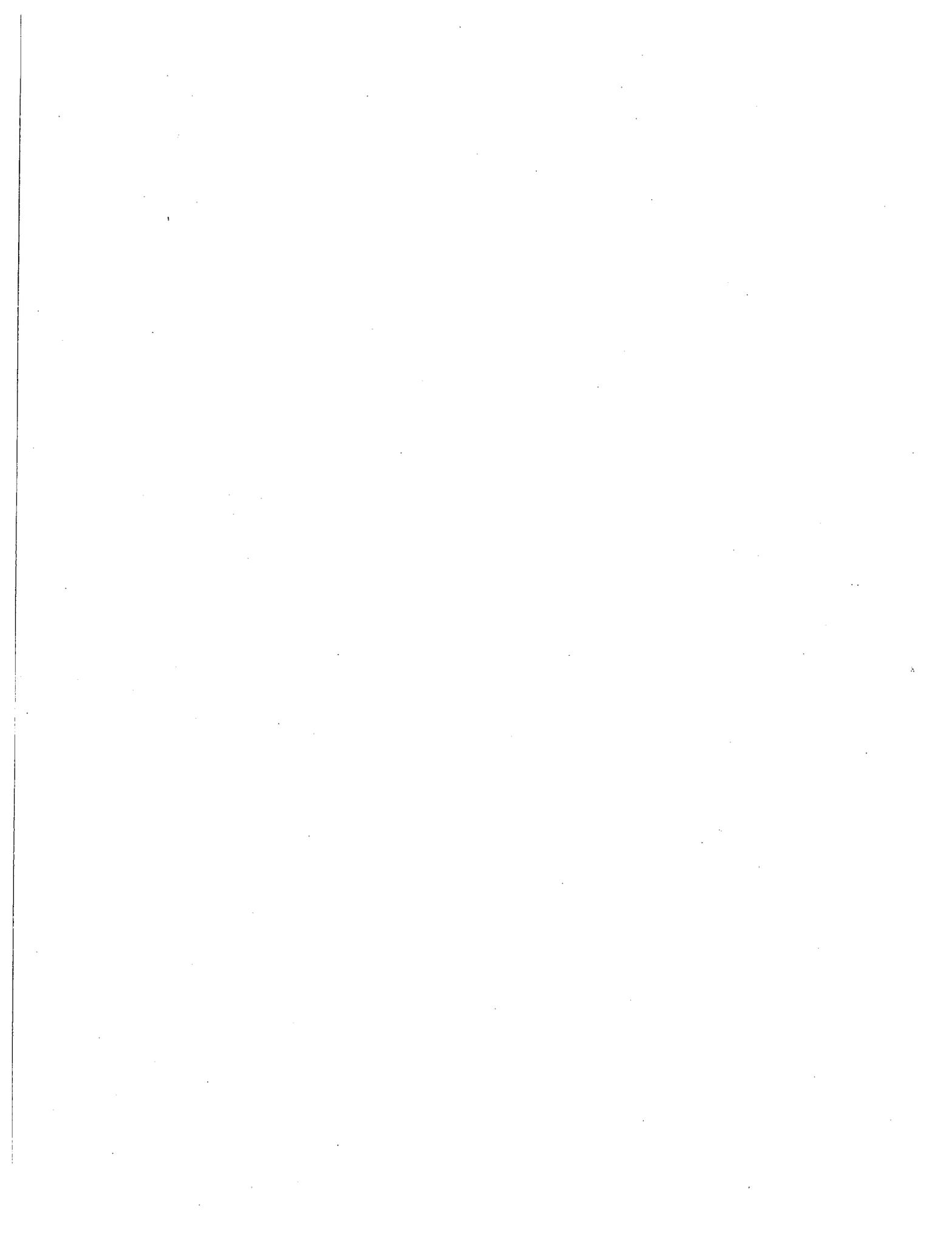
The Agency will be required to make an additional ERAF payment of \$2,921,000 in the next fiscal year, in addition to the ERAF payment in May 2005 of \$2,901,000. This is pursuant to the State requiring redevelopment agencies to shift, in aggregate, \$250,000,000 in property tax revenues to the ERAF for K-12 schools and community colleges during fiscal years 2005 and 2006.

Note 19 – Accounting Change for Advances from/to the City of Long Beach

Effective October 1, 2004, the Agency changed its method of accounting for advances from the City of Long Beach based on additional guidance issued by the Governmental Accounting Standards Board (GASB). The Agency now records its debt owed to the City of Long Beach only in its government-wide financial statements. These adjustments are summarized in the table below (in thousands):

	Capital Projects Fund	Debt Service Fund	Total Redevelopment Agency	Component Unit Low- and Moderate Income Housing
Fund balance at September 30, 2004, as previously reported:	\$ (71,156)	\$ 59,484	\$ (11,672)	\$ 30,524
Adjustment to record advances from other funds:	146,566	-	146,566	(17,202)
Fund balance at September 30, 2004 as restated:	<u>\$ 75,410</u>	<u>\$ 59,484</u>	<u>\$ 134,894</u>	<u>\$ 13,322</u>

Supplementary Financial Information



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Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach California)
Combining Balance Sheet - Governmental Funds
Capital Project Funds by Project Area
September 30, 2005
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area
ASSETS			
Pooled cash and cash equivalents	\$ 5,049	\$ 126	\$ 15,470
Non-pooled cash and cash equivalents	-	-	-
Accounts receivable	-	-	-
Receivables from other governments	80	-	-
Due from the City of Long Beach	347	-	-
Land held for resale	32,065	-	3,090
Other assets	2,210	-	2
Long-term receivables	2,606	-	150
Interproject loan and interest receivable	-	-	21,085
	<u>\$ 42,357</u>	<u>\$ 126</u>	<u>\$ 39,797</u>
TOTAL ASSETS			
	<u>\$ 42,357</u>	<u>\$ 126</u>	<u>\$ 39,797</u>
LIABILITIES			
Voucher payables	\$ 213	\$ -	\$ 14
Accounts payable	116	-	12
Accrued wages payable	13	2	7
Collections held in trust	494	-	81
Deferred revenues	2,779	-	-
Due to other funds-Current	3,021	108	3,120
Interproject loan and interest payable	14,565	303	-
	<u>\$ 21,201</u>	<u>\$ 413</u>	<u>\$ 3,234</u>
TOTAL LIABILITIES			
	<u>\$ 21,201</u>	<u>\$ 413</u>	<u>\$ 3,234</u>
FUND BALANCE (ACCUMULATED DEFICIT)			
Reserved:			
Land held for resale	32,065	-	3,090
Future projects	1,800	16	12,236
Interproject Loans	(14,565)	(303)	21,085
Encumbrances	32	-	2
Other	1,824	-	150
	<u>21,156</u>	<u>(287)</u>	<u>36,563</u>
TOTAL FUND BALANCE (ACCUMULATED DEFICIT)			
	<u>21,156</u>	<u>(287)</u>	<u>36,563</u>
TOTAL LIABILITIES AND FUND BALANCE			
	<u>\$ 42,357</u>	<u>\$ 126</u>	<u>\$ 39,797</u>

See accompanying independent auditors' report

Poly High Project Area	Project Income Fund	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Total
\$ 772	\$ 3,919	\$ 111	\$ 3,007	\$ 5,806	\$ 34,260
-	-	-	-	6	6
-	3	-	-	-	3
-	-	-	-	-	80
-	-	-	-	-	347
-	-	-	21,938	15,863	72,956
-	-	-	9,656	1,736	13,604
-	5	-	884	685	4,330
-	-	-	-	-	21,085
<u>\$ 772</u>	<u>\$ 3,927</u>	<u>\$ 111</u>	<u>\$ 35,485</u>	<u>\$ 24,096</u>	<u>\$ 146,671</u>
\$ 3	\$ -	\$ -	\$ 3,839	\$ 471	\$ 4,540
-	-	-	277	94	499
3	-	-	20	32	77
-	1	-	54	26	656
-	5	-	241	685	3,710
545	-	85	1,545	5,229	13,653
-	-	4,056	2,161	-	21,085
<u>\$ 551</u>	<u>\$ 6</u>	<u>\$ 4,141</u>	<u>\$ 8,137</u>	<u>\$ 6,537</u>	<u>\$ 44,220</u>
-	-	-	21,938	15,863	72,956
221	3,921	26	6,871	911	26,002
-	-	(4,056)	(2,161)	-	-
-	-	-	32	785	851
-	-	-	668	-	2,642
<u>221</u>	<u>3,921</u>	<u>(4,030)</u>	<u>27,348</u>	<u>17,559</u>	<u>102,451</u>
<u>\$ 772</u>	<u>\$ 3,927</u>	<u>\$ 111</u>	<u>\$ 35,485</u>	<u>\$ 24,096</u>	<u>\$ 146,671</u>

Redevelopment Agency of the City of Long Beach
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Combining Balance Sheet - Governmental Funds
Low-and Moderate-Income Housing by Project Area
September 30, 2005
(In Thousands)

	<u>Downtown Project Area</u>	<u>West Beach Project Area</u>	<u>West Long Beach Industrial Project Area</u>
ASSETS			
Pooled cash and cash equivalents	\$ -	\$ -	\$ 6,761
Non-pooled cash and cash equivalents	-	-	875
Accounts and loans receivable	-	-	-
Interest receivable on investments	-	-	3
Land held for resale	-	-	-
Other assets	-	-	-
Long-term receivable	-	-	4,611
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ -	\$ -	\$ 12,250
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Voucher payables	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-
Collections held in trust	-	-	-
Deferred revenue	-	-	4,611
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	-	4,611
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
FUND BALANCE			
Reserved	-	-	-
Land held for resale	-	-	-
Future projects	-	-	7,596
Other	-	-	43
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCE	-	-	7,639
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ 12,250
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying independent auditors' report

<u>Poly High Project Area</u>	<u>Los Altos Project Area</u>	<u>Central Long Beach Project Area</u>	<u>North Long Beach Project Area</u>	<u>Totals</u>
\$ -	\$ -	\$ 78	\$ 10,258	\$ 17,097
-	-	-	1,555	2,430
-	-	-	100	100
-	-	-	4	7
-	-	-	995	995
-	-	-	1	1
-	-	2,347	4,877	11,835
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,425</u>	<u>\$ 17,790</u>	<u>\$ 32,465</u>
\$ -	\$ -	\$ 33	\$ -	\$ 33
-	-	32	-	32
-	-	13	-	13
-	-	2,347	4,878	11,836
-	-	-	7	7
-	-	2,425	4,885	11,921
-	-	-	995	995
-	-	-	11,910	19,506
-	-	-	-	43
-	-	-	12,905	20,544
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,425</u>	<u>\$ 17,790</u>	<u>\$ 32,465</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Capital Project Funds by Project Area
Year Ended September 30, 2005
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area
REVENUES			
Interest income	\$ 105	\$ 3	\$ 298
Rental income	1,011	-	6
Gain on land sale	-	-	868
Other income	1,391	-	-
TOTAL REVENUES	2,507	3	1,172
EXPENDITURES			
Administrative costs	1,640	120	792
Professional services	273	-	8
Planning, survey and design	479	8	206
Acquisition expense	252	-	219
Operation of acquired property	396	-	48
Relocation costs	60	-	12
Relocation payments	161	-	61
Project improvement/construction costs	372	-	1
Disposal costs	12	-	7
Loss on sale of land held for resale	1,538	-	-
Rehabilitation grants and loans	-	-	-
Bad debt expense	13	-	-
Furniture, fixture and equipment	12	-	-
Pass-through charges	-	-	-
Debt service payments:			
City/County advances and loans - principal	-	-	-
Interest	140	1	29
TOTAL EXPENDITURES	5,348	129	1,383
Excess of Revenues over/(under) Expenditures	(2,841)	(126)	(211)
OTHER FINANCING SOURCES AND (USES)			
Other deferred payments	-	-	-
Advances-capitalized interest	(144)	(4)	343
Reconveyance of land	-	-	-
Operating transfers from Debt Service	2,203	115	3,027
Operating transfers from/(to) the other funds, net	(1,308)	-	(2,059)
Operating transfers to the City of Long Beach	(200)	-	(103)
Operating transfers from the City of Long Beach	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	551	111	1,208
Excess (deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(2,290)	(15)	997
Fund balance (accumulated deficit)-October 1	23,446	(272)	35,566
FUND BALANCE (ACCUMULATED DEFICIT) - SEPTEMBER 30	\$ 21,156	\$ (287)	\$ 36,563

See accompanying independents auditors' report.

Poly High Project Area	Project Income Fund	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Total
\$ 8	\$ 59	\$ 1	\$ 145	\$ 175	\$ 794
-	23	-	226	97	1,363
-	-	-	-	-	868
-	-	-	40	3	1,434
<u>8</u>	<u>82</u>	<u>1</u>	<u>411</u>	<u>275</u>	<u>4,459</u>
117	25	49	1,001	1,784	5,528
13	-	-	230	15	539
24	-	1	573	569	1,860
3	-	-	664	484	1,622
-	-	-	708	2,040	3,192
-	-	-	276	13	361
-	-	-	1,957	103	2,282
-	-	-	135	3,975	4,483
-	-	-	1	-	20
-	-	-	-	-	1,538
-	-	-	170	1,386	1,556
-	-	-	-	-	13
-	-	-	-	-	12
-	-	221	-	-	221
-	-	-	80	-	80
1	-	1	25	67	264
<u>158</u>	<u>25</u>	<u>272</u>	<u>5,820</u>	<u>10,436</u>	<u>23,571</u>
<u>(150)</u>	<u>57</u>	<u>(271)</u>	<u>(5,409)</u>	<u>(10,161)</u>	<u>(19,112)</u>
-	-	221	-	-	221
-	-	(169)	(26)	-	-
-	-	-	(3,419)	-	(3,419)
170	-	4,849	16,511	22,155	49,030
-	3,407	-	(40)	-	-
-	-	-	(200)	(600)	(1,103)
-	-	-	1,424	-	1,424
<u>170</u>	<u>3,407</u>	<u>4,901</u>	<u>14,250</u>	<u>21,555</u>	<u>46,153</u>
20	3,464	4,630	8,841	11,394	27,041
201	457	(8,660)	18,507	6,165	75,410
<u>\$ 221</u>	<u>\$ 3,921</u>	<u>\$ (4,030)</u>	<u>\$ 27,348</u>	<u>\$ 17,559</u>	<u>\$ 102,451</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Debt Service Funds by Project Area
Year Ended September 30, 2005
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area	Poly High Project Area
REVENUES				
Property tax increment	\$ 10,455	\$ 841	\$ 6,334	\$ 425
Transient occupancy tax	-	-	-	-
Interest income	551	73	170	76
Other income	-	-	-	-
TOTAL REVENUES	<u>11,006</u>	<u>914</u>	<u>6,504</u>	<u>501</u>
EXPENDITURES				
Administrative costs	197	19	110	10
Bad debt expense	-	-	-	-
Pass-through charges	1,076	147	1,111	78
Debt issuance costs	-	23	-	66
Debt service payments:				
Bonds and notes payable - principal	2,435	413	1,000	154
U.S., State & Other long-term debts-principal	-	-	-	-
Interest	4,859	421	2,090	69
TOTAL EXPENDITURES	<u>8,567</u>	<u>1,023</u>	<u>4,311</u>	<u>377</u>
Excess of Revenues over (under) Expenditures	<u>2,439</u>	<u>(109)</u>	<u>2,193</u>	<u>124</u>
OTHER FINANCING SOURCES AND (USES)				
Proceeds from issuance of long term debt	-	839	-	2,558
Bond premium	-	-	-	-
Operating transfers from (to) other funds, net	-	-	-	(3)
Operating transfers to Capital Projects	(2,203)	(115)	(3,027)	(170)
Operating transfers from the City of Long Beach	-	-	-	-
Operating transfers to the City of Long Beach	-	-	-	-
Payments to City of Long Beach, net	-	-	(651)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,203)</u>	<u>724</u>	<u>(3,678)</u>	<u>2,385</u>
Excess (deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	236	615	(1,485)	2,509
Fund balance-October 1	<u>11,934</u>	<u>1,371</u>	<u>5,833</u>	<u>701</u>
FUND BALANCE - SEPTEMBER 30	<u>\$ 12,170</u>	<u>\$ 1,986</u>	<u>\$ 4,348</u>	<u>\$ 3,210</u>

See accompanying independent auditors' report.

Project Income Fund	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Housing Fund	Total
\$ -	\$ 446	\$ 7,984	\$ 24,492	\$ -	\$ 50,977
3,261	-	-	-	-	3,261
10	29	1,018	2,709	1,192	5,828
-	616	-	-	-	616
<u>3,271</u>	<u>1,091</u>	<u>9,002</u>	<u>27,201</u>	<u>1,192</u>	<u>60,682</u>
-	8	150	474	5	973
-	-	-	86	-	86
-	69	1,996	6,845	-	11,322
-	137	1,522	1,508	1,631	4,887
-	-	-	605	-	4,607
-	-	623	-	-	623
-	62	1,222	3,720	1,210	13,653
-	<u>276</u>	<u>5,513</u>	<u>13,238</u>	<u>2,846</u>	<u>36,151</u>
3,271	815	3,489	13,963	(1,654)	24,531
-	4,685	56,930	64,080	55,665	184,757
-	-	1,074	2,190	-	3,264
-	-	-	3	-	-
-	(4,849)	(16,511)	(22,155)	-	(49,030)
-	-	-	-	1,139	1,139
(3,110)	-	-	-	-	(3,110)
-	-	-	-	-	(651)
<u>(3,110)</u>	<u>(164)</u>	<u>41,493</u>	<u>44,118</u>	<u>56,804</u>	<u>136,369</u>
161	651	44,982	58,081	55,150	160,900
230	-	35	39,380	-	59,484
<u>\$ 391</u>	<u>\$ 651</u>	<u>\$ 45,017</u>	<u>\$ 97,461</u>	<u>\$ 55,150</u>	<u>\$ 220,384</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Low-and Moderate-Income Housing Funds by Project Area
Year Ended September 30, 2005
(In Thousands)

	Downtown Project Area	West Beach Project Area	West Long Beach Industrial Project Area
REVENUES			
Property tax increment	\$ 2,614	\$ 210	\$ 1,584
Interest income	-	-	18
Rental income	-	-	-
Other income	-	-	-
TOTAL REVENUES	2,614	210	1,602
EXPENDITURES			
Administrative costs	1,118	-	-
Professional services	115	-	-
Operation of acquired property	74	-	-
Project improvement/construction costs	213	-	-
Disposal costs	-	-	-
Loss on disposal of land held for resale	-	-	-
Interdepartmental charges	105	8	214
Rehabilitation grants and loans	989	202	701
TOTAL EXPENDITURES	2,614	210	915
Excess of Revenues over/ (under) Expenditures	-	-	687
OTHER FINANCING SOURCES AND (USES)			
Reconveyance of land	-	-	-
Transfer to the Redevelopment Agency	-	-	-
TOTAL OTHER FINANCING SOURCES/(USES)	-	-	-
Excess of Revenues and Other Financing Sources over Expenditures and Other Uses	-	-	687
Fund balance (deficit)-October 1	-	-	6,952
FUND BALANCE - SEPTEMBER 30	\$ -	\$ -	\$ 7,639

See accompanying independent auditors' report.

Poly High Project Area	Los Altos Project Area	Central Long Beach Project Area	North Long Beach Project Area	Total
\$ 106	\$ 111	\$ 1,996	\$ 6,123	\$ 12,744
-	-	501	115	634
-	-	115	-	115
-	-	841	-	841
<u>106</u>	<u>111</u>	<u>3,453</u>	<u>6,238</u>	<u>14,334</u>
-	-	-	249	1,367
-	-	-	-	115
-	-	-	-	74
-	-	-	-	213
-	-	49	-	49
-	-	3,419	-	3,419
4	5	-	175	511
102	106	-	120	2,220
<u>106</u>	<u>111</u>	<u>3,468</u>	<u>544</u>	<u>7,968</u>
-	-	(15)	5,694	6,366
-	-	3,419	-	3,419
-	-	(2,563)	-	(2,563)
-	-	856	-	856
-	-	841	5,694	7,222
-	-	(841)	7,211	13,322
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,905</u>	<u>\$ 20,544</u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Deficit
Budget and Actual (Non-GAAP Budgetary Basis) Capital Projects Fund
Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest income	\$ 1,243	\$ 1,316	\$ 794	\$ (522)
Rental income	1,068	1,068	1,363	295
Land sale proceeds	(9,166)	(3,839)	2,735	6,574
Other income	5,626	9,570	1,434	(8,136)
TOTAL REVENUES	(1,229)	8,115	6,326	(1,789)
EXPENDITURES				
Administration costs	5,305	8,462	6,379	2,083
Professional services	4,474	4,626	539	4,087
Planning survey and design	2,113	2,963	1,860	1,103
Acquisition costs	73,083	85,064	1,622	83,442
Operation of acquired property	(1,107)	240	3,192	(2,952)
Relocation costs	1,774	1,774	361	1,413
Relocation payments	(2,816)	(2,583)	2,282	(4,865)
Site clearance costs	(310)	(310)	-	(310)
Project improvement/construction costs	15,989	9,119	4,483	4,636
Disposal costs	(1,125)	(1,132)	20	(1,152)
Land purchases	(13,536)	8,324	33,377	(25,053)
Rehabilitation grants and loans	2,613	4,589	1,556	3,033
Furniture, fixture and equipment	8	8	12	(4)
Pass through's and ERAF payments	219	220	221	(1)
Bad debt expense	-	-	13	(13)
Debt service payments:				
City/County advances and loan principal	409	409	80	329
U.S., State and other long-term debt principal	433	4,376	-	4,376
Interest	245	319	264	55
TOTAL EXPENDITURES	87,771	126,468	56,261	70,207
Deficiency of Revenues over Expenditures	(89,000)	(118,353)	(49,935)	68,418
OTHER FINANCING SOURCES (USES)				
Other deferred payments	220	220	221	1
Proceeds from other long-term debt	(693)	3,368	-	(3,368)
Transfers in, net	6,866	18,350	49,030	30,680
Interagency payments	6,639	5,299	-	(5,299)
Transfer to the City	(3,433)	(1,041)	(1,103)	(62)
Transfer from the City	298	5,594	1,424	(4,170)
Payments to the City of Long Beach	(525)	(525)	-	525
TOTAL OTHER FINANCING SOURCES (USES)	9,372	31,265	49,572	18,307
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(79,628)	(87,088)	(363)	86,725
Fund balance-October 1, budgetary basis	28,515	28,515	28,515	-
Encumbrances-beginning of the year	492	492	492	-
FUND BALANCE- SEPTEMBER 30, BUDGETARY BASIS	\$ (50,621)	\$ (58,081)	\$ 28,644	\$ 86,725

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis) Debt Service Fund
Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property tax increment	\$ 39,150	\$ 50,072	\$ 50,977	\$ 905
Interest income	1,228	1,228	5,828	4,600
Transient occupancy tax	3,200	3,200	3,261	61
Other income	580	580	616	36
TOTAL REVENUES	44,158	55,080	60,682	5,602
EXPENDITURES				
Administration costs	1,186	1,186	973	213
Pass through's and ERAF payments	8,241	10,937	11,322	(385)
Debt issuance costs	-	5,237	4,887	350
Bad debt expense	-	-	86	(86)
Debt service payments:				
Bonds and notes payable-principal	4,615	4,615	4,607	8
City/County advances and loan principal	42	42	-	42
U.S., State and other long-term debt principal	18	18	623	(605)
Interest	10,553	14,447	13,653	794
TOTAL EXPENDITURES	24,655	36,482	36,151	331
Excess of Revenues over Expenditures	19,493	18,598	24,531	5,933
OTHER FINANCING SOURCES (USES)				
Proceeds from other long-term debt	-	184,757	184,757	-
Bond premium	-	-	3,264	3,264
Transfers in (out), net	-	(11,443)	(49,030)	(37,587)
Transfer to the City	(3,725)	(3,725)	(3,110)	615
Transfer from the City	-	-	1,139	1,139
Payments to the City of Long Beach	-	-	(651)	(651)
TOTAL OTHER FINANCING SOURCES (USES)	(3,725)	169,589	136,369	(33,220)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	15,768	188,187	160,900	(27,287)
Fund balance - October 1, budgetary basis	59,484	59,484	59,484	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 75,252	\$ 247,671	\$ 220,384	\$ (27,287)

