

City of Long Beach

California



Comprehensive Annual

Financial Report

Fiscal Year Ended September 30, 2012

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City of Long Beach, California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Prepared by the Department of Financial Management
John Gross, Director



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

For the Fiscal Year Ended
September 30, 2012

John Gross
Director of Financial Management

Stephen W. Hannah
City Controller

Francine Wiegelman
Accounting Operations Officer

Olivia Valero
Accounting Operations Officer

Cathy Pingol
Senior Accountant

Michael Carrigg
Senior Accountant

Lucy Hong
Senior Accountant

Mary Hebert
Senior Accountant

Angie Tran
Accountant

Kim-Hang Nguyen
Accountant

Maggie Hong
Accountant

Jim Sugita
Accountant

Alex Powers
Accountant

Amanda Johnson
Accountant

Glenda Pakingan
Accountant

Georgia Will
Accountant

Daniel Thurber
Investment Manager

Joanne Medina
Accounting Clerk



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City of Long Beach
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2012

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INTRODUCTORY SECTION

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CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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

PATRICK H. WEST
CITY MANAGER

March 29, 2013

Honorable Mayor and City Council
City of Long Beach

In accordance with Section 302(e) of the City Charter, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Long Beach (City) for the fiscal year ended September 30, 2012. This report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited in accordance with generally accepted auditing standards and government auditing standards by a firm of licensed certified public accountants.

This report contains management's representations concerning the 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 has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. As the cost of internal controls should not exceed anticipated benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited by KPMG LLP, an international public accounting firm fully licensed and qualified to perform audits of the State of California (State) and local governments within the State. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2012 are free of material misstatement. 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, 2012 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the City's basic financial statements is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the City's fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on those involving the administration of federal awards. The City's separately issued Single Audit report is available by contacting the City's Department of Financial Management.

The Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative overview, and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it.

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

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

Profile of the Government

The City of Long Beach, incorporated in 1897, is the seventh largest city in the state of California and is located in Southern California within Los Angeles County. The City occupies a land area of approximately 50 square miles, serves a population of over 465 thousand, and is one of the 40 largest cities in the United States. One of the nation's most demographically diverse cities, Long Beach has significant populations of Latino, Caucasian, African-American, and Asian residents. City Councilmembers are elected from nine distinct districts. The strengths inherent in the City's diversity are reflected in its motto, "Many unique neighborhoods, one great city."

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

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

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

The City Manager is responsible for directing and supervising the administration of all City Manager-directed departments of the City, to ensure that laws, ordinances, orders, resolutions, contracts, leases, and franchises are enforced and executed, and for appointing all City employees except for classified civil service employees, the City Clerk, elected officers, and their appointees.

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

The annual budget serves as the foundation for the City's financial planning and budgetary control. The City Manager must submit a proposed budget to the Mayor on or before July 1st and the Mayor must present that proposed budget along with recommendations to the City Council on or before August 1st. The City Council is required to hold one or more public hearings on the proposed budget and to adopt a final budget on or before September 15. The budget is approved for each fund and department. The City Council adopted the fiscal year 2012 budget prior to September 15, 2011 for all funds, except expendable trust funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriations between funds or departments require City Council approval. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Local Economy

While there has been clear improvement in the local economy and the trends continue to be positive, the local economy has not recovered its previous strength. Consistent with this type of recovery, significant uncertainty remains and slow revenue growth is anticipated for the foreseeable future.

A major plus for the City's economy are the sizeable infrastructure projects. They are expected to boost business spending, increase local construction employment and bring new companies to the region. The Port of Long Beach (the Harbor) is beginning a major design-build phase of the Gerald Desmond Bridge replacement project. The new bridge, inclusive of bicycle lanes for the intrepid cyclist, is likely to become one of California's most iconic structures. The billion-dollar Middle Harbor project, a multi-year effort to build the most technologically advanced and greenest terminal within the Harbor, is on track to receive its first cargo container in 2015. The Green Port Gateway railroad construction project is designed to both enhance the Harbor's capacity for on-dock rail as well as to reduce the need for, and the adverse environmental impacts of, diesel-powered rail and truck traffic. The Harbor will move cargo faster, greener and in greater volumes than any port in the country.

It is important to note that Boeing, the iconic and historic partner of Long Beach, has recently added more than 150 engineering jobs. Despite a continuing transition of the C-17 workforce from production to maintenance, Boeing's investments in other business lines within the company provide an indication that the last aircraft manufacturer in California has a strong future in Long Beach. City partners in business improvement districts across the City that cultivate the City's commercial corridors continue to create new jobs as well.

Financial Condition

Amidst increased financial scrutiny, the City has maintained its financial performance and strong credit ratings. The City has historically addressed budget shortfalls through managed structural budget reductions without relying on one-time fund sources and has maintained its reserves as required for sound financial management. To adopt a balanced budget, solutions have been found each year to bridge the gap between revenues and expenditures. During the past two years, the City has also used its one-time revenue sources to increase its emergency reserves. The City's proactive approach and prudent management of public monies during periods of revenue stress has provided the basis for independent bond agencies to reaffirm its assessment of the City's credit rating as "Strong" with a stable outlook.

Major Initiatives and Government Reform:

Over the next several years, the cost of maintaining current service levels is expected to continue to grow faster than operating revenues. To address this situation, the City is constantly identifying and implementing improvements or realignments that help address the City's structural budget imbalance. City employees have been very cooperative in assisting these efforts. Substantial pension reform has recently been achieved as employees have agreed to contribute a greater share of pension costs. As a result of these agreements, pension contributions will increase by 6 percent for miscellaneous employees and 7 percent for safety employees and include pension benefit reductions for new employees. Consistent with most reforms that have been agreed to by City employees, the State's pension reform will also assist the City in maintaining a long-term structural balance.

The City has implemented, or is in the process of implementing, a number of government reform efforts in order to ensure the provision of quality, efficient and effective public services to the community. Following are some of the government reforms that were adopted in fiscal year 2012:

- **Consolidate Residential and Commercial Plan Check and Inspection Services** – Similar inspection and permitting services provided by the Health Department, the Fire Department (Fire), building services and code enforcement are now under common management. These changes, to be completed during the first half of the 2013 fiscal year, have created operational efficiencies and enhance customer services, communication, accountability and coordination within these processes.
- **Consolidate Fire and Police Dispatch and Call Centers** – An Executive team with representatives from Police, Fire, Human Resources and Technology Services is establishing goals and processes for the consolidation and management of these operations. This effort is being assisted by a \$1.5 million grant to be used to update the Computer Aided Dispatch (CAD) system.
- **Conversion of Public Areas to Drought Tolerant Landscaping and/or to Improve Irrigation** – The Water Department and Water Commission authorized the use of \$1.4 million from savings acquired through the issuance of Water revenue bonds for the Turf Median Reduction Project (TMRP) which replaces turf in City medians and upgrades irrigation as necessary.

Many Accomplishments:

Despite the prolonged recession and reduced resources available for the provision of services and infrastructure projects, the City has accomplished much over the fiscal year.

Housing and Community Improvements:

- Completed nine parks and open space projects to include the Pacific Electric Right-of-Way (Phase 2); Orizaba Park Expansion; McBride Park Teen Center; McBride Skate Park; Longview Point at Willow Springs Park; Harvey Milk Plaza & Promenade North block; Alamitos Bay Marina-Basin 4; Beach Restrooms, El Dorado Nature Center Improvements; and resurfaced game courts at MacArthur, Ramona and Stearns Champion Parks.
- Utilized federal grants to remove 32 homes from the foreclosure rolls.
- Rehabilitated 77 multi-family units and 42 single-family units occupied by lower income families and seniors, and completed agreements necessary to convert the vacated AMC Theater space on Pine Avenue into 69 residential apartments.
- Assisted 1,727 persons with homeless prevention and 875 homeless persons with housing placement.
- Established new farmers' markets in West, North and South Long Beach.

Sustainability:

- 93 percent of the City’s beaches received “A” grades for water quality during the summer from Heal the Bay.
- The City’s waste-to-energy facility (SERRF) burned 175 thousand tons of refuse that would have gone to landfills, while generating \$25 million in electricity sales.
- 20 thousand community service hours were used to collect 1,250 tons of litter from alleys.
- Approximately 33 million gallons of water were saved through Parks, Recreation and Marine water conservation efforts.
- The City received its first LEED Gold certification for Long Beach Gas and Oil’s new office building.

Economic and Workforce Development:

- The City completed a study with the California State University of Long Beach showing that Long Beach Airport complex creates 43 thousand jobs with a regional economic impact of \$11 billion.
- A new revenue-sharing agreement was negotiated with the State and Occidental Petroleum that provides incentive for \$100 million investment into oil production and investigation.
- The City facilitated the purchase of the Boeing 717 site by the world-class developer Sares-Regis for development into industrial space.

Public Safety:

- 135 thousand calls for service were responded to by the Police Department and 64,000 calls for service were responded to by the Fire Department.
- Response time to Police Priority 1 calls was 4.4 minutes; one of the fastest for any large city in California.
- The Maritime Coordination Center (MCC) and the Situational Awareness Network (SAN) were established to enhance information sharing and surveillance in the Port and along the Southern California coastline.
- A video downlink for the Police Department helicopter was installed to provide video feed to ground monitoring systems.

Infrastructure:

- The Long Beach Airport completed a very popular new passenger concourse, five months ahead of schedule and on budget.
- 42 lane miles of major and secondary streets were resurfaced and 14 miles of residential streets were repaired or slurry sealed.
- More than 98 thousand feet of new gas main pipeline was installed.

Financial Matters:

- The fiscal year 2012 budget was structurally balanced for the ninth consecutive year.
- The City maintained its very good “AA-“ bond rating.
- The City’s investment pool continues to be rated as AAf/S1.

Citywide Awards and Distinctions:

- Long Beach received a Top Ten Digital City nationwide award for the second consecutive year.
- Long Beach received a Top Ten Best Social Media City nationwide award.
- The City received a Silver Walk Friendly Communities Award and a Silver Bike Friendly Award.

- The City received the 2012 Neighborhood of the Year Award for California Heights Neighborhood Association from Neighborhoods USA and the 2012 IDA Pinnacle Award for the adoption of the downtown Plan from the International Downtown Association.
- The City’s annual financial report received the Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA), for the fifth consecutive year.
- Long Beach received an award as the Best Coalition Collaboration for the Long Beach Clean Cities Coalition.

Focus on the Future

Despite numerous challenges, the City has successfully come through a difficult financial time and has accomplished a great deal over the last year. However, there are still many challenges and much to accomplish. The City will continue to look for, find and make improvements. The City is exploring improved methods of service delivery that reduce costs, improve customer service or both. Long Beach is also making and further reviewing improvements to technological systems to improve services, efficiency and reduce costs. The City’s goal is to provide modern, fast, efficient and cost effective way to serve the public.

Debt Administration

During fiscal year 2012, the City and its agencies issued approximately \$134.5 million in debt as follows:

Fund / Agency	Amount (millions)	Purpose
General Fund	\$ 22.0	Tax Revenue Anticipation Notes
Water	9.9	Water Revenue Bonds
Tidelands Funds- Aquarium	102.6	Aquarium of the Pacific Refunding Revenue Bonds
Total	<u>\$ 134.5</u>	

The Tax Revenue Anticipation Notes were issued in October 2011 to meet the cash flow needs of the City’s General Fund and were repaid before the fiscal year ended. General Fund revenues, mostly from tax receipts, were accumulated to pay off the notes.

More detailed information about the debt position of the City is reported in Notes 8 through 12 of the Notes to the Basic Financial Statements in the accompanying Financial Section of this report as well as in the Schedules of Debt Capacity of the accompanying Statistical Section.

Pension and Other Post-Employment Benefits

The City provides to full-time employees retirement and disability benefits through the California Public Employees’ Retirement System (CalPERS), an 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. Benefit provisions and all other requirements are established by both State statute and City ordinance. On an annual basis, CalPERS recalculates the City’s pension contribution requirements and, consistent with City policy, the City adheres to the prescribed pension plan contribution requirements.

The City provides seasonal and temporary employees retirement and death and disability benefits through a Public Agency Retirement System (PARS) defined benefit single-employer retirement plan.

The PARS plan is administered through a third-party administrator. The City's funding policy is to make the contribution as determined by the PARS plan's actuary.

The City currently provides post-retirement health care benefits under the provisions of the City's Personnel Ordinance where upon retirement from the City, retirees, their spouses, and eligible dependents are allowed to use the cash value of the employee's accumulated unused sick leave to pay for health, dental, vision, short- and long-term disability, and long-term care insurance under the City's Retired Employees' Health Insurance Program. As of September 30, 2012, there were 580 participants in this program.

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

Independent Audit

Section 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 for the audit of the City's Basic Financial Statements for the fiscal year ended September 30, 2012. The Independent Auditors' report has been included in this report.

Certificate of Achievement

For the fifth year in a row, the Government Finance Officers Association (GFOA) of the United States and Canada has awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



PATRICK H. WEST
CITY MANAGER



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT



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Directory of City Officials
As of September 30, 2012

Bob Foster
Mayor

Dr. Robert Garcia
Vice-Mayor
1st District

Suja Lowenthal
Councilmember
2nd District

Gary DeLong
Councilmember
3rd District

Patrick O'Donnell
Councilmember
4th District

Gerrie Schipske
Councilmember
5th District

Dee Andrews
Councilmember
6th District

James Johnson
Councilmember
7th District

Al Austin
Councilmember
8th District

Steven Neal
Councilmember
9th District

Elected Department Heads

City Attorney
City Auditor
City Prosecutor

Robert E. Shannon
Laura Doud
Douglas P. Haubert

Appointed by Council or Commission

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

Larry Herrera
Mario R. Beas
J. Christopher Lytle
Kevin L. Wattier

City Manager
Patrick H. West

Assistant City Manager
Suzanne Frick

Deputy City Manager
Reginald I. Harrison

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

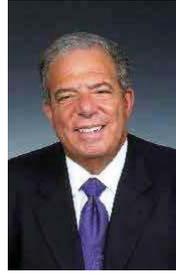
John Gross
Ronald Arias
Amy J. Bodek
Mario Rodriguez
Deborah Mills
Glenda Williams
Christopher J. Garner
George Chapjian
Michael P. Conway
Curtis Tani
Michael DuRee
Jim McDonnell



Council District 1
Robert Garcia



Council District 2
Suja Lowenthal



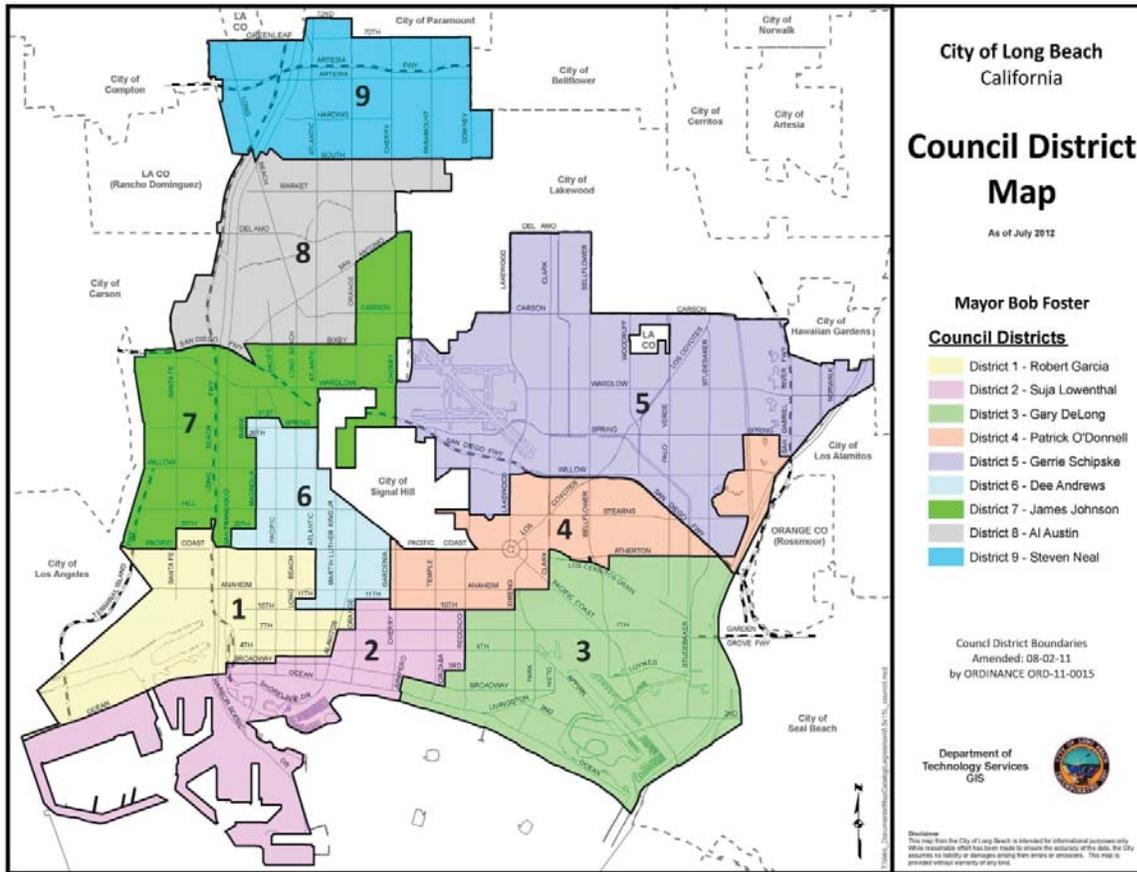
Mayor
Bob Foster



Council District 3
Gary DeLong



Council District 4
Patrick O'Donnell



Council District 5
Gerrie Schipske



Council District 6
Dee Andrews



Council District 7
James Johnson



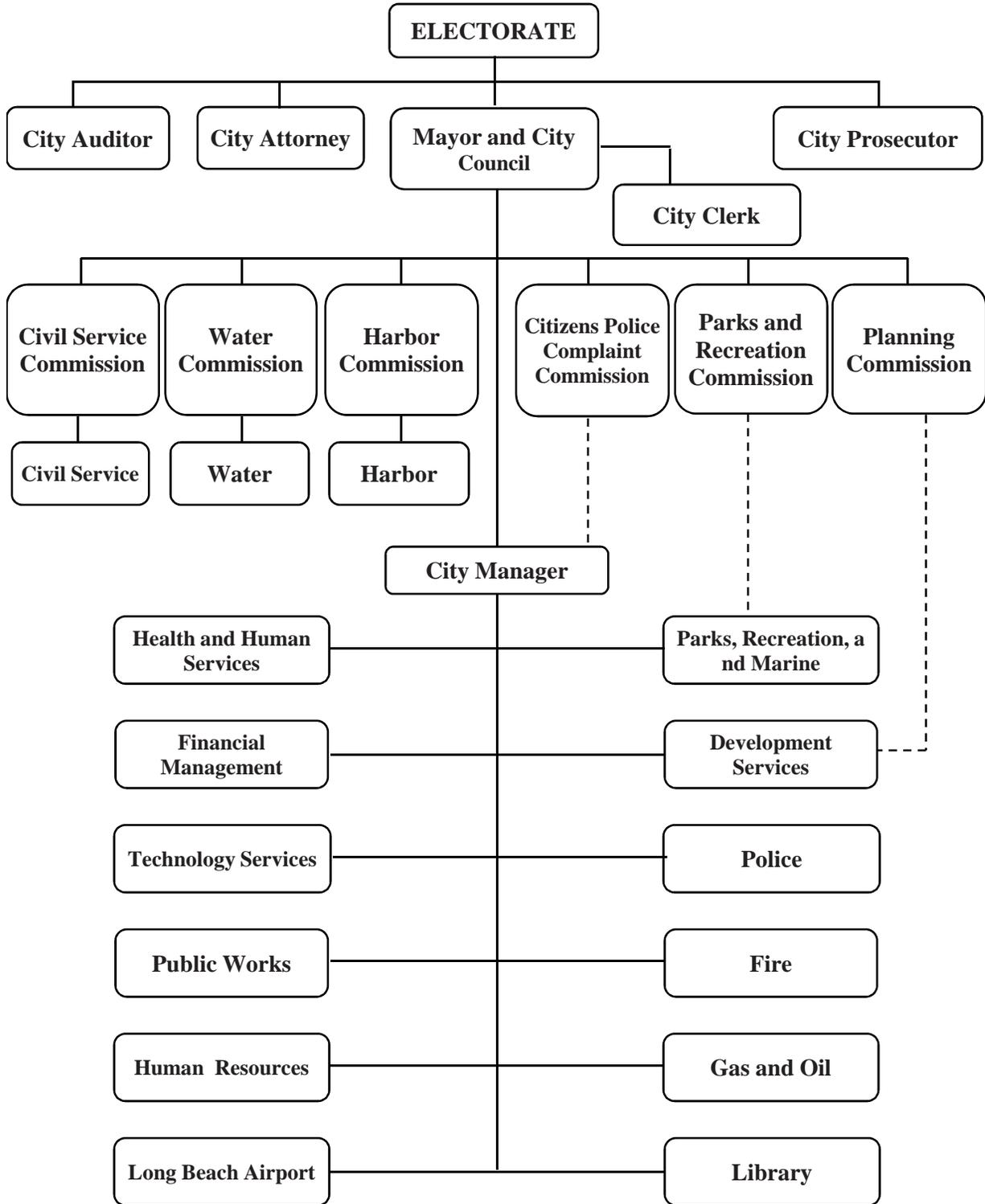
Council District 8
Al Austin



Council District 9
Steven Neal

LONG BEACH CITY GOVERNMENT
ORGANIZATIONAL CHART

As of September 30, 2012



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Long Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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 employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emen

Executive Director

FINANCIAL SECTION

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

Independent Auditors' Report

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

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, 2012, 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. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us and, our opinion, insofar as it related to the amounts included for the discretely presented component unit, is based solely on the report of the other audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Long Beach, California as of September 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the basic financial statements, effective February 1, 2012, the Redevelopment Agency of the City of Long Beach (the Agency) was dissolved and the assets and liabilities of the Agency were transferred to the City as the City Council elected to become the Successor Agency for the former redevelopment agency.



As discussed in note 2 to the basic financial statements, the City adopted Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Application of this statement was effective as of October 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013 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 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 27 and the schedules of funding progress on pages 129 and 130 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as the introductory section, the additional financial section, the other supplementary information section, and the statistical section are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional financial section and the other supplementary information section have been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditor, the additional financial section and the other supplementary information section are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and the statistical section are presented for the purposes of additional analysis, and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us or the other auditor in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

March 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012

As the management team for the City of Long Beach (the City), we present to the readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider this information in conjunction with the information found in the letter of transmittal.