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis) Low-and Moderate-Income Housing Fund
Year Ended September 30, 2005
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 9,530	\$ 9,530	\$ 12,744	\$ 3,214
Interest income	64	64	634	570
Rental income	306	306	115	(191)
Proceeds from land sales	321	321	-	(321)
Other	(860)	(887)	841	1,728
TOTAL REVENUES	9,361	9,334	14,334	5,000
EXPENDITURES				
Administration costs	1,433	1,685	1,367	318
Professional Services	-	-	115	(115)
Planning, survey & design	176	176	-	176
Operation of acquired property	255	267	74	193
Project improvement/construction costs	904	892	213	679
Disposal costs	(30)	(30)	49	(79)
Land purchases	-	-	245	(245)
Interdepartmental charges	484	484	511	(27)
Rehabilitation grants and loans	13,807	11,266	2,220	9,046
Debt service:				
Principal	719	243	-	243
TOTAL EXPENDITURES	17,748	14,983	4,794	10,189
Excess (deficiency) of Revenues Over Expenditures	(8,387)	(5,649)	9,540	15,189
OTHER FINANCING SOURCES (USES)				
Proceeds from other long-term debt	(21)	(21)	-	21
Transfer to other funds	(4,454)	(7,249)	(2,563)	4,686
Transfer to the City	(904)	(904)	-	904
Transfer from the City	10,320	10,215	-	(10,215)
TOTAL OTHER FINANCING SOURCES (USES)	4,941	2,041	(2,563)	(4,604)
Excess (deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Uses	(3,446)	(3,608)	6,977	10,585
Fund balances-October 1, budgetary basis	12,572	12,572	12,572	-
FUND BALANCES - SEPTEMBER 30, BUDGETARY BASIS	\$ 9,126	\$ 8,964	\$ 19,549	\$ 10,585

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	Downtown Project Area			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 9,317	\$ 10,261	\$ 10,455	\$ 194
Interest income	374	374	656	282
Rental income	786	786	1,011	225
Land sale proceeds	(5,203)	(1,053)	700	1,753
Other income	1,981	1,981	1,391	(590)
TOTAL REVENUES	7,255	12,349	14,213	1,864
EXPENDITURES				
Administration costs	1,743	1,743	1,869	(126)
Professional services	4,385	4,496	273	4,223
Planning, survey and design	(110)	(51)	479	(530)
Acquisition costs	10,871	7,677	252	7,425
Operation of acquired property	606	645	396	249
Relocation costs	(16)	(16)	60	(76)
Relocation Payments	(596)	(568)	161	(729)
Site clearance costs	(190)	(190)	-	(190)
Project improvement/construction costs	5,561	5,804	372	5,432
Disposal costs	(30)	(30)	12	(42)
Land purchases	(628)	6,749	5,976	773
Furniture and equipment	8	8	12	(4)
Pass through's and ERAF payments	772	772	1,076	(304)
Bad debt expense	-	-	13	(13)
Debt service payments:				
Bonds and notes payable-principal	2,435	2,435	2,435	-
City/County advances and loans-principal	550	550	-	550
U.S., State and other long-term debt principal	(255)	(255)	-	(255)
Interest payments	5,319	5,319	4,999	320
TOTAL EXPENDITURES	30,425	35,088	18,385	16,703
Deficiency of Revenues				
Under Expenditures	(23,170)	(22,739)	(4,172)	18,567
OTHER FINANCING				
SOURCES AND (USES)				
Proceeds from long term debt	(305)	2,415	-	(2,415)
Interproject loan-capitalized interest	-	-	(144)	(144)
Transfers in (out), net	(3,621)	(3,229)	-	3,229
Payment to/from Redevelopment Agency	6,529	3,211	(1,308)	(4,519)
Transfer to the City	(200)	(200)	(200)	-
Transfer from the City	1,000	1,000	-	(1,000)
TOTAL OTHER FINANCING				
SOURCES (USES)	3,403	3,197	(1,652)	(4,849)
Deficiency of Revenues and Other Sources				
Over Expenditures and Other Uses	(19,767)	(19,542)	(5,824)	13,718
Fund balance-October 1, budgetary basis	7,037	7,037	7,037	-
Encumbrances, beginning of the Year	16	16	16	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ (12,714)	\$ (12,489)	\$ 1,229	\$ 13,718

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	West Beach Project Area			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 1,014	\$ 819	\$ 841	\$ 22
Interest income	31	31	76	45
TOTAL REVENUES	1,045	850	917	67
EXPENDITURES				
Administration costs	161	161	139	22
Planning, survey and design	17	17	8	9
Pass through's and ERAF payments	122	122	147	(25)
Debt issuance costs	-	23	23	-
Debt service payments:				
Bonds and notes payable-principal	421	421	413	8
Interest payments	414	414	422	(8)
TOTAL EXPENDITURES	1,135	1,158	1,152	6
Excess of Revenues Over (under) Expenditures	(90)	(308)	(235)	73
OTHER FINANCING SOURCES AND (USES)				
Proceeds from long-term debt	-	840	839	(1)
Interproject loan-capitalized interest	-	-	(4)	(4)
TOTAL OTHER FINANCING SOURCES (USES)	-	840	835	(5)
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(90)	532	600	68
Fund balance-October 1, budgetary basis	1,099	1,099	1,099	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 1,009	\$ 1,631	\$ 1,699	\$ 68

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	West Long Beach Industrial Project Area			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 6,354	\$ 6,316	\$ 6,334	\$ 18
Interest income	1,279	1,352	468	(884)
Rental income	-	-	6	6
Land sale proceeds	(1,777)	(1,777)	2,035	3,812
Other income	(24)	3,920	-	(3,920)
TOTAL REVENUES	5,832	9,811	8,843	(968)
EXPENDITURES				
Administration costs	1,356	1,358	904	454
Professional services	151	151	8	143
Planning, survey and design	205	633	206	427
Acquisition costs	2,017	5,623	219	5,404
Operation of acquired property	(9)	(9)	48	(57)
Relocation costs	(108)	(108)	12	(120)
Relocation payments	(80)	-	61	(61)
Project improvement/construction costs	3,937	(170)	1	(171)
Disposal costs	20	12	7	5
Land purchases	(392)	(392)	440	(832)
Rehabilitation grants and loans	151	151	-	151
Pass through's and ERAF payments	702	702	1,111	(409)
Debt service payments:				
Bonds and notes payable-principal	1,000	1,000	1,000	-
Interest payments	2,101	2,101	2,119	(18)
TOTAL EXPENDITURES	11,051	11,052	6,136	4,916
Excess of Revenues				
Over (under) Expenditures	(5,219)	(1,241)	2,707	3,948
OTHER FINANCING				
SOURCES AND (USES)				
Interproject loan-capitalized interest	-	-	343	343
Payment to/from Redevelopment Agency	4	4	(2,059)	(2,063)
Transfer to the City	(300)	(300)	(103)	197
Transfer from the City	419	419	-	(419)
Payments to the City of Long Beach, net	(525)	(525)	(651)	(126)
TOTAL OTHER FINANCING				
SOURCES (USES)	(402)	(402)	(2,470)	(2,068)
Deficiency of Revenues and Other Sources				
Over Expenditures and Other Uses	(5,621)	(1,643)	237	1,880
Fund balance-October 1, budgetary basis	37,580	37,580	37,580	-
Encumbrances, beginning of the Year	2	2	2	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 31,961	\$ 35,939	\$ 37,819	\$ 1,880

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	Pcily High Project Area			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 372	\$ 421	\$ 425	\$ 4
Interest income	27	27	84	57
TOTAL REVENUES	<u>399</u>	<u>448</u>	<u>509</u>	<u>61</u>
EXPENDITURES				
Administration costs	123	123	127	(4)
Professional services	-	-	13	(13)
Planning, survey and design	55	55	24	31
Acquisition costs	500	500	3	497
Operation of acquired property	5	5	-	5
Project improvement/construction costs	150	150	-	150
Pass through's and ERAF payments	50	72	78	(6)
Debt issuance costs	-	66	66	-
Debt service payments:				
Bonds and notes payable-principal	154	154	154	-
Interest payments	68	68	70	(2)
TOTAL EXPENDITURES	<u>1,105</u>	<u>1,193</u>	<u>535</u>	<u>658</u>
Excess of Revenues Over (under) Expenditures	<u>(706)</u>	<u>(745)</u>	<u>(26)</u>	<u>719</u>
OTHER FINANCING				
SOURCES AND (USES)				
Proceeds from long-term debt	-	2,558	2,558	-
Payments to/from Redevelopment Agency funds	-	-	(3)	(3)
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>-</u>	<u>2,558</u>	<u>2,555</u>	<u>(3)</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(706)</u>	<u>1,813</u>	<u>2,529</u>	<u>716</u>
Fund balance-October 1, budgetary basis	<u>902</u>	<u>902</u>	<u>902</u>	<u>-</u>
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	<u>\$ 196</u>	<u>\$ 2,715</u>	<u>\$ 3,431</u>	<u>\$ 716</u>

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	Project Income			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest income	\$ 66	\$ 66	\$ 69	\$ 3
Rental income	-	-	23	23
Transient occupancy tax	3,200	3,200	3,261	61
TOTAL REVENUES	3,266	3,266	3,353	87
EXPENDITURES				
Administration costs	30	30	25	5
Operation of acquired property	26	26	-	26
Project improvement/construction costs	(1)	(1)	-	(1)
TOTAL EXPENDITURES	55	55	25	30
Excess of Revenues Over Expenditures	3,211	3,211	3,328	117
OTHER FINANCING SOURCES AND (USES)				
Transfers in (out), net	(10)	(403)	-	403
Payment to/from Redevelopment Agency	(3,393)	(74)	3,407	3,481
Transfer to the City	(3,200)	(3,200)	(3,110)	90
TOTAL OTHER FINANCING SOURCES (USES)	(6,603)	(3,677)	297	3,974
Deficiency of Revenues and Other Sources Over Expenditures and Other Uses	(3,392)	(466)	3,625	4,091
Fund balance-October 1, budgetary basis	687	687	687	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ (2,705)	\$ 221	\$ 4,312	\$ 4,091

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	Los Altos Project Area			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual On Budgetary Basis	
	Original	Final		
REVENUES				
Property tax increment	\$ 369	\$ 447	\$ 446	\$ (1)
Interest income	5	5	30	25
Other income	580	580	616	36
TOTAL REVENUES	<u>954</u>	<u>1,032</u>	<u>1,092</u>	<u>60</u>
EXPENDITURES				
Administration costs	81	82	57	25
Professional services	3	3	-	3
Planning, survey and design	23	23	1	22
Pass through's and ERAF payments	275	275	290	(15)
Debt issuance costs	-	138	137	1
Debt service payments:				
U.S., State & other L-T Debt-principal	580	4,523	-	4,523
Interest payments	204	461	63	398
TOTAL EXPENDITURES	<u>1,166</u>	<u>5,505</u>	<u>548</u>	<u>4,957</u>
Excess of Revenues				
Over (under) Expenditures	<u>(212)</u>	<u>(4,473)</u>	<u>544</u>	<u>5,017</u>
OTHER FINANCING SOURCES AND (USES)				
Other deferred payments	220	220	221	1
Proceeds from long-term debt	-	4,685	4,685	-
Interproject loan-capitalized interest	-	-	(169)	(169)
Transfers in (out), net	(11)	(11)	-	11
TOTAL OTHER FINANCING SOURCES (USES)	<u>209</u>	<u>4,894</u>	<u>4,737</u>	<u>(157)</u>
Excess (deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	(3)	421	5,281	4,860
Fund deficit-October 1, budgetary basis	<u>(8,660)</u>	<u>(8,660)</u>	<u>(8,660)</u>	<u>-</u>
FUND DEFICIT - SEPTEMBER 30, BUDGETARY BASIS	<u>\$ (8,663)</u>	<u>\$ (8,239)</u>	<u>\$ (3,379)</u>	<u>\$ 4,860</u>

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	Central Long Beach Project Area			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual On Budgetary Basis	
	Original	Final		
REVENUES				
Property tax increment	\$ 4,160	\$ 7,896	\$ 7,984	\$ 88
Interest income	17	17	1,163	1,146
Rental income	132	132	226	94
Land sale proceeds	(872)	(872)	-	872
Other income	1,046	1,046	40	(1,006)
TOTAL REVENUES	4,483	8,219	9,413	1,194
EXPENDITURES				
Administration costs	513	634	1,183	(549)
Professional services	(220)	(179)	230	(409)
Planning, survey and design	(309)	(309)	573	(882)
Acquisition costs	29,562	31,509	664	30,845
Operation of acquired property	(451)	(451)	708	(1,159)
Relocation costs	1,909	1,909	276	1,633
Relocation Payments	(2,140)	(2,015)	1,957	(3,972)
Site clearance costs	(112)	(112)	-	(112)
Project improvement/construction costs	2,596	2,610	135	2,475
Disposal costs	-	-	1	(1)
Land purchases	(10,576)	3,375	13,328	(9,953)
Rehabilitation grants and loans	(203)	(203)	170	(373)
Pass through's and ERAF payments	1,207	2,167	1,996	171
Debt issuance costs	-	1,647	1,522	125
Debt service payments:				
City/County advances and loans-principal	(99)	(99)	80	(179)
U.S., State and other long-term debt principal	84	84	623	(539)
Interest payments	378	1,575	1,247	328
TOTAL EXPENDITURES	22,139	42,142	24,693	17,449
Deficiency of Revenues				
Under Expenditures	(17,656)	(33,923)	(15,280)	18,643
OTHER FINANCING				
SOURCES AND (USES)				
Proceeds from long term debt	1,760	60,030	56,930	(3,100)
Bond premium	-	-	1,074	1,074
Interproject loan-capitalized interest	-	-	(26)	(26)
Transfers in (out), net	(4,450)	(4,408)	-	4,408
Payment to/from Redevelopment Agency	3,804	2,463	(40)	(2,503)
Transfer to the City	(200)	(200)	(200)	-
Transfer from the City	(1,121)	4,175	1,424	(2,751)
Payments to the City of Long Beach, net	-	-	-	-
TOTAL OTHER FINANCING				
SOURCES (USES)	(207)	62,060	59,162	(2,898)
Excess (deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	(17,863)	28,137	43,882	15,745
Fund balance-October 1, budgetary basis	6,512	6,512	6,512	-
Encumbrances, beginning of the Year	1	1	1	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ (11,350)	\$ 34,650	\$ 50,395	\$ 15,745

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	North Long Beach Project Area			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 17,564	\$ 23,912	\$ 24,492	\$ 580
Interest income	672	672	2,884	2,212
Rental income	150	150	97	(53)
Land sale proceeds	(1,314)	(137)	-	137
Other income	2,623	2,623	3	(2,620)
TOTAL REVENUES	19,695	27,220	27,476	256
EXPENDITURES				
Administration costs	2,484	5,517	3,043	2,474
Professional services	155	155	15	140
Planning, survey and design	2,232	2,595	569	2,026
Acquisition costs	30,133	39,755	484	39,271
Operation of acquired property	(1,284)	24	2,040	(2,016)
Relocation costs	(11)	(11)	13	(24)
Relocation payments	-	-	103	(103)
Site clearance costs	(8)	(8)	-	(8)
Project improvement/construction costs	3,746	726	3,975	(3,249)
Disposal costs	(1,115)	(1,114)	-	(1,114)
Land purchases	(1,940)	(1,408)	13,633	(15,041)
Rehabilitation grants and loans	2,665	4,641	1,386	3,255
Pass through's and ERAF payments	5,332	7,047	6,845	202
Debt issuance costs	-	1,724	1,508	216
Bad debt expense	-	-	86	(86)
Debt service payments:				
Bonds and notes payable-principal	605	605	605	-
U.S., State and other long-term debt principal	42	42	-	42
Interest payments	2,324	3,638	3,787	(149)
TOTAL EXPENDITURES	45,360	63,928	38,092	25,836
Deficiency of Revenues Under Expenditures	(25,665)	(36,708)	(10,616)	26,092
OTHER FINANCING SOURCES AND (USES)				
Proceeds from long term debt	(2,148)	61,932	64,080	2,148
Bond premium	-	-	2,190	2,190
Transfers in (out), net	14,958	14,958	-	(14,958)
Payment to/from Redevelopment Agency	(305)	(305)	3	308
Transfer to the City	(3,258)	(866)	(600)	266
TOTAL OTHER FINANCING SOURCES (USES)	9,247	75,719	65,673	(10,046)
Deficiency of Revenues and Other Sources Over Expenditures and Other Uses	(16,418)	39,011	55,057	16,046
Fund balance-October 1, budgetary basis	42,842	42,842	42,842	-
Encumbrances, beginning of the Year	473	473	473	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ 26,897	\$ 82,326	\$ 98,372	\$ 16,046

See accompanying independent auditors' report.

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended September 30, 2005
(In Thousands)

	Housing Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual On Budgetary Basis	
	Original	Final		
REVENUES				
Interest income	\$ -	\$ -	\$ 1,192	\$ 1,192
TOTAL REVENUES	-	-	1,192	1,192
EXPENDITURES				
Administration costs	-	-	5	(5)
Debt issuance costs	-	1,639	1,631	8
Interest payments	-	1,190	1,210	(20)
TOTAL EXPENDITURES	-	2,829	2,846	(17)
Deficiency of Revenues Under Expenditures	-	(2,829)	(1,654)	1,175
OTHER FINANCING SOURCES AND (USES)				
Proceeds from long term debt	-	55,665	55,665	-
Transfer from the City	-	-	1,139	1,139
TOTAL OTHER FINANCING SOURCES (USES)	-	55,665	56,804	1,139
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	52,836	55,150	2,314
Fund balance-October 1, budgetary basis	-	-	-	-
FUND BALANCE - SEPTEMBER 30, BUDGETARY BASIS	\$ -	\$ 52,836	\$ 55,150	\$ 2,314

See accompanying independent auditors' report.

Supplementary Note: Reconciliation of Actual Revenues and Expenditures to the Non-GAAP Budgetary Basis

Budget information is presented on a non-GAAP budgetary basis, for the Capital Project and Debt Service Funds as well as the Low-and Moderate-Income Housing Fund, wherein appropriations represent budgeted amounts to be expended or encumbered during the period as presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual, pages 54 – 56.

Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year, which were contingent upon new, or additional revenue sources. Total expenditures of each governmental fund may not legally exceed fund appropriations.

The following reconciles actual revenues and expenditures for Agency funds to the non-GAAP budgetary basis by fund type for the fiscal year ended September 30, 2005 (in thousands):

	Capital Project Funds	Debt Service Funds	Total
Beginning fund balance at October 1, 2004, on an actual GAAP basis	\$ (71,156)	\$ 59,484	\$ (11,672)
Accounting change for advances from the City of Long Beach	146,566	-	146,566
Encumbrances outstanding at October 1, 2004	(492)	-	(492)
Cumulative effect of capitalization of land held for resale at October 1, 2004	(46,403)	-	(46,403)
Beginning fund balance at October 1, 2004, on a budgetary basis	28,515	59,484	87,999
Actual GAAP basis revenue	3,591	60,682	64,273
Adjustment to GAAP basis revenues:			
Proceeds from the sale of land for resale	2,735	-	2,735
Revenues on a budgetary basis	6,326	60,682	67,008
Actual GAAP basis expenditures	22,703	36,151	58,854
Adjustments to GAAP basis expenditures:			
Encumbrances outstanding at October 1, 2004	(492)	-	(492)
Encumbrances outstanding at September 30, 2005	851	-	851
Current effect of capitalization of land held for resale	33,377	-	33,377
Gain on sale of land held for resale	(670)	-	(670)
Adjustment to record advances from the City of Long Beach	-	-	-
Expenditures on a budgetary basis	55,769	36,151	91,920
Excess of revenues over (under) expenditures on a budgetary basis	(49,443)	24,531	(24,912)
Other financing sources (uses), on an actual GAAP basis	46,153	136,369	182,522
Reconveyance of land	3,419	-	3,419
Other financing sources (uses) on a budgetary basis	49,572	136,369	185,941
Excess of revenues and other sources over expenditures and other uses, on a budgetary basis	129	160,900	161,029
Ending fund balance at September 30, 2005, on a budgetary basis	\$ 28,644	\$ 220,384	\$ 249,028

The following reconciles actual revenues and expenditures for the Low-and Moderate-Income Housing Fund to the non-GAAP budgetary basis for the fiscal year ended September 30, 2005 (in thousands):

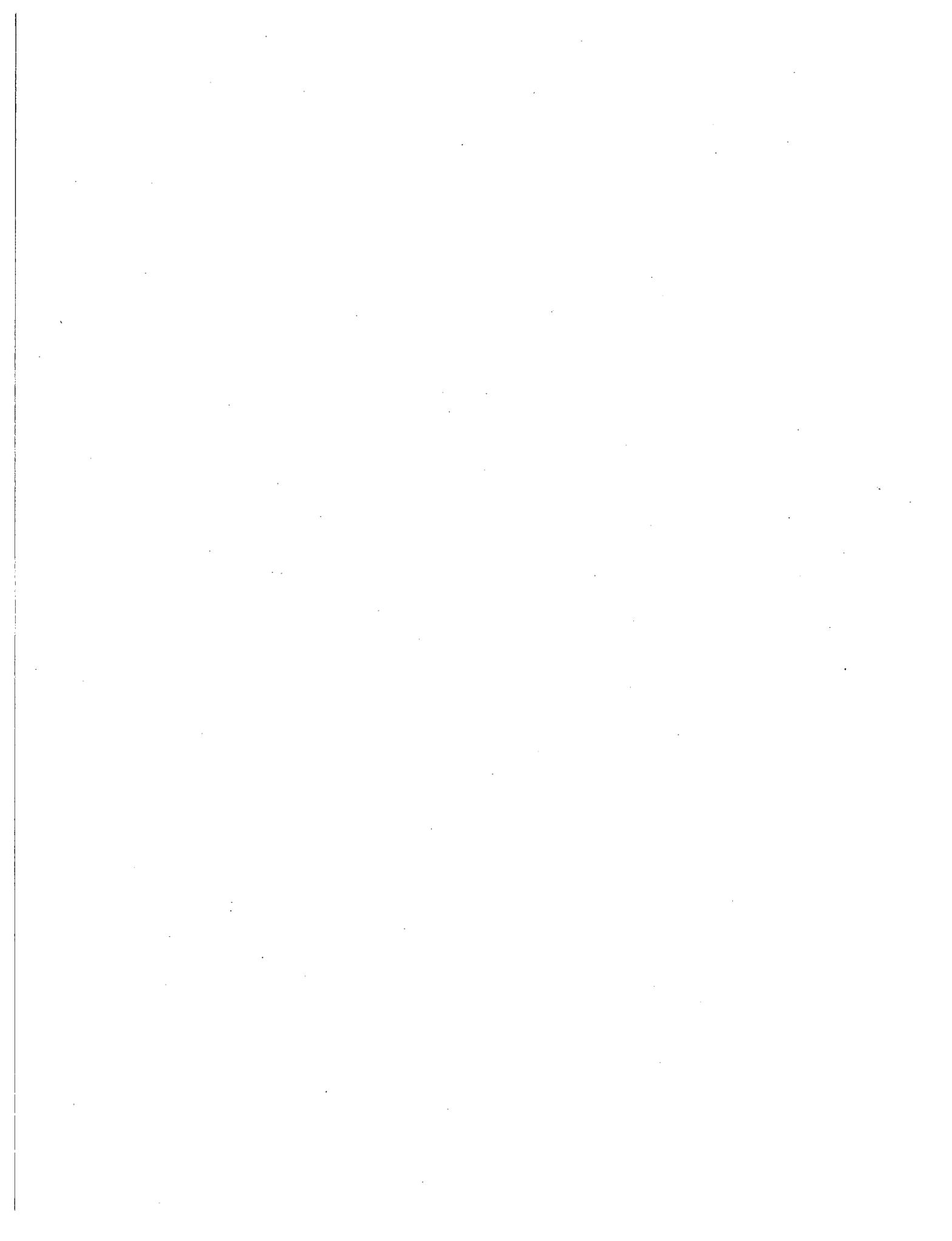
Beginning fund balance at October 1, 2004, on an actual GAAP basis	\$ 30,524
Adjustment to record advances from the City of Long Beach	(17,202)
Cumulative effect of capitalization of land held for resale at October 1, 2004	<u>(750)</u>
Beginning fund balance at October 1, 2004, on a budgetary basis	<u>12,572</u>
Actual GAAP basis revenue	14,334
Adjustment to GAAP basis revenues:	
Revenues on a budgetary basis	<u>14,334</u>
Actual GAAP basis expenditures	7,968
Adjustments to GAAP basis expenditures:	
Current effect of capitalization of land held for resale	245
Loss on sale of land held for resale	<u>(3,419)</u>
Expenditures on a budgetary basis	<u>4,794</u>
Excess of revenues over (under) expenditures on a budgetary basis	<u>9,540</u>
Other financing sources (uses), on an actual GAAP basis	856
Adjustment to GAAP basis other financing sources (uses):	
Proceeds from the sale of land held for resale	-
Reconveyance of land	(3,419)
Adjustment to record advances from the City of Long Beach	-
Other financing sources (uses) on a budgetary basis	<u>(2,563)</u>
Excess of revenues and other sources over expenditures and other uses, on a budgetary basis	<u>6,977</u>
Ending fund balance at September 30, 2005, on a budgetary basis	<u><u>\$ 19,549</u></u>

Redevelopment Agency of the City of Long Beach
(A Component Financial Reporting Unit of the City of Long Beach, California)
Schedule of Changes in Long-Term Debt
Year Ended September 30, 2005
(In Thousands)

	Balance September 30 2004	Additions	Deductions	Balance September 30 2005
<u>Poly High Project</u>				
Bonds-Tax Allocation Bonds 2002	\$ 1,432	\$ -	\$ 154	\$ 1,278
Bonds-Tax Allocation Bonds 2005A-2	\$ -	\$ 2,558	\$ -	\$ 2,558
Total	1,432	2,558	154	3,836
<u>West Beach Project</u>				
Bonds-Tax Allocation Bonds 2002	8,170	-	413	7,757
Bonds-Tax Allocation Bonds 2005A-2	-	839	-	839
Total	8,170	839	413	8,596
<u>West Long Beach Ind'l Proj.</u>				
Bonds-Tax Allocation Bonds 1992	17,345	-	-	17,345
Bonds-Tax Allocation Bonds 2002B	20,775	-	1,000	19,775
Total	38,120	-	1,000	37,120
<u>Downtown Project</u>				
Bonds-Tax Allocation Bonds 1992A	38,520	-	-	38,520
Bonds-Tax Allocation Bonds 2002A	25,422	-	825	24,597
Bonds-Tax Allocation Bonds 2002B	24,225	-	1,610	22,615
419 West Broadway, LLC-West Gateway	1,450	-	-	1,450
Total	89,617	-	2,435	87,182
<u>Los Altos Project</u>				
Bonds-Tax Allocation Bonds 2005A-1	-	4,685	-	4,685
Notes-Los Angeles County-Share of Tax Increment: Principal	1,393	219	-	1,612
Interest Payable	173	57	-	230
Notes-Los Angeles County Office of Education- Share of Tax Increment: Principal	11	2	-	13
Interest Payable	1	1	-	2
Total	1,578	4,964	-	6,542
<u>Central Long Beach Proj</u>				
Bonds-Tax Allocation Bonds 2005A-1	-	22,690	-	22,690
Bonds-Tax Allocation Bonds 2005B	-	34,240	-	34,240
Notes-Community Bank-253 Magnolia	624	-	624	-
Total	624	56,930	624	56,930
<u>North Long Beach Project</u>				
Bonds-Tax Allocation Bonds 2002	39,404	-	605	38,799
Bonds-Tax Allocation Bonds 2005A-1	-	39,000	-	39,000
Bonds-Tax Allocation Bonds 2005B	-	25,080	-	25,080
Total	39,404	64,080	605	102,879
<u>Housing Fund</u>				
Bonds-Tax Allocation Bonds 2005B	-	55,665	-	55,665
Total	-	55,665	-	55,665
TOTAL AGENCY LONG-TERM DEBT	\$ 178,945	\$ 185,036	\$ 5,231	\$ 358,750
Long-term Indebtedness is summarized as follows:				
Notes	\$ 3,652	\$ 279	\$ 624	\$ 3,307
Bonds	175,293	184,757	4,607	355,443
Total	\$ 178,945	\$ 185,036	\$ 5,231	\$ 358,750

See accompanying independent auditors' report.

Auditor's Report on Compliance





OFFICE OF THE
CITY AUDITOR

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

333 West Ocean Blvd.
Long Beach, CA 90802

**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***

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

The Members of the Redevelopment Agency Board
City of Long Beach, California:

We have audited the combined financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Long Beach (Agency), a component unit of the City of Long Beach, California (City), and of the Low- and Moderate-Income Housing Fund as of and for the year ended September 30, 2005, which collectively comprise the Agency's combined financial statements, and have issued our report thereon dated March 31, 2006. Our report refers to the fact that the Agency has prepared its combined financial statements using accounting practices required by the State of California Health and Safety Code Section 33080.1, which practices differ from U.S. generally accepted accounting principles. The funds included in the Low- and Moderate-Income Housing Fund columns presented in these combined financial statements are not maintained by the Agency and, accordingly, are not includable in financial statements prepared in accordance with U.S. generally accepted accounting principles. However, State of California Health and Safety Code Section 33080.1 requires the Agency to prepare financial statements that include these funds. The effect on these combined financial statements of the inclusion of these funds is apparent in the columns labeled Low- and Moderate-Income Housing Fund. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

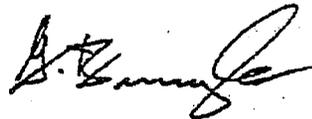
As part of obtaining reasonable assurance about whether the Agency's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. 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*.

This report is intended solely for the information and use of the City's Mayor, City Council, the City's management, the Agency's Board, the Agency's management, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

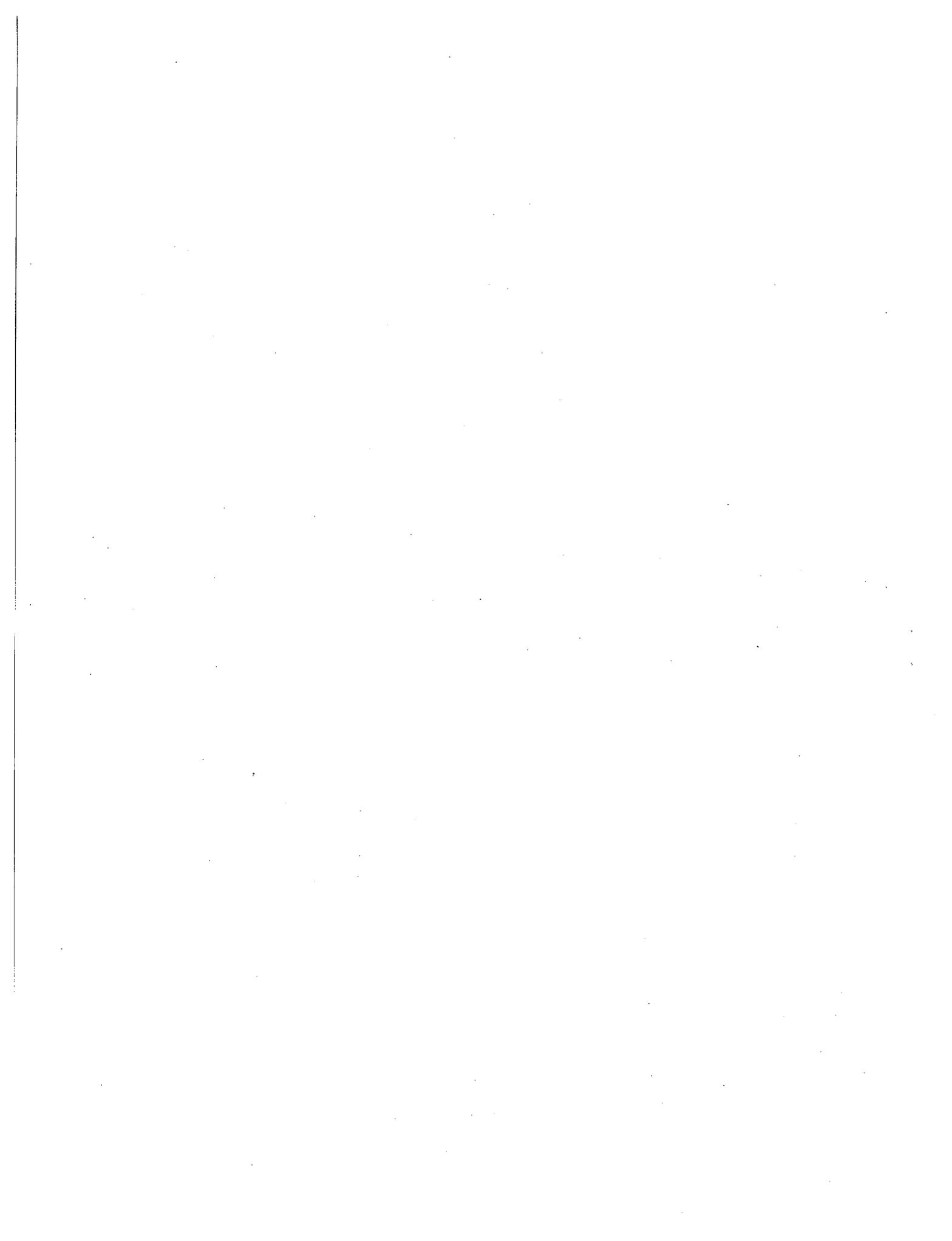
KPMG LLP

March 31, 2006



Gary L. Burroughs, CPA
City Auditor

General Information



**DOWNTOWN REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2004-2005
WITH ACCOMPLISHMENTS FOR FY 2004-2005**

GOAL #1

Encourage commercial development in the Downtown in conformance with the Redevelopment Plan and Downtown Strategy for Development.

- Implement CityPlace OPA (Developers Diversified Realty).
- Implement D'Orsay Hotel OPA (Long Beach Plaza Associates).

ACCOMPLISHMENTS

- Encouraged commercial development in the Downtown through implementation of the CityPlace OPA. Commercial portion of project completed.
- Assisted D'Orsay Partners with their efforts to obtain project financing.
- Worked in partnership with Downtown Long Beach Associates to provide incentive packages for appropriate retailers to establish on Pine Avenue.

GOAL #2

Encourage residential development in the Downtown in conformance with the Redevelopment Plan and the Downtown Strategy for Development.

- Implement Block M DDA (Genesis Real Estate Group).
- Implement OPA with Lofts Development, Inc. for adaptive reuse of Insurance Exchange Building residential loft/commercial project.
- Implement DDAs for Promenade sites.

ACCOMPLISHMENTS

- Construction on Block M by Genesis Real Estate Group completed.
- Insurance Exchange Building adaptive reuse completed.
- DDAs for The Promenade with Lennar and Lyon approved, and Olson construction commenced on The Promenade.
- Negotiated DDA for the Cedar Court Project.

GOAL #3

Negotiate development agreements in conformance with the Redevelopment Plan and Downtown Strategy for Development.

- Negotiate Disposition and Development Agreements for the West Gateway area for residential development.
- Negotiate DDA for residential loft/retail project at 224-228 E. Broadway.

ACCOMPLISHMENTS

- Approved DDAs for the West Gateway area for residential development with The Olson Company, Lennar Southcoast, and Lyon Realty Advisors.
- Approved DDA for residential loft/retail project at 224-228 E. Broadway with Lennar Southcoast.

GOAL #4

Pursue planning initiatives in conformance with the Redevelopment Plan and Downtown Strategy for Development.

- Implement recommendations of the Downtown Parking Study.
- Review Downtown Strategy for Development and update as required.

ACCOMPLISHMENTS

- Acquired several sites for a new parking garage along Pacific Avenue between 3rd Street and 4th Street.
- Implemented uniform public parking signage program throughout Downtown.
- Assisted with the revision of PD 30 Zoning to allow residential uses along The Promenade and to control uses incompatible with growing residential community Downtown.
- Continued to evaluate and revise Design Review process for greater efficiency and responsiveness.

GOAL #5

Support activities that foster an inviting, safe pedestrian environment in the Downtown.

- Contribute to Downtown marketing efforts.
- Support alley cleaning.
- Support weekly Farmers' Market and Craft Fair.

ACCOMPLISHMENTS

- Continued to update Downtown Map for public distribution.
- Implemented way-finding signage program throughout the Downtown.
- Continued supporting Downtown alley and trash enclosure cleaning by paying for the services of outside vendors to accomplish the task.
- Relocated the Farmers' Market and the Arts and Crafts Fair to CityPlace.
- Designed open space and pedestrian linkages through the West Gateway Area to The Promenade and Long Beach Boulevard.

GOAL #6

Support the development of affordable housing in Long Beach.

- Transfer 20% of available Project Area tax increment to the Housing Development Fund.

ACCOMPLISHMENTS

- The Housing Development Fund has received 20% of available increment.

GOAL #7

Serve as staff support to various committees and organizations.

- Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).
- Provide staff liaison to the Public Corporation for the Arts (PCA) in implementing new public art projects and programs.

ACCOMPLISHMENTS

- Provided support to a variety of committees and organizations, including the DLBA, PCA, the Pine Avenue Task Force, and the Downtown Business Advisory Committee.

**DOWNTOWN REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2005-2006**

- (1) Encourage commercial development in the Downtown in conformance with the Redevelopment Plan and Downtown Strategy for Development.**

 - Provide incentives to appropriate retailers to locate Downtown.
 - Implement D'Orsay Hotel OPA (Long Beach Plaza Associates).

- (2) Encourage residential development in the Downtown in conformance with the Redevelopment Plan and the Downtown Strategy for Development.**

 - Implement DDAs for Promenade sites with The Olson Company, Lyon Realty Advisors, and Lennar Southcoast.
 - Implement DDAs for West Gateway Projects with The Olson Company, Lennar Southcoast, Lyon Realty Advisors, and Jamboree Housing Company.
 - Implement CityPlace OPA for 3rd Street Lofts and for 4th Street Lofts.
 - Assist with development of the Press-Telegram block.
 - Assist with development of the Post Office block.
 - Negotiate OPA/DDA for a mixed-use project at Ocean and Alamitos.
 - Negotiate OPA/DDA for mixed-use projects along Long Beach Boulevard between 1st Street and 3rd Street.

- (3) Pursue planning initiatives in conformance with the Redevelopment Plan and Downtown Strategy for Development.**

 - Implement recommendations of the Downtown Parking Study.
 - Participate in comprehensive revision of PD 30 Zoning for height and density flexibility and for mixed-use project standards.

- (4) Support activities that foster an inviting, safe pedestrian environment in the Downtown.**

 - Contribute to Downtown marketing efforts.
 - Continue support for alley cleaning.
 - Support weekly Farmers' Market and Craft Fair.
 - Begin construction of open space and pedestrian linkages through the West Gateway Area to The Promenade and Long Beach Boulevard.

- (5) Support the development of affordable housing in Long Beach.**

 - Transfer 20% of available Project Area tax increment to the Housing Development Fund.

- (6) Serve as staff support to various committees and organizations.**

 - Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).
 - Provide staff support to the Pine Avenue Task Force and to the Downtown Business Advisory Committee.

**WEST BEACH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2004-2005
WITH ACCOMPLISHMENTS FOR FY 2004-2005**

Goal #1

Continue to support development of the West Ocean commercial corridor.

- Continue to assist private sector developments in the Project Area in conformance with the Redevelopment Plan and Downtown Strategy for Development.

ACCOMPLISHMENTS

- Staff has continued to assist private sector initiatives in the Project Area that conform to the Redevelopment Plan and Downtown Strategy for Development.

Goal #2

Support the development of affordable housing in Long Beach.

- Transfer 20% of available Project Area tax increment to the Housing Development Fund.

ACCOMPLISHMENTS

- The Housing Development Fund has received 20% of available increment.

Goal #3

Serve as staff support to various committees and organizations.

- Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).

ACCOMPLISHMENTS

- Agency staff has continued to provide support to a variety of committees and organizations, including the DLBA and Public Corporation for the Arts.

**WEST BEACH REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2005-2006**

- (1) Continue to support development of the West Ocean commercial corridor.**

 - Continue to assist private sector developments in the Project Area in conformance with the Redevelopment Plan and Downtown Strategy for Development.
- (2) Support the development of affordable housing in Long Beach.**

 - Transfer 20% of available Project Area tax increment to the Housing Development Fund.
- (3) Serve as staff support to various committees and organizations.**

 - Provide staff support for the Downtown Property Based Improvement District (PBID) and the Downtown Long Beach Associates (DLBA).
- (4) Provide additional recreation opportunities or other infrastructure improvements to benefit the project area.**

 - Assist with infrastructure improvements that benefit the project area.

**WEST LONG BEACH INDUSTRIAL REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2004-2005
WITH ACCOMPLISHMENTS FOR FY 2004-2005**

GOAL #1

Facilitate the re-planning, redesign and redevelopment of the Project Area.

- Implement the Industrial Strategy Action Plan.
- Work with PAC to identify and address local flood control issues.
- Work with PAC to address priorities for undergrounding of utilities and abandonment of alleys.
- Work with PAC to address priorities for acquisition through voluntary sales of available motel/residential and other remaining nonconforming properties.
- Work with PAC to address truck and parking issues.

ACCOMPLISHMENTS

- Adopted Industrial Strategy Action Plan.
- Identified and prioritized projects needed for flood control.
- Hired firm to design Phase 1 storm water system improvements.
- Identified willing sellers of residential properties, secured appraisals, and made offers; acquired the following nonconforming residential properties:
 - 1921 West 16th Street – February 9, 2004
 - 1881 – 1891 West 16th Street – April 26, 2004
 - 1662 – 1666 Seabright Avenue – April 26, 2004
 - 2025 West 17th Street – September 27, 2004
- Examined alternatives to control truck parking on local streets.

GOAL #2

Contribute to Project Area revitalization.

- Facilitate removal and conversion of non-conforming residential uses to industrial uses.
- Implement Agency approved Disposition and Development Agreements and Owner Participation Agreements.
- Implement the revised Exterior Improvement Program (EIP).
- Facilitate relocation and retention of existing businesses in West Long Beach.

ACCOMPLISHMENTS

- Sold land to Long Beach Iron Works for expansion of existing business (NWC 14th & Hayes Ave.).
- Sold land to JCDS (Sudduth Tire Company) for relocation to the Westside (NWC Anaheim St. & Hayes Ave.).
- Sold land to Richard's Wheel & Chassis for expansion of existing business (1452 West 14th St.).
- Sold land to Roberts Construction for relocation of a business to the Westside (2115 West 16th St.).
- Purchased non-conforming residential property, thereby expanded existing site for sale, and sold land to Parker Diving Services for relocation to West Long Beach. (1651-1657 Seabright Avenue – May 10, 2004).
- Sold land to Smith-Co Construction for relocation to the Westside.
- Sold land to Pacific Pallet for expansion of existing business.

- Purchased surveillance cameras to deter dumping in Westside Project Area.

GOAL #3

Strengthen the economic base of the Project Area.

- Issue annual Request for Proposals for available Agency-owned properties.
- Encourage growth and development of small businesses in West Long Beach.
- Support projects that provide for expanded industrial development and additional employment opportunities.

ACCOMPLISHMENTS

- Issued annual Request for Proposals for the following available Agency-owned properties.
- 1881 and 1891 West 16th Street (APN: 7432-001-042).
- 2110 West Cowles Street (APN 7429-026-900).
- 1709 Santa Fe Avenue (APN 7432-006-902, 903 and 907-913).
- 1662, 1664 & 1666 Seabright Avenue (APN 7432-001-017).
- Responded to proposals resulting from Annual Request for Proposals.
- Provided funding for economic development activities in West Long Beach.
- Provided funding for small business assistance programs in West Long Beach.
- Provided funding for environmental clean-up of Site Q1, including re-abandonment of a closed oil well.
- Created 70,000 sq. ft. of new construction.
- Created 43 new jobs in the West Long Beach project area.

GOAL #4

Provide Staff Support To Various Committees And Organizations

- Continue to provide staff support to the West Long Beach Subcommittee.
- Continue to provide funding and staff support to the Westside Project Area Committee.
- Continue to provide staff support in implementing the Industrial Strategy Action Plan.
- Formation of the Westside and Port of Long Beach Working Group and facilitation of first meetings to discuss Westside issues.

ACCOMPLISHMENTS

- Continued to provide staff support as appropriate to the West Long Beach Subcommittee.
- Continued to provide staff support and funding as appropriate to the Westside Project Area Committee.
- Provided staff support in completing and implementing the Industrial Strategy Action Plan.
- Formed of the Westside Business/Industrial Coordinating Committee.

GOAL #5

Support The Development Of Affordable Housing In Long Beach

- Transfer 20% of Project Area tax increment to the Housing Development Fund.
- Research potential development of industrial artist lofts in the Westside project area.

ACCOMPLISHMENTS

- The Housing Development Fund has received 20 percent of Project Area tax increment, totaling \$1,536,000.

**WEST LONG BEACH INDUSTRIAL REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2005-2006**

- (1) Facilitate the re-planning, redesign and redevelopment of the Project Area.**
 - Implement the Industrial Strategy Action Plan.

- (2) Contribute to Project Area revitalization.**
 - Facilitate removal and conversion of non-conforming residential uses to industrial uses, including the following recent acquisitions:
 - 1921 West 16th Street – February 9, 2004
 - 1881 – 1891 West 16th Street – April 26, 2004
 - 1662 – 1666 Seabright Avenue – April 26, 2004
 - 2025 West 17th Street – September 27, 2004
 - Implement Agency approved Disposition and Development Agreements and Owner Participation Agreements.
 - Purchase, install and implement vandalism deterrent camera system to reduce illegal dumping in project area.
 - Implement the revised Exterior Improvement Program (EIP).
 - Complete project design of storm water system improvements.
 - Explore feasibility of Canal-Caspian diagonal parking demonstration project.

- (3) Strengthen the economic base of the Project Area.**
 - Issue annual Request for Proposals for available Agency-owned properties.
 - Support projects that provide for expanded industrial development and additional employment opportunities.
 - Provide funding for small business assistance programs in West Long Beach.
 - Provide funding for economic development activities in West Long Beach.
 - Provide opportunities to retain existing businesses in West Long Beach.

- (4) Provide staff support so various committees and organizations.**
 - Continue to provide staff support to the West Long Beach Subcommittee.
 - Continue to provide funding and staff support to the West Long Beach Project Area Committee.
 - Provide staff support to the Westside Business/Industrial Coordinating Committee.

- (5) Support the development of affordable housing in Long Beach.**
 - Transfer 20% of Project Area tax increment to the Housing Development Fund.
 - Research the potential development of industrial artist lofts in the Westside Project Area.

**POLY HIGH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2004-2005
WITH ACCOMPLISHMENTS FOR FY 2004-2005**

GOAL #1

Preserve the public amenities created as part of the redevelopment of the Poly High Project Area.

- Continue to support the development of affordable housing by transferring 20% of Project Area tax increment to the Housing Development Fund.
- Fully meet all of the financial obligations of the Project Area.
- Implement commercial revitalization projects to enhance commercial properties within the Project Area.

ACCOMPLISHMENTS

- Transferred 20% of Project Area tax increment to the Housing Development Fund.

**POLY HIGH REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2005-2006**

- (1) Preserve the public amenities created as part of the redevelopment of the Poly High Project Area.**
- (2) Continue to support the development of affordable housing by transferring 20% of Project Area tax increment to the Housing Development Fund.**
- (3) Fully meet all of the financial obligations of the Project Area.**
- (4) Eliminate and prevent blight along the Project Area's commercial corridors.**
 - Acquire or provide rehabilitation assistance for commercial properties on Pacific Coast Highway.
 - Explore the possibility of joint development of sites along Pacific Coast Highway with the Long Beach Unified School District.

**LOS ALTOS REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2004-2005
WITH ACCOMPLISHMENTS FOR FY 2004-2005**

GOAL #1

Fully meet all of the financial obligations of the Project Area.

- Use all sales tax revenues for repayment of the loan from the West Long Beach Industrial Redevelopment Project Area.
- Use all tax increment, less expenses for Project Area administration, housing set aside, and public art maintenance, for repayment of the loan from the West Long Beach Industrial Redevelopment Project Area.

ACCOMPLISHMENTS

- Used sales tax and tax increment revenue to provide payments to the West Long Beach Industrial Project Area.

GOAL #2

Support the development of affordable housing in Long Beach.

- Set aside 20% of Project Area tax increment for affordable housing.

ACCOMPLISHMENTS

- Set aside 20% of tax increment for affordable housing.

GOAL #3

Preserve the public amenities created as part of the redevelopment of the Los Altos Shopping Center.

- Provide reserve for capital replacement.

ACCOMPLISHMENTS

- Public amenities did not require expenditures maintenance in FY04-05.

**LOS ALTOS REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2005-2006**

- (1) Fully meet all of the financial obligations of the Project Area.**
 - Use sales tax revenue and tax increment for bad debt service, administrative expenses, public art maintenance, and repayment of the load from the West Long Beach Industrial Project Area.

- (2) Support the development of affordable housing in Long Beach.**
 - Set aside 20% of Project Area tax increment for affordable housing.

- (3) Preserve the public amenities created as part of the redevelopment of the Los Altos Shopping Center.**
 - Provide reserve for capital replacement.

**CENTRAL LONG BEACH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2004-2005
WITH ACCOMPLISHMENTS FOR FY 2004-2005**

GOAL #1

Facilitate the re-planning, redesign and redevelopment of the Project Area.

- Begin implementation of the Strategic Guide for Development for the Central Study Area.
- Identify priority sites for redevelopment consistent with the Strategic Guide.
- Continue to identify and provide solutions for blighting influences.
- Continue to identify environmental deficiencies and develop corrective action plans.