Financial Highlights

Government-wide Basis:

- The assets of the City exceeded its liabilities as of September 30, 2012 by \$4.5 billion (*net position*). Of this amount, \$687.6 million may be used to meet the government's ongoing governmental (General Fund, grant, capital project) and business-type activity obligations to citizens and creditors. However, expenditure restrictions apply to the Successor Agency and grant funds and much of the business-type and capital project funds.
- The City's total net position increased by \$66.0 million, reflecting a \$200.3 million increase in net position for business-type activities and a \$134.3 million decrease in net position for governmental activities.
- Governmental activities' assets decreased \$144.6 million with a decrease in current assets of \$132.5 million. The decrease primarily resulted from the reduction of Property Taxes Receivable of \$95.0 million and Land Held for Resale of \$92.4 million as result of the dissolution of the Redevelopment Agency (Agency). These decreases were offset by increases in Pooled Cash and Cash Equivalents of \$41.6 million and Other Noncurrent Receivables of \$24.6 million.
- Governmental activities' liabilities decreased \$10.2 million. Governmental activities' current liabilities decreased \$14.0 million, or 4.0 percent. Non-current liabilities, including such items as bonds, notes, leases payable, accrued self-insured claims, and retiree benefits, increased \$3.7 million.
- Business-type activities' assets increased \$175.9 million with an increase of \$246.8 million in capital assets. Deferred outflows decreased \$47.2 million. Business-type activities' liabilities decreased \$24.5 million and include a reduction in long-term liabilities of \$69.3 million. Deferred inflows decreased \$47.2 million.

Fund Basis:

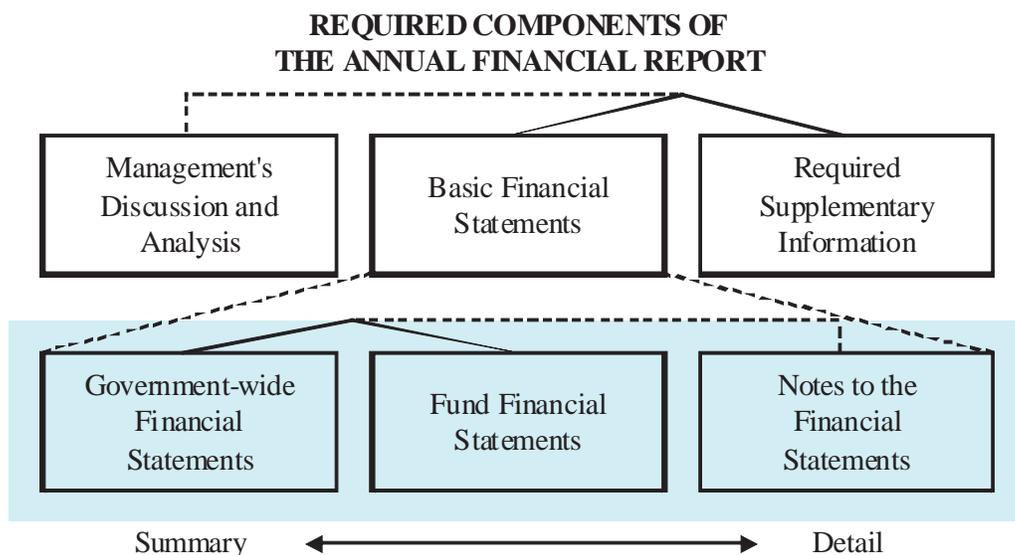
- As of September 30, 2012, non-spendable fund balance in the City's governmental funds was \$2.1 million of which \$2.0 million, primarily attributed to advances to other funds, is found within the General Fund.
- As of September 30, 2012, the City's governmental funds reported \$323.2 million as restricted fund balance. These amounts were restricted for debt service, public safety, public health, community and cultural, and public works in the amounts of \$38.6 million, \$4.3 million, \$4.2 million, \$217.9 million, and \$58.2 million, respectively.
- As of September 30, 2012, the City's governmental funds reported committed and assigned fund balances of \$6.8 million and \$72.7 million, respectively. The General Fund reports committed fund balance of \$4.4 million for future oil field abandonment costs and \$1.0 million for public safety purposes, totaling \$5.4 million. In addition, the General Fund reports \$61.9 million of assigned fund balance for emergencies, operational requirements, infrastructure projects, and subsequent year's appropriation, of \$31.5 million, \$13.0 million, \$1.0 million, and \$16.4 million.

The City of Long Beach
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended September 30, 2012 (Continued)

- As of September 30, 2012, the City's governmental funds reported a deficit in unassigned fund balance of \$27.8 million, \$29.9 million of which is in the Successor Agency Capital Projects Fund. Deficit unassigned fund balances in the Housing Development Fund and Other Governmental Funds is related to amounts advanced from other funds.

Overview of the Financial Statements

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



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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, such as grant revenue (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities of the City include legislative and legal, general government, public safety, public health, community and cultural, public works, and City

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

oil operations. Business-type activities include those related to gas, water and sewer utilities, airport and solid waste management operations, towing, tidelands, marina and Rainbow Harbor area operations, as well as tidelands oil revenue operations and the Port of Long Beach (the Harbor).

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate transportation company for which the City is the sole stakeholder and, therefore, has authority to affect the company. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. Also included in the governmental activities of the government-wide financial statements are the Housing Authority of the City of Long Beach, the Long Beach Housing Development Company (the Company), the Long Beach Redevelopment Agency (the Agency), 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, and the Long Beach Capital Improvement Corporation. Although legally separate from the City, these component units are blended with the primary government because of their close governance by, or financial relationships with, the City.

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

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

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

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Successor Agency's Capital Projects Fund. Each is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

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

The City adopts an annual appropriated budget for its funds. A budgetary comparison is provided for each of the City's governmental funds to demonstrate compliance with their budgets. The budgetary comparison statements for the General Fund and major special revenue funds are located in the basic financial statements.

Proprietary funds: Proprietary funds are generally used to account for operations that provide services to the general public on a continuing basis or to internal City departments. Proprietary funds provide the same type of information contained in the business-type activities portion of the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds: enterprise and internal service.

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the gas utility, airport, tidelands operations, tideland oil revenue operations, and the Harbor, all of which are classified as major funds. The City also reports enterprise operations for the sewer and water utilities, solid waste management operations, development services, towing operation, and land subsidence fund as non-major enterprise funds shown in the Additional Financial Information section of this report.
- **Internal Service funds** are used to accumulate and allocate certain support costs internally among the City's various functions. The City uses internal service funds to account for: the operation and financing of the Civic Center complex; information technology assets and services, lease-purchase of equipment, and reprographics equipment and services; the operation, maintenance, and replacement of the City's vehicle fleet and related facilities; and the City's risk-management and self-insurance programs, including workers' compensation and general liability, compensated absences, payroll taxes, and health and retirement benefits. Because these services predominantly benefit governmental rather than business-type functions, they are incorporated into governmental activities in the government-wide financial statements. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements in the Additional Financial Information section of this report.

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

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

Other Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The combining statements referred to above in connection with non-major governmental funds and internal service funds are presented in the Required Supplementary Information and Other Supplementary Information

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

section, along with information regarding capital assets. The following table provides a summary of the significant features of the financial statements as well as insight into how the information is compiled for statement presentation:

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

Government-Wide Financial Analysis

Analysis of Net Position: Net position may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported a positive net position for both governmental and business-type activities, with total assets exceeding liabilities by \$4.5 billion. Below are the three components of net position and their respective fiscal year-end balances:

- **Net investment in capital assets:** At September 30, 2012, net investment in capital assets represents 67.5 percent, or \$3.0 billion, of the City's total net position compared to 62.9 percent, or \$2.8 billion, at September 30, 2011. This component of net position consists of capital assets (land and easements, structures and improvements, infrastructure, and equipment) net of accumulated depreciation reduced by debt attributable to the acquisition, construction, or improvement of the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources as the capital assets themselves cannot be

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

used to liquidate these liabilities. The increase in this component of net position primarily resulted from an increase in Harbor spending on construction projects during the year.

- **Restricted net position:** Restricted net position accounted for 17.1 percent, or \$760.6 million, of the City's total net position for fiscal year 2012 as compared to 21.0 percent and \$921.7 million for fiscal year 2011. This component of net position represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Governmental activities restricted net position decreased \$161.0 million primarily as result of activities associated with the State mandated dissolution of the Agency. Business-type activities restricted net position increased slightly over the prior fiscal year.
- **Unrestricted net position:** At September 30, 2012, unrestricted net position accounted for 15.4 percent, or \$687.6 million, of the City's total net position compared to 16.1 percent, or \$705.0 million, at September 30, 2011. Total unrestricted net position at September 30, 2012 is comprised of a \$100.3 million deficit from governmental activities and \$787.9 million surplus from business-type activities compared to a deficit of \$104.3 million from governmental activities and a surplus of \$809.3 million from business-type activities for the prior year. The \$4.0 million increase in unrestricted net position in governmental activities is mainly attributed to the dissolution of the Agency offset by operational results. The \$21.4 million, 2.6 percent, decrease in unrestricted net position for business-type activities primarily resulted from decreases in the Gas Utility Fund, \$20.8 million, and the Harbor Fund, \$46.9 million, offset by an increase in the Tidelands Operating Fund, \$46.4 million, the Airport, \$6.7 million, and the solid Waste Management Fund of \$10.4 million.

Net Position
September 30, 2012 and 2011
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and Other Assets	\$ 1,032,444	\$ 1,164,937	\$ 2,193,300	\$ 2,264,272	\$ 3,225,744	\$ 3,429,209
Capital Assets	696,529	708,616	3,729,323	3,482,477	4,425,852	4,191,093
Deferred Outflows	-	-	226,006	273,240	226,006	273,240
Total Assets and Deferred Outflows	1,728,973	1,873,553	6,148,629	6,019,989	7,877,602	7,893,542
Liabilities:						
Current Liabilities	339,197	353,170	378,133	333,362	717,330	686,532
Noncurrent Liabilities, Net	781,392	777,664	1,697,239	1,766,506	2,478,631	2,544,170
Deferred Inflows	-	-	226,006	273,240	226,006	273,240
Total Liabilities and Deferred Inflows	1,120,589	1,130,834	2,301,378	2,373,108	3,421,967	3,503,942
Net Position:						
Net Investment in Capital Assets	237,998	215,317	2,769,461	2,547,605	3,007,459	2,762,922
Restricted	470,723	631,729	289,864	289,999	760,587	921,728
Unrestricted	(100,337)	(104,327)	787,926	809,277	687,589	704,950
Total Net Position	\$ 608,384	\$ 742,719	\$ 3,847,251	\$ 3,646,881	\$ 4,455,635	\$ 4,389,600

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

Change in Assets and Liabilities: Governmental activities current and other assets decreased by \$132.5 million, or 11.4 percent, as compared to fiscal year 2011. The decrease primarily resulted from activities related to the mandatory dissolution of the Agency in accordance with Assembly Bill 1X26 effective February 1, 2012. Among the changes primarily resulting from the dissolution was a \$95.0 million decrease in taxes receivable and a \$92.4 million reduction in the value of land held for resale. These reductions were offset by increases in pooled cash and cash equivalents of \$41.6 million. The \$11.0 million increase was due to operational results within the General fund, a \$5.7 million increase within Gas Tax fund, and a planned increase in cash needed to return unspent tax increment funding related to the dissolution of the Agency. Governmental activities capital assets decreased \$12.1 million, or 1.7 percent, as compared to fiscal year 2011. Details related to this change can be found on pages 23 and 24.

The governmental activities' current liabilities decrease of \$14.0 million, or 4.0 percent, primarily resulted from a \$75.0 million increase in amounts due to other governments, directly attributable to the dissolution of the Agency, \$2.5 million increase in short-term employee benefits and other accrued long-term obligations, and \$1.7 million increase in bonds, loans and other long-term obligations. This was offset by decreases of \$21.6 million in accounts payable, \$14.4 million as result of the dissolution of the Agency, and \$71.9 million in deferred revenues, credits, and other receivables as result of the dissolution of the Agency. The increase in governmental activities non-current liabilities of \$3.7 million was attributed to a \$22.4 million reduction in bonds and other long-term debt and \$1.3 million decrease in deferred revenues, credits, and other receivables, offset by a \$27.4 million increase in employee benefits and other accrued long-term liabilities such as workers compensation and general liability as result of actuarial determined increase in primarily workers' compensation related liabilities.

Business-type activities' current and other assets decreased \$71.0 million, or 3.1 percent. Noteworthy changes included decreases of \$77.5 million in cash and cash equivalents, \$4.7 million in non-pooled cash and cash equivalents, \$20.2 million in non-pooled investments, \$23.2 million in prepaid gas and \$5.1 million in non-current receivables. These decreases were primarily as result of activities related to the Harbor's Middle Harbor and Gerald Desmond Bridge projects and the drawdown of prepaid gas. This was offset by an increase of \$65.9 million in amounts due from other governments, primarily related to grant funding for the Gerald Desmond Bridge project. Business-type activity capital assets increased \$246.8 million primarily resulting from a \$200.1 million increase as result of work on the Harbor's Middle Harbor and Gerald Desmond Bridge projects, a \$20.9 million increase related to work on the new Airport terminal, and \$10.2 million and \$7.8 million related to various Gas Department and Tidelands ongoing and completed capital projects.

Business-type current and other liabilities decreased \$24.5 million, or 9.5 percent, and primarily resulted from a \$19.8 million increase in amounts due to vendors offset by a \$43.7 million decrease in long-term liabilities such as bonds and other debt. Deferred outflows decreased \$47.2 million, 17.3 percent. The decrease was as result of the reduction in fair value of the gas commodity swap.

Analysis of Changes in Net Position: The City's total net position increased 1.5 percent, or \$66.0 million, during fiscal year 2012, compared to the prior year's increase of 5.9 percent, or \$244.5 million. The change is the result of a decrease in governmental activities' net position of \$134.3 million, primarily related to the dissolution of the Agency, and an increase in business-type net position activities of \$200.4 million. The prior year change consisted of a \$69.1 million increase in net position in governmental activities along with a \$175.9 million increase in business-type activities. The fiscal year 2012 change in net position consists of program revenues and general revenues of \$1.5 billion and \$355.0 million, respectively, reduced by program expenses of \$1.8 billion. Specific factors related to the change in net position for governmental and business-type activities are found on pages 11 through 16.

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

The following table provides information from the Statement of Activities for the fiscal years 2012 and 2011:

Changes in Net Position
September 30, 2012 and 2011
(In Thousands)

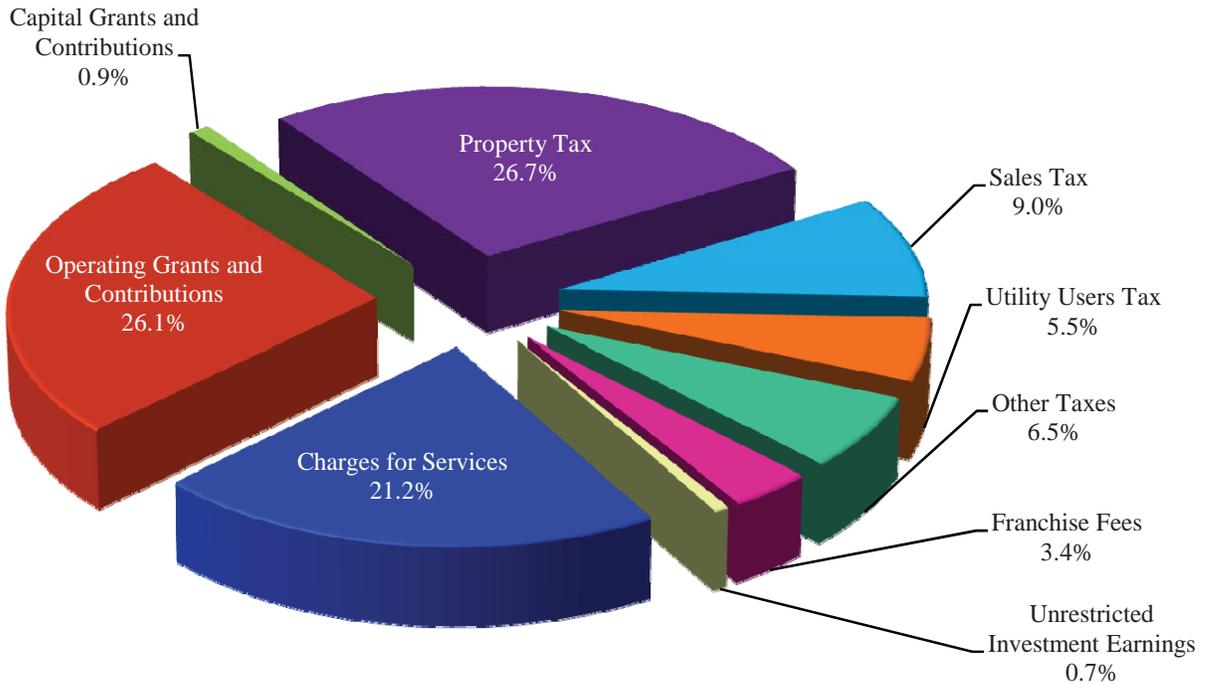
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 142,400	\$ 133,889	\$ 1,174,408	\$ 1,205,360	\$ 1,316,808	\$ 1,339,249
Operating Grants and Contributions	175,647	198,198	1,413	2,723	177,060	200,921
Capital Grants and Contributions	6,147	7,588	26,552	26,406	32,699	33,994
Taxes:						
Property	179,746	218,570	-	-	179,746	218,570
Sales	60,414	60,159	-	-	60,414	60,159
Utility Users	37,097	38,739	-	-	37,097	38,739
Other	43,360	43,254	-	-	43,360	43,254
Franchise Fees	23,143	24,184	-	-	23,143	24,184
Unrestricted Investment Earnings	4,349	10,291	6,903	9,253	11,252	19,544
Total Revenues	672,303	734,872	1,209,276	1,243,742	1,881,579	1,978,614
Expenses:						
Legislative and Legal	10,998	10,106	-	-	10,998	10,106
General Government	22,128	22,653	-	-	22,128	22,653
Public Safety	290,542	284,986	-	-	290,542	284,986
Public Health	42,712	44,428	-	-	42,712	44,428
Community & Cultural	331,170	193,886	-	-	331,170	193,886
Public Works	92,058	89,942	-	-	92,058	89,942
Oil Operations	9,256	7,318	-	-	9,256	7,318
Interest on Long-Term Debt	28,492	35,273	-	-	28,492	35,273
Gas	-	-	77,157	84,003	77,157	84,003
Water	-	-	81,377	82,050	81,377	82,050
Sewer	-	-	15,042	15,357	15,042	15,357
Airport	-	-	41,764	39,530	41,764	39,530
Development Services	-	-	11,617	11,126	11,617	11,126
Solid Waste Management	-	-	69,506	71,330	69,506	71,330
Towing	-	-	6,743	6,670	6,743	6,670
Tidelands	-	-	100,602	124,830	100,602	124,830
Tideland Oil Revenue	-	-	390,602	393,317	390,602	393,317
Subsidence	-	-	5	5	5	5
Harbor	-	-	193,773	217,335	193,773	217,335
Total Expenses	827,356	688,592	988,188	1,045,553	1,815,544	1,734,145
Increase (Decrease) in Net Position before Transfers	(155,053)	46,280	221,088	198,189	66,035	244,469
Capital Assets Transfers	5,090	1,266	(5,090)	(1,266)	-	-
Transfers	15,628	21,601	(15,628)	(21,601)	-	-
Total Change in Net Position	(134,335)	69,147	200,370	175,322	66,035	244,469
Net Position, Beginning of Year	742,719	673,572	3,646,881	3,471,559	4,389,600	4,145,131
Net Position, End of Year	\$ 608,384	\$ 742,719	\$ 3,847,251	\$ 3,646,881	\$ 4,455,635	\$ 4,389,600

The City of Long Beach
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended September 30, 2012 (Continued)

Governmental activities: The following charts illustrate program expenses and revenues by function, and revenues by source. Public safety and community and cultural are the largest functions of total governmental expense, at 35.1 percent and 40.0 percent, respectively, followed by Public Works at 11.1 percent, and Public Health at 5.2 percent. Property, sales, utility users, and other taxes, representing 47.7 percent of total governmental activities revenues, are general revenues used to support overall government functions, and are therefore not shown as program revenues. Operating grants and contributions comprise 26.1 percent and charges for services 21.2 percent of governmental revenue.

Governmental activities decreased the City's net position by \$134.3 million, as compared to fiscal year 2011 net position increase of \$69.1 million. The City's net transfers (including capital asset transfers) decreased by \$2.1 million and program revenues decreased \$15.5 million as compared to the prior fiscal year. In addition, primarily as a result of the dissolution of the Agency, governmental activities expense increased \$138.8 million and general revenues decreased \$47.1 million.

**Governmental Activities - Revenues by Source
 For the Year Ended September 30, 2012**



- Property tax revenues decreased \$38.8 million, or 17.8 percent, and resulted from the loss of redevelopment tax increment revenues, inclusive of the 20% set-aside for the Housing Development Fund, an effect of the dissolution of the Agency.
- Utility users' tax (UUT) decreased by \$1.6 million, or 4.2 percent. The decrease was made up of all forms of UUT tax collected by the City with decreases ranging up to \$719 thousand, or 9.3 percent, for the UUT for electrical services. Further detail of this variance can be found in the *General Fund Revenue and Other Financing Sources* section of the Management Discussion and Analysis.
- Franchise fee revenue decreased \$1.0 million, or 4.3 percent, and was primarily resulted from consumer conservation efforts and a warm winter that lead to a \$1.1 million decrease in the collection of Pipeline Franchise fees.

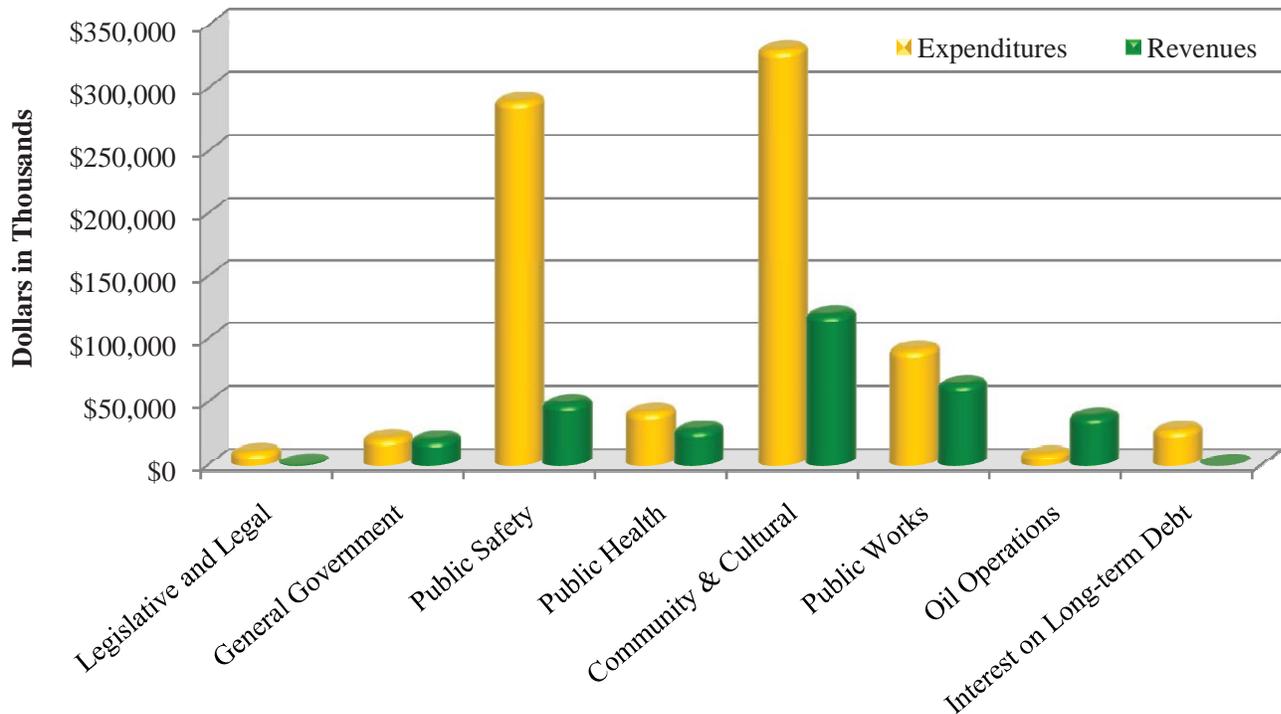
The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

- Unrestricted investment earnings decreased \$5.9 million, or 57.7 percent, and resulted from the loss of interest earnings on long-term advances between funds related to the dissolution of the Agency. The change in interest rate on the City's pooled cash and cash equivalent was negligible with an average rate of 0.30 percent in fiscal year 2012, compared to 0.52 percent in fiscal year 2011.
- Charges for services increased \$8.5 million, or 6.4 percent, reflecting the following:
 - Legislative and Legal charges for services increased \$610 thousand, or 586.5 percent, primarily due to reimbursements for elections held during fiscal year. Elections are normally held every two years.
 - General Government charges for services increased \$1.0 million, or 6.2 percent, as compared to the prior fiscal year. The increase is primarily attributed to EZ Voucher fees and revenue from special events such as studio filming permits.
 - Public Health charges for services increased \$813 thousand, or 9.3 percent.
 - Public Safety charges for services decreased by \$493 thousand, or 1.4 percent.
 - Community and Cultural charges for services decreased \$6.8 million, or 32.9 percent, and is primarily attributed to the dissolution of the Agency.
 - Public Works' charges for services increased 5.8 million, or 27.5 percent, primarily due a increase in parking citations revenues and new revenues from the I-605 corridor project. The primary reason for the increase in parking citation revenue is the availability of more accurate and complete information for the timely recording of associated revenues.
 - Oil operations revenue in the City's uplands oil extraction area increased by \$7.6 million, 24.1 percent, over the prior year. The average price per barrel in fiscal year 2012 was \$107.6, an increase of \$10.6, as compared to the fiscal year 2011 per barrel average of \$97.0.
- Operating grants and contributions decreased by \$22.6 million, or 11.4 percent, primarily resulting from the following:
 - Public Safety operating grants and contributions increased \$879 thousand, or 6.3 percent, primarily due to a \$3.3 million increase in reimbursements for incurred expenses related to the Port Security Grant Program. This was offset by a \$2.2 million decreases in reimbursements related to the Urban Areas Security Initiative (UASI) federal grant.
 - Public Health operating grants decreased \$2.6 million, or 11.0 percent, primarily due to funding reductions in the Lead Based Paint Hazard Control program of \$941 thousand, the Women, Infant and Children (WIC) program of \$799 thousand, and in the HIV care program of \$909 thousand.
 - Community and Cultural operating grants decreased by \$13.8 million, or 11.8 percent primarily as result of the City exhausting funding from the American Recovery and Reinvestment Act (ARRA).
 - Public Works' operating grants and contributions decreased \$7.3 million, or 16.8 percent. This decrease in funding primarily resulted from a \$4.9 million reduction in funding as the City exhausting resources from the American Recovery and Reinvestment Act (ARRA) and a \$1.9 million reduction in Sate Proposition 40 (Murray-Hayden) funding.

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

- Capital grants and contributions decreased by \$1.4 million, or 19.0 percent, primarily reflecting:
 - Public Works' capital grants and contribution decreased \$1.7 million, or 87.5 percent as contributions from Boeing Company to fund a new turn lane at Pacific Coast Highway and Second Street was reduced \$674.9 thousand and funding from the Orange County Transportation Authority for Street lights to mitigate traffic surrounding the 405 and 22 highway intersection replacement was reduced \$829 thousand as the project was completed.

Governmental Activities - Program Expenditures and Revenues
For the Year Ended September 30, 2012



Governmental activities expenses increased by \$138.8 million, or 20.2 percent, in fiscal year 2012. Details include:

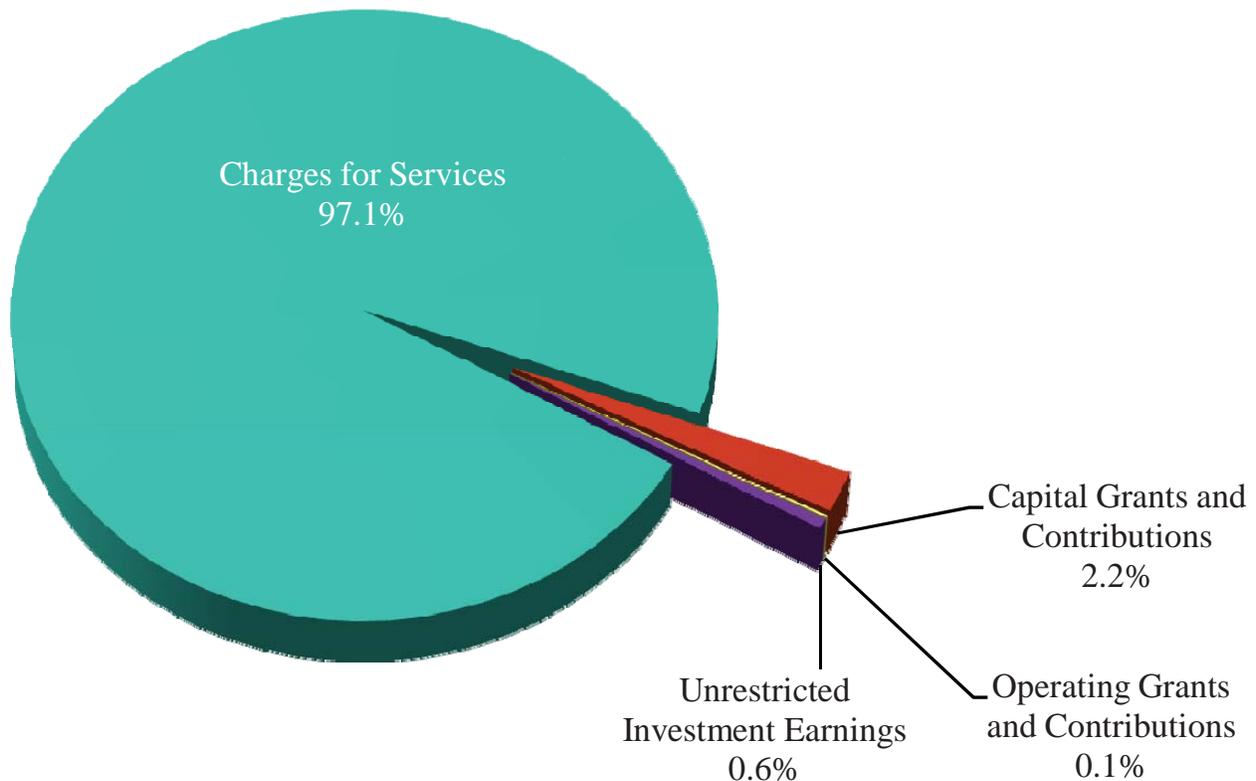
- An increase in Legislative and Legal expense of \$892 thousand, or 8.8 percent, in fiscal year 2012 is primarily attributed to 2012 being an election year.
- General Government expenses decreased \$525 thousand, or 2.3 percent.
- Public Safety expenses increased \$5.6 million primarily resulting from a \$6.5 million increase in the allocation of internal service fund expenses to this function, a \$1.7 million increase related to not repeating specific capital asset acquisition activity from the prior year, and a \$899 thousand decrease in long-term debt related activity. This was offset by a \$3.7 million decrease in public safety operating expenses and was primarily the result of a \$2.2 million decrease in Fire Department expenses for security related materials and supplies.
- Community and Cultural expense increased \$137.3 million, or 70.8 percent. The increase primarily resulted from activities related to the dissolution of the Agency such as the \$72.6 million accrual for the payback of Agency tax increment funding as result of the Due Diligence Reviews.

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

- Public Health decreased \$1.7 million, or 3.9 percent, as result of reflecting the decrease in operating grant funding received during the year.
- Public Works had an increase of \$2.1 million, or 2.4 percent, and was primarily the result of increased purchases of engineering and construction management services for projects such as the tunnel between the city jail and the new courthouse, various park and street projects such as Chittick field, and the 5-year Speed Survey.
- Oil Operations increased \$1.9 million or 26.5 percent, reflecting the increase in production activity.
- The decrease of \$6.8 million, or 19.2 percent, in interest on long-term debt is attributed to normal debt service payments.

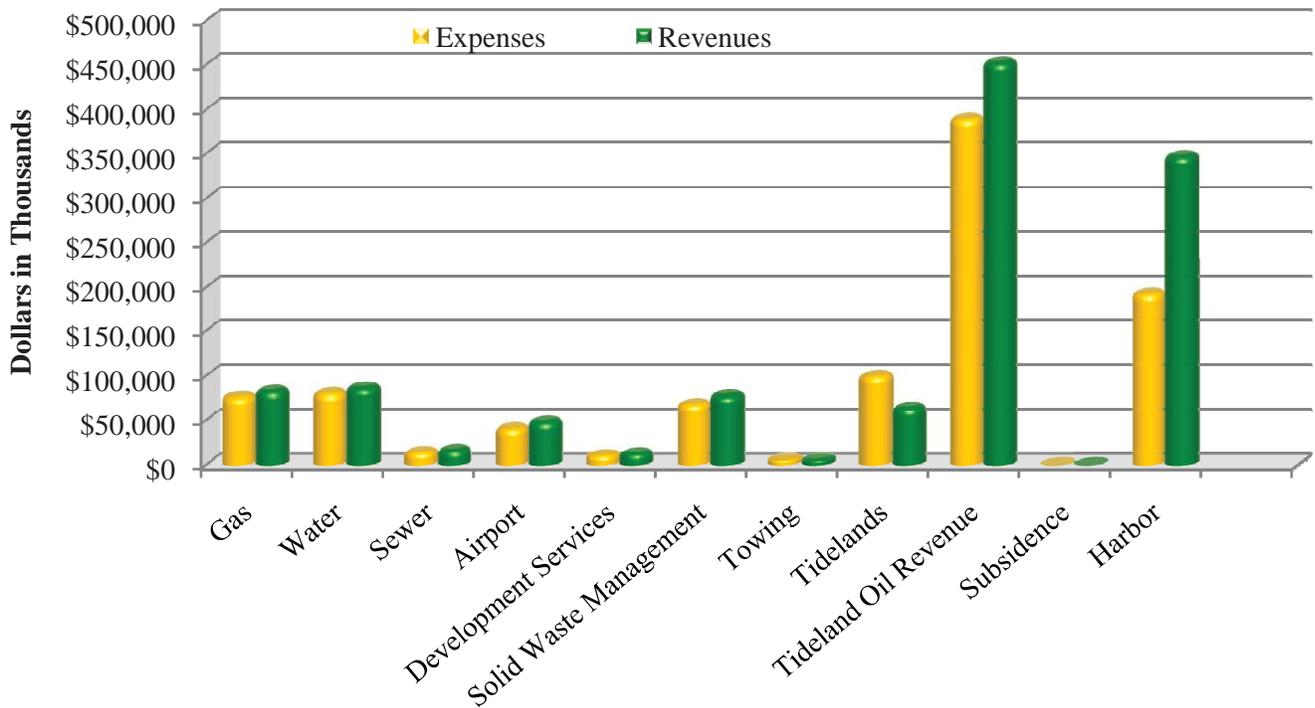
Business-type activities: The business-type activities charts on the following page illustrate program expenses and revenues. The Harbor is the largest business-type operation, followed by the tidelands fund and the gas, water, and sewer utilities. The gas, water, and sewer utilities and the Harbor are mainly funded by fees for services provided, while tidelands fund is funded by fees along with approved transfers from the Harbor and Tideland Oil Revenue Fund.

Business-type Activities - Revenues by Source
For the Year Ended September 30, 2012



The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

Business-type Activities - Program Expenditures and Revenues
For the Year Ended September 30, 2012



Business-type activities increased the City's overall net position by \$200.4 million, or 5.5 percent. The fiscal year 2012 increase in business-type net position is \$25.1 million more than the 2011 fiscal year increase of \$175.3 million. Key elements of the increase in fiscal year 2012 are as follows:

- Gas Utility Fund net position, inclusive of income before contributions and transfers, decreased by \$5.8 million, or 14.3 percent. Income before transfers and contributions was \$6.1 million. The change in net position included a \$5.1 million decrease in charges for services, primarily resulting from increases in commodity costs, offset by decreased operating expenses of \$6.6 million primarily resulting from decreased costs for the purchase of gas of \$8.9 million offset by a \$1.9 million increase in system maintenance costs. Per City charter, the gas utility sets its gas prices based on its purchase price for the commodity. This process results in a delay in cost recovery when commodity prices are climbing.
- Airport Fund net position increased by \$7.9 million, or 5.2 percent. The increase primarily resulted from a \$2.0 million increase in fee revenues, a \$421 thousand decrease in operating expenses, and a \$1.5 million increase in non-operating other income.
- Tideland Fund net position increased by \$42.2 million, or 13.8 percent, and primarily resulted from net operating transfers in of \$76.1 million plus capital grant revenues of \$7.9 million offset by net operating and non-operating losses of \$35.6 million and \$6.2 million, respectively. Transfers in for the year included transfers from the Harbor of \$16.7 million, consistent with City Charter mandated revenue sharing, and \$58.9 million in transfers from the Tidelands Oil Revenue Fund made up of \$27.3 million per the revenue sharing agreement for the optimized water flood program and \$31.6 million from the West Wilmington Oil field.

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

- Tidelands Oil Revenue net position increased \$3.5 million, or 36.4 percent. The primary reason for this change is one time proceeds from the sale of oil wells of \$2.6 million as reflected in other non-operating income. Oil field abandonment liability exceeded the net book value of the asset by \$12.5 million. Profits from the oil field were transferred to the Tidelands Fund.
- The Harbor's net position increased by \$141.8 million, or 5.3 percent. During the year, Operating revenues decreased \$11.5 million, or 3.3 percent. Operating expenses increased \$9.7 million or 5.9 percent. Key components of this increase included an increase in cargo facilities expense of \$1.8 million due to higher required maintenance costs and an increase to infrastructure maintenance of \$4.7 million. Depreciation expense was \$3.5 million higher than that of 2011. The transfer to the City decreased by \$6.2 million in fiscal year 2012 to \$16.7 million. In addition, transfers to the City decreased \$39.7 million from the prior year as result of the dissolution of the Agency.
- Non-major business-type activities' net position increased \$15.1 million, or 2.8 percent. Water, Sewer, Solid Waste, Subsidence, and Development Services funds increased \$5.8 million, \$1.8 million, \$3.9 million, \$1.2 million, and \$2.5 million, respectively. Towing net position decreased \$99 thousand. The increase in Solid Waste is directly attributed to a \$3.3 million increase in charges for service. The increases in the Water and Sewer funds are attributable to net operating results. The subsidence fund increase resulted from the receipt of interest earned on cash and investments. The increase in development services net position is attributable to increased licenses and permit revenues.

Governmental Funds Financial Analysis

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

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

At September 30, 2012, the City's governmental funds reported a combined ending fund balance of \$377.0 million, a net decrease of \$152.5 million from the prior year. Further information can be found in *Note 17 – Government Activities Fund Balance*.

The assets of governmental funds decreased by \$150.7 million, or 14.8 percent, over the previous fiscal year. The decrease was primarily attributable to the activities related to the dissolution of the Agency that resulted in significant decreases in areas such as property taxes receivable, \$88.0 million or 48.2 percent, and land held for resale, \$92.4 million or 47.9 percent.

Governmental fund liabilities increased by \$1.7 million, or 0.4 percent, over the prior fiscal year. Due to other governments increased \$75.0 million as result of the dissolution of the Agency. This amount represents cash balances payable to the County as result of the mandated Due Diligence Reviews performed over the housing and redevelopment functions. This was offset by decreases in accounts payable, \$18.7 million or 36.7 percent, and deferred revenues of \$53.3 million or 15.1 percent with the latter being as result of the Agency's dissolution.

Of the total governmental fund balance, \$407.8 million has some form of limitation on their use. Significant restrictions of fund balance as of September 30, 2012 include the following:

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

Restricted for Debt Service

\$38.6 million of governmental fund balance has been restricted for the payment of debt service obligations. \$32.6 million is restricted for the payment of Successor Agency related debt and \$6.0 million is restricted for debt service for various debt issuances of other governmental funds.

Restricted for Public Safety

As of September 30, 2012, within the General fund, \$2.9 million of asset seizure funds from federal and state court forfeitures are restricted to support the City of Long Beach Police Department of which \$1 million has been committed to support a negotiated agreement with the City's Police Officers Association. With the approval of Proposition H, the Police and Fire Public Safety Oil Production Act Fund was established. The Police and fire Public safety Oil Production tax may only be used to fund for police and fire equipment, facilities and training to ensure timely response to public safety needs. As of September 30, 2012, Police and Fire restricted Prop H funds are \$146 thousand and \$176 thousand, respectively.

Restricted for Public Health

\$4.2 million is restricted within the Health Fund, a non-major governmental fund, pursuant to Chapter 3 of the California Code of Regulations as well as by federal, state, and county grant guidelines.

Restricted for Community and Cultural

\$39.0 million is restricted for the provision of low-and-moderate-income housing within the Housing Development Fund in conformance with Redevelopment Law as codified in the State Health and Safety Code. Of this amount, \$29.9 million offsets advances to other funds and \$3.9 million is for land held for resale.

\$155.8 million is restricted within the Successor Agency Capital Projects funds for the purposes of winding down the Agency.

\$1.0 million is restricted within the Belmont Parking Meter Fund as the first pledge of revenue for special assessment debt that benefited the Belmont Shore area of Long Beach.

The Community Development Grants Fund holds \$9.3 million of restricted use funds received from federal grants including the Housing and Urban Development grant. Of this amount, \$8.5 million is composed of advances to other funds or used to acquire land held for resale.

Restricted for Public Works

\$13.4 million is restricted within the General Capital Projects Fund as a result of traffic mitigation impact fees and bonds proceeds, including Open Space and special assessment bonds.

Pursuant to California Street and Highways Section 2100-2128, \$17.8 million is restricted within the Gas Tax Fund for the research, planning, construction, improvements, maintenance and operation of public street and highways, including the mitigation of their environmental effects.

\$26.0 million is restricted within the Transportation Fund. Amounts are restricted pursuant to the requirements of Proposition A, Proposition C, Air Quality Management District (AQMD) AB2766, and Measure R in the amounts of \$2.4 million, \$14.7 million, \$2.7 million, and \$6.2 million respectively. Proposition A is to be used exclusively to benefit public transit and may be traded with other jurisdiction in exchange for general or other funds. Proposition C also benefits public transit, but has a wider range of uses including congestion management program, bikeways and bike lanes, street improvement supporting public transit and pavement management projects. Proposition C funds cannot be traded.

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

AB2766 funding is used to assist the City in meeting federal and state Clean Air Acts. Measure R is a ½ sales tax approved by Los Angeles County voters in November 2008 and is restricted for transportation purposes, including bus and highway corridor projects, streets and roads, and traffic control management.

General Fund Revenues and Other Financing Sources

Revenues and other financing sources for the General Fund, including comparative amounts from the preceding year, are shown in the following table:

General Fund Revenues and Other Financing Sources
September 30, 2012 and 2011
(In Thousands)

Revenues and Other Financing Sources	Fiscal Year 2011-12	Percent of Total	Fiscal Year 2010-11	Percent of Total
Taxes	\$ 238,654	57.9%	\$ 238,626	58.4%
Franchise Fees	23,143	5.6%	24,184	5.9%
Licenses and Permits	16,050	4.0%	16,303	4.0%
Fines and Forfeitures	17,762	4.3%	16,193	4.0%
Use of Money and Property	53,282	12.9%	50,486	12.4%
From Other Agencies	4,065	1.0%	5,035	1.2%
Charges for Services	27,006	6.5%	26,897	6.6%
Other Revenue	8,576	2.1%	6,100	1.5%
Other Financing Sources	23,412	5.7%	24,565	6.0%
	<u>\$ 411,950</u>	<u>100%</u>	<u>\$ 408,389</u>	<u>100%</u>

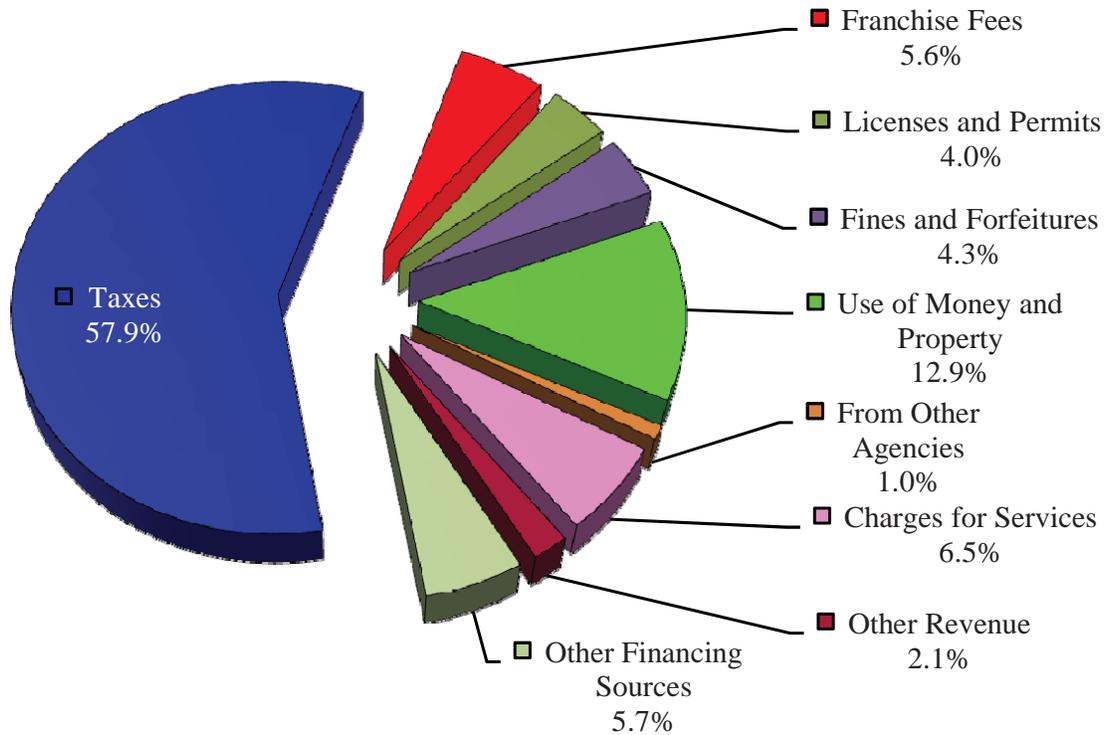
Tax revenue was flat with variances within the various sources as follows:

- Property tax decreased \$1.2 million. The reduction was due to motor vehicle-in-lieu taxes being discontinued.
- Utility Users tax decreased \$1.6 million due to conservation program efforts and changes in consumer behavior.
- Other tax increased \$2.6 million primarily as result of a \$2.7 million increase in transient occupancy tax revenues.
- Franchise fees decreased \$1.0 million, or 4.3 percent, as a result of a \$1.4 million decrease in pipeline franchise fees offset by small increases pipeline safety fees and refuse hauler franchise fees.
- Licenses and permits decreased \$253 thousand, or 1.6 percent.
- Fines and Forfeitures increased \$1.6 million, or 9.7 percent. This increase primarily resulted from a \$2.0 million increase in parking citation revenues due to the availability of additional citation related information.
- The use of money and property increase of \$2.8 million, or 5.5 percent, primarily consists of increases in both total oil production and price per barrel. The average price was \$107.6 per barrel compared to \$97.0 in fiscal year 2011.
- Charges for Services increased \$109 thousand.