ACCOMPLISHMENTS

- Assisted in the selection of eight targeted Neighborhood Centers for concentrated redevelopment activities.
- Assisted in the development of the Target Development Sites book.
- Initiated the development of the Willmore District Implementation Plan.
- Assisted in the revision of planned development district ordinance (PD 30).
- Initiated site acquisition of blighted parcels for future development opportunities.

GOAL #2

Contribute to neighborhood revitalization.

- Support neighborhood efforts to create beauty and pride in the Project Area.
- Continue redevelopment efforts in the Atlantic corridor including housing and commercial development and removal of blighting influences.
- Encourage human-scale, pedestrian-oriented developments that preserve open space.
- Encourage neighborhood identity initiatives.
- Continue to identify opportunities for development of new neighborhood-serving parks.
- Continue to identify future opportunities for affordable housing.
- Develop programs for rehabilitating existing housing stock.
- Continue to facilitate and encourage homeownership opportunities.
- Support the Library Services' efforts to construct a new library in the Project Area.
- Monitor the construction of the new Mark Twain Library.

ACCOMPLISHMENTS

- Provide funding to support targeted code enforcement activities in the Project Area.
- Initiated the development of an affordable senior housing development on Atlantic Avenue at Vernon Street.
- Managed the development of the CRI Training Facility to allow for the development of the Mark Twain Library.
- Managed the development of Daryle W. Black Memorial Park.
- Funded site acquisition to support the expansion of existing parks.

GOAL #3

Strengthen the economic base of the Project Area.

- Encourage small business growth and development.
- Support and encourage business assistance programs that focus on Central Long Beach businesses.
- Provide funding for economic development activities in Central Long Beach.
- Support projects that provide for expanded business development and additional employment opportunities.

ACCOMPLISHMENTS

- Assisted in the expansion and improvement of Project Area businesses.
- Assisted St. Mary and Memorial hospitals in the development of their respective long-range strategic plans.
- Provided funding to support economic development activities in the Project Area.

GOAL #4

Work toward the adaptive reuse of existing structures and toward the development of new buildings that enhance the East Village Arts District.

- Monitor the process of leasing the eight affordable units in the Lofts on 4th residential project located at the southwest corner of 4th Street and Alamitos Avenue in the East Village Arts District.

ACCOMPLISHMENTS

- Six affordable units in the Lofts on 4th project have been sold.
- Assisted in the entitlement of a new 30-unit residential development.

GOAL #5

Work toward the adaptive reuse of existing buildings within the East Village Arts District for Live/Work and Home Occupation functions.

- Continue to provide funding to assist artists develop live/work units and studio space through the East Village Artist Loan Program.
- Continue to prepare and process loan agreements with property owners for the conversion of commercial buildings to live/work units/studio space in the East Village Arts District.
- Monitor the East Village Association capital campaign to raise construction funds for the Art Exchange.

ACCOMPLISHMENTS

- Funded two artist loans for the adaptive reuse of 435 Alamitos Avenue to a community arts studio/gallery.
- Completed the East Village Art Exchange Feasibility Study.

GOAL #6

Work toward the adaptive reuse of existing structures and toward the development of new buildings that enhance the West Gateway.

- Work with developers, after selection, to establish a residential community in West Gateway.

ACCOMPLISHMENTS

- Selected four residential developers to construct over 600 residential units in the West Gateway.
- Began construction of 64 workforce-housing units.

GOAL #7

Support the Long Beach Unified School District's efforts to identify school sites to relieve overcrowding in the Project Area and allow residents to attend neighborhood schools.

ACCOMPLISHMENT

- Assisted in the identification of proposed school site.
- Identified sites for potential school expansions in the Strategic Guide for Development.

GOAL #8

Serve as staff support to various committees and organizations.

- Continue to provide staff support to the Central Project Area Committee.
- Continue to provide staff support to the East Village Steering Committee.
- Continue to liaison with the Public Corporation for the Arts in implementing new public art.
- Continue to explore alternative funding sources that would assist in funding future development of the Central Project Area.

ACCOMPLISHMENTS

- Continued support of the East Village Association.
- Continued providing staff support to the Central Project Area Committee.
- Implemented two public art projects in the Project Area.
- Issued Revenue Bonds to support redevelopment project and activities.

GOAL #9

Support the development of affordable housing in Long Beach.

- Transfer 20% of available project tax increment to the Housing Development Fund.

ACCOMPLISHMENTS

- Provided 20% of the available project area tax increment to the Housing Development Fund.

GOAL #10

Explore opportunities that will support vitality of Memorial and St. Mary's Hospitals.

- Work with the hospitals to increase their revenue and job creation.

ACCOMPLISHMENTS

- Assisted in the development of the St. Mary and Memorial hospital long-range strategic plans.
- Identified Memorial Hospital as a focus area for development in the Central Strategic Guide for Development.
- Supported the expansion of Memorial Hospital.

CENTRAL LONG BEACH REDEVELOPMENT PROJECT AREA GOALS FOR FY 2005-2006

- (1) Facilitate the re-planning, redesign and redevelopment of the Project Area.**
 - Implement the Strategic Guide for Development for the Central Study Area.
 - Implement the Willmore District Implementation Plan.
 - Develop the Central Long Beach Design Guidelines.
 - Update Atlantic Avenue Master Plan
 - Support the long-range strategic planning of Long Beach Boulevard.
 - Identify priority sites for redevelopment consistent with the Strategic Guide.
 - Support the revision of planned development district ordinances to further redevelopment efforts in the Project Area.
 - Continue to identify and provide solutions for blighting influences.
 - Continue to identify environmental deficiencies and develop corrective action plans.
 - Continue to explore alternative funding sources that would assist in funding future development of the Central Project Area.

- (2) Contribute to neighborhood revitalization.**
 - Continue redevelopment efforts along commercial corridors including transit-oriented developments.
 - Encourage human-scale, pedestrian-oriented developments.
 - Encourage neighborhood identity initiatives.
 - Support the preservation and enhancement of historic districts.
 - Support the development and expansion of open space.
 - Develop programs for enhancing and rehabilitating existing housing stock.
 - Continue to facilitate and encourage homeownership opportunities.
 - Develop initiatives to reduce density in overcrowded neighborhoods.
 - Facilitate the development of the Mark Twain Library.

- (3) Strengthen the economic base of the Project Area.**
 - Encourage small business growth and development.
 - Support the retention and expansion of Project Area businesses.
 - Support and encourage business assistance programs that focus on Central Long Beach businesses.
 - Provide funding for economic development activities in Central Long Beach.
 - Support the implementation of the master plans for St. Mary and Memorial Hospital.

- (4) Continue to support the implementation of the East Village Guide for Development.**
 - Support the long-range strategic planning of the East Village Arts District.
 - Support the adaptive reuse of existing structures.
 - Facilitate the development of an arts entertainment complex.
 - Administer the East Village Artist Loan Program to assist in the development of artist live/work units and studio space.

- (5) Continue the development of the West Gateway district.**
 - Work with selected developers to establish a cohesive residential community.

- Close escrow on land acquisitions for targeted blocks.
 - Develop a streetscape master plan.
 - Monitor start of construction.
- (6) **Serve as staff support to various committees and organizations.**
- Continue to provide staff support to the Central Project Area Committee.
 - Continue to provide staff support to the East Village Steering Committee.
 - Continue to liaison with the Public Corporation for the Arts in implementing new public art.
- (7) **Support the Long Beach Unified School District's efforts to identify school sites to relieve overcrowding in the Project Area.**
- (8) **Support the development of affordable housing in Long Beach.**
- Transfer 20% of available project area tax increment to the Housing Development Fund.
 - Continue to identify future opportunities for affordable housing within Housing Action Plan target areas.

**NORTH LONG BEACH REDEVELOPMENT PROJECT AREA
COMPARISON OF GOALS FOR FY 2004-2005
WITH ACCOMPLISHMENTS FOR FY 2004-2005**

GOAL #1

Facilitate the re-planning, redesign and redevelopment of the Project Area.

- Implement the North Long Beach Strategic Guide for Redevelopment.
- Implement the North Long Beach Street Enhancement Master Plan.
- Implement the Village Center and Historic Node Implementation Plan.
- Implement the North Long Beach Design Guidelines.
- Implement the Bixby Knolls Design Guidelines.
- Implement the Commercial Facade Improvement Program.
- Identify priority sites for redevelopment consistent with the Strategic Guide.
- Work with the Planning and Building Department to develop and adopt the North Long Beach Design Guidelines.
- Work with the Planning and Building Department to revise General Plan and Zoning Ordinance for consistency with the Strategic Guide and Street Enhancement Master Plan.

ACCOMPLISHMENTS

- Completed the North Long Beach Design Guidelines.
- Continued working with Planning and Building Department towards revising General Plan and Zoning Ordinance for consistency with Strategic Guide.
- Completed 8 commercial façade projects (5644 Atlantic Ave, 3777 LB Blvd, 3811 LB Blvd, Jerome Nash, 5166 Atlantic, Starr Video, Angie Beeks and Fantuzo), initiated construction on 4 projects and completed design and initiate construction bids on 8 projects.
- Acquired over a dozen properties in the Village center for use as parking, open space or public facilities.

GOAL #2

Contribute to neighborhood revitalization.

- Provide median and/or streetscape improvements at Market & Long Beach Boulevard, the North Village and North Long Beach gateways.
- Provide funding for local street improvements (including curbs, gutters and sidewalks), storm drain improvements, dirt alley paving, ADA improvements and other public works infrastructure in North Long Beach.
- Facilitate the development of a new North Long Beach Library Branch in the North Village.
- Develop a needs assessment for community and recreation facilities in North Long Beach.
- Facilitate the development of a new North Long Beach Community Center in the North Village.
- Provide funding for the Jane Addams Elementary School, Dairy Avenue and Coolidge Triangle Neighborhood Enhancement Areas.
- Work with property owners to address neighborhood deficiencies in the 3300 and 3400 blocks of Andy Street.
- Support neighborhood efforts to create beauty and pride.

- Facilitate development of park open space at 55th Way, Market & Dairy and Plymouth & Elm.
- Identify opportunities for development of additional and existing open space.

ACCOMPLISHMENTS

- Completed construction of Paramount Boulevard gateway median.
- Completed design work and began construction of new gateway median on Long Beach Boulevard.
- Completed design of streetscape improvements for the North Village at South Street and Atlantic Avenue and the Historic Core at Market Street and Long Beach Boulevard.
- Completed design on 26 street improvement projects (Areas C, D & E) consistent with the Street Enhancement Master Plan.
- Awarded construction contracts to repave or reconstruct 26 streets in North Long Beach totaling 3.3 miles.
- Completed reconstruction and replanting of 4 existing gateway median projects on Artesia Boulevard and Del Amo Boulevard, as well as one additional new median project along Atlantic Avenue in Bixby Knolls.
- Continued implementation of the North Long Beach Design Guidelines.
- Continued implementation of the Bixby Knolls Design Guidelines.
- Completed construction of a new mini-park at Market & Dairy.
- Completed construction of a new park on the 55th Way.
- Provided funding for several Neighborhood Enhancement Areas (Jane Addams, Dairy, Coolidge Triangle, and Jordan neighborhoods).
- Supported neighborhood efforts to create beauty and pride through funding of the Neighborhood Partners Program, including the Orizaba Tunnel Murals.

GOAL #3

Strengthen the economic base of the Project Area.

- Revitalize commercial/retail areas consistent with the Strategic Guide for Redevelopment.
- Provide funding for economic development activities in North Long Beach.
- Provide funding for small business assistance programs in North Long Beach.
- Encourage small business growth and development.
- Support projects that provide for expanded business development and additional employment opportunities.

ACCOMPLISHMENTS

- Developed and implemented a Commercial Area Litter Abatement demonstration project.
- Developed and implemented a Commercial Area Graffiti Removal demonstration project.
- Provided funding for economic development activities in North Long Beach.
- Provided funding for small business assistance programs in North Long Beach.
- Worked with the PAC and the Economic Development Bureau to develop targeted business assistance programs and marketing activities in North Long Beach.
- Revitalized commercial/retail areas through funding of the Commercial Façade Improvement Program.

GOAL #4

Market the strengths of the North Long Beach Community.

- Develop and implement a marketing program to advertise the qualities of North Long Beach.

ACCOMPLISHMENTS

- Worked with PAC to implement marketing program for North Village and Historic Core, including publication of North Village/Historic Core Newsletters, display of street banners, utility box art, anti-litter program, graffiti removal program.
- Assisted PAC with publication of four issues of the North PAC Review newsletter.

GOAL #5

Provide staff support to various committees and organizations.

- Continue to provide staff support to the North Long Beach Subcommittee.
- Continue to provide staff support to the North Long Beach Project Area Committee.
- Continue to provide staff support to the North Long Beach Strategic Guide Steering Committee.

ACCOMPLISHMENTS

- Provided staff support to the North Long Beach Subcommittee.
- Provided staff support to the North Long Beach Project Area Committee.
- Provided staff support to the North Long Beach Strategic Guide Steering Committee.

GOAL #6

Support the development of affordable housing in Long Beach.

- Transfer 20% of Project Area tax increment to the Housing Development Fund.

ACCOMPLISHMENTS

- Transferred 20% of project area tax increment to the Housing Development Fund for the purpose of increasing or enhancing affordable housing in North Long Beach.
- Continued implementation of the Grisham Apartments rehabilitation project, which will provide 94 units of affordable housing.
- Prioritized potential sites for development of new market rate housing.
- Provided Set-aside funding to complete acquisition financing of the 528-unit North Point affordable housing rehabilitation project.

**NORTH LONG BEACH REDEVELOPMENT PROJECT AREA
GOALS FOR FY 2005-2006**

- (1) **Facilitate the re-planning, redesign and redevelopment of the Project Area.**
- Implement the North Long Beach Strategic Guide for Redevelopment.
 - Implement the North Long Beach Street Enhancement Master Plan.
 - Implement the Village Center and Historic Node Implementation Plan.
 - Implement results of Community Needs Assessment.
 - Implement the North Long Beach Design Guidelines.
 - Implement the Bixby Knolls Design Guidelines.
 - Implement the Commercial Facade Improvement Program.
 - Identify priority sites for redevelopment consistent with the Strategic Guide.
 - Work with the Planning and Building Department to revise General Plan and Zoning Ordinance for consistency with the Strategic Guide and Street Enhancement Master Plan.
- (2) **Contribute to neighborhood revitalization.**
- Implement the Commercial Facade Improvement Program.
 - Provide median and/or streetscape improvements at Market & Long Beach Boulevard, the North Village and North Long Beach gateways.
 - Provide funding for local street improvements (including curbs, gutters and sidewalks), storm drain improvements and other public works infrastructure.
 - Facilitate the development of a new North Long Beach Library Branch.
 - Add new public parking (i.e., North Village, Historic Core, Bixby Knolls).
 - Facilitate the development of a new North Long Beach Community Center.
 - Provide funding for the Grant, Lindbergh, Bret Harte and Deforest Park Neighborhood Enhancement Areas.
 - Support neighborhood efforts to create beauty and pride.
 - Identify opportunities for and facilitate development of additional and existing park open space.
 - Support the preservation of buildings of historical or architectural significance.
- (3) **Strengthen the economic base of the Project Area.**
- Revitalize commercial/retail areas consistent with the Strategic Guide for Redevelopment (i.e., former Home Base, Kmart and Bixby Knolls Center).
 - Facilitate development of new commercial/retail areas consistent with the Strategic Guide for Redevelopment (i.e., Atlantic Boulevard Motel, Waite Motel, northeast corner of Atlantic & Artesia).
 - Provide funding for economic development activities in North Long Beach.
 - Provide funding for small business assistance programs in North Long Beach.
 - Support projects that provide for expanded business development and additional employment opportunities.

- (4) **Market the North Long Beach Community and provide community outreach.**
- Develop and implement a marketing program to advertise the qualities of North Long Beach (i.e., North Village/Historic Core Newsletter, street banners, utility box art, anti-litter program, graffiti removal program).
 - Extend community outreach to disenfranchised neighborhoods.
 - Inform the public as to the vital role of Redevelopment in removing blight, reversing deterioration, building partnerships between local businesses and the community, implementing the community's vision, and strengthening neighborhoods.
 - Build partnerships with property owners and local businesses.
- (5) **Provide staff support to various committees and organizations.**
- Continue to provide staff support to the North Long Beach Subcommittee.
 - Continue to provide staff support to the North Long Beach Project Area Committee.
- (6) **Support the development of affordable housing in Long Beach.**
- Transfer 20% of Project Area tax increment to the Housing Development Fund.
 - Acquire priority sites for new market rate housing.
 - Promote quality housing development and home ownership opportunities.



AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Financial Statements

September 30, 2005 and 2004

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable City Council
City of Long Beach, California

The Board of Directors
Aquarium of the Pacific Corporation:

We have audited the accompanying consolidating statements of financial position of the Aquarium of the Pacific (the Aquarium), a Public/Private Partnership of the City of Long Beach, California (the City), and the Aquarium of the Pacific Corporation (the Corporation), as of September 30, 2005 and 2004, and the related consolidating statements of activities, functional expenses, and cash flows for the years then ended. These consolidating financial statements are the responsibility of the Corporation and City management. Our responsibility is to express an opinion on the consolidating financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted accounting standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aquarium's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidating financial statements were prepared to present the Public/Private Partnership between the City and the Corporation pursuant to the Continuing Disclosure Agreement described in notes 1 and 2, and are not intended to be a complete presentation of the Corporation's or the City's individual financial statements.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of the Aquarium of the Pacific as of September 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

This report is intended solely for the information and use of the City of Long Beach's City Council, the Board of Directors of the Corporation, managements of the City and the Corporation, the Long Beach Bond Financing Authority, the Redevelopment Agency of the City of Long Beach, and the U.S. Bank Trust National Association and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 16, 2005

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Financial Position

September 30, 2005

Assets	Aquarium of the Pacific Corporation			City of Long Beach	Eliminations (note 1)	Consolidated total
	Unrestricted	Temporarily restricted	Total			
Cash and cash equivalents	\$ 459,761	647,599	1,107,360	—	—	1,107,360
Accrued interest receivable	—	—	—	248,611	—	248,611
Accounts receivable, net of allowance for doubtful accounts of \$658,255	1,714,907	—	1,714,907	—	—	1,714,907
Contributions receivable, net (note 8)	265,302	359,208	624,510	—	—	624,510
Prepaid expenses and other assets	241,241	—	241,241	—	—	241,241
Gift store inventory	245,574	—	245,574	—	—	245,574
Restricted investments held by trustee (notes 3 and 5)	312,327	—	312,327	14,795,772	—	14,795,772
Other assets	—	—	—	—	—	312,327
Deferred financing costs, net	7,353,770	—	7,353,770	2,633,370	—	2,633,370
Property and equipment, net (note 4)	—	—	—	80,016,235	(9,611,722)	77,758,283
Total assets	\$ 10,592,882	1,006,807	11,599,689	97,693,988	(9,611,722)	99,681,955
Liabilities and Net Assets						
Accounts payable	\$ 1,596,356	—	1,596,356	—	—	1,596,356
Accrued interest payable	—	—	—	2,732,464	—	2,732,464
Accrued liabilities	1,101,366	—	1,101,366	—	—	1,101,366
Deferred revenue	932,255	—	932,255	—	—	932,255
Bonds payable, net of unamortized discounts/deferred amount on refunding aggregating \$10,500,886 (note 5)	—	—	—	119,019,114	—	119,019,114
Total liabilities	3,629,977	—	3,629,977	121,751,578	—	125,381,555
Net assets (deficit):						
Unrestricted	6,962,905	—	6,962,905	(24,057,590)	(9,611,722)	(26,706,407)
Temporarily restricted (note 7)	—	1,006,807	1,006,807	—	—	1,006,807
Total net assets (deficit)	6,962,905	1,006,807	7,969,712	(24,057,590)	(9,611,722)	(25,699,600)
Commitments and contingencies (notes 6 and 9)						
Total liabilities and net assets	\$ 10,592,882	1,006,807	11,599,689	97,693,988	(9,611,722)	99,681,955

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Financial Position

September 30, 2004

Assets	Aquarium of the Pacific Corporation			City of Long Beach	Eliminations (note 1)	Consolidated total
	Unrestricted	Temporarily restricted	Total			
Cash and cash equivalents	\$ 208,335	498,174	706,509	—	—	706,509
Accrued interest receivable	—	—	—	247,230	—	247,230
Accounts receivable, net of allowance for doubtful accounts of \$738,655	1,356,419	—	1,356,419	—	—	1,356,419
Contributions receivable, net (note 8)	513,573	602,786	1,116,359	—	—	1,116,359
Prepaid expenses and other assets	190,352	—	190,352	—	—	190,352
Gift store inventory	246,089	—	246,089	—	—	246,089
Restricted investments held by trustee (notes 3 and 5)	—	—	—	14,860,644	—	14,860,644
Other assets	192,729	—	192,729	—	—	192,729
Deferred financing costs, net	—	—	—	2,940,835	—	2,940,835
Property and equipment, net (note 4)	6,204,436	—	6,204,436	83,407,334	(9,987,425)	79,624,345
Total assets	\$ 8,911,933	1,100,960	10,012,893	101,456,043	(9,987,425)	101,481,511
Liabilities and Net Assets						
Accounts payable	\$ 1,562,826	—	1,562,826	—	—	1,562,826
Accrued interest payable	—	—	—	2,732,464	—	2,732,464
Accrued liabilities	973,928	—	973,928	—	—	973,928
Deferred revenue	821,460	—	821,460	—	—	821,460
Bonds payable, net of unamortized discounts/deferred amount on refunding aggregating \$11,118,669 (note 5)	—	—	—	118,401,331	—	118,401,331
Total liabilities	3,358,214	—	3,358,214	121,133,795	—	124,492,009
Net assets (deficit):						
Unrestricted	5,553,719	—	5,553,719	(19,677,752)	(9,987,425)	(24,111,458)
Temporarily restricted (note 7)	—	1,100,960	1,100,960	—	—	1,100,960
Total net assets (deficit)	5,553,719	1,100,960	6,654,679	(19,677,752)	(9,987,425)	(23,010,498)
Commitments and contingencies (notes 6 and 9)						
Total liabilities and net assets	\$ 8,911,933	1,100,960	10,012,893	101,456,043	(9,987,425)	101,481,511

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Activities

Year ended September 30, 2005

	Aquarium of the Pacific Corporation			City of Long Beach	Eliminations	Consolidated total
	Unrestricted	Temporarily restricted	Total			
Operating revenues (note 5):						
Admissions	\$ 12,949,795	—	12,949,795	—	—	12,949,795
Facility rental	—	—	—	27,023,960	(27,023,960)	—
Memberships	3,343,271	—	3,343,271	—	—	3,343,271
Educational programs	1,175,692	—	1,175,692	—	—	1,175,692
Gift store	3,955,456	—	3,955,456	—	—	3,955,456
Contributions	867,764	870,707	1,738,471	—	—	1,738,471
Ancillary	491,991	—	491,991	—	—	491,991
Food service	623,366	—	623,366	—	—	623,366
Fund-raising events	392,220	—	392,220	—	—	392,220
Donated goods and services	373,145	—	373,145	—	—	373,145
Parking garage	1,054,987	—	1,054,987	—	—	1,054,987
Grants and other income	498,795	1,938	500,733	275	—	501,008
Net assets released from restriction for operations (note 7)	966,798	(966,798)	—	—	—	—
Total operating revenues	26,693,280	(94,153)	26,599,127	27,024,235	(27,023,960)	26,599,402
Operating expenses:						
Husbandry and facilities	6,107,772	—	6,107,772	—	—	6,107,772
Education, interpretation, and outreach	2,239,019	—	2,239,019	158,965	—	2,397,984
Guest services	3,200,821	—	3,200,821	—	—	3,200,821
Gift store	2,550,688	—	2,550,688	—	—	2,550,688
Facility operating expense	—	—	—	24,664,000	(24,664,000)	—
Development and membership	1,834,709	—	1,834,709	—	—	1,834,709
Marketing	3,680,114	—	3,680,114	—	—	3,680,114
Human resources	660,135	—	660,135	—	—	660,135
Finance and administration	1,974,643	—	1,974,643	275	—	1,974,918
Net operating transfer to the City of Long Beach	2,359,960	—	2,359,960	—	(2,359,960)	—
Total operating expenses	24,607,861	—	24,607,861	24,823,240	(27,023,960)	22,407,141
Earnings (loss) before interest, taxes, depreciation, and amortization from operations	2,085,419	(94,153)	1,991,266	2,200,995	—	4,192,261
Transient occupancy tax transfer from City of Long Beach (note 6)	—	—	—	2,797,782	—	2,797,782
Depreciation and amortization	(676,233)	—	(676,233)	(4,316,348)	375,703	(4,616,878)
Interest expense, net of bond interest income	—	—	—	(5,062,267)	—	(5,062,267)
Change in net assets (deficit)	1,409,186	(94,153)	1,315,033	(4,379,838)	375,703	(2,689,102)
Net assets (deficit) at beginning of year	5,553,719	1,100,960	6,654,679	(19,677,752)	(9,987,425)	(23,010,498)
Net assets (deficit) at end of year	\$ 6,962,905	1,006,807	7,969,712	(24,057,590)	(9,611,722)	(25,699,600)