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

- Other revenue increased 2.5 million, or 40.6 percent, primarily due to increased asset seizure revenues received from the federal government.
- Other financing sources decreased \$1.2 million, or 4.7 percent, and is attributed to decreases operating transfers from other funds.

**General Fund Revenues and Other Financing Sources
For the Year Ended September 30, 2012**



General Fund Expenditures

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

**General Fund Expenditures and Other Financing Uses
September 30, 2012 and 2011
(In Thousands)**

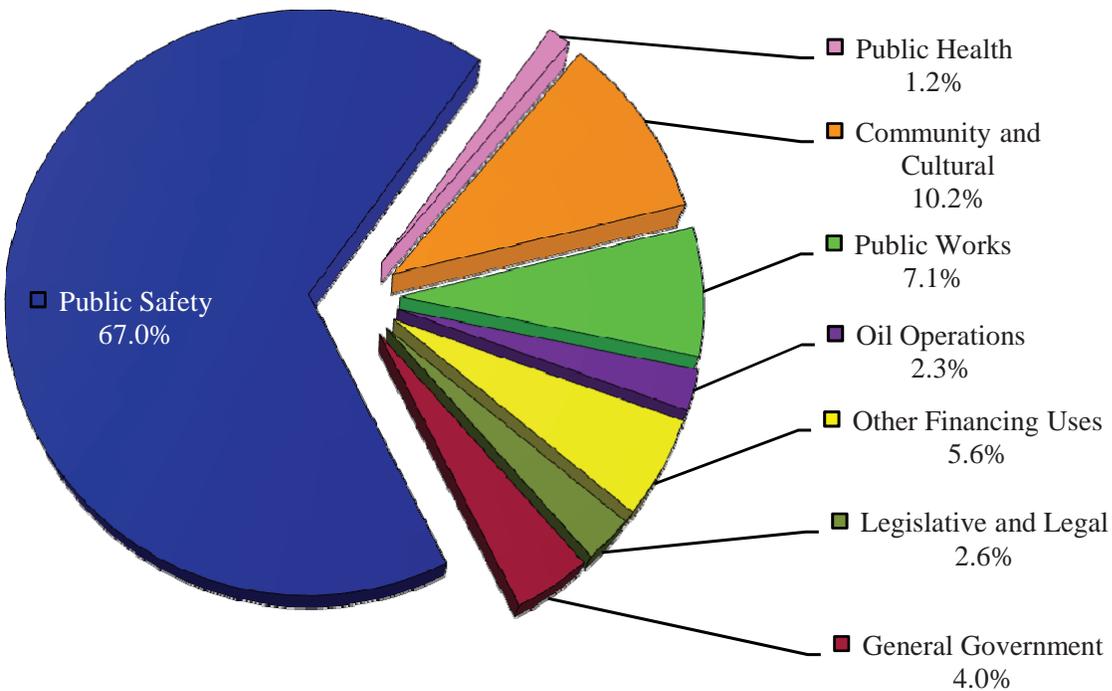
Expenditures and Other Financing Uses	Fiscal Year 2011-12	Percent of Total	Fiscal Year 2010-11	Percent of Total
Legislative and Legal	\$ 10,316	2.6%	\$ 9,683	1.9%
General Government	16,046	4.0%	18,556	3.7%
Public Safety	269,085	67.0%	274,768	54.4%
Public Health	5,248	1.2%	5,438	1.0%
Community and Cultural	40,958	10.2%	40,265	8.0%
Public Works	28,667	7.1%	28,558	5.7%
Oil Operations	9,146	2.3%	7,173	1.4%
Other Financing Uses	22,354	5.6%	120,657	23.9%
	\$ 401,820	100%	\$ 505,098	100%

The City of Long Beach
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended September 30, 2012 (Continued)

Current expenditures and other financing uses decreased \$103.3 million, or 20.4 percent, from fiscal year 2011. General Government, Public Safety, and Other Financing Uses decreased \$2.5 million, \$5.7 million, and \$98.3 million, respectively. These increases were offset by increased in Oil Operations, Legislative and Legal, and Community and Cultural functional expenditures of \$2.0 million, \$633 thousand, and \$693 thousand, respectively.

- General Government expenditures decreased 13.5 percent as result of a reduction in payments for the Location Agreement Program (a revenue sharing program).
- The decrease in Public Safety expenditures is primarily attributed to the police department's prior year purchase of two helicopters.
- The decrease in Other Financing Uses is due to the prior year implementation of AB1X26 that, along with terminating the Agency, resulted in the elimination or write down of loans between the City and the Agency.
- The increase in Oil Operations expenditures is attributed to higher productions costs within fault blocks IV and V, as well as from the Long Beach Unit.

General Fund Expenditures and Other Financing Uses
For the Year Ended September 30, 2012



The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

Other Major Governmental Funds

Other notable changes in major governmental funds include the following:

- As a result of the dissolution of the Agency, the residual fund balances of the Agency's capital projects and debt service funds, \$171.9 million and \$110.4 million, respectively, were transferred to the Successor Agency Capital Projects Fund, reported as a major governmental fund, and Successor Agency Debt Service Fund, reported as a non-major governmental fund. Inclusive of wind-down activities that occurred during the fiscal year, the Successor Agency Capital Projects Fund and Successor Agency Debt Service Fund ended the year with fund balances of \$125.9 and \$32.6 million, respectively.

Proprietary Funds Financial Analysis

Enterprise Funds: The enterprise funds' total net position at September 30, 2012 totaled \$3.9 billion. Total unrestricted net position amounted to \$815.6 million before the allocation of internal service fund activities. The total growth in net position was \$200.4 million after the internal service fund activities allocation to enterprise funds. Other factors affecting the finances of these funds are addressed in the discussion of the City's business-type activities.

The Tidelands and Harbor Funds reported unrestricted net position of \$172.7 million and \$614.1 million, respectively. The Tideland Oil Revenue Fund had a deficit unrestricted net position of \$18.6 million as result of future oil field abandonment liability exceeding net book value of the West Wilmington oil field. The Airport reported unrestricted net position of \$15.0 million. The Gas Utility Fund reported a deficit unrestricted net position of \$77.9 million, an increase of \$20.8 million from the prior fiscal year, primarily as result of interest paid during the fiscal year on debt service. Other business-type funds reported unrestricted net position of \$110.3 million.

Internal Service Funds: Internal service funds, which are used to finance and account for goods and services provided internally among City departments, had deficit net position of \$125.3 million and deficit unrestricted net position of \$193.5 million at September 30, 2012. The net deficit resulted from deficit unrestricted net position of \$89.9 million in the Insurance Internal Service fund and \$141.2 million in the Employee Benefit Internal Service Fund. It is the City's practice to bill City departments on a pay-as-you-go basis for functions performed by both funds, therefore, the long-term portion of related liabilities associated with these funds are not fully funded. City management believes that, over the long-term, current and future billing rates are sufficient to remediate any net asset deficit. In addition, City management believes that the cash position of each fund is sufficient to cover the current costs related to health insurance, workers' compensation, and general liability claims.

Fiduciary Funds

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

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

General Fund Budgetary Highlights

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

- The General Fund's final budgets for revenues and expenditure appropriations reflected a net decrease to budgeted fund balance of \$8.4 million. The Change between original and final budgeted amounts was \$7.8 million and consisted of additional appropriation for expenditures and other financing uses of \$11.1 million offset by an increase in revenue and other financing sources of \$3.3 million.

Significant changes in revenue forecasts include the following:

- A \$1.4 million increase in projected Use of Money and Property revenues primarily resulting from higher than anticipated oil prices.

Significant changes in the appropriations budget include the following:

- A \$5.2 million increase in the police department budget to fund additional personnel costs such as overtime and certain technology and equipment purchases. These increases were primarily funded through the use of one-time revenue sources.
- A \$1.1 million increase in the fire department budget to fund additional personnel costs such as overtime and certain equipment purchases. These increases were primarily funded through the use of one-time revenue sources.
- A \$1.3 million increase public works department budget to pay for additional tree trimming, using one-time funds, and to cover the costs associated with operating parking facilities formally managed by the Agency.
- A \$1.5 million increase in the gas and oil department to increase funding for oil production related operations.

The actual budgetary basis results of the General Fund as compared to the final budget reflect a net positive variance of \$17.7 million. This consists of favorable variances in both revenues and other financing sources of \$10.2 million and expenditures and other financing uses of \$7.5 million.

General Fund revenues and other financing sources reflect a positive budget to actual variance of \$17.7 million. For the year, the General Fund received 102.5 percent of total budgeted revenues and other financing sources. Noticeable positive variances between the final budget and actual results include use of money and property revenues of \$16.8 million, due to favorable oil prices; \$4.4 million in other tax revenues, specifically transient lodging taxes, \$1.8 million and in property tax revenues, and \$1.5 million in sales and use taxes mostly as result of the strengthening economy. Significant less than favorable variances include a \$1.1 million shortfall in revenues from other agencies, related to the dissolution of the Agency, a \$1.6 million shortfall in licenses and permits revenue, related to AB 939 fees being reclassified as a franchise fees without a matching budgetary action, and a \$3.0 million in utility users tax revenue as both telephone and electric user tax receipts declined. Finally, a \$9.3 million deficit in other financing sources primarily resulting from a reduction in anticipated transfers from the towing fund and the dissolution of the Agency. Additional information regarding these transfers can be found in Note 6.

General Fund expenditures and other financing uses reflect a positive budget to actual variance of \$7.5 million. Of the total appropriations and other financing uses of \$409.9 million, approximately 1.8% went unspent. There were \$14.4 million in savings from the public safety and general government

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

functions. Additional transfers to fund capital projects through the use of one-time revenues offset \$9.6 million of these savings.

Capital Assets 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 \$4.4 billion, net of accumulated depreciation, representing an increase over the prior fiscal year of \$234.8 million, or 5.6%. The change consists of an decrease for governmental activities of \$12.0 million and an increase in business-type activities of \$246.8 million. Capital assets for the governmental and business-type activities are presented on the following table to illustrate changes from the prior year:

Capital Assets, Net of Depreciation
September 30, 2012 and 2011
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 161,711	\$ 159,402	\$ 966,561	\$ 929,693	\$ 1,128,272	\$ 1,089,095
Rights-of-way	81,334	81,334	213,243	211,349	294,577	292,683
Water Rights	-	-	40	40	40	40
Construction in Progress	33,528	31,020	685,113	547,356	718,641	578,376
Buildings	161,220	162,687	1,165,653	1,105,067	1,326,873	1,267,754
Improvements Other than Buildings	56,705	56,498	221,171	226,211	277,876	282,709
Infrastructure	154,789	167,685	455,023	441,027	609,812	608,712
Machinery and Equipment	15,577	14,137	15,195	14,094	30,772	28,231
Vehicles & Aircrafts	31,665	35,853	6,755	7,030	38,420	42,883
Patents	-	-	569	610	569	610
Total Net Capital Assets	\$ 696,529	\$ 708,616	\$ 3,729,323	\$ 3,482,477	\$ 4,425,852	\$ 4,191,093

Governmental activities' net capital assets decreased 1.7 percent, or \$12.1 million, and consisted of increases in land, construction in progress, improvements other than buildings, and machinery and equipment, of \$2.3 million, \$2.5 million, \$207 thousand, and \$1.4 million, respectively; offset by decreases in buildings, automotive, and infrastructure of \$1.5 million, \$4.2 million, and \$12.9 million, respectively. Significant changes include the following:

- The increase in land primarily resulted from the Successor Agency's transfer of \$1.5 million of land held for resale to expand parks.
- Governmental activities' construction in progress increased by \$2.5 million, or 8.1 percent, as a result of ongoing projects such as the \$1.2 million for the Westminster at Pacific Coast Highway improvement project and 1.0 million for the a tunnel between the police station and the new courthouse.
- Machinery and equipment increased \$1.4 million primarily due to public safety purchases to include a digital imaging equipment for the Fire department and equipment to digitally link airborne assets to ground resources for the police department.
- The vehicles and aircraft decrease is primarily due to the retirement of two police helicopters.

The City of Long Beach
Managements' Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

- Decreases in the buildings and infrastructure governmental activities' asset categories are attributed to depreciation expense.

Business-type activities' net capital assets increased 7.1 percent, or \$246.8 million, and consisted of increases in land, right-of-way, construction in progress, buildings, machinery and equipment and infrastructure of \$36.9 million, \$1.9 million, \$137.7 million, \$60.6 million, \$1.1 million, and \$14.0 million; offset by decreases in improvements other than buildings, vehicles and automotive and patents of \$5.0 million, \$275 thousand and \$41 thousand, respectively.

- Gas Utility Fund' capital assets increased \$10.2 million as a result of repair and replacement of aged gas pipelines.
- Water Fund' capital assets increased \$6.3 million primarily due to the ongoing replacement of the water distribution system and machinery and equipment purchases.
- Sewer Fund' capital assets increased \$5.3 million from the capitalization of sewer collection systems as part of the sewer pipeline rehabilitation program.
- Solid Waste capital assets decreased \$3.7 million due to the depreciation of existing assets.
- Tidelands Fund' capital assets increased \$7.8 million as result of asset depreciation offset by activity related to the rebuild of basin 4 of the Alamitos Bay Marina.
- Harbor Fund' capital assets increased by \$200.1 million and consisted of increases of \$113.3 million in construction in progress (CIP), a \$36.9 million in land, \$3.4 million in equipment, and \$134.5 million increase in buildings and structures offset by a \$88.0 million in accumulated depreciation. CIP increased due to work on the Middle harbor terminal redevelopment, Pier G terminal redevelopment, and the Gerald Desmond Bridge replacement project.
- Airport Fund' capital assets increased by \$20.9 million predominately due to the terminal renovation project.

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

The City of Long Beach
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

Long-Term Indebtedness: At September 30, 2012, the City had total net long-term obligations outstanding of \$2.7 billion. Of this amount, \$2.3 billion relates to notes, bonds, and capital leases. The remaining balance relates to accrued oil field abandonment cost, environmental remediation, self-insurance, employee benefit obligations, and payments to the State of California.

The underlying ratings assigned to the City's bond issues are as follows: Moody's Investors Services: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook; Standard & Poor's: AA-1 (implied), stable outlook.

The table below provides summarized information (including comparative amounts from the preceding year) for the City's outstanding long-term debt obligations at September 30, 2012. Major changes in debt service obligations during the year include the following:

Outstanding Debt Obligations
September 30, 2012 and 2011
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Notes Payable	\$ 8,118	\$ 8,560	\$ 54,349	\$ 56,469	\$ 62,467	\$ 65,029
Bonds Payable	484,152	500,811	1,678,836	1,739,082	2,162,988	2,239,893
Capital Leases	44,624	48,160	3,109	3,541	47,733	51,701
Total Outstanding	\$ 536,894	\$ 557,531	\$ 1,736,294	\$ 1,799,092	\$ 2,273,188	\$ 2,356,623

- Governmental activities bonds payable decreased as a result of scheduled bond principal payments.
- Governmental activities capital leases payable decreased \$3.5 million primarily due to scheduled principal payments. Additions during the year include capital leases for computers and related technology of \$1.4 million, \$302 thousand for modular trailers, and \$311 thousand for digital X-ray equipment.
- Business Type activities long-term indebtedness decreased \$62.8 million primarily as a result of \$71.9 million in scheduled debt service, offset by the following activities:
 - The Water Fund issued \$9.9 million in revenue bonds to retire \$11.0 million of commercial paper.
 - The Tidelands Fund issued \$102.6 million to refund \$111.2 million to (a) refund the 2001 Aquarium of the Pacific Project Lease Revenue Refunding Bonds.

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

The City of Long Beach
Managements' Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

Economic Factors and Next Year's Budget and Rates

At September 30, 2012, the unemployment rate, not seasonally adjusted, for the City was 11.2 percent and reflects a decrease from a rate of 13.4 percent a year ago. This compares to the State and national unemployment rates of 9.7 percent and 7.8 percent, respectively.

Fiscal year 2013 represents the sixth year after the completion of the initial Financial Strategic Plan (Plan), which was used to eliminate the projected structural deficits in the City's General Fund in fiscal years 2004 through 2007. The structural deficit was the amount by which the City's spending exceeded its revenues. The Plan has now evolved into an ongoing long-term fiscal planning tool with rolling three-year revenue and expense projections. Highlights of the fiscal year 2013 budget are as follows:

In compliance with City Council's Financial Policy to achieve and maintain a structurally balanced budget, the proposed fiscal year 2013 General Fund budget is without a structural deficit for the fifth year in a row. This accomplishment, which is dependent on departments operating within their approved spending limits, continues to be a challenge for the City.

The fiscal year 2013 adopted General Fund revenue budget projected a decrease of 3.2 percent, or \$13.7 million, as compared to the pre-audit fiscal year 2012 results. Operating transfers from other funds make up \$24.6 million of the \$391.8 million fiscal year 2013 budgeted revenue. 2013 appropriations are budgeted at \$404.3 million. The budget projects a decrease in fund balance of \$11.9 million. The final fiscal year 2012 budget showed a decrease of \$8.5 million decrease in fund balance as compared to a \$10.1 million increase from actual results for the year. The largest structural revenue sources for fiscal year 2013 are property tax, sales and use tax, property tax in-lieu, Upland Oil revenues, and sales tax in-lieu. These revenue sources comprise 49.3 percent of total General Fund budgeted revenues. Below is a closer look at some of these key General Fund resources.

- Property Taxes, to include both secured real property tax and unsecured personal property tax revenue, of \$74.7 million, or 19.1 percent of General Fund revenues. This reflects a decrease of \$800 thousand from the final fiscal year 2012 budget and is based on the belief that property values countywide are relatively stable for the near future.
- Sales and use tax revenue is budgeted to account for \$44.1 million, or 11.3 percent of General Fund revenues. Growth of 6.5 percent is expected in fiscal year 2013 primarily due to the strengthening economy and continued sales tax sharing agreements executed by the City.
- Upland Oil related revenues are budgeted at \$22.6 million, or 5.8 percent of General Fund revenues. This reflects a decrease of \$443 thousand from the final fiscal year 2012 budget and is based on projected oil revenues at \$65 dollars per barrel.

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

The fiscal year 2013 adopted General Fund appropriations budget is \$430.6 million. As part of the fiscal year 2013 budget development process, the financial strategic plan, which provides a three-year continuous outlook on revenue sources and commitments, was updated. The plan highlights the following approach for restoring structural balance.

- Reduction of Departmental Expenditures – The City must continue its efforts to reduce the size of government while preserving the quality and availability of core services.
- Employee Participation – The City must work with its employees and unions to find ways to preserve the provision of core services. If the City and its employees cannot reach an understanding, the City must take the required cost saving steps while ensuring the quality and availability of core services to its citizens.

The City of Long Beach
Managements' Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2012 (Continued)

- Potential New Revenue – The City must focus on further diversifying its revenue base by attracting new business by cultivating an environment that fosters development and expansion for new and current businesses and by aggressively pursuing cost recovery through user fees and charges.
- Government Reform – The City is continually exploring ways to streamline or reinvent the way service is provided to the community, to become a more cost-effective, modern organization. Efforts include consolidating services and organizational reconfiguration to align declining resources to demand.

Requests for Information

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



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BASIC FINANCIAL STATEMENTS

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City of Long Beach
Statement of Net Position
September 30, 2012
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Long Beach Public Transportation Company
ASSETS				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 83,028	\$ 226,181	\$ 309,209	\$ -
Non-Pooled Cash and Cash Equivalents	62,339	17,914	80,253	29,444
Pooled Investments	57,531	156,526	214,057	-
Non Performing Investments	435	1,735	2,170	-
Non-Pooled Investments	-	3,245	3,245	-
Interest Receivable	212	576	788	-
Property Tax Receivable, Net	85,434	-	85,434	-
Accounts and Loans Receivables, Net	18,471	135,436	153,907	6,462
Due from Other Governments	42,736	75,028	117,764	-
Internal Balances	14,090	(14,090)	-	-
Inventory	1,611	5,015	6,626	1,392
Other Assets	2,235	25,697	27,932	1,080
Land Held for Resale	100,433	-	100,433	-
Total Current Assets:	<u>468,555</u>	<u>633,263</u>	<u>1,101,818</u>	<u>38,378</u>
Noncurrent Restricted Assets:				
Non-Pooled Cash and Cash Equivalents	-	95	95	25,596
Non-Pooled Investments	2,723	129,735	132,458	-
Total Noncurrent Restricted Assets:	<u>2,723</u>	<u>129,830</u>	<u>132,553</u>	<u>25,596</u>
Other Noncurrent Assets:				
Pooled Investments	314,031	854,381	1,168,412	-
Non-Pooled Investments	26,949	-	26,949	-
Other Noncurrent Receivables	182,230	6,505	188,735	-
Land and Other Capital Assets not being Depreciated	276,573	1,864,957	2,141,530	12,932
Capital Assets, net of Accumulated Depreciation	419,956	1,864,366	2,284,322	66,350
Other Assets	37,956	569,321	607,277	-
Total Other Noncurrent Assets:	<u>1,257,695</u>	<u>5,159,530</u>	<u>6,417,225</u>	<u>79,282</u>
Total Assets	<u>1,728,973</u>	<u>5,922,623</u>	<u>7,651,596</u>	<u>143,256</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	-	226,006	226,006	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	37,810	131,084	168,894	2,459
Accrued Wages and Benefits Payable	42,144	10,598	52,742	3,628
Accrued Interest Payable	10,629	30,659	41,288	-
Due to Other Governments	74,965	-	74,965	-
Deferred Revenue, Credits and Other Payables	115,782	34,928	150,710	17,436
Employee Benefits and Accrued Long-Term Obligations	32,173	4,000	36,173	11,268
Bonds, Loans, Capital Leases and Other Long-Term Obligations	25,694	166,864	192,558	-
Total Current Liabilities	<u>339,197</u>	<u>378,133</u>	<u>717,330</u>	<u>34,791</u>
Noncurrent Liabilities:				
Deferred Revenue, Credits and Other Payables	-	10,482	10,482	23,648
Employee Benefits and Accrued Long-Term Obligations	270,192	28,400	298,592	1,930
Bonds, Loans, Capital Leases and Other Long-Term Obligations	511,200	1,658,357	2,169,557	-
Total Noncurrent Liabilities:	<u>781,392</u>	<u>1,697,239</u>	<u>2,478,631</u>	<u>25,578</u>
Total Liabilities	<u>1,120,589</u>	<u>2,075,372</u>	<u>3,195,961</u>	<u>60,369</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	-	226,006	226,006	-
NET POSITION				
Net Investment in Capital Assets	237,998	2,769,461	3,007,459	79,282
Restricted for:				
Debt Service	20,470	30,905	51,375	-
Capital Projects	59,851	73,025	132,876	14
Public Safety	4,284	-	4,284	-
Public Health	4,219	-	4,219	-
Community and Cultural	365,364	-	365,364	-
Health Care Insurance	16,535	-	16,535	-
Tidelands	-	7,856	7,856	-
Airport	-	7,200	7,200	-
Subsidence	-	170,878	170,878	-
Unrestricted	(100,337)	787,926	687,589	3,591
Total Net Position	<u>\$ 608,384</u>	<u>\$ 3,847,251</u>	<u>\$ 4,455,635</u>	<u>\$ 82,887</u>

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

City of Long Beach
Statement of Activities
For the Fiscal Year Ended September 30, 2012
(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>
Governmental Activities:				
Legislative and Legal	\$ 10,998	\$ 714	\$ -	\$ -
General Government	22,128	17,521	381	1,105
Public Safety	290,542	34,617	14,762	-
Public Health	42,712	9,538	21,364	-
Community and Cultural	331,170	13,978	102,972	1,066
Public Works	92,058	26,876	36,168	3,976
Oil Operations	9,256	39,156	-	-
Interest on Long-Term Debt	28,492	-	-	-
Total Governmental Activities	<u>827,356</u>	<u>142,400</u>	<u>175,647</u>	<u>6,147</u>
Business-Type Activities:				
Gas	77,157	83,633	153	-
Water	81,377	87,073	-	247
Sewer	15,042	17,325	-	185
Airport	41,764	43,893	542	4,640
Development Services	11,617	13,812	-	-
Solid Waste Management	69,506	78,613	302	-
Towing	6,743	6,583	-	-
Tidelands	100,602	56,726	416	7,853
Tideland Oil Revenue	390,602	452,863	-	-
Subsidence	5	-	-	-
Harbor	193,773	333,887	-	13,627
Total Business-Type Activities	<u>988,188</u>	<u>1,174,408</u>	<u>1,413</u>	<u>26,552</u>
Total Primary Government	<u>\$ 1,815,544</u>	<u>\$ 1,316,808</u>	<u>\$ 177,060</u>	<u>\$ 32,699</u>
Component Unit:				
Long Beach Public Transportation Company	<u>\$ 92,588</u>	<u>\$ 18,824</u>	<u>\$ 54,112</u>	<u>\$ 14,766</u>

Taxes:
Property
Sales
Utility Users
Other
Franchise Fees
Unrestricted Investment Earnings
Capital Asset Transfers
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position, Beginning of Year
Net Position, End of Year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
\$ (10,284)	\$ -	\$ (10,284)	\$ -
(3,121)	-	(3,121)	-
(241,163)	-	(241,163)	-
(11,810)	-	(11,810)	-
(213,154)	-	(213,154)	-
(25,038)	-	(25,038)	-
29,900	-	29,900	-
(28,492)	-	(28,492)	-
<u>(503,162)</u>	<u>-</u>	<u>(503,162)</u>	<u>-</u>
-	6,629	6,629	-
-	5,943	5,943	-
-	2,468	2,468	-
-	7,311	7,311	-
-	2,195	2,195	-
-	9,409	9,409	-
-	(160)	(160)	-
-	(35,607)	(35,607)	-
-	62,261	62,261	-
-	(5)	(5)	-
-	153,741	153,741	-
-	<u>214,185</u>	<u>214,185</u>	<u>-</u>
<u>(503,162)</u>	<u>214,185</u>	<u>(288,977)</u>	<u>-</u>
-	-	-	(4,886)
179,746	-	179,746	-
60,414	-	60,414	-
37,097	-	37,097	-
43,360	-	43,360	-
23,143	-	23,143	-
4,349	6,903	11,252	340
5,090	(5,090)	-	-
15,628	(15,628)	-	-
<u>368,827</u>	<u>(13,815)</u>	<u>355,012</u>	<u>340</u>
(134,335)	200,370	66,035	(4,546)
<u>742,719</u>	<u>3,646,881</u>	<u>4,389,600</u>	<u>87,433</u>
<u>\$ 608,384</u>	<u>\$ 3,847,251</u>	<u>\$ 4,455,635</u>	<u>\$ 82,887</u>

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

City of Long Beach
Governmental Funds
Balance Sheet
September 30, 2012
(In Thousands)

	General	Successor Agency	Other Governmental Funds	Total September 30, 2012
ASSETS				
Pooled Cash and Cash Equivalents	\$ 83,869	\$ 117,970	\$ 96,578	\$ 298,417
Non-Pooled Cash and Cash Equivalents	373	39,663	20,865	60,901
Non Performing Investments	98	61	142	301
Non-Pooled Investments	-	-	26,949	26,949
Receivables:				
Interest Receivable	-	-	21	21
Property Taxes	94,328	-	152	94,480
Accounts Receivable	38,705	130	3,435	42,270
Notes and Loans Receivable	1,929	-	-	1,929
Due from Other Governments	15,215	-	27,489	42,704
Due from Other Funds	10,149	-	2,171	12,320
Allowance for Receivables	(35,179)	-	(1,013)	(36,192)
Inventory	-	-	-	-
Other Assets	8	1,552	33	1,593
Advances to Other Funds	2,000	-	36,587	38,587
Land Held for Resale	-	94,404	6,029	100,433
Other Noncurrent Receivables	-	6,667	174,441	181,108
Total Assets	211,495	260,447	393,879	865,821
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	13,429	4,619	14,262	32,310
Accrued Wages and Benefits Payable	4,007	13	651	4,671
Due to Other Governments	-	72,941	2,024	74,965
Due to Other Funds	7,860	7	9,198	17,065
Deferred Revenues	91,731	25,435	181,965	299,131
Accrued Claims	-	1,500	-	1,500
Deposits and Collections Held in Trust	1,931	136	3,123	5,190
Advances from Other Funds	15,414	29,878	8,709	54,001
Total Liabilities	134,372	134,529	219,932	488,833
Fund Balances (Deficit):				
Nonspendable	2,008	-	45	2,053
Restricted	2,929	155,796	164,514	323,239
Committed	5,394	-	1,362	6,756
Assigned	61,935	-	10,791	72,726
Unassigned	4,857	(29,878)	(2,765)	(27,786)
Total Fund Balance	77,123	125,918	173,947	376,988
Total Liabilities and Fund Balances	\$ 211,495	\$ 260,447	\$ 393,879	\$ 865,821

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

City Of Long Beach
 Reconciliation of the Governmental Funds Balance Sheet to
 Governmental Activities in the Statement of Net Position
 September 30, 2012
 (in Thousands)

Total governmental fund balances	\$	376,988
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities, which are not included in the internal service funds, are not financial resources and, therefore, are not reported in the funds.		592,622
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Certain property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the funds.		12,170
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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.		181,111
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Governmental long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds. Liability amount has been reduced by interest receivables for federal subsidy on Build America and Recovery Zone Economic Development Bonds.		(456,898)
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Internal service funds are used by management to charge the cost of operations and financing related to the Civic Center complex; operations, maintenance, financing, timely replacement of information technology assets and vehicles; and to account for the City's risk management, self-insurance, and employee benefits programs to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		(97,609)
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Net position of governmental activities	\$	<u><u>608,384</u></u>
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The notes to the basic financial statements are an integral part of this statement

City of Long Beach
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Changes in Fund Balances
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	General	Successor Agency	Other Governmental Funds	Total September 30, 2012
Revenues:				
Taxes:				
Property	\$ 115,513	\$ 14,859	\$ 50,669	\$ 181,041
Sales	58,329	-	2,085	60,414
Utility Users	37,097	-	-	37,097
Other Taxes	27,715	-	15,645	43,360
Franchise Fees	23,143	-	-	23,143
Licenses and Permits	16,050	15	8,213	24,278
Fines and Forfeitures	17,762	-	-	17,762
Use of Money and Property	53,282	1,328	3,788	58,398
From Other Agencies	4,065	-	180,405	184,470
Charges for Services	27,006	-	1,580	28,586
Other	8,576	1,022	9,946	19,544
Total Revenues	388,538	17,224	272,331	678,093
Expenditures:				
Current:				
Legislative and Legal	10,316	-	-	10,316
General Government	16,046	622	773	17,441
Public Safety	269,085	-	16,722	285,807
Public Health	5,248	-	36,201	41,449
Community and Cultural	40,958	81,839	166,800	289,597
Public Works	28,667	-	31,701	60,368
Oil Operations	9,146	-	-	9,146
Total Current Expenditures	379,466	82,461	252,197	714,124
Capital Improvements	-	-	17,183	17,183
Loss on Disposition of Land Held for Resale	-	77,236	2,075	79,311
Debt Service:				
Principal	-	-	14,379	14,379
Interest	-	-	23,298	23,298
Debt Administration Fees	-	-	494	494
Total Expenditures	379,466	159,697	309,626	848,789
Excess of Revenues Over (Under) Expenditures	9,072	(142,473)	(37,295)	(170,696)
Other Financing Sources (Uses):				
Debt Issuance	302	-	451	753
Transfers In	23,110	288,117	98,575	409,802
Transfers Out	(22,354)	(19,726)	(350,237)	(392,317)
Total Other Financing Sources (Uses)	1,058	268,391	(251,211)	18,238
Net Change in Fund Balances	10,130	125,918	(288,506)	(152,458)
Fund Balances - October 1	66,993	-	462,453	529,446
Fund Balances - September 30	\$ 77,123	\$ 125,918	\$ 173,947	\$ 376,988

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

City Of Long Beach
 Reconciliation of Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended September 30, 2012
 (in Thousands)

Excess of expenditures and other uses over revenue and other sources - total governmental funds \$ (152,458)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost associated with the acquisition of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay (\$16,301) plus contributed assets (\$6) is less than depreciation (\$25,045) in the current period. (8,738)

Net effect of miscellaneous transactions involving capital assets (e.g., sales, trade-ins and donations) is a decrease to net position. (6)

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue is recognized when it is earned regardless of its availability. In addition, governmental funds report expenditures pertaining to the establishment of certain long-term loans. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net position and, therefore, the corresponding net expense is not reported on the statement of activities. 22,769

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is reflected herein. 16,886

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. (1,922)

Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of certain activities of internal service funds is reported as governmental activities. (10,866)

Change in net position of governmental activities \$ (134,335)

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, 2012
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Sources:				
Property Taxes	\$ 113,618	\$ 113,618	\$ 115,513	\$ 1,895
Sales Taxes	56,856	56,856	58,329	1,473
Utility Users Taxes	40,075	40,075	37,097	(2,978)
Other Taxes	23,346	23,346	27,715	4,369
Franchise Fees	23,414	23,414	23,143	(271)
Licenses and Permits	17,620	17,620	16,050	(1,570)
Fines and Forfeitures	16,958	16,958	17,762	804
Use of Money and Property	35,013	36,493	53,282	16,789
From Other Agencies	5,089	5,194	4,065	(1,129)
Charges for Services	25,808	26,457	27,006	549
Other	8,882	9,325	8,576	(749)
Proceeds from Long-term Debt	-	-	302	302
Transfers In	31,401	32,072	22,791	(9,281)
Total Sources	398,080	401,428	411,631	10,203
Uses:				
Current:				
Legislative and Legal				
Mayor and City Council	5,123	5,128	5,026	102
City Attorney	1,847	1,847	1,825	22
City Clerk	5,173	5,177	3,483	1,694
General Government				
City Auditor	2,420	2,424	2,210	214
City Manager	2,325	2,327	2,695	(368)
Civil Service	2,778	2,778	2,326	452
Financial Management	10,965	10,998	10,442	556
Planning and Building	880	880	495	385
Non Departmental	1,701	1,751	(1,816)	3,567
Public Safety				
Police	189,028	194,232	186,890	7,342
Fire	74,964	76,109	71,392	4,717
City Prosecutor	5,107	5,108	4,859	249
Planning and Building-Code Enforcement	3,288	3,288	2,700	588
Police and Fire Annuity	-	-	3,260	(3,260)
Public Health				
Public Health	5,506	5,326	5,248	78
Community and Cultural				
Community Development	948	1,099	914	185
Library	14,088	14,643	14,452	191
Parks and Recreation	24,534	25,691	25,652	39
Public Works				
Oil Operations	28,723	30,068	28,682	1,386
Transfers Out	6,746	8,204	9,283	(1,079)
Transfers Out	12,608	12,789	22,354	(9,565)
Total Uses	398,752	409,867	402,372	7,495
Net Change in Budgetary Funds Available:	\$ (672)	\$ (8,439)	\$ 9,259	\$ 17,698
Reconciliation of Funds Available to U.S. GAAP Fund Balance				
Budgetary Funds Available - October 1			\$ 682	
Change in Budgetary Funds Available - September 30, Budgetary Basis			9,259	
Add:				
PY Encumbrances			(181)	
CY Encumbrances			552	
Change in PY Restricted Fund Balance			(4,953)	
Less:				
PY Operational Shortfall Funds			(500)	
Budgetary Funds Available - September 30			4,859	
Add:				
Change in Unrestricted			(682)	
Long-term Receivables			(50)	
Prepaid Expenses			(25)	
Restricted Use Funds			3,540	
Future Appropriations			(4,154)	
Contingency Funds			499	
Future Operating Shortfalls			6,143	
Add:				
Prior Year Fund Balance			66,993	
Funds Available (U.S. GAAP Basis) - September 30			\$ 77,123	

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



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City of Long Beach
Proprietary Funds
Statement of Net Position (Deficit)
September 30, 2012
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Gas Utility</u>	<u>Airport</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
ASSETS				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 10,611	\$ 45,380	\$ 167,063	\$ 74,735
Non-Pooled Cash and Cash Equivalents	87	10,277	6,909	-
Non Performing Investments	57	28	159	-
Non-Pooled Investments	650	-	-	-
Receivables:				
Interest Receivable	15	147	130	-
Accounts Receivable	4,601	2,467	3,271	60,187
Due from Other Governments	31	2,408	5,349	-
Due from Other Funds	880	-	27,380	-
Other Receivables	-	76	-	-
Allowance for Receivables	(522)	(24)	(372)	-
Deposits	-	-	-	-
Inventory	1,890	-	-	-
Prepaid Gas-Current	22,901	-	-	-
Other Assets-Current	30	39	-	21
Total Current Asset	<u>41,231</u>	<u>60,798</u>	<u>209,889</u>	<u>134,943</u>
Noncurrent Assets:				
Restricted Noncurrent assets				
Non-Pooled Cash and Cash Equivalents	-	-	-	-
Non-Pooled Investments	21,749	18,620	12,459	-
Noncurrent Receivables:				
Other Noncurrent Receivables (net)	1,277	77	-	-
Advances to Other Funds	-	-	-	-
Capital Assets:				
Land and Other Capital Assets not being Depreciated	4,142	52,039	50,817	-
Capital Assets net of Accumulated Depreciation	111,347	158,547	282,062	12,531
Prepaid Gas-Long Term	518,804	-	-	-
Other Assets-Long-Term	-	-	-	-
Total Noncurrent Assets	<u>657,319</u>	<u>229,283</u>	<u>345,338</u>	<u>12,531</u>
Total Assets	<u>698,550</u>	<u>290,081</u>	<u>555,227</u>	<u>147,474</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows (Note 25)	<u>226,006</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Business-type Activities - Enterprise Funds			Governmental
		Total	Activities - Internal
	Other	Proprietary Funds	Service Funds
Harbor	Proprietary	September 30,	September 30,
	Funds	2012	2012
\$ 666,360	\$ 272,939	\$ 1,237,088	\$ 156,173
35	606	17,914	1,438
1,229	262	1,735	134
-	2,595	3,245	-
203	81	576	16
50,309	18,241	139,076	1,626
66,955	285	75,028	32
-	740	29,000	7,127
-	-	76	-
(1,678)	(1,120)	(3,716)	(208)
-	-	-	617
603	2,522	5,015	1,611
-	-	22,901	-
2,140	566	2,796	25
<u>786,156</u>	<u>297,717</u>	<u>1,530,734</u>	<u>168,591</u>
95	-	95	-
63,510	13,397	129,735	2,723
3,168	1,983	6,505	1,122
1,300	15,414	16,714	-
1,715,836	42,123	1,864,957	9,318
983,250	316,629	1,864,366	94,589
-	-	518,804	-
50,261	256	50,517	37,956
<u>2,817,420</u>	<u>389,802</u>	<u>4,451,693</u>	<u>145,708</u>
<u>3,603,576</u>	<u>687,519</u>	<u>5,982,427</u>	<u>314,299</u>
-	-	226,006	-

(continued)

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

City of Long Beach
Proprietary Funds
Statement of Net Position (Deficit)
September 30, 2012
(In Thousands)
(continued)

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Gas Utility</u>	<u>Airport</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
LIABILITIES				
Current Liabilities Payable from Current Assets:				
Accounts Payable	3,616	4,509	7,168	24,292
Accrued Wages	238	107	288	45
Accrued Interest Payable	11,409	2,335	2,865	-
Due to Other Funds	169	57	1,840	9,107
Deferred Revenues	355	416	2,068	-
Collections Held in Trust	-	150	143	3,812
Customers Deposits	1,828	-	-	-
Advances from Developers	-	-	-	-
Employee Benefits	-	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-
Environmental Remediation - Current	-	-	-	-
Due to State of California	-	-	-	88,927
Obligations Under Capital Leases-Current	414	-	28	-
Bonds Payable Due Within One Year	9,040	2,260	8,240	-
Other Long-Term Obligations-Current	-	-	875	-
Total Current Liabilities	<u>27,069</u>	<u>9,834</u>	<u>23,515</u>	<u>126,183</u>
Noncurrent Liabilities:				
Advances from Other Funds	-	-	1,300	-
Deferred Revenues	-	5,386	5,096	-
Employee Benefits	-	-	-	-
Accrued Self-Insurance Claims	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	27,400
Site Restoration	-	-	-	-
Due to State of California	-	-	-	-
Obligations Under Capital Leases	2,205	-	462	-
Other Long-Term Obligations	3,000	-	44,613	-
Unamortized Discount/Deferred cost	-	-	(3)	-
Bonds Payable	621,080	117,490	130,995	-
Unamortized Discount (Premium) Deferred cost	10,087	(1,978)	1,150	-
Total Noncurrent Liabilities	<u>636,372</u>	<u>120,898</u>	<u>183,613</u>	<u>27,400</u>
Total Liabilities	<u>663,441</u>	<u>130,732</u>	<u>207,128</u>	<u>153,583</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows (Note 23)	<u>226,006</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	109,783	108,881	158,986	12,531
Restricted for:				
Debt Service	-	1,868	8,349	-
Capital Projects	3,183	26,431	175	-
Health Care Insurance	-	-	-	-
Tidelands	-	-	7,856	-
Airport	-	7,200	-	-
Subsidence	-	-	-	-
Unrestricted	<u>(77,857)</u>	<u>14,969</u>	<u>172,733</u>	<u>(18,640)</u>
Total Net Position (Deficit)	<u>\$ 35,109</u>	<u>\$ 159,349</u>	<u>\$ 348,099</u>	<u>\$ (6,109)</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Net Position of Business - Type Activities				

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

Business-type Activities - Enterprise Funds			Governmental
Totals			Activities - Internal
Harbor	Other Proprietary Funds	Proprietary Funds September 30, 2012	Service Funds September 30, 2012
75,967	15,532	131,084	5,500
9,348	572	10,598	37,473
12,385	1,665	30,659	3,044
19,366	307	30,846	536
13,821	5,120	21,780	-
-	4,965	9,070	3,242
-	1,979	3,807	-
-	271	271	-
-	-	-	8,660
4,000	-	4,000	23,005
-	-	-	163
-	-	88,927	-
-	-	442	4,187
46,965	10,115	76,620	5,615
-	-	875	-
<u>181,852</u>	<u>40,526</u>	<u>408,979</u>	<u>91,425</u>
-	-	1,300	-
-	-	10,482	-
-	-	-	145,888
-	-	-	100,311
-	-	27,400	-
-	1,000	1,000	-
-	-	-	2,992
-	-	2,667	29,881
-	6,000	53,613	-
-	(136)	(139)	-
601,705	92,775	1,564,045	72,665
26,701	2,211	38,171	(3,596)
<u>628,406</u>	<u>101,850</u>	<u>1,698,539</u>	<u>348,141</u>
<u>810,258</u>	<u>142,376</u>	<u>2,107,518</u>	<u>439,566</u>
-	-	226,006	-
2,117,299	261,981	2,769,461	48,398
18,681	2,007	30,905	1,732
43,236	-	73,025	1,613
-	-	-	16,535
-	-	7,856	-
-	-	7,200	-
-	170,878	170,878	-
614,102	110,277	815,584	(193,545)
<u>\$ 2,793,318</u>	<u>\$ 545,143</u>	<u>3,874,909</u>	<u>\$ (125,267)</u>
		(27,658)	
		<u>\$ 3,847,251</u>	

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

City of Long Beach
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Business-type Activities - Enterprise Funds			
	Gas Utility	Airport	Tidelands	Tideland Oil Revenue
Operating Revenues:				
Licenses and Permits	\$ -	\$ -	\$ 263	\$ -
Fines and Forfeitures	-	-	342	-
Fees, Concessions and Rentals	-	34,405	35,501	446,144
From Other Agencies	-	-	225	-
Charges for Services	82,671	-	20,115	4,134
Other	-	-	8	-
Total Operating Revenues	82,671	34,405	56,454	450,278
Operating Expenses:				
Personal Services	15,885	9,825	25,832	3,069
Purchases of Gas and Water	10,915	-	-	-
Maintenance and Other Operations	12,102	17,317	47,629	6,274
Insurance Premiums	-	-	-	-
Self-Insured Losses	-	-	-	-
Compensated Absences	-	-	-	-
Employee Benefits	-	-	-	-
Payments to Other Entities	-	-	-	380,902
Amortization	107	79	1,128	-
Depreciation	4,763	8,078	17,489	-
Total Operating Expenses	43,772	35,299	92,078	390,245
Operating Income (Loss)	38,899	(894)	(35,624)	60,033
Non-Operating Income (Expenses):				
Interest Income	823	263	952	-
Interest Expense	(32,423)	(4,647)	(7,799)	-
Gain (Loss) on Disposition of Capital Assets	(377)	(1,521)	7	-
Capital Asset to/(from) Other Funds	(1,909)	-	-	-
Oil Field Abandonment Costs	-	-	-	(200)
Operating Grants	153	542	416	-
Other Income (Expenses)	962	9,488	272	2,585
Total Non-Operating Income (Expenses)	(32,771)	4,125	(6,152)	2,385
Income (Loss) Before Contributions and Transfers	6,128	3,231	(41,776)	62,418
Capital Grants and Contributions	-	4,640	7,853	-
Transfers:				
Transfers In	-	-	76,148	-
Transfers Out	(11,973)	-	-	(58,920)
Change in Net Position	(5,845)	7,871	42,225	3,498
Net Position (Deficit) - October 1	40,954	151,478	305,874	(9,607)
Net Position (Deficit) - September 30	\$ 35,109	\$ 159,349	\$ 348,099	\$ (6,109)
Change in Net Position of Business - Enterprise Funds				
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Fund:				
Change in Net Position of Business - Type Activities				