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Activities

Year ended September 30, 2004

	Aquarium of the Pacific Corporation			City of Long Beach	Eliminations	Consolidated total
	Unrestricted	Temporarily restricted	Total			
Operating revenues (note 5):						
Admissions	\$ 12,345,695	—	12,345,695	—	—	12,345,695
Facility rental	—	—	—	24,472,211	(24,472,211)	—
Memberships	3,078,714	—	3,078,714	—	—	3,078,714
Educational programs	1,080,102	—	1,080,102	—	—	1,080,102
Gift store	3,901,829	—	3,901,829	—	—	3,901,829
Contributions	1,422,034	818,369	2,240,403	—	—	2,240,403
Ancillary	391,855	—	391,855	—	—	391,855
Food service	498,535	—	498,535	—	—	498,535
Fund-raising events	334,938	—	334,938	—	—	334,938
Donated goods and services	325,523	—	325,523	—	—	325,523
Parking garage	716,380	—	716,380	—	—	716,380
Grants and other income	57,918	1,005	58,923	—	—	58,923
Net assets released from restriction for operations (note 7)	915,959	(915,959)	—	—	—	—
Total operating revenues	25,069,482	(96,585)	24,972,897	24,472,211	(24,472,211)	24,972,897
Operating expenses:						
Husbandry and facilities	5,250,966	—	5,250,966	—	—	5,250,966
Education, interpretation, and outreach	1,781,736	—	1,781,736	—	—	1,781,736
Guest services	3,152,826	—	3,152,826	—	—	3,152,826
Gift store	2,477,408	—	2,477,408	—	—	2,477,408
Facility operating expense	—	—	—	21,314,060	(21,314,060)	—
Development and membership	1,508,276	—	1,508,276	—	—	1,508,276
Marketing	3,815,676	—	3,815,676	—	—	3,815,676
Human resources	545,245	—	545,245	—	—	545,245
Finance and administration	1,927,497	—	1,927,497	1,619	—	1,929,116
Net operating transfer to the City of Long Beach	3,158,151	—	3,158,151	—	(3,158,151)	—
Total operating expenses	23,617,781	—	23,617,781	21,315,679	(24,472,211)	20,461,249
Earnings (loss) before interest, taxes, depreciation, and amortization from operations	1,451,701	(96,585)	1,355,116	3,156,532	—	4,511,648
Transient occupancy tax transfer from City of Long Beach (note 6)	—	—	—	2,982,721	—	2,982,721
Depreciation and amortization	(468,957)	—	(468,957)	(5,426,309)	1,283,650	(4,611,616)
Interest expense, net of bond interest income	—	—	—	(5,103,794)	—	(5,103,794)
Change in net assets (deficit)	982,744	(96,585)	886,159	(4,390,850)	1,283,650	(2,221,041)
Net assets (deficit) at beginning of year	4,570,975	1,197,545	5,768,520	(15,286,902)	(11,271,075)	(20,789,457)
Net assets (deficit) at end of year	5,553,719	1,100,960	6,654,679	(19,677,752)	(9,987,425)	(23,010,498)

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Functional Expenses
Year ended September 30, 2005

	Program services				Support services				Total
	Husbandry and facilities	Education, interpretation, and outreach	Guest services	Gift store	Development and membership	Marketing	Human resources	Finance and administration	
Salaries, taxes, and benefits (note 9)	\$ 2,325,520	1,444,039	2,277,925	769,632	655,472	907,516	425,370	1,083,058	9,888,532
Cost of goods sold	—	—	—	1,561,742	—	—	—	—	1,561,742
Insurance	59,432	74,707	74,590	24,864	915	1,109	578	69,466	305,661
Permits, maintenance, and construction	331,063	162,019	32,846	6,887	10	17	—	49,637	582,479
Occupancy (note 6)	6	25,434	79	60,343	34,136	34,899	—	125,046	279,943
Utilities	1,995,878	—	—	3,444	—	—	—	—	1,999,322
Husbandry/animals and collecting	309,269	—	—	—	—	—	—	—	309,269
Services	206,197	425,286	267,271	19,987	422,394	365,395	98,151	261,135	2,063,816
Supplies and other expendables	801,786	117,337	295,577	41,047	80,429	63,703	52,921	128,358	1,581,148
Postage, shipping, and courier	14,329	14,765	9,169	2,318	151,496	52,788	3,031	15,304	263,200
Information technology and telecommunications	7,694	4,868	38,509	1,779	15,835	12,262	2,664	137,923	221,534
Printing and publishing	2,409	72,448	6,951	51	190,500	319,266	8,124	5,599	605,348
Advertising, promotions, and public relations	1,932	4,032	3,437	1,611	1,070	1,957,378	50	3,943	1,973,453
Travel, meals, and training	52,093	57,552	22,890	7,792	55,670	29,082	69,246	30,388	324,693
Other	164	(4,473)	171,577	49,191	226,782	(63,301)	—	65,061	445,001
Operating expenses before transient occupancy tax transfer, depreciation and amortization and interest	6,107,772	2,397,984	3,200,821	2,550,688	1,834,709	3,680,114	660,135	1,974,918	22,407,141
Transient occupancy tax transfer	—	—	—	—	—	—	—	(2,797,782)	(2,797,782)
Depreciation and amortization	462,997	1,411,879	1,647,461	13,142	11,264	28,161	11,264	1,030,710	4,616,878
Interest expense, net of bond interest income	—	—	—	—	—	—	—	5,062,267	5,062,267
Total expenses	\$ 6,570,769	3,809,863	4,848,282	2,563,830	1,845,973	3,708,275	671,399	5,270,113	29,288,504

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Functional Expenses

Year ended September 30, 2004

	Program services				Support services			Total	
	Husbandry and facilities	Education, interpretation, and outreach	Guest services	Gift store	Development and membership	Marketing	Human resources		Finance and administration
Salaries, taxes, and benefits (note 9)	\$ 2,266,291	1,079,437	2,160,587	688,886	583,476	805,336	384,365	1,221,068	9,189,646
Cost of goods sold	—	—	—	1,583,513	—	—	—	—	1,583,513
Insurance	59,850	70,499	72,285	24,654	—	262	612	67,511	295,683
Permits, maintenance, and construction	330,166	1,986	27,224	304	—	1,636	—	5,728	367,044
Occupancy (note 6)	700	24,119	610	60,786	33,016	36,025	8,993	108,938	273,187
Utilities	1,395,198	—	—	3,128	—	—	—	—	1,398,326
Husbandry/animals and collecting	263,486	—	—	—	—	—	—	—	263,486
Services	119,891	348,537	232,438	10,580	240,339	349,193	54,415	275,572	1,630,965
Supplies and other expendables	725,894	118,749	290,066	42,435	198,507	53,404	34,896	114,295	1,578,246
Postage, shipping, and courier	18,413	7,080	8,660	2,132	87,197	73,352	2,979	22,041	221,854
Information technology and telecommunications	10,963	3,683	53,817	2,243	10,252	10,798	2,090	162,771	256,617
Printing and publishing	1,162	27,140	9,963	8,196	128,348	342,456	4,968	720	522,953
Advertising, promotions, and public relations	308	1,272	3,046	4,820	1,197	2,112,770	348	930	2,124,691
Travel, meals, and training	58,488	75,410	19,259	6,196	60,818	36,232	51,579	41,875	349,877
Other	146	23,824	274,871	39,535	165,126	(6,008)	—	(92,333)	405,161
Operating expenses before transient occupancy tax transfer, depreciation and amortization and interest	5,250,966	1,781,736	3,152,826	2,477,408	1,508,276	3,815,676	545,245	1,929,116	20,461,249
Transient occupancy tax transfer	—	—	—	—	—	—	—	(2,982,721)	(2,982,721)
Depreciation and amortization	439,216	1,462,623	1,619,052	11,820	10,131	25,328	10,131	1,033,315	4,611,616
Interest expense, net of bond interest income	—	—	—	—	—	—	—	5,103,794	5,103,794
Total expenses	\$ 5,690,182	3,244,359	4,771,878	2,489,228	1,518,407	3,841,004	555,376	5,083,504	27,193,938

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Cash Flows

Year ended September 30, 2005

	Aquarium of the Pacific Corporation	City of Long Beach	Eliminations (note 1)	Consolidated total
Cash flows from operating activities and nonoperating revenue:				
Change in net assets (deficit)	\$ 1,315,033	(4,379,838)	375,703	(2,689,102)
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities and nonoperating revenue:				
Depreciation and amortization	676,233	4,316,348	(375,703)	4,616,878
(Increase) decrease in assets:				
Accrued interest receivable	—	(1,381)	—	(1,381)
Accounts receivable, net	(358,488)	—	—	(358,488)
Contributions receivable	491,849	—	—	491,849
Prepaid expenses and other assets	(170,487)	—	—	(170,487)
Gift store inventory	515	—	—	515
Increase (decrease) in liabilities:				
Accounts payable	33,530	—	—	33,530
Accrued liabilities	127,438	—	—	127,438
Deferred revenue	110,795	—	—	110,795
Net cash provided by (used in) operating activities and nonoperating revenue	2,226,418	(64,871)	—	2,161,547
Cash flows from investing activities:				
Capital expenditures	(1,825,567)	—	—	(1,825,567)
Proceeds from sale of investments held by trustee	—	64,871	—	64,871
Net cash (used in) provided by investing activities	(1,825,567)	64,871	—	(1,760,696)
Net increase in cash and cash equivalents	400,851	—	—	400,851
Cash and cash equivalents, beginning of year	706,509	—	—	706,509
Cash and cash equivalents, end of year	\$ 1,107,360	—	—	1,107,360

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Consolidating Statement of Cash Flows

Year ended September 30, 2004

	<u>Aquarium of the Pacific Corporation</u>	<u>City of Long Beach</u>	<u>Eliminations (note 1)</u>	<u>Consolidated total</u>
Cash flows from operating activities and nonoperating revenue:				
Change in net assets (deficit)	\$ 886,159	(4,390,850)	1,283,650	(2,221,041)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities and nonoperating revenue:				
Depreciation and amortization	468,957	5,426,309	(1,283,650)	4,611,616
(Increase) decrease in assets:				
Accrued interest receivable	—	3,038	—	3,038
Accounts receivable, net	(247,275)	—	—	(247,275)
Contributions receivable	(276,981)	—	—	(276,981)
Prepaid expenses and other assets	17,904	—	—	17,904
Gift store inventory	3,832	—	—	3,832
Increase (decrease) in liabilities:				
Accounts payable	(850,530)	(134)	—	(850,664)
Accrued liabilities	279,489	—	—	279,489
Deferred revenue	250,769	—	—	250,769
Net cash provided by operating activities and nonoperating revenue	<u>532,324</u>	<u>1,038,363</u>	<u>—</u>	<u>1,570,687</u>
Cash flows from investing activities:				
Capital expenditures	(860,442)	—	—	(860,442)
Purchase of investments held by trustee	—	(1,040,115)	—	(1,040,115)
Net cash used in investing activities	<u>(860,442)</u>	<u>(1,040,115)</u>	<u>—</u>	<u>(1,900,557)</u>
Net decrease in cash and cash equivalents	(328,118)	(1,752)	—	(329,870)
Cash and cash equivalents, beginning of year	<u>1,034,627</u>	<u>1,752</u>	<u>—</u>	<u>1,036,379</u>
Cash and cash equivalents, end of year	<u>\$ 706,509</u>	<u>—</u>	<u>—</u>	<u>706,509</u>

See accompanying notes to consolidating financial statements.

AQUARIUM OF THE PACIFIC
(A Public/Private Partnership of the City of Long Beach, California,
and the Aquarium of the Pacific Corporation)

Notes to Consolidating Financial Statements

September 30, 2005 and 2004

(1) Description of Business

Organization and Business Activity

The accompanying consolidating financial statements present the financial condition and results of operations and cash flows of the Aquarium of the Pacific (the Aquarium) as of and for the years ended September 30, 2005 and 2004. Such financial statements depict the Public/Private Partnership between the City of Long Beach (the City), California, and the Aquarium of the Pacific Corporation (the Corporation), a California nonprofit public benefit corporation organized as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code.

Under a formal operating arrangement approved by the City Council of the City of Long Beach and the Corporation's board of directors, the Aquarium's operations are carried out by the Corporation.

In October 1992, the Corporation was organized under the provisions of Internal Revenue Code Section 501(c)(3) as a California nonprofit public benefit corporation. Under its articles of incorporation, the Corporation was organized for the benefit of the general public to promote educational, scientific, and charitable purposes relative to the design, construction, and subsequent operation of a public aquarium and sea life exhibit facility in the City of Long Beach. Since its inception, the Corporation's sole objective has been to manage the operations of the Aquarium.

In May 2001, the City of Long Beach finalized an agreement whereby the Corporation's original outstanding tax-exempt debt would be defeased from funds generated by the sale of \$129,520,000 of Lease Revenue Refunding Bonds (Aquarium of the Pacific Project), Series 2001 (Series 2001 Refunding Bonds) issued by the Long Beach Bond Finance Authority (the Authority). In conjunction with the issuance of the 2001 Series Refunding Bonds, a Continuing Disclosure Agreement was also entered into by the City, the Corporation, the Authority, the Redevelopment Agency of the City of Long Beach (the Agreement) dated as of April 1, 2001.

The Authority was created by the exercise of a joint powers agreement between the City and its affiliated entity, the Redevelopment Agency of the City of Long Beach. The Authority's sole purpose is to act as a vehicle to obtain long-term financing for the City and its Redevelopment Agency. Under the terms of this agreement, the City assumed ownership of all physical plant assets at that time as well as responsibility for the Corporation's then outstanding long-term indebtedness.

For their participation in the partnership, the City receives rent for the use of the Aquarium facility in an amount equal to the "net operating profit" of the Corporation. Under the operating agreement currently in force, such rent is applied to debt service on the outstanding long-term indebtedness. "Net operating profit" is defined as the difference between daily unrestricted operating receipts transferred by the Corporation to the City's trustee, less reimbursements for the costs of operating, including operating capital, and is eliminated in the accompanying consolidating statements of activities.

Unrestricted funds relating to Aquarium operations are held by the City's designated trustee. Formal procedures are in place relating to deposit of operating receipts and withdrawals for operating expenses, including operating capital, from these trustee-maintained accounts. Restricted funds generated by the

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Corporation's fund-raising activities, including grants and donations from private sources, remain the property of the Corporation. Assets comprising investments held by trustee, fixed assets as of May 2001, certain other assets, and net bonds payable are accounted for in the City's Tidelands Operating Fund, a nonexpendable trust fund of the City. The remaining net assets, including asset acquisitions subsequent to May 2001, remain with the Corporation, which operates as a separate legal 501(c)(3) not-for-profit organization with a separate board of directors who are independent from the City.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidating financial statements of the Aquarium include the accounts maintained by the Corporation and the City, which, in the aggregate, depict the financial condition and results of operations and cash flows of the Aquarium of the Pacific using the accrual basis of accounting. The accompanying consolidating statements of financial position of the Aquarium as of September 30, 2005 and 2004, and the related consolidating statements of activities, functional expenses, and cash flows for the years then ended were prepared to present financial information for the Public/Private Partnership between the City and the Corporation to comply with the reporting requirements pursuant to the Continuing Disclosure Agreement entered into by the City, the Corporation, the Authority, and the Redevelopment Agency of the City of Long Beach. These financial statements are not intended to be a complete presentation of the Corporation's or the City's individual financial statements. Although the Corporation's fiscal year ends December 31st, the accompanying consolidating financial statements reflect the 12-month activity for the Aquarium as of and for the years ended September 30, 2005 and 2004. All significant intercompany transactions and accounts have been eliminated in consolidation.

Funds that have similar characteristics have been combined for the accompanying financial statement presentation into these net asset categories:

For the Corporation: temporarily restricted and unrestricted net assets. Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Temporarily restricted net assets contain donor-imposed restrictions that require the Corporation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Corporation's management.

Restricted and unrestricted net assets include cash, accounts and contributions receivable, certain elements of the Aquarium's physical plant, inventory, and other assets, accounts payable, deferred revenues, and accrued liabilities.

For the City, unrestricted net assets, physical plant, cash, and investment assets are used to fund future debt service, and long-term debt.

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(b) *Use of Estimates*

The preparation of consolidating financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(c) *Cash Equivalents*

For purposes of the consolidating statements of cash flows, the Aquarium considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) *Gift Store Inventory*

Gift store inventory is valued at the lower of cost or market.

(e) *Live Animal Inventory*

The costs of purchasing or collecting live animals are expensed as incurred. Donated specimens are not valued and, therefore, are not reflected in the consolidating financial statements.

(f) *Contributions Receivable*

Contributions receivable, less an appropriate allowance for estimated uncollectible amounts, are recorded at their estimated net realizable value. Contributions that are expected to be collected in future years are recorded as contributions receivable at the present value of their estimated cash flows. The Aquarium discounts contributions that are expected to be collected after one year using a risk-free interest rate. Amortization of the discounts is included in contribution revenue.

(g) *Property and Equipment*

Building and equipment are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives: buildings – 27.5 years and equipment, furniture, and fixtures – 3 to 7 years. Leasehold improvements are amortized over the shorter of the period of the lease or the estimated useful life. Expenditures for repairs and maintenance are charged to expense as incurred. Physical assets as of May 2001 are recorded as City assets, and assets acquired after May 2001 are recorded as Corporation assets.

(h) *Revenue Recognition*

The Aquarium records its revenues on the accrual basis. In addition, the Aquarium records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give (pledges), and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

The Aquarium records the sale of its consignment tickets as deferred revenue. Revenue is recognized in the period in which the tickets are redeemed for admission.

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(i) *Temporarily Restricted Contributions*

The Aquarium records contributions as temporarily restricted if they are received with donor restrictions that limit their use either through purpose or time restrictions. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, rather than when the assets are received. The gifts are reported as temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statement of activities as net assets released from restrictions.

(j) *Donated Goods and Services*

The Aquarium records various types of in kind support including donated professional services and supplies. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time that do not meet the two recognition criteria described above. Accordingly, the value of this donated time is not reflected in the consolidating financial statements.

Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying consolidating financial statements as in kind support are offset by like amounts included in expenses.

(k) *Functional Allocation of Expenses*

The costs of providing Aquarium programs and administration have been summarized on a functional basis in the accompanying consolidating statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) *Income Taxes*

As a nonprofit organization, the Corporation is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code.

(m) *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*

The Aquarium reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the

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carrying amount of the asset exceeds fair value of the asset. During the year ended September 30, 2005, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

(n) Reclassifications

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation. Such reclassifications had no effect on previously reported change in net assets.

(3) Restricted Investments Held by Trustees

Certain assets held by the City are entrusted to third-party trustees and restricted for the operating and capital expenditures of the Aquarium and for the payment of principal and interest on the outstanding Series 2001 Refunding Bonds. Such restricted invested assets consist of money market accounts and guaranteed investment contracts, which are recorded at fair value, based on market and contract values, respectively.

The composition of such restricted invested assets, stated at fair value, at September 30, 2005 and 2004 is as follows:

	2005	2004
U.S. Bank Trust National Association money market accounts	\$ 5,472,859	5,537,731
AMBAC guaranteed investment contract, 6.4% per annum through November 1, 2030	9,322,913	9,322,913
	\$ 14,795,772	14,860,644

(4) Property and Equipment

A summary of the Aquarium physical plant assets, including Corporation and City assets, at September 30, 2005 and 2004 is as follows:

	2005	2004
Land	\$ 9,900,000	9,900,000
Building	91,729,844	91,437,993
Leasehold improvements	140,503	126,596
Furniture and fixtures	752,412	639,243
Equipment	5,751,430	4,355,732
Construction in progress	299,597	312,389
Total	108,573,786	106,771,953
Less accumulated depreciation and amortization	(30,815,503)	(27,147,608)
Property and equipment, net	\$ 77,758,283	79,624,345

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In connection with the issuance of the Series 2001 Refunding Bonds (notes 1 and 5), the 1995 ground lease with the City was terminated and the City reassumed rights of ownership. With the reversion of the ground lease back to the City, the City recorded the value of the reacquired property at the lease's remaining fair market value consistent with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

(5) **Long-Term Debt**

Lease Revenue Refunding Bonds (Series 2001 Refunding Bonds)

In May 2001, the Authority issued its Series 2001 Refunding Bonds totaling \$129,520,000 to refund the Corporation's outstanding 1995 Series A and B Long Beach Aquarium Revenue Bonds. Such term bonds require annual mandatory sinking fund payments in varying installments prior to maturity. The following is a summary of long-term debt at September 30, 2005 and 2004:

	2005	2004
2001 Lease revenue refunding tax-exempt serial bonds, maturing on November 1, 2006 through November 1, 2019, interest ranging from 3.875% to 5.500%	\$ 52,710,000	52,710,000
2001 Lease revenue refunding tax-exempt term bonds, maturing on November 1, 2026, 5.000% interest	43,950,000	43,950,000
2001 Lease revenue refunding tax-exempt term bonds, maturing on November 1, 2030, 5.250% interest	32,860,000	32,860,000
	129,520,000	129,520,000
Less unamortized discount on bonds and deferred amount on refunding	(10,500,886)	(11,118,669)
Total long-term debt outstanding, net	\$ 119,019,114	118,401,331

Interest on the Series 2001 Refunding Bonds is payable semiannually. The original issue discount and other costs of issuance totaled approximately \$5,619,957 for the Series 2001 Refunding Bonds, of which approximately \$1,775,045 and \$1,373,141 were amortized as of September 30, 2005 and 2004, respectively.

The gross revenues of the Corporation, as defined, investments held by the trustee, and related earnings are pledged as collateral for debt service. In the event the revenues received from the Corporation are insufficient to service the bonds, the City's available transient occupancy tax and Tidelands Operating Fund revenues could be utilized to service the bonds in accordance with the owner participation agreement.

A portion of the proceeds of the Series 2001 Refunding Bonds was used to purchase U.S. government securities. Such securities were deposited into an irrevocable trust with an independent escrow agent to provide for all future debt service payments on the then outstanding 1995 Series A and B Long Beach Aquarium Revenue Bonds in existence prior to the issuance of the Series 2001 Refunding Bonds. As a

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result, the 1995 Series A and B bonds were considered defeased and the liability for those bonds removed from the accompanying consolidating financial statements. The 1995 Series A and B bonds were extinguished in full in July 2005.

Under the terms of the Series 2001 Bond Indenture, the Aquarium of the Pacific Project was required to establish and maintain various funds and accounts with the trustee. Such required funds have been classified in the accompanying consolidating financial statements as investments held by trustee. The refunding bond indenture also places limits on the incurrence of additional borrowings the Corporation's and the City's Tidelands Operating Funds requiring that certain measures of compliance and financial performance are satisfied as long as the bonds are outstanding.

The total remaining principal payments of long-term debt amount to \$129,520,000 as of September 30, 2005 and 2004. Pursuant to the chart below, principal payments are scheduled to commence in fiscal year ending 2007:

	Annual debt service requirements		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2007	\$ 2,765,000	6,557,913	9,322,913
2008	2,870,000	6,504,341	9,374,341
2009	2,985,000	6,393,369	9,378,369
2010-2014	16,990,000	29,984,147	46,974,147
2015-2019	21,960,000	25,223,313	47,183,313
2020-2024	28,405,000	18,884,188	47,289,188
2025-2029	36,275,000	11,202,006	47,477,006
2030-2031	17,270,000	2,034,769	19,304,769
Total	<u>\$ 129,520,000</u>	<u>106,784,046</u>	<u>236,304,046</u>

With the issuance of the Series 2001 Refunding Bonds, the City increased its aggregate debt service payments by approximately \$49,176,000 over the life of the newly issued bonds compared to the Aquarium's original 1995 Series A and B Bonds. The payment stream was effectively increased seven and one half years from July 2023 to November 2030. The refunding resulted in the recognition of an accounting loss of \$11,600,777, which, in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, has been capitalized and will be amortized over the debt service payment stream of the defeased bonds. Although such termination resulted in a loss for financial reporting purposes of \$11,600,777, the net present value of the corresponding economic loss (difference between the aggregate debt service payments of the refunding and refunded issues) aggregated approximately \$2,800,000.

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Notes to Consolidating Financial Statements

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(6) Commitments and Contingencies

(a) Operating Leases

The Aquarium leases various office space and equipment under noncancelable operating leases. Future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year as of September 30, 2005 are as follows:

2006		\$	277,787
2007			180,175
2008			52,906
2009			14,208
2010			15,392
			15,392
		\$	540,468

Rent aggregating \$241,289 and \$202,189 was paid during the years ended September 30, 2005 and 2004, respectively.

(b) Professional Liability Coverage

The Aquarium is insured for professional and general liability claims on a claims made basis to \$20,000,000, with certain sublimits, through the Special Liability Insurance Program, a California public entity sponsored insurance pool. The deductible amount is \$1,000 per claim, except \$5,000 for automobile liability, and is expensed as incurred. Management believes the deductibles to be immaterial and insurance adequate to cover losses incurred.

(c) Litigation

The Aquarium is subject to potential litigation arising in the normal course of business. Management believes they are adequately insured for potential losses that may arise related to such litigation.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2005 and 2004 consist of the following:

	2005	2004
Marketing	\$ 47,637	96,478
Scholarships	211,716	207,828
Equipment and construction projects	396,036	404,954
Education and conservation projects	351,418	391,700
	\$ 1,006,807	1,100,960

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Notes to Consolidating Financial Statements

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During the years ended September 30, 2005 and 2004, net assets in the amount of \$966,798 and \$915,959, respectively were released either by the passage of time or from donor restrictions by incurring expenses as follows:

	2005	2004
Marketing	\$ 50,625	49,224
Scholarships	183,166	224,635
Equipment and construction projects	465,194	366,500
Education and conservation projects	267,813	275,600
	\$ 966,798	915,959

(8) Contributions Receivable

As of September 30, 2005 and 2004, contributions receivable are expected to be received as follows:

	2005	2004
Within one year	\$ 505,694	720,639
Within two to five years	135,000	415,302
Thereafter	—	15,158
	640,694	1,151,099
Less discount to reflect contributions receivable at present value	(16,184)	(34,740)
Contributions receivable, net	\$ 624,510	1,116,359

The Aquarium discounts contributions that are expected to be collected after one year using a risk-free interest rate. The discount rate used during the years ended September 30, 2005 and 2004 is 8.75% and 7.75%, respectively.

(9) Retirement Plan

The Corporation offers a 457 plan covering all regular employees who have completed 500 hours of service. For the years ended September 30, 2005 and 2004, participants in the plan may make contributions of up to 15% of their base salary. The Aquarium contributes an additional amount equal to 25% of the first 4% of each participant's plan contribution. Total contributions to the plan, including employer match, may not exceed \$14,000 and \$13,000 for the years ended September 30, 2005 and 2004, respectively. Participants are 100% vested in all plan contributions plus actual earnings thereon. The Aquarium's contribution was \$46,041 and \$40,146 for the years ended September 30, 2005 and 2004, respectively.

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(10) Related Parties

In May 1997, the City and the Corporation terminated a portion of the October 1995 ground lease between the Corporation and the City described as the "Parking Parcel." The City agreed to construct, operate, and maintain a Public Parking Facility. The Corporation transferred the sum of \$1,500,000 to be applied toward the construction of such Public Parking Facility. The City further agreed during the term of the lease to pay to the Corporation an annual amount of net revenues not to exceed \$1,500,000. The Parking Agreement was included in the new lease between the City and the Corporation dated April 1, 2001, extending the term of the agreement to fiscal year 2031.

The annual revenue due to the Corporation for the years ended September 30, 2005 and 2004 was \$1,054,987 and \$716,380, respectively, and is included in accounts receivable for each respective year in the accompanying consolidating statements of financial position.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Financial Statements

September 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH GAS ENTERPRISE FUND
Financial Statements
September 30, 2005 and 2004

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OFFICE OF THE
CITY AUDITOR

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

333 West Ocean Blvd.
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Independent Auditors' Report

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

We have jointly audited the accompanying financial statements of the Gas Enterprise Fund of the City of Long Beach, California (Gas Enterprise Fund) as of and for the years ended September 30, 2005 and 2004, which collectively comprise the basic financial statements of the Gas Enterprise Fund, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Long Beach. 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. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed more fully in note 1 of notes to the basic financial statements, the financial statements of the Gas Enterprise Fund are intended to present the financial position and the changes in financial position and cash flows of only that portion of activities of the City of Long Beach that is attributable to the transactions of the City's Gas Enterprise Fund. They do not purport to, and do not, present fairly the financial position of the City of Long Beach, California as of September 30, 2005 and 2004, and the changes in financial position and, where applicable, its cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gas Enterprise Fund of the City of Long Beach, California as of September 30, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Statements of Net Assets
September 30, 2005 and 2004
(In thousands)

Assets	2005	2004
Current assets:		
Pooled cash and cash equivalents (note 2)	\$ 12,872	\$ 10,282
Customer accounts receivable, net of allowance for doubtful accounts of \$425 and \$383 at September 30, 2005 and 2004, respectively	3,618	2,371
Due from the City of Long Beach	663	633
Inventory	<u>1,012</u>	<u>1,191</u>
Total current assets	<u>18,165</u>	<u>14,477</u>
Noncurrent assets:		
Restricted assets (note 2):		
Cash	3,388	3,277
Nonpooled investments	764	1,068
Advance to Tidelands Enterprise Fund (note 3)	5,645	6,308
Other long term receivable	-	9,886
Allowance for doubtful accounts	-	(9,886)
Capital assets (note 4):		
Nondepreciable	3,883	2,329
Depreciable, net	<u>54,678</u>	<u>53,772</u>
Total capital assets, net	<u>58,561</u>	<u>56,101</u>
Total noncurrent assets	<u>68,358</u>	<u>66,754</u>
Total assets	<u>86,523</u>	<u>81,231</u>
Liabilities		
Current liabilities:		
Accounts payable	8,574	4,398
Accrued wages payable	318	299
Due to the City of Long Beach	148	133
Deferred revenues	385	191
Amounts payable from restricted assets:		
Accrued interest payable	32	171
Current portion of long-term debt (note 5)	885	655
Customer deposits	<u>1,944</u>	<u>1,951</u>
Total current liabilities	<u>12,286</u>	<u>7,798</u>
Long-term debt, net of current portion (note 5)	6,500	7,560
Less unamortized discount	<u>(118)</u>	<u>(187)</u>
Net long-term debt	<u>6,382</u>	<u>7,373</u>
Total liabilities	<u>18,668</u>	<u>15,171</u>
Net Assets		
Invested in capital assets, net of related debt	51,294	48,073
Restricted for debt service	2,176	1,568
Unrestricted	<u>14,385</u>	<u>16,419</u>
Total net assets	<u>\$ 67,855</u>	<u>\$ 66,060</u>

See accompanying notes to financial statements.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Statements of Revenues, Expenses, and Changes in Fund Net Assets
 Years ended September 30, 2005 and 2004
 (In thousands)

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Sale of gas (note 7)	\$ 92,103	\$ 77,224
Other service charges	<u>6,895</u>	<u>6,528</u>
Total operating revenues	<u>98,998</u>	<u>83,752</u>
Operating expenses:		
Purchase of gas (note 7)	62,673	51,541
Personal services	11,281	10,456
Customer service and general	9,813	10,878
Provision for doubtful accounts	341	184
Depreciation expense	<u>3,007</u>	<u>3,107</u>
Total operating expenses	<u>87,115</u>	<u>76,166</u>
Operating income	<u>11,883</u>	<u>7,586</u>
Nonoperating income (expense):		
Interest income	562	491
Interest expense	(447)	(433)
Loss on disposition of property	(156)	(96)
Other income, net	<u>5,451</u>	<u>4,966</u>
Total nonoperating income	<u>5,410</u>	<u>4,928</u>
Net income before transfers	17,293	12,514
Transfers to other City departments (note 6)	<u>(15,497)</u>	<u>(11,584)</u>
Change in net assets	1,795	930
Total net assets, beginning of year	<u>66,060</u>	<u>65,130</u>
Total net assets, end of year	<u>\$ 67,855</u>	<u>\$ 66,060</u>

See accompanying notes to financial statements.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Statements of Cash Flows
Years ended September 30, 2005 and 2004
(In thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers	\$ 97,598	\$ 84,045
Cash paid to employees	(11,112)	(10,250)
Cash paid to suppliers	(68,266)	(64,005)
Other income	5,451	4,966
Net cash provided by operating activities	<u>23,670</u>	<u>14,756</u>
Cash flows used in noncapital financing activities:		
Transfer to other City Departments	<u>(15,497)</u>	<u>(11,584)</u>
Cash flows from capital and related financing activities:		
Payment of defeased bonds	(7,560)	-
Proceeds from other funds under capital lease receivable	633	605
Payments for capital acquisitions	(5,624)	(3,632)
Principal repayments of long term debt	(945)	(625)
Interest paid	(517)	(425)
Proceeds from issuance of long term obligation	7,675	-
Net cash used in capital and related financing activities	<u>(6,338)</u>	<u>(4,077)</u>
Cash flows from investing activities:		
Payments for investments	304	-
Interest income	562	491
Net cash provided by investing activities	<u>866</u>	<u>491</u>
Net increase (decrease) in cash and cash equivalents	2,701	(414)
Cash and cash equivalents, beginning of year	<u>13,559</u>	<u>13,973</u>
Cash and cash equivalents, end of year	<u>\$ 16,260</u>	<u>\$ 13,559</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 11,883</u>	<u>\$ 7,586</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,007	3,107
Other income	5,451	4,966
(Increase) decrease in customer accounts receivable, net	(1,247)	358
Decrease in inventory	179	30
Increase (decrease) in accounts payable	4,175	(1,551)
Increase in accrued wages payable	20	73
Decrease in due to City of Long Beach	16	68
Increase in deferred revenues	193	64
Increase (decrease) in customer deposits	(7)	55
Total adjustments	<u>11,787</u>	<u>7,170</u>
Net cash provided by operating activities	<u>\$ 23,670</u>	<u>\$ 14,756</u>

See accompanying notes to financial statements.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements
September 30, 2005 and 2004

(1) Description of Gas Utility Operation and Summary of Significant Accounting Policies.

The following is a summary of the significant accounting policies of the City of Long Beach Gas Enterprise Fund (Gas Enterprise Fund).

(a) General

The Long Beach Gas Department was established in 1924 under a provision of the City Charter of the City of Long Beach (City). The Department's purpose is to regulate and control the use, sale, and distribution of natural gas by the City. These activities are accounted for in the City's Gas Enterprise Fund. To accomplish its stated purpose, the Gas Enterprise Fund purchases natural gas on the open market and then distributes it to approximately 143,000 commercial and residential customers. Natural gas rates are established by the City Council and are based on prevailing natural gas rates.

Natural gas is purchased by the City under long-term natural gas contracts from both local and out-of-state sources and is transported through Southern California Gas Company's pipelines on behalf of the City. Natural gas is then delivered to customers' homes and businesses via the City's 1,800 miles of gas pipeline infrastructure.

In October 1998, the Long Beach City Council approved the direct pass-through of gas commodity costs to customers allowing the City to fully recover this actual cost. The methodology is used by the City's other gas utilities in California.

Effective October 1, 2005 the Long Beach Gas Department, the Southeast Resource Recovery Facility (SERRF) and the Long Beach Department of Oil Properties consolidated as one City department and became collectively known as Long Beach Gas & Oil.

(b) Reporting Entity

The Gas Enterprise Fund is part of the overall financial reporting entity of the City of Long Beach. As a proprietary fund of the City, the Gas Enterprise Fund's financial operations are included in the City's Comprehensive Annual Financial Report (CAFR). The City's CAFR may be obtained by contacting the City's Department of Financial Management at 333 W. Ocean Blvd., Long Beach, California 90802.

The Gas Enterprise Fund's revenues are collected through the City's customer billing system and its expenditures are paid through the City's disbursement system and are therefore subject to the City's internal control procedures.

(c) Implementation of New Accounting Standard

For the fiscal year ended September 30, 2005, the Gas Enterprise Fund implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposits and investment risks including credit risk, concentration of credit risk, custodial credit risk,

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements
September 30, 2005 and 2004

interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement are also required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on the Gas Enterprise Fund's financial statements for the year ended September 30, 2005 but required additional disclosure related to deposits and investment risks (see note 2).

(d) *Measurement Focus and Basis of Accounting*

The accompanying 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.

The Gas Enterprise Fund generally follows private sector standards of accounting and financial reporting issued on or before November 30, 1989 to the extent that such standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City of Long Beach and, by consequence, the Gas Enterprise Fund also has the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City and the Gas Enterprise Fund have elected not to follow subsequent private sector guidance.

Operating revenues consist of charges to customers for services provided; the costs of providing such services are considered to be operating expenses and all other revenues and expenses are considered to be nonoperative in nature. In keeping with City policy, unbilled service receivables are not recognized, as their effect on a year-to-year basis is not material.

(e) *Pooled Cash, Cash Equivalents, and Other Investments*

In order to maximize investment return, the Gas Enterprise Fund pools its available general cash with that of the City. The City's cash management pool is used essentially as a demand deposit account by the participating units; therefore, the Gas Enterprise Fund has defined cash and cash equivalents as pooled cash and investments, including restricted pooled cash and investments. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the management group of the Gas Enterprise Fund.

Interest income and realized gains and losses arising from such pooled cash and investments are apportioned to each participating unit based on the relationship of an individual unit's respective daily cash balances to aggregated pooled cash and investments. The Gas Enterprise Fund's share of pooled cash and investments, as of September 30, 2005 and 2004, respectively, is stated at fair value. The value of each investment is based on independent third party pricing provided to the City of Long Beach (see note 2).

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements

September 30, 2005 and 2004

(f) Inventories

Inventories of supplies are stated at the lower of average cost or market determined on a first-in, first-out basis.

(g) Restricted Assets

Amounts designated for bond indenture requirements and refundable customer deposits are recorded as restricted assets. Related liabilities of the Gas Enterprise Fund are identified as amounts payable from restricted assets when such obligations are incurred.

(h) Capital Assets

The cost of additions to property, plant, and equipment, and replacement of retired property is capitalized. The cost of constructed assets includes labor, materials, interest, and allocated indirect expenses such as engineering, supervision, and construction and transportation equipment. The cost of minor replacements is regarded as a period cost and is expensed as incurred. Upon retirement or sale, the costs of the affected plant assets as well as the related accumulated depreciation are removed from the Gas Enterprise Fund's accounting records. Resulting gains or losses are recognized as a component of the change in net assets in the year of removal (see note 4).

Depreciation of capital assets is provided using the straight-line method over the estimated service lives of the assets, as follows:

Building, structures and improvements	10 to 50 years
Transmission and distribution equipment	35 to 50 years
Other machinery and equipment	5 to 30 years

Contributed assets are recorded at fair market value when received.

(i) Compensated Absences

Vacation and sick leave benefits are paid through a Citywide Employee Benefits Internal Service Fund administered by the City of Long Beach. The cost of these benefits is recognized by the Gas Enterprise Fund through regular payroll burden charges from the Employee Benefits Internal Service Fund based on estimates of benefits earned for vacation pay and sick leave.

(j) Pension Plan

All full time Gas Enterprise Fund employees are members of the State of California Public Employees' Retirement System (PERS), a statewide plan available to most municipalities in the state. PERS acts as a common investment and administrative agent for cities in California. The Gas Enterprise Fund is billed by the City for its share of pension costs based upon rates established by PERS for the City's general employees. No separate pension benefit obligation is calculated for the Gas Enterprise Fund; accordingly, no obligation is presented herein. Further information

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements

September 30, 2005 and 2004

regarding the City's participation in PERS may be found in the City's Comprehensive Annual Financial Report (CAFR).

(k) Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

(2) Pooled Cash and Cash Equivalents

The Gas Enterprise Fund pooled cash and cash equivalents amount of \$16,260,000 is 1.221% of the City pooled cash and cash equivalents. Cash and Investments as of September 30, 2005 are classified in the accompanying financial statements as follows (in thousands):

Statement of net assets	
Cash and investments in City pool	\$1,330,217
Cash and investments held by bond trustee	764
Total cash and investments	<u>\$1,330,981</u>

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

The table below identifies the investment types that are authorized for the City by the 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.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements

September 30, 2005 and 2004

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
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 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

Investment of debt proceeds held by bond trustee is 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 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 following schedule indicates the interest rate risk of the City's investments as of September 30, 2005 (in thousands):

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements
September 30, 2005 and 2004

Investment Type		Weighted Average Maturity (in years)
Bonds issued by the City	\$3,502	13.57
U.S. Treasury Notes	275,731	1.99
U.S. Treasury Bonds	10,513	0.03
Federal agency securities	858,461	1.31
Medium-Term Notes	95,404	0.84
Money Market Funds	34	0.00
Local Agency Investment Fund (LAIF)	94,981	0.49
Subtotal City Pool	<u>\$1,338,626</u>	
Cash on Hand	11,499	
Outstanding Checks	<u>(19,908)</u>	
Total City Pool	<u><u>\$1,330,217</u></u>	
Guaranteed Investments Contracts	<u>\$764</u>	
Total held by Bond Trustee	<u><u>\$764</u></u>	

Investments with Fair Values Highly Sensitive to Investment Risk

The City had no investments with values that were highly sensitive to investment risk as of September 30, 2005.

Disclosures Relating to Credit Risk

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

Investment Type	Rating as of Year End					
	Minimum Legal Rating	Not Required To Be Rated	AAA	Aa	A	Unrated
Bonds issued by the City	\$ 3,502	N/A	\$ 3,502	\$ -	\$ -	\$ -
U.S. Treasury Notes	275,731	N/A	275,731	-	-	-
U.S. Treasury Bonds	10,513	N/A	10,513	-	-	-
Federal agency securities	858,461	N/A	-	858,461	-	-
Medium-Term Notes	95,404	A	-	71,783	5,018	18,603
Money Market Funds	34	N/A	34	-	-	-
Local Agency Investment Fund (LAIF)	94,981	N/A	-	-	-	94,981
Subtotal City Pool	1,338,626		289,780	930,244	5,018	18,603
Cash on Hand	11,499		-	-	-	11,499
Outstanding Checks	(19,908)		-	-	-	(19,908)
	<u>\$ 1,330,217</u>		<u>\$ 289,780</u>	<u>\$ 930,244</u>	<u>\$ 5,018</u>	<u>\$ 18,603</u>
						<u>\$ 86,572</u>

Investment Type	Rating as of Year End					
	Minimum Legal Rating	Not Required To Be Rated	AAA	Aa	A	Unrated
Guaranteed Investment Contracts	\$ 764	N/A	\$ 764	\$ -	\$ -	\$ -
Total held by Bond Trustees	<u>\$ 764</u>		<u>\$ 764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements
September 30, 2005 and 2004

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):

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$ 237,814
Federal Farm Credit Agency	Federal agency securities	194,999
FHLB	Federal agency securities	204,151
FHLMC	Federal agency securities	216,462
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	94,914

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 except for one City issued bond and investment in the State's Local Agency Investment Fund.

As of September 30, 2005, the City reports deposits of \$11,499,000 less \$19,908,000 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 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

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements

September 30, 2005 and 2004

funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured basis.

Securities Lending

The City did not engage in any securities lending programs for the fiscal year ended September 30, 2005. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreements with the City's contract bank. These agreements limit the nature and amount of the transactions, and provide for full collateralization of each transaction.

(3) Advances to Other General City Funds

The Gas Enterprise Fund has a long-term receivable from the City's Tidelands Enterprise Fund. Under terms of the agreement, the Gas Enterprise Fund is to receive annual payments in an amount necessary to cover the actual debt service requirements of the Gas Utility Revenue Bonds (see note 5).

(4) Capital Assets

Activity in capital assets for the years ended September 30, 2005 and 2004 are as follows (in thousands):

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements

September 30, 2005 and 2004

	Fiscal Year 2005			
	Balance, October 1, 2004	Increase	Decrease	Balance, September 30, 2005
Capital assets, not being depreciated:				
Land	\$ 203	\$ -	\$ -	\$ 203
Construction in progress	2,126	3,680	(2,126)	3,680
Total capital assets not being depreciated	<u>2,329</u>	<u>3,680</u>	<u>(2,126)</u>	<u>3,883</u>
Capital assets being depreciated:				
Buildings and improvements	5,551	125	-	5,676
Distribution systems	110,637	3,914	(675)	113,876
Storage structures	318	-	-	318
Machinery and equipment	1,998	31	(10)	2,019
Total capital assets being depreciated	<u>118,504</u>	<u>4,070</u>	<u>(685)</u>	<u>121,889</u>
Less accumulated depreciation:				
Buildings and improvements	(3,075)	(127)	-	(3,202)
Distribution systems	(60,134)	(2,713)	525	(62,322)
Storage structures	(217)	(6)	-	(223)
Machinery and equipment	(1,306)	(161)	3	(1,464)
Total accumulated depreciation	<u>(64,732)</u>	<u>(3,007)</u>	<u>528</u>	<u>(67,211)</u>
Total capital assets being depreciated, net	<u>53,772</u>	<u>1,063</u>	<u>(157)</u>	<u>54,678</u>
Total	<u>\$ 56,101</u>	<u>\$ 4,743</u>	<u>\$ (2,283)</u>	<u>\$ 58,561</u>

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements

September 30, 2005 and 2004

	Fiscal Year 2004			
	Balance, October 1, 2003	Increase	Decrease	Balance, September 30, 2004
Capital assets, not being depreciated				
Land	\$ 203	\$ -	\$ -	\$ 203
Construction in progress	1,108	2,126	(1,108)	2,126
Total capital assets not being depreciated	1,311	2,126	(1,108)	2,329
Capital assets being depreciated:				
Buildings and improvements	5,260	291	-	5,551
Distribution systems	108,800	2,300	(463)	110,637
Storage structures	318	-	-	318
Machinery and equipment	1,999	23	(24)	1,998
Total capital assets being depreciated	116,377	2,614	(487)	118,504
Less accumulated depreciation:				
Buildings and improvements	(2,958)	(117)	-	(3,075)
Distribution systems	(57,711)	(2,798)	375	(60,134)
Storage structures	(211)	(6)	-	(217)
Machinery and equipment	(1,135)	(186)	15	(1,306)
Total accumulated depreciation	(62,015)	(3,107)	390	(64,732)
Total capital assets being depreciated, net	54,362	(493)	(97)	53,772
Total	\$ 55,673	\$ 1,633	\$ (1,205)	\$ 56,101

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements

September 30, 2005 and 2004

(5) Long-Term Debt

Activity for the 2005 and 2004 fiscal years is as follows (in thousands):

	Fiscal Year 2005			Balance, September 30, 2005
	Balance, October 1, 2004	Increase	Decrease	
Long-term debt:				
1993 Gas Utility Revenue Bonds	\$ 8,215	\$ -	\$ (8,215)	\$ -
2005 Gas Utility Revenue Bonds	-	7,675	(290)	7,385
Current portion of long-term debt, due within one year	(655)	(885)	655	(885)
Unamortized discount	(104)	(35)	104	(35)
Unamortized issuance cost	(83)	(83)	83	(83)
Net long-term debt	<u>\$ 7,373</u>	<u>\$ 6,672</u>	<u>\$ (7,663)</u>	<u>6,382</u>

	Fiscal Year 2004			Balance, September 30, 2004
	Balance, October 1, 2003	Increase	Decrease	
Long-term debt:				
1993 Gas Utility Revenue Bonds	\$ 8,840	\$ -	\$ (625)	\$ 8,215
Current portion of long-term debt, due within one year	(625)	(655)	625	(655)
Unamortized discount	(116)	-	12	(104)
Unamortized issuance cost	(92)	-	9	(83)
Net long-term debt	<u>\$ 8,007</u>	<u>\$ (655)</u>	<u>\$ 21</u>	<u>7,373</u>

In March 2005, the Gas Enterprise Fund issued \$7,675,000 in Series 2005 Gas Utility Revenue Bonds to current refund the Gas Utility Revenue Bonds, Series 1993, fund a reserve fund for the Series 2005 Bonds and pay certain costs of issuance. The Series 2005 bonds are payable through August 1, 2013 with a total debt service in the amount of \$8,677,572. The 2005 Bonds have interest rates ranging from 2.0% to 3.125%. The refunding issue resulted in an accounting gain of approximately \$237,000. Aggregate debt service decreased by approximately \$908,000 over the next eight years, thereby resulting in an economic gain of approximately \$474,000.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements
September 30, 2005 and 2004

Annual debt service requirements to maturity for these bonds are as follows:

	Annual debt service requirements		
	Principal	Interest	Total
Fiscal year ending September 30:			
2006	\$ 885,000	\$ 194,773	\$ 1,079,773
2007	905,000	172,648	1,077,648
2008	925,000	152,738	1,077,738
2009	940,000	131,463	1,071,463
2010	970,000	107,963	1,077,963
2011-2015	<u>2,760,000</u>	<u>159,975</u>	<u>2,919,975</u>
Totals	<u>\$ 7,385,000</u>	<u>\$ 919,558</u>	<u>\$ 8,304,558</u>

The bond agreement contains certain restrictive covenants. The Gas Enterprise Fund's management believes that the Gas Enterprise Fund has complied with these covenants during the year ended September 30, 2005 and 2004.