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

Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
		Totals		
	Other	Proprietary Funds		
Harbor	Proprietary Funds	September 30, 2012	September 30, 2012	
\$ -	\$ 13,098	\$ 13,361	\$ -	
-	-	342	-	
332,002	-	848,052	-	
-	-	225	-	
-	188,178	295,098	322,995	
1,885	-	1,893	6,873	
<u>333,887</u>	<u>201,276</u>	<u>1,158,971</u>	<u>329,868</u>	
51,871	45,620	152,102	38,820	
-	23,887	34,802	-	
35,766	93,985	213,073	41,847	
-	-	-	2,115	
-	-	-	24,870	
-	-	-	49,650	
-	-	-	171,258	
-	-	380,902	-	
-	265	1,579	4,023	
88,523	14,769	133,622	12,567	
<u>176,160</u>	<u>178,526</u>	<u>916,080</u>	<u>345,150</u>	
<u>157,727</u>	<u>22,750</u>	<u>242,891</u>	<u>(15,282)</u>	
3,302	1,563	6,903	206	
(10,341)	(3,976)	(59,186)	(5,491)	
7	(368)	(2,252)	46	
-	(3,182)	(5,091)	5,084	
-	-	(200)	-	
-	302	1,413	98	
(5,831)	1,735	9,211	782	
<u>(12,863)</u>	<u>(3,926)</u>	<u>(49,202)</u>	<u>725</u>	
144,864	18,824	193,689	(14,557)	
13,627	432	26,552	1,307	
-	-	76,148	3,795	
(16,694)	(4,189)	(91,776)	(5,652)	
<u>141,797</u>	<u>15,067</u>	<u>204,613</u>	<u>(15,107)</u>	
<u>2,651,521</u>	<u>530,076</u>	<u>3,670,296</u>	<u>(110,160)</u>	
<u>\$ 2,793,318</u>	<u>\$ 545,143</u>	<u>3,874,909</u>	<u>\$ (125,267)</u>	
		204,613		
		(4,243)		
		<u>\$ 200,370</u>		

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

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	<u>Business-Type Activities - Enterprise Funds</u>		
<u>INCREASE (DECREASE) IN CASH AND</u> <u>CASH EQUIVALENTS</u>	<u>Gas</u> <u>Utility</u>	<u>Airport</u>	<u>Tidelands</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 83,672	\$ 34,226	\$ 58,423
Receipts from Oil Companies	-	-	-
Receipts from Other Governments	-	-	3,734
Receipts from Other Funds	-	-	-
Payments for Employee Salaries	(16,006)	(9,884)	(25,847)
Payments for Goods and Services	(29,756)	(16,711)	(46,828)
Payments for Compensated Absences	-	-	-
Payments for Employee Benefits	-	-	-
Payments for Liability Claims	-	-	-
Payments to Other Entities	-	-	-
Payments in Lieu of Taxes	-	-	-
Payments to Employees and Suppliers Capitalized	-	-	-
Other Income	2,544	1,182	271
Other Expense	(1,583)	-	-
Net Cash Provided by (Used for) Operating Activities	<u>38,871</u>	<u>8,813</u>	<u>(10,247)</u>
Cash Flows from Non-Capital Financing Activities:			
Operating Grants Received from Other Governments	122	542	-
Receipts for Oil Well Abandonment Reserve	-	-	-
Clean Air Action Plan	-	-	-
ACTA shortfall advance	-	-	-
Receipts from Prepayment of Gas Supply	26,967	-	-
Payments of Principal on Bonds Payable	(9,015)	-	-
Payments of Interest	(32,901)	-	-
Transfers In	889	-	71,191
Transfers Out	(12,862)	-	(843)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(26,800)</u>	<u>542</u>	<u>70,348</u>
Cash Flows from Capital and Related Financing Activities:			
Receipt of Capital Grants	-	4,530	-
Proceeds from the Sale of Capital Assets	-	-	8
Proceeds from Issuance of Long-Term Obligations	-	-	10,330
Proceeds from Issuance of Bonds	-	-	102,580
Original Issue Premium	-	-	11,595
Payment of Cost of Issuance	-	-	(918)
Receipts of Contributed Capital	-	-	-
Receipts from Passenger Facility Charges	-	7,072	-
Proceeds from Capital Leases Receivable from Other Funds	898	-	-
Principal Received on Other Long term Receivable	-	74	-
Payments for Capital Acquisitions	(15,339)	(27,948)	(24,376)
Payments of Principal on Bonds Payable	(1,020)	(1,330)	(5,970)
Payments of Principal on Other Long-Term Obligations	(906)	-	(1,050)
Payments to Defeasance Bonds	-	-	(111,175)
Redemption Premium	-	-	(768)
Payments of Interest	(118)	(7,047)	(9,535)
Receipt of Federal Subsidy	-	1,205	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(16,485)</u>	<u>(23,444)</u>	<u>(29,279)</u>
Cash Flows from Investing Activities:			
Proceeds from the Sale of Investments	883	-	-
Payments for Investments	-	18,309	1,306
Payments from Other Government Entities	-	-	-
Payment to Joint Venture	-	-	-
Receipts of Interest	872	422	1,082
Net Cash Provided by (Used for) Investing Activities	<u>1,755</u>	<u>18,731</u>	<u>2,388</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,659)</u>	<u>4,642</u>	<u>33,210</u>
Cash and Cash Equivalents - October 1	13,357	51,015	140,762
Cash and Cash Equivalents - September 30	<u>\$ 10,698</u>	<u>\$ 55,657</u>	<u>\$ 173,972</u>

Business-Type Activities - Enterprise Funds				Governmental
Tideland Oil Revenue	Harbor	Other Proprietary Funds	Totals	Activities - Internal
			Proprietary Funds September 30, 2012	Service Funds September 30, 2012
\$ -	\$ 328,417	\$ 207,062	\$ 711,800	\$ 7,038
459,898	-	-	459,898	-
-	-	-	3,734	-
-	-	-	-	323,295
(3,083)	(43,205)	(45,885)	(143,910)	(39,121)
(1,636)	(44,705)	(113,583)	(253,219)	(46,432)
-	-	-	-	(61,346)
-	-	-	-	(144,100)
-	-	-	-	(3,609)
(360,895)	-	-	(360,895)	-
-	-	(11,522)	(11,522)	-
2,385	-	1,586	7,968	804
-	-	(2,206)	(3,789)	(11)
<u>96,669</u>	<u>240,507</u>	<u>35,452</u>	<u>410,065</u>	<u>36,518</u>
-	-	308	972	98
200	-	-	200	-
-	(3,303)	-	(3,303)	-
-	(3,700)	-	(3,700)	-
-	-	-	26,967	-
-	-	-	(9,015)	-
-	-	-	(32,901)	-
-	-	-	72,080	306
<u>(58,917)</u>	<u>(17,269)</u>	<u>(4,239)</u>	<u>(94,130)</u>	<u>(5,652)</u>
<u>(58,717)</u>	<u>(24,272)</u>	<u>(3,931)</u>	<u>(42,830)</u>	<u>(5,248)</u>
-	(7,630)	339	(2,761)	1,114
-	31	115	154	91
-	-	-	10,330	1,361
-	-	9,850	112,430	-
-	-	1,341	12,936	-
-	-	(191)	(1,109)	-
-	-	185	185	193
-	-	-	7,072	-
-	-	-	898	-
-	-	-	74	-
-	(309,420)	(23,472)	(400,555)	(3,787)
-	(44,815)	(8,125)	(61,260)	-
-	-	(11,000)	(12,956)	(8,854)
-	-	-	(111,175)	-
-	-	-	(768)	-
-	(14,211)	(4,821)	(35,732)	(5,102)
-	-	-	1,205	-
<u>-</u>	<u>(376,045)</u>	<u>(35,779)</u>	<u>(481,032)</u>	<u>(14,984)</u>
-	-	(117)	766	-
-	-	-	19,615	43
-	-	(5)	(5)	-
-	3,000	-	3,000	-
-	4,232	1,657	8,265	310
<u>-</u>	<u>7,232</u>	<u>1,535</u>	<u>31,641</u>	<u>353</u>
37,952	(152,578)	(2,723)	(82,156)	16,639
36,783	819,068	276,268	1,337,253	140,972
<u>\$ 74,735</u>	<u>\$ 666,490</u>	<u>\$ 273,545</u>	<u>\$ 1,255,097</u>	<u>\$ 157,611</u>

(continued)

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)
(Continued)

Business-Type Activities - Enterprise Funds

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Gas Utility</u>	<u>Airport</u>	<u>Tidelands</u>
Operating Income (Loss)	\$ 38,899	\$ (894)	\$ (35,624)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization Expense	4,870	8,157	18,617
Other Income	2,544	1,256	102
Other Expense	(684)	-	-
(Increase) Decrease in Accounts Receivable, Net	2,092	160	995
(Increase) Decrease in Amounts Due from Other Governments	31	-	(4,761)
(Increase) in Amounts Due from Other Funds	(899)	-	-
(Increase) Decrease in Inventory	(326)	-	-
(Increase) Decrease in Other Assets	(4,292)	-	-
Increase in Other Non-Operating Assets	-	-	8,498
Decrease in Environmental Liabilities	-	(74)	-
Increase (Decrease) in Accounts Payable	(3,475)	616	2,125
Decrease in Accrued Wages Payable	(105)	(57)	(35)
Increase (Decrease) in Amounts Due to Other Funds	(16)	(12)	19
Increase in Accrued Claims Payable	-	-	-
Increase (Decrease) in Deferred Revenues	148	(222)	(195)
Decrease in Deferred Credits	-	-	-
Increase (Decrease) in Collections Held in Trust	84	(117)	12
Total Adjustments	<u>(28)</u>	<u>9,707</u>	<u>25,377</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 38,871</u>	<u>\$ 8,813</u>	<u>\$ (10,247)</u>
 <u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u>			
Contribution of Capital Assets	\$ -	\$ -	\$ -
Capitalized Interest	112	10,267	914
Accrued Capital Asset Costs	-	-	-
Amortization of Bond Premium, Net	-	-	-
Accrued Oilfield Abandonment Costs	-	-	-

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

Business-Type Activities - Enterprise Funds				Governmental
Tideland		Other	Totals	Activities - Internal
Oil	Harbor	Proprietary	Proprietary Funds	Service Funds
Revenue		Funds	September 30,	September 30,
			2012	2012
\$ 60,033	\$ 157,727	\$ 22,750	\$ 242,891	\$ (15,282)
-	88,523	15,034	135,201	16,590
2,385	17	1,586	7,890	803
-	-	(2,208)	(2,892)	(5)
8,211	(7,478)	(3,404)	576	1,319
20,007	-	401	15,678	166
-	-	(226)	(1,125)	288
(21)	(102)	324	(125)	368
-	-	38	(4,254)	25
-	-	-	8,498	-
-	-	-	(74)	(144)
789	(220)	(326)	(491)	(2,857)
(14)	-	(117)	(328)	23,834
3,870	2,333	32	6,226	47
-	-	-	-	8,914
(3)	(293)	104	(461)	-
-	-	(80)	(80)	-
1,412	-	1,544	2,935	2,452
36,636	82,780	12,702	167,174	51,800
\$ 96,669	\$ 240,507	\$ 35,452	\$ 410,065	\$ 36,518
\$ -	\$ -	\$ -	\$ -	\$ 5,084
-	21,017	528	32,838	-
-	-	1,845	1,845	-
-	3,057	3,044	6,101	-
200	-	-	200	-

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

City of Long Beach
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2012
(In Thousands)

	Private Purpose Trust	Agency Funds
ASSETS:		
Pooled Cash and Cash Equivalents	\$ 910	\$ 15,004
Non Performing Investments	1	14
Investments at Par-Nonpooled	-	2,713
Non-Pooled Cash and Cash Equivalents	-	6,317
Property Taxes Receivable	-	72
Accounts Receivable	-	8
Prepaid Expense	-	6
Land	-	11,000
Total Assets	\$ 911	\$ 35,134
LIABILITIES:		
Accounts Payable	-	339
Due to Special Assessment Bondholders	-	7,874
Collections Held in Trust	-	26,921
Total Liabilities	-	\$ 35,134
NET POSITION:		
Held in Trust for Private Purpose Trust Funds	\$ 911	

City of Long Beach
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Private Purpose Trust
ADDITIONS:	
Interest Income	\$ 3
Contributions from Citizens	24
Total Additions	27
DEDUCTIONS:	
Community and Cultural	61
Change in Net Position	(34)
Net Position, October 1	945
Net Position, September 30	\$ 911

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

NOTES TO THE FINANCIAL STATEMENTS

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The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

NOTE 1 – REPORTING ENTITY

Organization

The City of Long Beach (City) operates under a City Charter originally adopted in 1921 and last amended in 2010. The City Charter establishes the current Mayor-Council-City Manager form of government, sets forth the powers and duties of the Mayor and City Council, and defines the roles, duties, and form of organization of the City's various boards, commissions, and other offices. The City is divided into nine council districts, with 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, community development, and public works 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 fees and charges designed to recover the full cost of providing services, including capital costs such as depreciation and debt service. Accordingly, the financial activities of these operations are accounted for as enterprise funds.

The accompanying basic financial statements present the financial activity of the City 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 11-member Board of Commissioners, comprised of the nine City Council members and two representatives elected by housing assistance benefit recipients. The Authority's administrative functions are directed and performed by City employees. The financial activity of the Authority is included in the Housing Assistance Fund, a non-major governmental fund.

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 was administered by five-member governing boards whose members were appointed by, and served at the will of, the City Council. The City Council approved the Agency's annual budget and changes thereto. Additionally, the City Council approved decisions that impacted the Agency's fiscal operations, such as determination of Agency project areas, debt, and sales of property. Further, the City provided all staffing, treasury management and investment analysis, facilities, and administrative services required to conduct the Agency's day-to-day operations. Accordingly, the financial activities of the Agency were blended

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

with those of the City in the accompanying basic financial statements and are reported as the Agency's Capital Projects and Debt Service Funds.

The Agency ceased operation in accordance with Assembly Bill (AB) 1X26 effective February 1, 2012. Residual Balance Sheet amounts have been transferred to Capital Projects and Debt Service Funds under the Successor Agency heading (see further discussion below). Activity associated with the operation and dissolution of the Agency are provided as blended governmental funds. Like its predecessor, the Successor Agency is considered a blended component unit of the City.

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 Agency is required to set aside 20 percent of its incremental property tax revenues to meet these needs. It is the Company's responsibility to assist the City and the 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 Authority (SERRF) is a joint powers authority between the City of Long Beach and the Los Angeles County Sanitation District Number 2. SERRF was created to finance the construction of a waste-to-energy facility through the issuance of lease revenue bonds. Payments under the lease are intended to service bonded debt issued to finance construction of the project. For financial reporting purposes, the capital lease between SERRF and the City has been eliminated, and the financial activities of SERRF are included in the Solid Waste Management Enterprise Fund (see Note 19).

Non-profit Financing Corporations and Authorities

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

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

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

<u>Entity</u>	<u>Affected Fund Type</u>	<u>Affected Funds</u>
Long Beach Financing Authority	Governmental	Agency Funds
Long Beach Bond Finance Authority	Governmental and Business-Type	Internal Service Funds Enterprise funds Government Funds to include Agency Funds and Housing Funds
Long Beach Capital Improvement Corporation	Business-Type	Enterprise Funds

These separately issued financial statements may be obtained at 333 West Ocean Boulevard, 6th Floor, Long Beach, California 90802. 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 non-profit corporation formed in 1963 to purchase the local public transit system from a private carrier. The City is LBT's sole stakeholder.

LBT is governed by a seven-member Board of Directors (Board), which provides broad policy and financial decisions, setting direction for management. The Mayor, with the approval of the City Council, appoints residents of the community to the Board to serve overlapping four-year terms. In addition, two designees of the City Manager's Office serve as ex-officio Board members but do not have voting authority. LBT's mission is "to provide public transit services that enhance and improve the quality of life for the people in our community."

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

Changes in the Reporting Entity

In June 2011, Assembly Bill 1X 26 (AB 26) was signed into law as part of the State's budget package. The law was to be effective as of October 1, 2011. AB 26 required each California redevelopment agency to suspend activities except for those required to implement existing contracts, meet already incurred obligations, preserve Agency assets, and prepare for the impending dissolution of the agency. A lawsuit was filed on July 18, 2011 on behalf of cities, counties, and redevelopment agencies petitioning the California Supreme Court to overturn AB 26 on the grounds the bill violated the California Constitution. On December 29, 2011, the Court upheld AB 26 resulting in the Agency ceasing operations as of February 1, 2012.

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

Consistent with the legislation, the City has exercised its option to become the Successor Agency (SA) for the Agency and the Housing Successor Agency (HSA) for the Low and Moderate Income Housing function. Under the requirements of the legislation, as the SA for the Agency, the City is responsible for the winding down of Agency business to include the completion of ongoing projects and the disposition of assets. As the HSA, the City is responsible for executing the former mission of the Low and Moderate Income Housing function as long as funding permits.

The cessation of operations of the Agency and of the Low and Moderate Income Housing function did not result in any change to total beginning balance in net Position/fund balances at either the government-wide or fund presentations. The accompanying financial statements include Agency's Operations through its dissolution date of January 31, 2012. Fund statement presentation of fund balances associated with the former Agency, inclusive of land held for resale previously reported in the Blight Removal Capital Projects Fund, were transferred primarily to debt service and capital project funds under the SA heading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements with the exception of exchange or exchange-like transactions between governmental functions that if eliminated would distort direct cost and program revenue. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, operating grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and capital grants and contributions, including special assessments, that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items are not included among program revenues, as they are appropriately reported as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

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

- Revenue is recorded when it becomes both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, and except for reimbursement-basis government revenues, 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. 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.
- Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as other financing sources.

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

The City reports the following major governmental and enterprise funds:

Major Governmental Funds

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

The *Successor Agency Capital Projects Fund* was established to account for the winding down of the affairs of the former redevelopment agency including the completion of Agency projects and the disposal of the Agency's assets.

Major Enterprise Funds

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

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

The *Tidelands Fund* is used to account for operations, maintenance, and development of the beaches, Convention Center, the Queen Mary, the Aquarium of the Pacific, as well as the City's marinas.

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

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

Other Fund Types:

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

Fiduciary Funds include private trust and agency funds. Private trust funds account for assets and activities restricted to a specific purpose in accordance with a trust agreement. These include the Miller Library and Mayor's Fund for the Homeless, from which both principal and interest may be spent for the purposes outlined in the trusts. Agency funds account for assets held by the City as an agent for individuals, private organizations, and other governmental units. The City's Agency funds include Los Cerritos Wetlands Authority, which holds land and cash for the protection and restoration of the Los Cerritos Wetlands area, and Special Assessment Districts that issue various debts for the benefit of Long Beach area property owners.

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by GAAP, the City has not elected to apply those Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after 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. The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

Pooled Cash and Cash Equivalents

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

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

The pool investments are based on three investment strategies designed to meet any demand for funding by using a combination of short-term on demand accounts and highly liquid investments. In addition, several individual funds maintain specific investments over and above any pooled cash balances. Interest income arising from pooled cash and investments is apportioned to the participating funds based on the relationship of their respective daily cash balances to the total of pooled cash and investments. Investments are stated at fair value as of September 30, 2012.

Receivables and Payables

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” for the current portion of interfund loans or “advances to/from other funds” for the non-current portion of interfund loans. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources. Trade and property tax receivables are shown net of any provisions for uncollectible accounts.

Inventories

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

Capital Assets

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

The City defines capital assets as assets with an initial, individual cost of more than five thousand dollars 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 asset lives are not capitalized.

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

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

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

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

Long-Term Obligations

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

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

Net Position and Fund Balance

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

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which is based upon the extent to which the City is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balances reported on the governmental fund statements consist of the following categories:

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

<i>Classification</i>		<i>Definition</i>	<i>Examples</i>
Nonspendable		“Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.”	1. Inventories, 2. Prepaid items, 3. Long-term receivables, 4. Permanent principal of endowment funds.
Restricted		“Fund balance should be reported as restricted when constraints placed on the use of resources are either (a) Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.”	1. Restricted by state statute, 2. Unspent bond proceeds, 3. Grants earned but not spent, 4. Debt covenants, 5. Taxes dedicated to a specific purpose, and 6. Revenues restricted by enabling legislation.
Unrestricted	Committed	“Used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority”	1. The City Council has decided to set aside \$1 million for a new senior center. 2. By resolution, e.g. 15% of Sales tax has been set aside to fund safety operations.
	Assigned	“Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed”	1. The City Council or its designee has formalized an intended use of fund balance 2. Positive residual balances in governmental funds other than the general fund.
	Unassigned	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned.	

Committed fund balance classifications may be created, modified, or rescinded by formal action, either through adopted resolution or ordinance, of the City Council. Consistent with the City’s adopted Fund Balance Policy, assignments may be designated for a purpose by the City Council or, if delegated, the Council’s designee.

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

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

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Property Tax Calendar

Under the State Constitution, the property tax rate is limited to one percent of assessed value, but may be adjusted for specific voter-approved indebtedness. Property taxes are levied by the Los Angeles County (County) Tax Assessor and shared among all other local taxing authorities within the City. Accordingly, the County collects property taxes and distributes such taxes on the basis of the taxing authorities' tax rate percentages, allowing for such adjustments as may be authorized for voter-approved debt. Secured property taxes are levied during September of every year and become a lien on real property on January 1 of the calendar year for which taxes are levied. These tax payments can be made in two equal installments: the first is due November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. The City recognizes property tax receivable when levied and defers the portion that is neither intended nor available to finance current year expenditures.

Revenue Recognition for Utility Funds

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

Employee Benefits and Compensated Absences

Excluding the residual balance of a City-administered Police and Fire Annuity Benefit Program that was terminated in 1945, benefits for City employees are paid from the City's Employee Benefits Internal Service Fund. The Employee Benefits Internal Service Fund is reimbursed through payroll charges to other funds based on estimates of benefits earned. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. Beginning August 1, 2007, management employees, upon retirement, have 75 percent of his/her outstanding vacation leave converted to sick leave.