(6) Payments to Other City Departments

Payments consist of the following as of September 30, 2005 and 2004 (in thousands):

	<u>2005</u>	<u>2004</u>
Payments to:		
General Fund	<u>\$ 15,497</u>	<u>\$ 11,584</u>
Total transfers	<u>\$ 15,497</u>	<u>\$ 11,584</u>

(7) Gas Rates

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

The contract for full gas supply requirements was renewed with Coral Energy effective April 1, 2006 through March 31, 2009, which provides gas for a price that is competitive with surrounding utilities. This contract has a price cap of \$10.50 per decatherm, which offers protection against swings in market prices during the winter months of November through March. Additionally, the price paid to local gas supplies is equal to the Southern California Gas Company's Core Procurement Price.

CITY OF LONG BEACH GAS ENTERPRISE FUND

Notes to Financial Statements
September 30, 2005 and 2004

(8) Commitments and Contingencies

The Gas Enterprise Fund is subject to claims and lawsuits arising from the normal course of business. Representatives of the City Attorney's Office routinely evaluate such claims. The management of the Gas Enterprise Fund may make provision for probable losses if deemed appropriate or upon 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 the remaining cases, it is the opinion of management that any liability for unreserved claims and suits will not have a material impact on the financial statements of the Gas Enterprise Fund.

(9) Subsequent Event

- On July 12, 2005, the Department was authorized by City Council to issue commercial paper notes in an aggregate principal amount not to exceed \$35,000,000. On December 6, 2005 the department issued \$3,945,000 in commercial paper notes at a variable interest rate not to exceed 12% per annum. The program termination date is July 1, 2020 unless earlier terminated or extended in accordance with program terms.



CITY OF LONG BEACH, CALIFORNIA

Single Audit Report

Year ended September 30, 2005

CITY OF LONG BEACH, CALIFORNIA

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OFFICE OF THE
CITY AUDITOR

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

333 West Ocean Blvd.
Long Beach, CA 90802

**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***

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

We have audited the 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, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2006. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Long Beach, California's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Long Beach, California's financial statements are free of 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*.

We noted certain matters that we reported to management of the City of Long Beach, California in a separate letter dated March 31, 2006.

This report is intended solely for the information and use of the City of Long Beach, California's City Council and management, as well as federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

KPMG LLP

March 31, 2006

A handwritten signature in black ink, appearing to read "G. L. Burroughs". The signature is fluid and cursive, with a large initial "G" and "L".

Gary L. Burroughs, CPA
City Auditor



355 South Grand Avenue, Suite 2000
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Long Beach, CA 90802

**Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control over Compliance in Accordance with
U.S. Office of Management and Budget Circular A-133**

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

Compliance

We have audited the compliance of the City of Long Beach, California (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

Although the City was following the guidelines established by the California Department of Health Services regarding record retention, we were unable to obtain sufficient documentation supporting the compliance of the City's Women, Infants and Children/Children Nutrition Network program regarding Eligibility, nor were we able to satisfy ourselves as to City's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding City's compliance with the requirements of the Women, Infants and Children/Children Nutrition Network program regarding eligibility, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 05-1 and 05-3.

Internal Control over Compliance

The management of City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 05-1, 05-2, 05-3, 05-4, and 05-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above as material weakness.

Schedule of Expenditures of Federal Awards

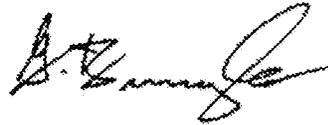
We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of and for the year ended September 30, 2005, and have issued our report thereon dated March 31, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The supplementary information included in Exhibits 2 through 5 (pages 24 through 28) is presented for purposes of additional analysis and is not a required part of the City's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Long Beach, California's City Council and management, as well as federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

KPMG LLP



Gary L. Burroughs, CPA
City Auditor

June 23, 2006, with the exception of the
Schedule of Federal Awards,
which is dated March 31, 2006.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency program title	Federal CFDA number	Grant ID number	Grant award amount	(Accrued) deferred revenue Oct 1, 2004	Grant funds received	Expenditures charged to grants	(Accrued) deferred revenue Sept 30, 2005
Department of Agriculture:							
State Department of Health Services:							
Women, Infants & Children**	10.557	02-25682	\$ 4,246,541	—	(94,028)	(94,028)	—
Women, Infants & Children**	10.557	02-25682	4,593,840	(906,025)	905,159	(866)	—
Women, Infants & Children**	10.557	02-25682	4,593,840	—	2,697,719	3,701,297	(1,003,578)
Total				(906,025)	3,508,850	3,606,403	(1,003,578)
Children Nutrition Network**	10.557	03-75498	1,300,110	(305,617)	356,315	50,698	—
Children Nutrition Network**	10.557	03-75498	1,333,336	—	594,951	810,742	(215,791)
Total				(305,617)	951,266	861,440	(215,791)
Total Expenditures	10.557					4,467,843	
State Department of Education:							
Summer Food Service	10.559	19-81908V	231,333	(231,333)	231,333	—	—
Summer Food Service	10.559	19-81908V	227,267	—	—	227,267	(227,267)
Total				(231,333)	231,333	227,267	(227,267)
Department of Commerce:							
Economic Development Act	11.307	07-4 903996	400,000	(400,000)	400,000	—	—
Economic Development Act	11.307	07-87-05459	165,658	(165,658)	165,658	—	—
Economic Development Act	11.307	07-4 905046	1,000,000	(159,023)	159,023	2,616	(2,616)
Total				(724,681)	724,681	2,616	(2,616)
Department of Housing & Urban Development:							
CDBG Entitlement	14.218	B02-MC060522	9,582,259	(351,372)	351,372	—	—
CDBG Entitlement	14.218	B03-MC060522	10,816,380	(544,847)	5,805,744	5,279,539	(18,642)
CDBG Entitlement	14.218	B04-MC060522	10,602,847	—	4,372,852	4,888,543	(515,691)
Total				(896,219)	10,529,968	10,168,082	(534,333)
Rental rehabilitation	14.230	R91-MC060522	231,000	—	—	—	—
Emergency Shelter	14.231	S02-MC060522	329,000	(130,099)	130,099	—	—
Emergency Shelter	14.231	S03-MC060522	326,000	(12,869)	211,665	217,307	(18,511)
Emergency Shelter	14.231	S04-MC060522	393,266	—	199,972	227,897	(27,925)
Total				(142,968)	541,736	445,204	(46,436)

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency program title	Federal CFDA number	Grant ID number	Grant award amount	(Accrued) deferred revenue Oct 1, 2004	Grant funds received	Expenditures charged to grants	(Accrued) deferred revenue Sept 30, 2005
Department of Housing & Urban Development							
Homeless Supportive Housing SHP96	14.235	CA16B96-0303.4.5.6	\$ 2,802,500	—	230,560	230,560	—
Homeless Supportive Housing SHP97	14.235	CA16B97-0602.3.0610	2,045,000	—	278,162	278,162	—
Homeless Supportive Housing SHP98	14.235	CA16B80-6001.2.3.4	2,534,250	(49,382)	241,735	215,358	(23,005)
Homeless Supportive Housing SHP99	14.235	CA16B90-6001.2.4.5	2,657,418	(56,066)	—	172,312	(80,760)
Homeless Supportive Housing SHP00	14.235	CA16B00-6002.3...11	2,520,088	(58,187)	342,825	400,234	(115,596)
Homeless Supportive Housing SHP01	14.235	CA16B10-6002.3.4...11	2,724,148	(189,397)	657,004	646,267	(178,660)
Homeless Supportive Housing SHP02	14.235	CA16B206-001.2.3...8	2,963,556	(10,761)	946,209	1,032,404	(96,956)
Homeless Supportive Housing SHP02	14.235	CA16B306-001.2.3...14	3,787,178	—	144,300	456,581	(312,281)
Homeless Supportive Housing SHP02	14.235	CA16B406-001.2.3...24	3,912,775	—	—	144,874	(144,874)
Total				(363,793)	2,988,413	3,576,752	(952,132)
Shelter Plus Care	14.238	CA16C95-0064	870,000	(10,676)	40,007	71,993	(42,662)
Shelter Plus Care	14.238	CA16C96-0301	270,720	28,813	4,283	36,026	—
Shelter Plus Care	14.238	CA16C906-006	333,300	(5,835)	73,521	68,989	(1,303)
Shelter Plus Care	14.238	CA16C006-001	444,960	(10,016)	63,262	53,246	—
Shelter Plus Care	14.238	CA16C406-204	270,000	—	—	16,893	(16,893)
Total				2,286	181,073	247,147	(63,788)
Home Program	14.239	M01-MC060518	4,668,000	—	58,200	58,200	—
Home Program	14.239	M02-MC060518	4,650,000	(34,265)	437,354	403,089	—
Home Program	14.239	M03-MC060518	5,419,644	(3,204)	366,351	455,013	(91,866)
Home Program	14.239	M04-MC060518	5,803,604	—	15,000	15,000	—
Total				(37,469)	876,905	931,302	(91,866)
Home Ownership Zone	14.246	HZ97-011	1,900,000	725,000	(363,000)	—	362,000
Housing Asst Program – New	14.182	SF 504	16,346,034	(105,410)	1,028,905	1,000,079	(76,584)
Housing Asst Program – Vouchers**	14.871	SF 504	351,946,593	(1,377,291)	63,096,324	59,785,414	1,933,619
Total HAP Expenditures				(1,482,701)	64,125,229	60,785,493	1,857,035
Lead-based Paint Hazard Control Hsng	14.900	CALHB0174-01	3,000,000	(285,000)	249,637	(5,861)	(29,502)
Lead-based Paint Hazard Control Hsng	14.900	CALHB0174-04	3,000,000	—	335,771	460,495	(124,724)
Total				(285,000)	585,408	454,634	(154,226)
Healthy Homes Initiative	14.901	CALHH0072-04	923,132	—	158,350	196,217	(37,867)
City of Los Angeles: Hopwa	14.241	98256	1,345,590	(28,050)	251,960	282,062	(58,152)

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency program title	Federal CFDA number	Grant ID number	Grant award amount	(Accrued) deferred revenue Oct 1, 2004	Grant funds received	Expenditures charged to grants	(Accrued) deferred revenue Sept 30, 2005
Department of the Interior:							
Reclaimed Water System Expansion	15.504	00-FC-30-0051	\$ 4,300,000	(1,563,544)	642,281	626,659	(1,547,922)
Desalination Research & Development	15.506	02-FC-35-0053	2,930,000	(537,188)	1,915,521	2,032,483	(654,150)
Uparr MLK Park Pool Rehabilitation	15.919	06CTY16100101	500,000	(142,157)	—	9,415	(151,572)
Uparr Silverado Park Pool Rehab	15.919	06CTY19700201	907,675	(113,054)	—	53,875	(166,929)
Total				(255,211)	—	63,290	(318,501)
State Parks Department:							
Caesar Chavez Park Amphitheater	15.916	06-01474	251,086	(54,423)	—	183,953	(238,376)
Department of Justice:							
Urban Area Security Initiative (port)	16.011	2004-EU-T30046	4,157,250	(12,199)	1,025,423	890,362	122,862
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2281	585,162	426,754	—	426,754	—
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0981	257,534	—	263,544	—	263,544
Total				426,754	263,544	426,754	263,544
Department of Justice:							
Cops Universal Hiring	16.710	2002-UJ-WX-0062	6,244,484	(225,565)	1,253,535	1,404,970	(377,000)
Cops Technology Equipment	16.710	2002-CK-WX-0026	781,000	(81,641)	184,999	103,358	—
Total				(307,206)	1,438,534	1,508,328	(377,000)
State Office of Emergency Services:							
Domestic Preparedness Equipment	16.007	2002-TE-CX-88	97,806	377	—	377	—
Domestic Preparedness Equipment	16.007	2002-133	183,584	(21,576)	21,576	—	—
Domestic Preparedness Equipment	16.007	2003-035	1,416,667	(807,576)	1,049,156	579,592	(338,012)
Total				(828,775)	1,070,732	579,969	(338,012)
Department of Labor:							
Workforce Incentive	17.266	WI-13229-03-60	300,000	(40,077)	211,783	171,706	—
Long Beach Community College:							
Wagner Peysor Const. Apprent Pathways	17.207	R492684/CN 99637.6	39,386	—	—	3,229	(3,229)
State Employment Development Dept:							
Wagner Peysor Health Collaborative	836	R588729	145,574	—	4,254	34,093	(29,839)
Wagner Peysor N O W	012	M578410	230,539	—	107,666	223,140	(115,474)
Total Expenditures	17.207			—	—	260,462	—

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency program title	Federal CFDA number	Grant ID number	Grant award amount	(Accrued) deferred revenue Oct 1, 2004	Grant funds received	Expenditures charged to grants	(Accrued) deferred revenue Sept 30, 2005
Department of Labor: American Community Partnerships: Welfare to Work Community Partnership	17.253	Y-7184-9-00-81-60	\$ 502,634	(115,902)	—	—	(115,902)
Long Beach Community College: WIA Const Apprenticeship Pathways	17.258	R592666/CN 99637.6	354,470	—	—	44,016	(44,016)
State Employment Development Dept: WIA Title I Adult Formula	202	R588729	1,438,227	(24,960)	1,402,146	1,413,267	(36,081)
WIA Title I Health Collaborative	693	R588729	654,426	—	9,639	159,803	(150,164)
WIA Title I Adult Formula	201	R692480	425,854	—	425,854	425,854	—
WIA Title I Adult Formula	202	R692480	—	—	—	155,350	—
Total				(24,960)	1,837,639	2,154,274	(341,595)
WIA Title I Youth Formula	648	R485283	70,000	—	70,000	70,000	—
WIA Title I Youth Formula	301	R588729	1,786,429	(68,097)	771,873	703,776	—
WIA Title I Youth Formula	301	R692480	557,458	—	413,568	557,458	(143,890)
WIA Title I Youth Formula	302	R692480	1,672,378	—	—	696	(696)
Total				(68,097)	1,255,441	1,331,930	(144,586)
Disability Program Navigation	739	R692480	139,850	—	—	21,662	(21,662)
WIA Technology to Teachers	544	R380511	111,350	3,015	27,993	31,008	—
WIA Nat'l Emergency Transport	745	R485283	102,220	17,866	23,055	41,265	(344)
WIA Title I Dislocated Worker	113	R588729	16,455	—	—	—	(16,455)
WIA Title I Dislocated Worker	501	R588729	366,160	46,537	—	—	—
WIA Title I Dislocated Worker	502	R588729	782,848	—	763,277	782,848	(19,571)
WIA Rapid Response	540	R588729	392,614	(10,025)	346,581	336,556	—
WIA Technology to Teachers	544	R588729	8,650	—	49	49	—
WIA Title I Dislocated Worker	501	R692480	538,850	—	219,144	232,555	(13,211)
WIA Title I Dislocated Worker	502	R692480	1,323,466	—	98,003	100,475	—
WIA Rapid Response	540	R692480	220,816	—	—	—	(2,472)
WIA Rapid Response	540	R692480	220,816	—	—	—	—
County of Orange: WIA 15% Nurse Workforce Initiative	17.260	Agreement 0-2	944,500	(18,811)	220,838	463,560	(261,533)
Total				38,582	1,698,940	2,051,108	(313,586)
Total WIA Expenditures						5,602,990	
Department of Transportation: FAA Airport Improvement Proj	20.106	DTEA08-99-C-21227	336,412	(1,477)	288,330	286,853	—

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency program title	Federal CFDA number	Grant ID number	Grant award amount	(Accrued) deferred revenue Oct 1, 2004	Grant funds received	Expenditures charged to grants	(Accrued) deferred revenue Sept 30, 2005
Department of Transportation:							
FAA Airport Improvement Proj	20.106	DTEA08-01-C-21385 19	\$ 6,150,820	(635)	759,312	758,677	—
FAA Airport Improvement Proj	20.106	DTEA08-01-C-21446 20	5,000,000	(10,800)	667,836	657,036	—
FAA Airport Improvement Proj	20.106	DTEA08-02-C-21569 22	4,665,077	(2,214,848)	2,822,348	607,500	—
FAA Airport Improvement Proj	20.106	DTEA08-02-C-21568 23	696,000	(1,556)	688,001	686,445	—
FAA Airport Improvement Proj	20.106	DTEA08-03-C-21712 24	8,063,497	(119,403)	8,063,497	7,944,094	—
FAA Airport Improvement Proj	20.106	DTEA08-04-C-21734 25	9,057,731	(1,317,881)	6,967,404	5,764,368	(114,845)
Total				(3,666,600)	20,256,728	16,704,973	(114,845)
Port Security	20.401	DTMAG02027	4,485,000	277,548	—	301,361	(23,813)
Port Security	20.401	DTMAG02046	354,460	2,137	—	—	2,137
Total				279,685	—	301,361	(21,676)
Port Security Round 2	20.420	D TSA20-03-G-01091	9,820,000	2,494,331	900,000	581,602	2,812,729
State Department of Transportation:				(4,289,763)	1,156,642	10,619,815	(13,752,936)
Tea	20.205	STPL 07-5108	161,248,914	—	—	—	—
CalTrans Preapprenticeship	20.516	88A0006	1,000,000	1,123	—	1,123	—
State Office of Traffic Safety:							
Family Safety Initiative	20.600	CB0403	330,000	(36,160)	153,511	166,876	(49,525)
Driving While Under the Influence	20.600	AL0373	247,560	(66,869)	124,331	57,462	—
Sobriety Checkpoint	20.600	AM05087	35,460	—	—	23,906	(23,906)
Interagency Bicycle & Pedestrian Safety	20.600	PS0506	233,900	—	11,776	29,045	(17,269)
Seatbelt Compliance	20.600	INS1932	89,996	—	77,160	77,160	—
Total Expenditures				(9,944)	9,944	354,449	—
State Office of Emergency Services:							
Hazardous Material Emer Preparedness	20.703	3033-110	12,825	(9,944)	—	—	—
Nat'l Foundation on the Arts & Humanities:							
California State Library:	45.310	40-5809	50,000	(417)	5,000	4,427	156
Library Services Technology Act							

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005

Exhibit 1

Federal grantor pass through agency	Federal CFDA	Grant ID	Grant award amount	(Accrued) revenue Oct 1, 2004	Grant received	Expenditures charged to	(Accrued) deferred revenue Sept 30, 2005
Nat'l Foundation on the Arts & Humanities:							
California State Library:							
Library Services Technology Act	45.310	40-5907	\$ 4,158	933	(689)	—	244
Library Services Technology Act	45.310	40-6154	25,000	—	22,500	25,000	(2,500)
Library Services Technology Act	45.310	40-6303	75,000	—	67,500	73,576	(6,076)
Library Services Technology Act	45.310	40-6264	7,805	—	7,805	3,225	4,580
Total				516	102,116	106,228	(3,596)
Environmental Protection Agency:							
Brownsville Revolving Loan	66.818	BL-98938601-1	27,139	22,138	550	—	22,688
State Department of Health Services:							
Beach Water Quality & Public Notification	66.472	03-76005	25,000	(4,416)	4,416	—	—
Beach Water Quality & Public Notification	66.472	04-35978	25,000	—	—	12,746	(12,746)
Total				(4,416)	4,416	12,746	(12,746)
Department of Energy:							
Increasing Heavy Oil Reserves	81.089	DE-FC22-95BC14939	1,206,355	12,653	257,630	260,484	9,799
Federal Emergency Mgmt Agency:							
State Office of Emergency Services:							
Jan / Feb, 1995 Floods	83.544	FEMA 1044	726,975	(149,957)	—	—	(149,957)
1998 Winter Storms (EL Nino)	83.544	FEMA 1203	261,105	(59,216)	—	—	(59,216)
2005 Winter Storm (January)	83.544	FEMA 1577	576,945	—	—	576,945	(576,945)
2005 Winter Storm (February)	83.544	FEMA 1585	385,077	—	—	385,077	(385,077)
Total				(209,173)	—	962,022	(1,171,195)
Hazard Mitigation Pub Safety Bldg	83.548	FEMA 1008 HMG 3132	11,198,685	—	41,580	41,580	—
Department of Education:							
State Department of Education:							
Evensstart Family Literacy	84.213	03-04-14331-G156-01	169,280	(16,928)	16,928	—	—
Evensstart Family Literacy	84.213	04-05-14331-G156-01	177,000	—	159,750	172,500	(12,750)
Evensstart Family Literacy	84.213	05-06-14331-G156-01	182,500	—	—	5,590	(5,590)
Total				(16,928)	176,678	178,090	(18,340)
Department of Health & Human Services:							
Metropolitan Medical Response System							
Lab Training Services	93.283	282-99-0031	600,000	42,648	—	41,487	1,161
Total							
County of Los Angeles:							
Bioterrorism Preparedness	93.283	H-300471	1,380,334	(586,887)	586,887	—	—
Bioterrorism Preparedness	93.283	H-300471-1	1,380,334	(110,717)	1,047,097	1,069,302	(132,922)
Bioterrorism Preparedness	93.283	H-701583	1,569,248	—	—	113,144	(113,144)
Total				(697,604)	1,633,984	1,182,446	(246,066)
Total Expenditure	93.283					1,182,446	

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency program title	Federal CFDA number	Grant ID number	Grant award amount	(Accrued) revenue Oct 1, 2004	Grant funds received	Expenditures charged to grants	(Accrued) deferred revenue Sept 30, 2005
Department of Health & Human Services:							
State Department of Health Services:							
Childhood Lead Poisoning Prevention	93.197	01-15351-A02	\$ 328,779	(77,334)	84,466	7,132	—
Childhood Lead Poisoning Prevention	93.197	27851	370,000	(62,397)	153,295	204,452	(113,554)
Childhood Lead Poisoning Prevention	93.197	05-45143	338,360	—	—	69,694	(69,694)
Total				(139,731)	237,761	281,278	(183,248)
Immunization Subvention	93.268	03-75133	384,726	(194,655)	214,314	19,659	—
Immunization Subvention	93.268	04-35235	373,012	(85,132)	210,500	283,193	(157,825)
Immunization Subvention	93.268	05-45409	238,012	—	—	68,672	(68,672)
Total				(279,787)	424,814	371,524	(226,497)
Childhood Health & Disability	93.778	CHDP-EPSTD	843,421	(195,000)	154,629	(40,371)	—
Childhood Health & Disability	93.778	CHDP-EPSTD	628,082	(144,226)	385,992	370,631	(128,865)
Childhood Health & Disability	93.778	CHDP-EPSTD	635,208	—	—	108,096	(108,096)
Total				(339,226)	540,621	438,356	(236,961)
Medical Gateway	93.778	CHDP-EPSTD	843,421	(95,000)	63,143	(31,857)	—
Medical Gateway	93.778	CHDP-EPSTD	246,007	(73,849)	127,440	246,007	(192,416)
Medical Gateway	93.778	CHDP-EPSTD	315,188	—	—	52,407	(52,407)
Total				(168,849)	190,583	266,557	(244,823)
Children in Foster Care	93.778	HEPCFC-FY 03-04	276,647	(24,000)	39,775	15,775	—
Children in Foster Care	93.778	HEPCFC-FY 04-05	234,559	(15,091)	39,736	66,319	(41,674)
Children in Foster Care	93.778	HEPCFC-FY 05-06	226,661	—	—	28,830	(28,830)
Total				(39,091)	79,511	110,924	(70,504)
Nursing MAA Claiming	93.778	—	572,616	(436,485)	325,938	(110,547)	—
Nursing MAA Claiming	93.778	—	572,616	(532,616)	324,962	(207,654)	—
Nursing MAA Claiming	93.778	—	363,732	—	443,941	507,531	(63,590)
Nursing MAA Claiming	93.778	—	532,000	—	—	120,000	(120,000)
Total				(969,101)	1,094,841	309,330	(183,590)
Nursing TCM Claiming	93.778	—	608,475	—	(64,542)	(64,542)	—
Nursing TCM Claiming	93.778	—	508,449	(253,829)	268,002	14,173	—
Nursing TCM Claiming	93.778	—	544,203	(302)	110,887	132,577	(21,992)
Nursing TCM Claiming	93.778	—	268,902	—	—	12,000	(12,000)
Total				(254,131)	314,347	94,208	(33,992)
Targeted Case Management – Community	93.778	—	380,666	(146,547)	147,119	572	—
Targeted Case Management – Community	93.778	—	309,159	(30,266)	11,913	(7,086)	(11,267)
Targeted Case Management – Community	93.778	—	—	—	—	28,545	(28,545)
Total				(176,813)	159,032	22,031	(39,812)

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency	Federal CFDA number	Grant ID number	award amount	(Accrued) revenue	Grant funds received	charged to grants	(Accrued) revenue Sept 30, 2005
Department of Health & Human Services:							
State Department of Health Services:							
MAA / TCM Administration	93.778	—	\$ 45,108	(23,809)	7,985	(15,824)	—
MAA / TCM Administration	93.778	—	47,152	(62,679)	31,500	(31,179)	—
MAA / TCM Administration	93.778	—	105,768	(20,281)	31,059	24,560	(13,782)
MAA / TCM Administration	93.778	—	135,216	—	—	23,870	(23,870)
Total				(106,769)	70,544	1,427	(37,652)
Total Expenditures						1,242,833	
Maternal & Child Health Svcs Allocation	93.994	200360	784,913	(97,784)	94,400	(3,384)	—
Maternal & Child Health Svcs Allocation	93.994	200460	650,427	(133,431)	393,343	330,919	(71,007)
Maternal & Child Health Svcs Allocation	93.994	200560	639,744	—	—	98,734	(98,734)
Total				(231,215)	487,743	426,269	(169,741)
Mch Black Infant Health	93.994	200360	597,982	(148,000)	145,421	(2,579)	—
Mch Black Infant Health	93.994	200460	559,344	(119,081)	373,844	401,628	(146,865)
Mch Black Infant Health	93.994	200560	371,462	—	—	110,943	(110,943)
Total				(267,081)	519,265	509,992	(257,808)
Total Expenditures						936,261	
AIDS Community Ed & Prevention	93.940	01-15080	720,342	(406,429)	363,592	(42,837)	—
AIDS Community Ed & Prevention	93.940	01-15080	1,169,661	(22,123)	281,543	802,297	(542,877)
AIDS Community Ed & Prevention	93.940	01-15080	1,000,087	—	—	46,727	(46,727)
Total				(428,552)	645,135	806,187	(589,604)
Alternative Test Sites	93.940	01-15080	274,000	(79,396)	107,084	27,688	—
Alternative Test Sites	93.940	04-35356 HIV 04-59	274,000	(42,991)	137,079	139,469	(45,381)
Alternative Test Sites	93.940	04-35356 HIV 04-59	274,000	—	—	40,242	(40,242)
Total				(122,387)	244,163	207,399	(85,623)
Early Intervention Project	93.940	01-15080	471,000	(110,330)	110,330	—	—
Early Intervention Project	93.940	04-35356 EIP 04-59	570,000	(95,184)	268,095	413,169	(240,258)
Early Intervention Project	93.940	04-35356 EIP 04-59	570,000	—	—	110,371	(110,371)
Total				(205,514)	378,425	523,540	(350,629)
AIDS Surveillance	93.940	04-35356 SP 04-59	230,000	(68,498)	192,376	171,502	(47,624)
AIDS Surveillance	93.940	04-35356 SP 04-59	240,000	—	—	45,521	(45,521)
Total				(68,498)	192,376	217,023	(93,145)
Testing Outreach Education	93.940	04-35356 PREV 04-59	98,787	(24,291)	63,123	60,794	(21,962)
Testing Outreach Education	93.940	04-35356 PREV 04-59	—	—	—	15,245	(15,245)
Total				(24,291)	63,123	76,039	(37,207)

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal grantor pass through agency program title	Federal CFDA number	Grant ID number	Grant award amount	(Accrued) deferred revenue Oct 1, 2004	Grant funds received	Expenditures charged to grants	(Accrued) deferred revenue Sept 30, 2005
Department of Health & Human Services:							
State Department of Health Services:							
HIV High Risk Behavior	93.940	04-35356 PREV 04-59	\$ 270,786	(3,561)	139,384	259,043	(123,220)
HIV High Risk Behavior	93.940	04-35356 PREV 04-59		(3,561)	139,384	273,556	(137,733)
County of Los Angeles:							
HIV/AIDS Education & Risk Reduction	93.940	212369-1	117,573	(23,966)	51,250	27,284	—
HIV/AIDS Education & Risk Reduction	93.940	H701036	104,477	—	63,420	66,686	(3,266)
HIV/AIDS Education & Risk Reduction	93.940	H701036	208,955	—	—	42,618	(42,618)
Total				(23,966)	114,670	136,588	(45,884)
Total Expenditures	93.940					2,240,332	
Family Support	93.556	28337	43,000	(36,548)	101,800	73,252	(8,000)
Family Support	93.556		29,000	—	—	4,382	(4,382)
Total				(36,548)	101,800	77,634	(12,382)
Family Services/CNA	93.556	70906	159,270	(37,416)	144,564	118,148	(11,000)
Family Services/CNA	93.556	70906	40,000	—	—	1,004	(1,004)
Total				(37,416)	144,564	119,152	(12,004)
Total Expenditures	93.556					196,786	
AIDS Case Management	93.915	H210813-5	131,000	(49,103)	87,869	48,636	(9,870)
AIDS Case Management	93.915	H210813-6	216,928	—	—	77,287	(77,287)
Total				(49,103)	87,869	125,923	(87,157)
AIDS EIP Outpatient Medical	93.915	H209210-5	98,478	(14,075)	30,400	23,151	(6,826)
AIDS EIP Outpatient Medical	93.915	H209210-6	75,422	—	21,907	35,132	(13,225)
Total				(14,075)	52,307	58,283	(20,051)
Total Expenditures	93.915					184,206	
Department of Homeland Security:							
TSA Ports Grant Round 4							
State Office of Emergency Services: Enhancement of Emergency Operations	97.056	HSTS04-04-G-GPSS575	1,484,140	—	—	17,526	(17,526)
Urban Area Security Initiative Phase 2**	97.004	2004-45	905,966	—	55,705	227,693	(171,988)
Urban Area Security Initiative Phase 3**	97.008	2003-23	6,467,863	(615,334)	1,231,226	4,069,930	(3,454,038)
Urban Area Security Initiative Phase 3**	97.008	2004-14	11,943,854	—	50,627	2,003,021	(1,952,394)
Urban Area Security Initiative Phase 4**	97.008	2005-15	7,293,989	—	—	48,914	(48,914)
2005 Federal Totals				(615,334)	1,281,853	6,121,865	(5,455,346)
** Denotes major program.				\$ (18,764,218)	129,291,412	137,300,285	(26,773,091)

** Denotes major program.

See accompanying notes to schedule of federal awards and independent auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

(1) General

The accompanying schedule of federal awards presents the activity of all federal financial assistance programs of the City of Long Beach, California (the City). All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through to the City by other government agencies has been included in the accompanying schedule. The City's reporting entity is defined in note 1 of notes to the City's basic financial statements.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified-accrual basis of accounting. Such basis of accounting is described in note 1 of notes to the City's basic financial statements.

(3) Relationship to Federal Financial Reports

Total expenditure amounts reported in the accompanying schedule of expenditures of federal awards agree with the total expenditure amounts reported in the related federal financial reports.

(4) Food Instruments/Vouchers

Food instruments/vouchers expenditures represent the value of the WIC food instruments as communicated by the State Department of Health Services distributed during the year. The food instruments/vouchers totaled \$26,701,110 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2005.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

(1) Summary of Auditors' Results

(a) Basic Financial Statements

The type of auditors' report issued on the basic financial statements: **Unqualified opinion.**

Internal control over financial reporting:

- Material weaknesses identified in internal control over financial reporting: **None noted.**
- Reportable conditions identified in internal control over financial reporting that are not considered to be material weaknesses: **None reported.**

Noncompliance which is material to the basic financial statements: **None noted.**

(b) Federal Awards

Internal control over major programs:

- Material weaknesses identified in internal control over major programs: **None noted.**
- Reportable conditions in internal control over major programs that are not considered to be material weaknesses: **Yes, see Findings 05-1, 05-2, 05-3, 05-4, and 05-5.**

The type of report issued on compliance for major programs:

- Women, Infants, and Children/Children Nutrition Network – Qualified
- Housing Assistance Program-Voucher – Unqualified
- Urban Areas Security Initiative – Unqualified

Any audit findings which are required to be reported in accordance with Section 510(a) of OMB Circular A-133: **Yes, see Findings 05-1, 05-2 and 05-3.**

The following programs have been identified as major programs:

- Department of Agriculture:
 - State Department of Health Services:
 - CFDA 10.557 – Women, Infants, and Children/Children Nutrition Network
- Department of Housing and Urban Development:
 - CFDA 14.871 – Housing Assistance Program-Voucher
- Department of Homeland Security:
 - CFDA 97.008 – Urban Areas Security Initiative

Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **No.**

**(2) Findings Relating to the Basic Financial Statements
Reported in Accordance with *Government Auditing Standards***

None noted.

**(3) Summary of Current Year Findings and
Recommendations Relating to Federal Awards**

Finding F-05-1

Federal Agency: U.S. Department of Agriculture

Passed through the State Department of Health Services

Program: Women, Infants and Children/Children Nutrition Network

CFDA #10.557

Award number: 02-25682

Award year: 2005

Requirement – Reporting

As noted in the grant agreement, monthly invoices are due no later than the 30th of the month following the reporting month, and must be submitted to the State using the “Monthly Financial Report” form provided by the State. Contractor shall indicate the budget period for which the invoice is being submitted.

Finding and Perspective

In our sample of 12 monthly financial reports (monthly reimbursement requests), we noted that 4 reports (Nov ‘04, April ‘05, June ‘05, and July ‘05) were not submitted within the appropriate timeframe as specified in the grant agreement.

Questioned Costs

None noted.

Systemic or Isolated

Systemic.

Recommendation

We recommend that the City of Long Beach strengthen controls to ensure the monthly financial reports are submitted on time and no later than the 30th of the month following the reporting month.

City Response

The City’s Health Department will ensure that monthly reimbursement requests are submitted timely in the future. Every effort will be made to submit reimbursement requests by the 30th day following the month of

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

the report. In addition, the City's Department of Financial Management will monitor the timely submission of the monthly reports by the Health Department to ensure compliance with the City of Long Beach's Financial Policy and Procedure FPP5-1, *Policy for Grants Processing* and the timely drawdown of grant funds.

Finding 05-2

Federal Agency: Department of Agriculture

Passed through the State Department of Health Services

Program: Women, Infants, and Children/Children Nutrition Network

CFDA #10.557

Award number: 02-25682

Award year: 2005

Requirement – Eligibility

As noted in the 7 CFR Section 246.7(c) of the federal guidelines, participants in the Women, Infants, and Children (WIC) program must meet eligibility requirements. Applicants are required to provide documentation verifying that they are either adjunctively or automatically income eligible for WIC or provide documentation of family income at their initial or subsequent certification. Additionally, as the WIC program is subject to the auditing requirements of the OMB Circular A-133, we must determine whether the City has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on the City's WIC program. As required by Section 0.510 (d), the compliance testing must include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance.

Finding and Perspective

Based on our test work, we noted that the City's WIC personnel receive income verification information from participants and input this data into the state-run computer system, Integrated Statewide Information System (ISIS), to ultimately determine eligibility. We were able to inspect the screenshots in the ISIS system, which indicated that each of the participants tested were eligible to participate in the program. However, of the 25 participants we selected for test work, the City was unable to provide the underlying supporting documentation received from participants in order to verify that the income eligibility information input into ISIS was correct.

Questioned Costs

Unknown.

Systemic or Isolated

Systemic.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

Recommendation

While we acknowledge that the City's record retention policy related to determining eligibility is in compliance with the California Department of Health Services Women, Infants, and Children's guidelines, we recommend that the City maintain the supporting documentation that it used to determine income eligibility for participants in the WIC program. We also recommend that City implement a process to verify the accuracy of the participant data entered into the ISIS system. For example, someone other than the person inputting the information into the ISIS system should review the supporting documentation to ensure the data input into ISIS is correct. This will help ensure the accuracy of the participant data in ISIS and that eligibility determinations are supported by the proper documentation in the participant file.

City Response

The City's Health Department has been following the guidance from the California Department of Health Services. While these requirements differ from the audit requirements of the Federal Department of Labor in compliance with Section 4049, the City is in compliance with the grant reporting agency.

The City's auditor, KPMG LLP, has contacted the Federal Office of Management and Budget (OMB) to obtain a final ruling regarding the inconsistency of record retention requirements related to the Women, Infants and Children's program. OMB has agreed that the records retention requirements are not consistent with the grant reporting agency. It is anticipated these guidelines will be revised in the near future to be consistent with the grant reporting agency retention requirements.

The City's Health Department will continue to follow the requirements of the grant reporting agency and KPMG LLP will work with the City to ensure that the revised Federal OMB guidelines are implemented.

Finding 05-3

Federal Agency: Department of Homeland Security

Passed Through: State Office of Emergency Services

Program: Urban Areas Security Initiative

CFDA #97.008

Award number: 2003-23, 2004-14, and 2005-15

Award year: 2003, 2004, and 2005

Requirement – Subrecipient Monitoring

Per OMB circular A-133, Audits of State and Local Governments and Not-for-profit Organizations, Section 400 (d) Pass-through entity responsibilities, a pass-through entity shall perform the following for the federal awards it makes:

- *Award Identification* – At the time of the award, providing to the subrecipient the federal award information (i.e., CFDA title and number, award name, name of federal agency) and applicable compliance requirements.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable federal regulations.

Finding and Perspective

We noted single audit reports for the City’s eight subrecipients are not being obtained for review to ensure program compliance with federal requirements.

Questioned Costs

Unknown.

Systemic or Isolated

Systemic.

Recommendation

We recommend that the City obtain single audit reports for subrecipients of the Urban Area Security Initiative in order to assess compliance with applicable federal requirements.

City Response

The City’s Department of Financial Management will work closely with the Fire Department to ensure compliance with OMB Circular A-133 Section 400 (d) requirements for pass through entities for the UASI grants for Fiscal Years ‘03, ‘04 and ‘05. The Department of Financial Management will assume responsibility for obtaining a copy of the annual Single Audit from each sub recipient to assist in monitoring compliance with UASI guidelines and federal requirements for each of the three fiscal years. The City’s Department of Financial Management will also amend the City of Long Beach’s Financial Policy and Procedure FPP5 1, *Policy for Grants Processing* to include language under “Section E. Grant Administration, Subsection 3. Federal Grants” to clearly explain the responsibilities of pass through entities to all City Departments.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

Lastly, please note that for the UASI FY '06 grant, it is anticipated the City of Long Beach will no longer perform the role of a pass through entity and will instead be a subrecipient of the City of Los Angeles.

Finding 05-4

Federal Agency: Department of Homeland Security

Passed Through: State Office of Emergency Services

Program: Urban Areas Security Initiative

CFDA #97.008

Award number: 2004-14

Award year: 2004

Requirement – Reporting

All semiannual performance reports must be reviewed and approved by the City Manager, who serves as the authorized agent for the Urban Area Security Initiative Grant. The UASI '04 and '05 Semiannual performance reports are generated through data entered into an online Department of Homeland Security grant reporting tool called BSIR (Bi-Annual Strategy Implementation Report). The BSIR includes results reported by participating agencies.

Finding and Perspective

In our sample of four semiannual performance reports, we noted that two of the reports selected were not properly reviewed and approved by the authorized agent, the City Manager.

Questioned Costs

None noted.

Systemic or Isolated

Systemic.

Recommendation

We recommend the City's authorized agent review the semiannual performance reports in order to ensure accurate reporting.

City Response

In Fiscal Year 2004, the Department of Homeland Security requested grantees submit automated semi annual performance reports through the Bi Annual Strategy Implementation Report (BSIR) on line reporting system. This new on line system replaced the former paper reporting process that distinctly required the written signature and approval of the City's authorized agent; the City Manager.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

The new on line reporting system does not require the signature, review or approval of the authorized agent. In addition, the system does not include any fields or features to allow for the approval of the authorized agent. Only one password is granted per grantee. Hence, it is unlikely that the individual performing the data entry, and the authorized agent (presumably an individual at a higher level in the organizational hierarchy), would be the same person. Moreover, it would be inappropriate for the data entry operator to also be the authorized agent, to ensure appropriate internal controls.

While BSIR on line reporting has facilitated and expedited data transmission, it has unintentionally bifurcated the normal review and approval process for grantees, including the City of Long Beach. The City of Long Beach recommends that the Department of Homeland Security create a field in the BSIR system for the review and approval of the authorized agent, or his/her designee, in addition to the individual responsible for data entering the information into the system. This would achieve both goals of the Department of Homeland Security: timely, uniform reporting by grantees and the review and approval of performance reports by the authorized agent. The City of Long Beach will be sending a letter to the Department of Homeland Security to facilitate a discussion in this regard. It is unlikely that the City of Long Beach is the only grantee faced with this unintended consequence of the new BSIR reporting system.

Concurrently, the City's Fire Department will continue to meet semi annual performance reporting requirements, as well as, ensure that the City's authorized agent reviews and approves all online and hard copy reports. A new procedure will be added to the City's Financial Policies to clarify and ensure compliance with this requirement.

Finding F-05-5

Federal Agency: Department of Homeland Security

Passed Through: State Office of Emergency Services

Program: Urban Areas Security Initiative

CFDA #97.008

Award number: 2003-23, 2004-14, and 2005-15

Award year: 2003, 2004, and 2005

Requirement – Procurement, Suspension & Debarment

According to OMB Circular A-102, Section .1.c(6), federal grantees are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

Finding and Perspective

The City of Long Beach does not have controls in place to verify that vendors from whom it is purchasing goods or services are suspended or debarred. None of the vendors selected for testing were suspended or debarred.

Questioned Costs

None noted.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

Systemic or Isolated

Systemic.

Recommendation

We recommend that the City establish policies and procedures to ensure that the City does not purchase goods or services from suspended and debarred vendors by using an excluded list parties system.

City Response

The City of Long Beach's Department of Financial Management will institute internal controls to ensure the City is not awarding grant funds to parties that are suspended or debarred or whose principals have been suspended or debarred, consistent with the requirements of OMB Circular A-102, Section 1.c(6).

Specifically, the Department of Financial Management will: 1) amend Financial Policies and Procedures 5-1 *Policy for Grants Processing* to include specific reference to the Federal Excluded Parties List System and the need for Departments to check this list when selecting vendors; 2) Issue a Memorandum to all Departments in receipt of Federal grants reminding them of this requirement with instructions on how to access the Excluded Parties List System's online database on the internet; 3) Strategize with the City's information technology staff on creating automated internal controls within the City's financial system (FAMIS) that will automatically pre screen vendors to check whether their name appears on the EPLS; and 4) Work with the City's Purchasing Agent to enforce, amend or devise procurement policies that ensure compliance with this requirement.

CITY OF LONG BEACH, CALIFORNIA

Asset Forfeiture Program

Statement of Program Receipts, Expenditures, and Changes in Fund Balance

Year ended September 30, 2005

(Unaudited)

	U S Department of		Total
	Justice Funds	Treasury Funds	
Fund balance at October 1, 2004	\$ 1,185,714	470,969	1,656,683
Program receipts:			
Federal funds received	24,064	466,221	490,285
Interest income accrued	27,427	16,909	44,336
Total program receipts	51,491	483,130	534,621
Program expenditures:			
Public safety	444,186	—	444,186
Fund balance at September 30, 2005	\$ 793,019	954,099	1,747,118

See accompanying independent auditors' report.

CITY OF LONG BEACH, CALIFORNIA

Spousal Abuser Prosecution Program

Reconciliation of Financial Activity
for All Grants with Activity

Years ended September 30, 2005, 2004, and 2003

(Unaudited)

	<u>Cumulative</u>	<u>Grant Activity During</u>		
		<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
Grant Award No. : 04 SA11F009				
Cash receipts	\$ 34,697	34,697	—	—
Expenditures :				
To Grant – Staff	\$ 43,557	36,865	6,692	—
Match:				
Staff	23,919	16,260	7,659	—
Operational	203	203	—	—
Expenditure total	\$ 67,679	53,328	14,351	—
Grant Award No. : 04 SA12F009				
Cash receipts	\$ —	—	—	—
Expenditures :				
To Grant – Staff	\$ 13,672	13,672	—	—
Match:				
Staff	3,671	3,671	—	—
Operational	68	68	—	—
Expenditure total	\$ 17,411	17,411	—	—
Total city expenditures for program in FY 2005		\$ 70,739		

See accompanying independent auditors' report.

CITY OF LONG BEACH, CALIFORNIA

State of California, Business, Transportation and Housing Agency
Office of Traffic Safety

Schedule of Revenue and Expenditures

Years ended September 30, 2005, 2004, and 2003

(Unaudited)

Grant Title : Long Beach Family Safety Initiative
Grant No. : CB0403
Grant Award : \$330,000

	Cumulative	Grant Activity During		
		FY 2005	FY 2004	FY 2003
Total expenditures	\$ 323,490	166,876	156,614	—
Cash receipts	273,965	153,511	120,454	—
Receivable (deferred)	\$ 49,525	13,365	36,160	—

Grant Title : Driving While Under the Influence
Grant No. : AL0373
Grant Award : \$247,560

	Cumulative	Grant Activity During		
		FY 2005	FY 2004	FY 2003
Total expenditures	\$ 230,012	57,462	107,335	65,215
Cash receipts	230,012	124,331	71,079	34,602
Receivable (deferred)	\$ —	(66,869)	36,256	30,613

Grant Title : Seat Belt Compliance Campaign
Grant No. : IN41934
Grant Award : \$115,458

	Cumulative	Grant Activity During		
		FY 2005	FY 2004	FY 2003
Total expenditures	\$ 97,454	(880)	98,334	—
Cash receipts	97,454	57,154	40,300	—
Receivable (deferred)	\$ —	(58,034)	58,034	—

Grant Title : Seat Belt Compliance Campaign
Grant No. : IN51932
Grant Award : \$89,996

	Cumulative	Grant Activity During		
		FY 2005	FY 2004	FY 2003
Total expenditures	\$ 77,160	77,160	—	—
Cash receipts	77,160	77,160	—	—
Receivable (deferred)	\$ —	—	—	—

CITY OF LONG BEACH, CALIFORNIA

State of California, Business, Transportation and Housing Agency
Office of Traffic Safety

Schedule of Revenue and Expenditures

Years ended September 30, 2005, 2004, and 2003

(Unaudited)

Grant Title : Sobriety Checkpoint
Grant No. : AM05087
Grant Award : \$35,460

	<u>Cumulative</u>	<u>Grant Activity During</u>		
		<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
Total expenditures	\$ 23,906	23,906	—	—
Cash receipts	—	—	—	—
Receivable (deferred)	\$ 23,906	23,906	—	—

Grant Title : Interagency Bicycle & Pedestrian Safety
Grant No. : PS0506
Grant Award : \$233,900

	<u>Cumulative</u>	<u>Grant Activity During</u>		
		<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
Total expenditures	\$ 29,045	29,045	—	—
Cash receipts	11,776	11,776	—	—
Receivable (deferred)	\$ 17,269	17,269	—	—

See accompanying independent auditors' report.

CITY OF LONG BEACH, CALIFORNIA

Payments to Subrecipients

Year ended September 30, 2005

(Unaudited)

Federal program	Subrecipient name	Program title	Cash payments
Department of Labor:			
Workforce Investment Act (WIA)	California State University, Long Beach	Adult	\$ 128,371
		Youth	46,675
		Dislocated Worker	51,020
		National Emergency	2,096
		OC Nursing Init	1,873
		Rapid Response	<u>13,740</u>
	Total for CSULB		<u>243,775</u>
Workforce Investment Act (WIA)	Amer – I – Can	Youth	<u>10,000</u>
Workforce Investment Act (WIA)	Cambodian Association of America	Youth	<u>37,585</u>
Workforce Investment Act (WIA)	Centro Cha, Inc	Youth	<u>20,738</u>
Workforce Investment Act (WIA)	Community In School	Youth	<u>8,565</u>
Workforce Investment Act (WIA)	Harbor View Group Home	Youth	<u>10,511</u>
Workforce Investment Act (WIA)	Long Beach Memorial Medical Center	OC Nursing Init	<u>291,155</u>
Workforce Investment Act (WIA)	Long Beach Unified School District	Youth	<u>20,111</u>
Workforce Investment Act (WIA)	St. Mary Medical Center Foundation	Youth	<u>16,351</u>
Workforce Investment Act (WIA)	Sylvan Education Solution	Youth	<u>35,497</u>
Workforce Investment Act (WIA)	United Auto Workers	Adult	71,509
		Dislocated Worker	43,146
		Work Incentive	57,471
		Rapid Response	<u>5,116</u>
	Total for United Auto Workers		<u>177,242</u>
	Total for WIA Subrecipients		<u>\$ 871,530</u>
Department of Health and Human Services:			
Children & Families	California State University, Long Beach	Family Services	\$ 6,747
Department of Education:			
Elementary & Secondary Education	Long Beach Unified School District	Evenstart Family Literacy	\$ 152,500
Department of Homeland Security:			
Urban Area Security Initiative Phase 2	City of Compton	UASI 03	\$ 159,944

See accompanying independent auditors' report.