Accumulated sick leave becomes vested only when an employee meets the City's minimum requirements for retirement. At the time of retirement, employees have the option of using the cash value equivalent of accumulated sick leave to continue in the City's health insurance plan or to purchase additional pension benefits from the State of California Public Employees' Retirement System (CalPERS). Accumulated sick leave is forfeited upon termination for reasons other than retirement. Through fiscal year 2005, the City also contributed up to 32 hours of accumulated sick leave each year to deferred compensation plans for active safety employees who had accumulated in excess of 40 days of sick leave as of January 1 of each calendar year. These deferred compensation contributions were funded and remitted to the City's deferred compensation third-party administrators.

The City makes annual contributions in varying amounts to deferred compensation plans for certain employee groups who serve in sensitive, confidential capacities. No other City employees received such benefit.

Through fiscal year 2005, the City had established an Integral Part Trust (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, pretax 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 2005.

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

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Budgetary Principles

The City Council adopted the fiscal year 2012 budget prior to September 30, 2011 for all funds except for agency funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

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

Budgeted revenue and expenditure amounts represent the originally budgeted amounts as well as budgeted amounts as modified by adjustments authorized during the year. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations.

For budgetary purposes, the City records an encumbrance as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received.

Implementation of New Accounting Pronouncements

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

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement replaces the term Net Assets with Net Position and it changes the Statement of Net Position format to reflect assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position. The requirements of this Statement should improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the governments net position. Application of this Statement is effective for the City's fiscal year ending September 30, 2013. The City has chosen to early implement this statement.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and when hedge accounting should continue to be applied. Application of this Statement is effective for the City's fiscal year ending September 30, 2012 and did not materially impact the City's Financial Statements.

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

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The requirements of this Statement improve financial reporting by establishing consistent recognition, measurement, and disclosure requirements for Service Concession Arrangements. The application of this Statement should improve the comparability of

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financial statements between governments. Application of this Statement is effective for the City's fiscal year ending September 30, 2013.

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

In November 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30 1989 FASB and AICPA Pronouncements*. The requirements of this Statement should improve financial reporting by contributing to GASB's efforts to codify all sources of GAAP for state and local government's so that they derive from a single source. The Statement should result in a more consistent application of applicable guidance in the financial statements of state and local governments. Application of this Statement is effective for the City's fiscal year ending September 30, 2013.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to

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their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement will improve the decision-usefulness of information in employer financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Estimates

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

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

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

	Total Governmental Funds (Page 32)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations and Conversions	Total Statement of Net Position (Page 29)
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 298,417	\$ -	\$ 156,173	\$ (371,562)	\$ 83,028
Non-Pooled Cash and Cash Equivalents	60,901	-	1,438	-	62,339
Pooled Investments	-	-	-	57,531	57,531
Non Performing Investments	301	-	134	-	435
Interest Receivable	21	175	16	-	212
Property Taxes Receivable, Net	94,480	-	-	(9,046)	85,434
Accounts Receivable	42,270	-	1,626	(43,896)	-
Notes and Loans Receivable	1,929	-	-	(1,929)	-
Due from Other Governments	42,704	-	32	-	42,736
Due from Other Funds	12,320	-	7,127	(19,447)	-
Allowance for Receivables	(36,192)	-	(208)	36,400	-
Accounts and Loans Receivables, Net	-	-	-	18,471	18,471
Internal Balances	-	-	-	14,090	14,090
Deposits	-	-	617	(617)	-
Inventory	-	-	1,611	-	1,611
Other Assets	1,593	-	25	617	2,235
Advances to Other Funds	38,587	-	-	(38,587)	-
Land Held for Resale	100,433	-	-	-	100,433
Noncurrent Restricted Assets:					
Non-Pooled Investments	-	-	2,723	-	2,723
Other Noncurrent Assets:					
Noncurrent Pooled Investments	-	-	-	314,031	314,031
Noncurrent Non-Pooled Investments	26,949	-	-	-	26,949
Other Noncurrent Receivables	181,108	-	1,122	-	182,230
Capital Assets:					
Nondepreciable	-	267,255	9,318	-	276,573
Depreciable, Net	-	325,367	94,589	-	419,956
Other Noncurrent Assets	-	-	37,956	-	37,956
Total Assets	\$ 865,821	\$ 592,797	\$ 314,299	\$ (43,944)	\$ 1,728,973

(continued)

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	Total Governmental Funds (Page 32)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations and Conversions	Total Statement of Net Assets (Page 29)
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 32,310	\$ -	\$ 5,500	\$ -	\$ 37,810
Accrued Wages and Benefits Payable	4,671	-	37,473	-	42,144
Accrued Interest Payable	-	7,585	3,044	-	10,629
Due to Other Governments	74,965	-	-	-	74,965
Due to Other Funds	17,065	-	536	(17,601)	-
Deferred Revenue	299,131	-	-	(183,349)	115,782
Accrued Claims	1,500	-	-	(1,500)	-
Deposits and Collections Held in Trust	5,190	-	3,242	(8,432)	-
Advances from Other Funds	54,001	-	-	(54,001)	-
Bonds Payable	-	13,292	5,615	(18,907)	-
Notes Payable	-	1,290	-	(1,290)	-
Capital Leases Payable	-	1,310	4,187	(5,497)	-
Environmental Remediation	-	345	163	(508)	-
Accrued Self Insurance Claims Payable	-	-	23,005	(23,005)	-
Employee Benefits Payable	-	-	8,660	(8,660)	-
Total Employee Benefits and Accrued LT Obligations	-	-	-	32,173	32,173
Total LT Debt and Other LT Obligations	-	-	-	25,694	25,694
Long-term Liabilities Due Beyond One Year					
Bonds Payable	-	396,176	69,069	(465,245)	-
Notes Payable	-	6,828	-	(6,828)	-
Capital Leases Payable	-	9,246	29,881	(39,127)	-
Police and Fire Annuities Payable	-	14,224	-	(14,224)	-
Estimated Oil Field Abandonment Costs Payable	-	6,661	-	(6,661)	-
Environmental Remediation	-	116	2,992	(3,108)	-
Accrued Self Insurance Claims Payable	-	-	100,311	(100,311)	-
Employee Benefits Payable	-	-	145,888	(145,888)	-
Total Employee Benefits and Accrued LT Obligations	-	-	-	270,192	270,192
Total LT Debt and Other LT Obligations	-	-	-	511,200	511,200
Total Liabilities	488,833	457,073	439,566	(264,883)	1,120,589
Fund Balance / Net Position					
Total Fund Balance / Net Position	376,988	135,724	(125,267)	220,939	608,384
Total Liabilities and Fund Balance / Net Position	\$ 865,821	\$ 592,797	\$ 314,299	\$ (43,944)	\$ 1,728,973

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

	Total Governmental Funds (Page 34)	Debt and Capital Related Transactions	Internal Service Funds	Reclass and Adjust- ments	Eliminations	Statement of Activities (Pages 30-31)
Revenues:						
Taxes	\$ 321,912	\$ -	\$ -	\$ (1,295)	\$ -	\$ 320,617
Franchise Fees	23,143	-	-	-	-	23,143
Licenses and Permits	24,278	-	-	(24,278)	-	-
Fines and Forfeitures	17,762	-	-	(17,762)	-	-
Use of Money and Property /						
Unrestricted Investment Earnings	58,398	(1)	200	(54,248)	-	4,349
From Other Agencies	184,470	-	-	(184,470)	-	-
Charges for Services	28,586	-	-	(28,586)	-	-
Other	19,544	-	-	(19,544)	-	-
Program Revenue						
Charges for Services	-	-	6,873	135,527	-	142,400
Operating Grants and Contributions	-	-	-	178,602	(2,955)	175,647
Capital Grants and Contributions	-	-	-	6,147	-	6,147
Other Financing Sources :						
Issuance of Long-term Debt	753	(753)	-	-	-	-
General Revenues						
Capital Asset Transfers, Net	-	6	5,084	-	-	5,090
Transfers, Net	17,485	-	(1,857)	-	-	15,628
Total Revenues	696,331	(748)	10,300	(9,907)	(2,955)	693,021
Expenditures / Expenses:						
Current:						
Legislative and Legal	10,316	101	581	-	-	10,998
General Government	17,441	561	4,126	-	-	22,128
Public Safety	285,807	(3,267)	8,002	-	-	290,542
Public Health	41,449	163	1,100	-	-	42,712
Community and Cultural	289,597	(3,057)	941	46,644	(2,955)	331,170
Public Works	60,368	30,760	930	-	-	92,058
Oil Operations	9,146	110	-	-	-	9,256
Capital Improvements						
Capital Improvements	17,183	(17,183)	-	-	-	-
Loss on Disposition of Land Held for Resale	79,311	-	-	(79,311)	-	-
Debt Service:						
Principal	14,379	(14,379)	-	-	-	-
Interest on Long-Term Debt	23,298	(292)	5,486	-	-	28,492
Debt Administration Fees	494	(494)	-	-	-	-
Total Expenditures / Expenses	848,789	(6,977)	21,166	(32,667)	(2,955)	827,356
Net Change in Fund Balances	\$ (152,458)	\$ 6,229	\$ (10,866)	\$ 22,760	\$ -	\$ (134,335)

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NOTE 4 – CASH AND INVESTMENTS

Cash and Investments as of September 30, 2012 are classified in the accompanying financial statements as follows (in thousands):

Cash and Investments	
Cash and investments in City pool	\$ 1,707,592
Non-performing short-term investment	2,185
Non-pooled cash and investments	<u>252,030</u>
Total cash and investments	<u>\$ 1,961,807</u>

Cash and investments as of September 30, 2012 consist of the following:

Cash and deposits	\$ 210,854
Outstanding checks	(15,527)
Deposit in transit	20,315
Investments	<u>1,746,165</u>
Total cash and investments	<u>\$ 1,961,807</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, 2012 is as follows (in thousands):

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
Pooled Cash and Cash Equivalents	\$ 83,028	\$ 226,181	\$ 15,914	\$ 325,123
Non-Pooled Cash and Cash Equivalents	62,339	17,914	6,317	86,570
Pooled Investments	57,531	156,526	-	214,057
Non Performing Investments	435	1,735	15	2,185
Non-Pooled Investments	-	3,245	-	3,245
Noncurrent Pooled Investments	314,031	854,381	-	1,168,412
Noncurrent Non-Pooled Investments	26,949	-	2,713	29,662
Restricted Assets:				
Non-Pooled Cash and Cash Equivalents	-	95	-	95
Non-Pooled Investments	2,723	129,735	-	132,458
Total Deposits and Investments	<u>\$ 547,036</u>	<u>\$ 1,389,812</u>	<u>\$ 24,959</u>	<u>\$ 1,961,807</u>

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

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

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

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

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and 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.

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The following schedule indicates the interest rate risk of the City's investments as of September 30, 2012 (in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Cash and investments in City pool		
Inter-department loan (Health SAVRS) ¹	\$ 1,833	6.562
U.S. Treasury bills	111,962	0.247
U.S. Treasury notes	405,979	0.917
Federal agency securities	902,310	1.183
Money market account	536	0.003
Local Agency Investment Fund (LAIF)	70,163	0.003
Subtotal City pool	1,492,783	
Cash and deposits	210,021	
Outstanding checks	(15,527)	
Deposit in transit	20,315	
Total City pool	\$ 1,707,592	
Non performing investment - short term	\$ 2,185	-
Non-pooled cash and investments		
Guaranteed Investment Contracts	\$ 46,880	20.158
Money market funds	67,361	-
U.S. Treasury notes	41,832	2.245
Federal agency securities	83,214	2.505
Time certificates of deposit	10,000	0.967
City bonds	1,910	6.675
Cash and deposits	833	-
Total non-pooled cash and investments	\$ 252,030	

¹Loan authorized as a long-term investment by the City Council

Investments with Fair Values Highly Sensitive to Interest Rate Risk

The City had no investments that were highly sensitive to market interest rate changes as of September 30, 2012. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

Disclosures Relating to Credit Risk

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

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The following are the actual ratings as of September 30, 2012 for each investment type (in thousands):

Investment Type	Legal Rating	Rating as of Year End				
		Total	Not Required To Be Rated	AAA	AA+	Unrated
Cash and investments in City pool						
Inter-department loan (Health SAVRS)	N/A	\$ 1,833	\$ 1,833	\$ -	\$ -	\$ -
U.S. Treasury bills	N/A	111,962	111,962	-	-	-
U.S. Treasury notes	N/A	405,979	405,979	-	-	-
Federal agency securities	N/A	902,310	-	-	902,310	-
Money market account	N/A	536	-	-	536	-
Local Agency Investment Fund (LAIF)	N/A	70,163	-	-	-	70,163
Subtotal City pool		1,492,783	519,774	-	902,846	70,163
Cash and deposits		210,021	-	-	-	210,021
Outstanding checks		(15,527)	-	-	-	(15,527)
Deposit in transit		20,315	-	-	-	20,315
Total City pool		<u>\$ 1,707,592</u>	<u>\$ 519,774</u>	<u>\$ -</u>	<u>\$ 902,846</u>	<u>\$ 284,972</u>
Non-performing investment - short term	N/A	\$ 2,185	\$ -	\$ -	\$ -	\$ 2,185
Non-pooled cash and investments						
Guaranteed Investment Contracts	N/A	\$ 46,880	\$ 46,880	\$ -	\$ -	\$ -
Money market funds	N/A	67,361	67,361	-	-	-
U.S. Treasury notes	N/A	41,832	-	41,832	-	-
Federal agency securities	N/A	83,214	-	-	83,214	-
Time Certificates of Deposit	N/A	10,000	-	-	-	10,000
City bonds	N/A	1,910	-	-	-	1,910
Cash and deposits	N/A	833	-	-	-	833
Total non-pooled cash and investments		<u>\$ 252,030</u>	<u>\$ 114,241</u>	<u>\$ 41,832</u>	<u>\$ 83,214</u>	<u>\$ 12,743</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$ 161,174
Federal Home Loan Bank	Federal agency securities	245,103
Federal Home Loan Mortgage Corporation	Federal agency securities	181,000
Federal National Mortgage Association	Federal agency securities	315,033
U.S. Treasuries	U.S. Treasury bills and notes	517,941

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Custodial Credit Risk

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

As of September 30, 2012, the City reported deposits of \$210.0 million, collateralized in compliance with California Government Code, less \$15.5 million for checks outstanding.

Investment in State Investment Pool

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

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NOTE 5 – RECEIVABLES

Receivables at September 30, 2012 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.

	<u>General</u>	<u>Successor Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Governmental Activities:					
Receivables:					
Interest ¹	\$ -	\$ -	\$ 21	\$ 16	\$ 37
Taxes	94,328	-	152	-	94,480
Accounts, Unrestricted	38,705	130	3,435	1,626	43,896
Notes and Loans	1,929	-	-	-	1,929
Due from Other Governments	15,215	-	27,489	32	42,736
Total Receivables	<u>150,177</u>	<u>130</u>	<u>31,097</u>	<u>1,674</u>	<u>183,078</u>
Less Allowance for Receivables	<u>(35,179)</u>	<u>-</u>	<u>(1,013)</u>	<u>(208)</u>	<u>(36,400)</u>
Net Receivables	<u>\$ 114,998</u>	<u>\$ 130</u>	<u>\$ 30,084</u>	<u>\$ 1,466</u>	<u>\$ 146,678</u>

	<u>Gas Utility</u>	<u>Airport</u>	<u>Tidelands</u>	<u>Tidel and Oil Revenue</u>	<u>Harbor</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
Business-Type Activities:							
Receivables:							
Interest, Unrestricted	\$ 15	\$ 147	\$ 130	\$ -	\$ 203	\$ 81	\$ 576
Accounts, Unrestricted	4,601	2,467	3,271	60,187	50,309	18,241	139,076
Other Receivables	-	76	-	-	-	-	76
Due from Other Governments	31	2,408	5,349	-	66,955	285	75,028
Total Receivables	<u>4,647</u>	<u>5,098</u>	<u>8,750</u>	<u>60,187</u>	<u>117,467</u>	<u>18,607</u>	<u>214,756</u>
Less Allowance for Receivables	<u>(522)</u>	<u>(24)</u>	<u>(372)</u>	<u>-</u>	<u>(1,678)</u>	<u>(1,120)</u>	<u>(3,716)</u>
Net Receivables	<u>\$ 4,125</u>	<u>\$ 5,074</u>	<u>\$ 8,378</u>	<u>\$ 60,187</u>	<u>\$ 115,789</u>	<u>\$ 17,487</u>	<u>\$ 211,040</u>

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

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NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2012 is as follows (in thousands):

	Receivable - Due to:						Total Due from
	General	Nonmajor Govern- mental	Gas Utility	Tidelands	Nonmajor Proprietary Funds	Internal Service Funds	
Payable- Due from:							
General	\$ -	\$ 1,860	\$ -	\$ -	\$ 500	\$ 5,500	\$ 7,860
Successor Agency	-	-	-	-	-	7	7
Nonmajor Governmental	8,542	311	-	-	-	345	9,198
Gas Utility	42	-	-	-	-	127	169
Airport	-	-	-	-	-	57	57
Tidelands	808	-	880	-	-	152	1,840
Tidelands Oil Revenue	-	-	-	9,083	-	24	9,107
Harbor	466	-	-	18,297	240	363	19,366
Nonmajor Proprietary	-	-	-	-	-	307	307
Internal Service	291	-	-	-	-	245	536
Total Due to	<u>\$ 10,149</u>	<u>\$ 2,171</u>	<u>\$ 880</u>	<u>\$ 27,380</u>	<u>\$ 740</u>	<u>\$ 7,127</u>	<u>\$ 48,447</u>

	Receivable - Advances from:				Total Advances to
	General	Nonmajor Governmen- mental	Harbor	Nonmajor Proprietary Funds	
Payable - Advances to:					
General	\$ -	\$ -	\$ -	\$ 15,414	\$ 15,414
Successor Agency	-	29,878	-	-	29,878
Nonmajor Government	2,000	6,709	-	-	8,709
Tidelands	-	-	1,300	-	1,300
Total Advances from	<u>\$ 2,000</u>	<u>\$ 36,587</u>	<u>\$ 1,300</u>	<u>\$ 15,414</u>	<u>\$ 55,301</u>

Due To / Due From Other Funds

The General Fund has provided \$8.5 million to non-major governmental funds. \$1.4 million was provided to the Community Development Grants Fund to cover operating expenses prior to receipt of grant funds from the Home Investment Partnership Act, Community Development Block Grant, and Workforce Investment Act. In addition, the General Fund provided the General Grants Fund and Health Fund, \$4.6 million and \$2.5 million, respectively, for temporary cash flow in order to cover expenses for the Urban Area Security Initiative Grant and various health grants including the Homeless Supportive Housing Grant.

In fiscal year 2009, the General Fund accrued a liability for a consent judgment for civil penalties of \$1.5 million and legal fees reimbursement of \$200 thousand payable to State Water Resources Control Board and allocated these expenses to the Gas Fund, Water Fund, and Tidelands Fund in the amounts of \$42 thousand, \$85 thousand, and \$808 thousand, respectively. As of September 2012, the Gas Fund and the Tidelands amounts remained outstanding. In addition, the Harbor owed the General Fund \$466 thousand for port security police services in the Harbor Area.

In fiscal year 2005, the General Fund advanced the General Services Internal Service Fund \$291 thousand to cover expenditures incurred in advances of cost reimbursement Homeland Security grants. This amount is still outstanding as of September 30, 2012.

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As of September 30, 2012, \$9.0 million is payable from the Tidelands Oil Revenue Fund to the Tidelands Fund. In November of 2011, voters approved Measure D, which in addition to changing the formula of Harbor's transfer to Tidelands, transferred management of the West Wilmington field from the Harbor to the Tidelands Oil Revenue Fund. This in turn allowed the Tidelands Oil Revenue Fund to transfer additional amounts to the Tidelands Fund. At fiscal year-end, \$6.7 million of the net oil profits were accrued as due to the Tidelands Fund. In addition, under the 1992 Optimized Waterflood Program Agreement, the Tidelands Fund receives 8.5 percent of the incremental oil revenue generated by the injection of water into the oil fields in the Tidelands area. As of fiscal year-end the amount payable was \$2.3 million.

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 percent of the Harbor net income to the Tidelands Fund. As a result of Measure D, the formula is now 5 percent of the Harbor's gross income. The amount accrued for the Harbor's 2012 gross income is \$18.3 million and will be paid in fiscal year 2013.

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

On January 17, 2012, the City Council elected to be the designated Successor Agency to the former Redevelopment Agency pursuant to State legislation AB X1 26. The dissolution of the Agency was effective February 1, 2012. With the dissolution of the Agency, the Successor Agency is responsible for payment of all "enforceable obligations" of the former RDA and for disposal of the RDA's assets. Part of this obligation is the long-term advance to the Redevelopment Agency from the Housing Development Fund. These obligations of \$33.1 million less fiscal year 2012 repayments of \$4.2 million leaves a balance of \$28.9 million as of September 30, 2012. In addition, \$975 thousand are for costs related to property acquisition and residential construction in the Central Long Beach Project Area.

In fiscal year 2001, the Company, accounted for in the Housing Development Fund, a non-major governmental fund, entered into a \$4.0 million zero interest loan agreement with the City for the acquisition of 26 parcels of land, each containing a four-plex apartment building for affordable rental housing for low and very low-income residents. The Company is required to make the principal payments to the City using 25 percent of the proceeds from repayments of promissory notes from the developer. Any remaining balance of the promissory note owed on April 1, 2034 shall be immediately due and payable. The Company's outstanding loan balance with Community Development Grants Fund, a non-major governmental fund, is \$3.8 million at September 30, 2012.

In July 2004, the Community Development Grants Fund entered into a loan agreement with the Housing Assistance Special Revenue Fund in the amount of \$2.9 million to cover additional housing assistance payments, which exceeded HUD funding. This has been recorded as advances to/from the respective funds.

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

The Subsidence Fund advanced interest earning on reserves to the General fund in the amount of \$4.1 million in both fiscal year 2005 and 2006. This was allowed under State law passed in fiscal year 2004 to retain interest earned on that reserve for subsidence contingencies for the previous calendar year. In fiscal year 2007, the General Fund started repayment of \$500 thousand per year at zero percent interest. The balance outstanding as of September 30, 2012 is \$5.1 million, of which \$4.6 million is long-term and \$500 thousand is current.

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The Subsidence Fund advanced the General Fund \$10.8 million in fiscal year 2010, which is equal to the 8% reduction of property tax allocated to the City of Long Beach. Pursuant to California Assembly Bill No. 15 Chapter 14 Section 11 (a) notwithstanding any other law, a city that has established a reserve for subsidence contingencies may, for the 2009-10 fiscal year only, retain interest earned on that reserve for the previous three calendar years in an amount not to exceed the amount of the revenue reduction incurred by that city pursuant to Section 100.06 of the revenue and taxation code. The City intends to repay this loan in fiscal year 2013, upon receipt of the withheld property tax from the State.

Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2012, interfund transfers are as follows (in thousands):

	Transfers To:					Total Transfers Out
	General	Successor Agency	Nonmajor Governmental Funds	Tidelands	Internal Service Funds	
Transfers Out of:						
General	\$ -	\$ -	\$ 18,716	\$ -	\$ 3,638	\$ 22,354
Successor Agency	-	-	19,569	-	157	19,726
Nonmajor Governmental	1,796	114,883	54,288	534	-	171,501
Gas	11,923	-	50	-	-	11,973
Nonmajor Proprietary	3,739	-	450	-	-	4,189
Tideland Oil Revenue	-	-	-	58,920	-	58,920
Harbor	-	-	-	16,694	-	16,694
Internal Service Funds	5,652	-	-	-	-	5,652
Total Transfers In	<u>23,110</u>	<u>114,883</u>	<u>93,073</u>	<u>76,148</u>	<u>3,795</u>	<u>311,009</u>
Nonmajor Governmental						
Land Transfers	-	173,234	5,502	-	-	178,736
Total Land and Transfers In	<u>\$ 23,110</u>	<u>\$ 288,117</u>	<u>\$ 98,575</u>	<u>\$ 76,148</u>	<u>\$ 3,795</u>	<u>\$ 489,745</u>

Significant transfers include the following:

The General Fund transferred a total of \$18.7 million to non-major governmental funds in fiscal year 2012. \$7.4 million was transferred to the General Debt Service Fund for the payment of principal, interest and fiscal agent fees. \$9.3 million was transferred to the General Capital Projects Fund for ongoing projects such as street and sidewalk construction and City building improvements, maintenance and repair. \$1.8 million was transferred to the General Grants Fund to cover the repayment of ineligible costs associated with an incomplete Los Angeles County Open Space District Parks Grant project. Finally, the General Fund transferred \$3.6 million to Employee Benefits Fund. \$2.5 million was transferred to cover the Donning and Doffing settlement with the Police Officers Association (POA) and \$977 thousand to transferred to cover the FY10, 11, and 12 POA / Fire Fighters Association (FFA) Retiree Health Insurance costs incurred as a result of agreements reached with the POA / FFA.

As part of the City's compliance with AB1x26, \$31 million and \$83 million were transferred to the Successor Agency by the Housing Development Fund and the Agency, Non-Major Governmental Funds, respectively, as part of the mandated wind down of the Agency.

The Successor Agency Fund transferred \$15.3 million and \$4.2 million to the Successor Agency Debt Service Fund and the Redevelopment Agency Debt Service Fund, respectively, (both non-major governmental funds) for debt service payments.

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Non-major governmental funds transferred \$54.3 million to other non-major governmental funds includes the following:

- The Agency's Debt Service Fund transferred \$49.3 million to Successor Agency's Debt Service Fund in compliance with the AB1x26.
- The Housing Development Fund transferred \$1.2 million and \$345 thousand to the Agency Debt Service Fund and General Debt Service Fund, respectively, for bond principal and interest payments of Agency's 2005B Housing Bonds and rental development assistance debt service payment.
- The Community Development Grants Fund transferred \$1.4 million to the General Capital Projects Funds to finance sidewalk improvement and \$600 thousand to assist with the debt service on the 2006 Parks and Open Space Bond.
- The Agency's Capital Project Fund transferred \$829 thousand for City Place Garage debt service.

The Gas Utility Fund transferred \$11.9 million to the General Fund as allowed by City Charter.

The Solid Waste Management Fund transferred \$2.5 million to the General Fund based on a Joint Powers Agreement between the City and the Los Angeles County Sanitation District Number 2 (District). Under the agreement, net remaining retained earnings over the required amount as stipulated in the agreement can be distributed equally between the District and the City. An additional \$1.2 million was transferred to assist payments for patching street potholes.

The Solid Waste Management Fund transferred \$450 thousand to non-major governmental funds. This includes \$400 thousand to finance street repair and \$50 thousand for collection of recycling during the Long Beach Municipal Band Concerts.

The Tidelands Oil Revenue Fund shares revenue from tidelands oil operations under an optimized water flood program. In fiscal year 2012, \$27.3 million was transferred to the Tidelands Fund under this program. As a result of Measure D, Tidelands Oil Revenue Fund was able to transfer an additional amount of \$31.6 million from the West Wilmington Oilfield net profits, bringing total fiscal year 2012 transfers to \$58.9 million.

The Harbor accrued an operating transfer of \$16.7 million and due to the Tidelands Fund as allowed by the City Charter. In addition, the Harbor accrued an operating transfer to the Tidelands Operating fund for \$1.6 million for port security services.

The General Services Fund, an internal service fund, transferred \$4.6 million of cable franchise fee revenue to the General Fund. In addition, \$1 million was transferred from the Fleet Services Fund to General Fund.

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NOTE 7 – CAPITAL ASSETS

Capital asset activity for governmental activity for the year ended September 30, 2012 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2011	Increase	Decrease	Transfers	Balance at September 30, 2012
Capital Assets not being Depreciated:					
Land	\$ 159,402	\$ 1,449	\$ -	\$ 860	\$ 161,711
Rights-of-way	81,334	-	-	-	81,334
Construction In Progress	31,020	18,613	(3,693)	(12,412)	33,528
Total Capital Assets not being Depreciated	<u>271,756</u>	<u>20,062</u>	<u>(3,693)</u>	<u>(11,552)</u>	<u>276,573</u>
Capital Assets being Depreciated:					
Buildings	274,809	6	-	6,403	281,218
Improvements Other than Buildings	97,166	-	-	4,970	102,136
Infrastructure	415,754	-	-	179	415,933
Machinery and Equipment	66,427	5,711	(3,031)	-	69,107
Vehicles & Aircrafts	97,813	3,490	(1,471)	-	99,832
Other Assets	48	-	-	-	48
Total Capital Assets being Depreciated	<u>952,017</u>	<u>9,207</u>	<u>(4,502)</u>	<u>11,552</u>	<u>968,274</u>
Less Accumulated Depreciation for:					
Buildings	(112,122)	(7,876)	-	-	(119,998)
Improvements Other than Buildings	(40,668)	(4,763)	-	-	(45,431)
Infrastructure	(248,069)	(13,075)	-	-	(261,144)
Machinery and Equipment	(52,290)	(4,245)	3,005	-	(53,530)
Vehicles & Aircrafts	(61,960)	(7,653)	1,446	-	(68,167)
Other Assets	(48)	-	-	-	(48)
Total Accumulated Depreciation	<u>(515,157)</u>	<u>(37,612)</u>	<u>4,451</u>	<u>-</u>	<u>(548,318)</u>
Total Capital Assets being Depreciated, Net	<u>436,860</u>	<u>(28,405)</u>	<u>(51)</u>	<u>11,552</u>	<u>419,956</u>
Governmental Activities Capital Assets, Net	<u>\$ 708,616</u>	<u>\$ (8,343)</u>	<u>\$ (3,744)</u>	<u>\$ -</u>	<u>\$ 696,529</u>

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

Legislative and Legal	\$ 101
General Government	332
Public Safety	3,821
Public Health	473
Community and Cultural	5,114
Public Works	15,204
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	<u>12,567</u>
Total governmental activities depreciation	<u>\$ 37,612</u>

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Capital asset activity for business-type activities for the year ended September 30, 2012 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2011	Increase	Decrease	Transfers	Balance at September 30, 2012
Capital Assets not being Depreciated:					
Land	\$ 929,693	\$ -	\$ -	\$ 36,868	\$ 966,561
Rights-of-way	211,349	1,894	-	-	213,243
Water Rights	40	-	-	-	40
Construction In Progress	547,356	381,587	(4,481)	(239,349)	685,113
Total Capital Assets not being Depreciated	<u>1,688,438</u>	<u>383,481</u>	<u>(4,481)</u>	<u>(202,481)</u>	<u>1,864,957</u>
Capital Assets being Depreciated:					
Buildings	2,324,435	-	(2,919)	150,972	2,472,488
Improvements Other than Buildings	452,511	-	(3,903)	10,284	458,892
Infrastructure	1,095,755	-	(2,770)	37,877	1,130,862
Machinery and Equipment	48,986	2,546	(227)	3,348	54,653
Vehicles & Aircrafts	27,541	980	(1,260)	-	27,261
Patents	815	-	-	-	815
Total Capital Assets being Depreciated	<u>3,950,043</u>	<u>3,526</u>	<u>(11,079)</u>	<u>202,481</u>	<u>4,144,971</u>
Less Accumulated Depreciation for:					
Buildings	(1,219,368)	(89,382)	1,915	-	(1,306,835)
Improvements Other than Buildings	(226,300)	(14,787)	3,366	-	(237,721)
Infrastructure	(654,728)	(23,449)	2,341	-	(675,836)
Machinery and Equipment	(34,892)	(4,757)	188	-	(39,461)
Vehicles & Aircrafts	(20,511)	(1,206)	1,211	-	(20,506)
Patents	(205)	(41)	-	-	(246)
Total Accumulated Depreciation	<u>(2,156,004)</u>	<u>(133,622)</u>	<u>9,021</u>	<u>-</u>	<u>(2,280,605)</u>
Total Capital Assets being Depreciated, Net	<u>1,794,039</u>	<u>(130,096)</u>	<u>(2,058)</u>	<u>202,481</u>	<u>1,864,366</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,482,477</u>	<u>\$ 253,385</u>	<u>\$ (6,539)</u>	<u>\$ -</u>	<u>\$ 3,729,323</u>

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

Gas	\$ 4,763
Airport	8,078
Tidelands	17,489
Harbor	88,523
Non-major business-type funds	
Water	9,359
Sewer	1,675
Solid Waste Management	<u>3,735</u>
Total business-type activities depreciation	<u><u>\$133,622</u></u>

Capitalized Interest

The Harbor Fund, Airport Fund, Tidelands Fund, Gas Fund, Water Fund, and the Sewer Fund capitalized interest of \$21.0 million, \$2.5 million, \$914 thousand, \$112 thousand, \$490 thousand, and \$38 thousand, respectively, in capital assets.

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NOTE 8 – SHORT-TERM NOTE PAYABLE

In October 2011, the City issued Tax Revenue Anticipation Notes for \$22.0 million. The short-term notes carried a 2.0 percent coupon rate. The notes are a general obligation of the City, payable from taxes, income, revenue, and other moneys attributable to its 2011-2012 fiscal year. Note proceeds may be used for General Fund expenditures, including current and capital expenditures. The entire balance and interest were due and paid in September 2012.

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NOTE 9 – CHANGE IN LONG -TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2012 was as follows (in thousands):

	Balance at October 1, 2011	Additions	Reductions	Balance at September 30, 2012	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Revenue Bonds	\$ 167,940	\$ -	\$ (6,320)	\$ 161,620	\$ 7,455
Tax Allocation Bonds	337,557	-	(10,705)	326,852	11,452
Plus (less) deferred amounts:					
Premium	8,011	-	(475)	7,536	-
Discount	(1,251)	-	73	(1,178)	-
Refunding	(2,512)	-	200	(2,312)	-
Issuance costs	(8,934)	-	568	(8,366)	-
Total Bonds Payable	500,811	-	(16,659)	484,152	18,907
Notes Payable	8,560	144	(586)	8,118	1,290
Capital Leases	49,712	1,974	(5,622)	46,064	5,497
Refunding	(1,241)	-	81	(1,160)	-
Issuance costs	(311)	-	31	(280)	-
Total Capital Leases Payable	48,160	1,974	(5,510)	44,624	5,497
Police and Fire Annuities	16,234	1,250	(3,260)	14,224	-
Estimated Oil Field Abandonment Costs	6,550	110	-	6,660	-
Environmental Remediation	3,361	485	(230)	3,616	508
Accrued Self-Insured Claims	114,401	24,870	(15,954)	123,317	23,005
Employee Benefits	131,840	31,667	(8,959)	154,548	8,660
Governmental Activities Long-Term Liabilities	<u>\$ 829,917</u>	<u>\$ 60,500</u>	<u>\$ (51,158)</u>	<u>\$ 839,259</u>	<u>\$ 57,867</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 1,709,685	\$ 112,430	\$ (181,450)	\$ 1,640,665	\$ 76,620
Plus (less) deferred amounts:					
Premium	69,779	12,937	(6,421)	76,295	-
Discount	(961)	-	764	(197)	-
Refunding	(24,333)	(9,014)	8,720	(24,627)	-
Issuance Cost	(15,088)	(1,109)	2,897	(13,300)	-
Total Bonds Payable	1,739,082	115,244	(175,490)	1,678,836	76,620
Notes Payable	56,687	10,830	(13,029)	54,488	875
Discount and Issuance costs	(218)	(5)	84	(139)	-
Total Notes Payable	56,469	10,825	(12,945)	54,349	875
Capital Leases	3,541	-	(432)	3,109	442
Due to State of California	68,920	400,909	(380,902)	88,927	88,927
Estimated Oil Field Abandonment Costs	27,200	200	-	27,400	-
Environmental Remediation	74	-	(74)	-	-
Accrued Claims Liability	5,000	-	(1,000)	4,000	4,000
Site Restoration	1,000	-	-	1,000	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,901,286</u>	<u>\$ 527,178</u>	<u>\$ (570,843)</u>	<u>\$ 1,857,621</u>	<u>\$ 170,864</u>

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NOTE 10 – BONDS PAYABLE

At September 30, 2012, bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding September 30, 2012
GOVERNMENTAL ACTIVITIES					
GENERAL CITY BONDS:					
Skylinks Golf	05/01/03	05/01/29	1.57% - 6.3%	\$ 6,890	\$ 5,375
Parking Plaza Bonds	06/14/01	11/01/27	4.4% - 5.375%	11,500	8,860
Public Safety Facility	03/01/02	11/01/31	3.0% - 5.25%	40,915	34,690
Towne Center Site Refinancing	11/01/04	11/01/30	Variable	11,595	10,095
Parks and Open Spaces	11/07/06	05/01/31	4.0% - 5.0%	24,320	24,320
Total General City Bonds				95,220	83,340
TAX ALLOCATION BONDS:					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/17	2.9% - 6.0%	81,020	21,390
West Long Beach Industrial	12/01/92	11/01/17	2.9% - 6.0%	36,470	9,635
2002A West Beach	06/25/02	08/01/18	5.15%	8,895	4,205
2002A Downtown Project	06/25/02	08/01/24	5.25% - 7.1%	26,820	12,827
2002A North Long Beach	06/25/02	08/01/31	6.10%	40,290	6,383
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.0% - 5.5%	21,860	18,875
2002B Downtown	12/05/02	11/01/22	2.25% - 5.5%	25,920	22,615
2005A & B Central	03/02/05	08/01/40	3.52% - 5.34%	56,930	51,695
2005A Los Altos	03/02/05	08/01/20	2.2% - 4.0%	4,685	2,755
2005A & B North Long Beach	03/02/05	08/01/35	3.52% - 5.16%	64,080	55,970
2005A Poly High	03/02/05	08/01/24	3.79% - 4.9%	2,558	2,558
2005A West Beach	03/02/05	08/01/20	4.59% - 4.66%	840	840
2005B Housing	03/02/05	08/01/40	3.52% - 5.44%	55,665	50,580
2005C Downtown Project	02/01/06	08/01/24	3.25% - 5.50%	7,900	7,585
2005C North Long Beach Project	02/01/06	08/01/31	3.70% - 5.50%	27,145	27,144
2010A North Long Beach Recover Zone	04/28/10	08/01/40	7.90% - 8.36%	22,235	22,235
2010B North Long Beach Build America	04/28/10	08/01/25	2.39% - 7.90%	10,745	9,560
Total Tax Allocation Bonds				494,058	326,852
INTERNAL SERVICE BONDS:					
Fleet Services:					
1998 Temple and Willow Facility Series B	05/01/98	10/01/27	4.0% - 5.5%	29,565	21,645
2005 Temple and Willow Facility Series A	05/01/05	05/01/28	2.75% - 4.5%	8,145	6,430
Total Fleet Services				37,710	28,075
Employee Benefits Fund:					
2002 Pension Obligation Refunding Bonds	09/01/02	09/01/21	4.73% - 5.18%	87,950	50,205
Total Internal Service Funds				125,660	78,280
Total Governmental Activities Bonds Payable				\$ 714,938	\$ 488,472

(continued)

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Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued	Outstanding September 30, 2012
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<u>ENTERPRISE BONDS:</u>					
Gas Utility Fund:					
2005 Gas Utility	03/02/05	08/01/13	2.0% - 3.125%	\$ 7,675	\$ 750
2007A Natural Gas Purchase	10/18/07	11/15/37	4.25% - 5.5%	635,665	560,365
2007B Natural Gas Purchase	10/18/07	11/15/33	4.9% - 5.07%	251,695	69,005
Total Gas Utility Fund				<u>895,035</u>	<u>630,120</u>
Water Fund:					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	5,175
2010A Water	09/15/10	05/01/24	4.0% - 5.75%	22,740	22,250
2012 Water	08/30/12	05/01/27	2.0% - 5.0%	9,850	9,850
Total Water Fund				<u>79,535</u>	<u>37,275</u>
Solid Waste Management Fund:					
2003 SERRF	12/01/03	12/01/18	2.0% - 5.375%	120,235	65,615
Tidelands Fund:					
2006 Rainbow Harbor Refinancing	04/04/06	05/01/24	3.375% - 5.0%	50,785	36,655
2012 Aquarium Bonds	03/14/12	11/01/30	1.0% - 5.0%	102,580	102,580
Total Tidelands Fund				<u>153,365</u>	<u>139,235</u>
Harbor Fund:					
1998 Harbor	02/01/98	05/15/19	5.0% - 6.0%	206,330	98,215
2002B Harbor	06/19/02	05/15/27	3.0% - 5.5%	150,000	48,455
2004 Harbor	05/15/04	05/15/18	2.5% - 5.0%	113,410	45,685
2005 Harbor	05/15/05	05/15/25	3.5% - 5.0%	257,975	117,200
2010A Harbor	05/15/10	05/15/25	0.4% - 5.0%	200,835	181,355
2010B Harbor	05/15/10	05/15/27	3.0% - 5.0%	158,085	157,760
Total Harbor Fund				<u>1,086,635</u>	<u>648,670</u>
Airport Fund:					
2009A Airport	12/08/09	06/01/22	4.0% - 5.0%	9,795	9,630
2009B Airport	12/08/09	06/01/16	3.0% - 5.0%	6,755	4,070
2009C Airport	12/08/09	06/01/39	7.0% - 7.8%	44,890	44,890
2010A Airport	11/02/10	06/01/40	3.0% - 5.0%	48,435	48,435
2010B Airport	11/02/10	06/01/40	2.5% - 5.0%	12,965	12,725
Total Airport Fund				<u>122,840</u>	<u>119,750</u>
Total Business-Type Activities Bonds Payable				<u>2,457,645</u>	<u>1,640,665</u>
Total Primary Government Bonded Indebtedness				<u>\$ 3,172,583</u>	<u>\$ 2,129,137</u>

* Interest on all bonded indebtedness is payable semi-annually except for the 2002 Harbor Bonds and Towne Center Site Refinancing Bonds, which are paid monthly.

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

Principal Payments - Governmental Activities					
Year-End	Skylinks Golf	Parking Plaza	Public Safety Facility	Towne Center Refinance	Parks Open Space
2013	\$ 190	\$ 365	\$ 1,030	\$ 255	\$ -
2014	200	385	1,080	275	-
2015	215	405	1,140	295	-
2016	225	425	1,200	315	-
2017	240	450	1,260	340	-
2018 - 2022	1,430	2,630	7,365	2,135	7,045
2023 - 2027	1,925	3,405	9,495	3,080	8,715
2028 - 2032	950	795	12,120	3,400	8,560
Totals	<u>\$ 5,375</u>	<u>\$ 8,860</u>	<u>\$ 34,690</u>	<u>\$ 10,095</u>	<u>\$ 24,320</u>

Year-End	Principal Payments Governmental Activities			Total Annual Debt Service Requirements		
	Tax Allocation	Fleet	Employee Benefits	Principal	Interest	Total
2013	\$ 11,452	\$ 1,085	\$ 4,530	\$ 18,907	\$ 25,210	\$ 44,117
2014	12,000	1,135	4,760	19,835	24,277	44,112
2015	12,583	1,190	5,000	20,828	23,285	44,113
2016	13,197	1,255	5,255	21,872	22,246	44,118
2017	13,866	1,320	5,530	23,006	21,138	44,144
2018 - 2022	76,984	7,670	25,130	130,389	87,568	217,957
2023 - 2027	64,910	9,710	-	101,240	55,843	157,083
2028 - 2032	52,110	4,710	-	82,645	32,037	114,682
2033 - 2037	45,090	-	-	45,090	14,667	59,757
2038 - 2042	24,660	-	-	24,660	2,974	27,634
Totals	<u>\$ 326,852</u>	<u>\$ 28,075</u>	<u>\$ 50,205</u>	<u>\$ 488,472</u>	<u>\$ 309,245</u>	<u>\$ 797,717</u>

In May 2003, the City issued \$6.9 million in Long Beach Bond Finance Authority Lease Revenue bonds, Skylinks Golf Course Project, Series 2003. The bonds were issued (a) to finance improvements to the Skylinks Golf Course, a municipal golf course owned by the City, (b) to fund a reserve account and (c) to pay certain costs of issuance on the Series 2003 bonds. Interest rates range from 1.57 percent to 6.30 percent.

In November 2004, the City issued \$11.6 million in Long Beach Towne Center Site Refinancing Project Taxable Variable Rate Demand Revenue Bonds, 2004 Series A. The bonds were issued (a) 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, which, with two adjacent parcels, was developed by the City into a retail/entertainment complex known as the Long Beach Towne Center, and (b) to pay certain costs of issuance of the bonds. Interest rates ranged from 1.97 percent to 6.27 percent. For the purpose of illustration, a fixed rate of 1.97 percent has been used in the table above.

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

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In March 2005, the City issued \$192.4 million in Long Beach Bond Finance Authority Bonds 2005 Series A Revenue Bonds and Series B Taxable Revenue Bonds. \$184.8 million of the bonds were issued (a) to provide funds to finance certain projects of the Agency, (b) to finance certain housing projects of the Authority, refinance certain indebtedness of the Agency, (c) to fund reserve accounts and (d) to pay costs of issuance of the Series 2005 Bonds. The interest rates range from 2.20 percent to 5.44 percent. Refunding and defeasement of the 1993 Gas Utility Bonds was included in this issue.

The \$7.7 million Series 2005 refunding bonds for the Gas Utility, with a total debt service of \$8.7 million, are payable through August 2013 with interest rates ranging from 2.00 percent to 3.13 percent. The refunding issue resulted in an accounting gain of approximately \$50 thousand which will be recognized over the life of the bonds. Aggregate debt service decreased by \$908 thousand, thereby resulting in an economic gain of approximately \$474 thousand.

In April 2010, the City issued \$33.0 million in Long Beach Bond Finance Authority Bonds 2010 Series A Taxable Recovery Zone Economic Development Bonds and Series B Taxable Build America Bonds. The bonds were issued (a) to finance Agency activities within or of benefit to the North Long Beach Redevelopment area, (b) to fund reserve requirements, and (c) to pay for issuance costs of the bonds. Interest rates on Series A range from 7.9 percent to 8.36 percent and Series B ranges from 2.39 percent to 7.9 percent percent. The Agency expects to receive a cash subsidy from the United States Treasury pursuant to the American Recovery and Reinvestment Act on or about each interest payment date of 45 percent and 35 percent, respectively, of the interest paid on the bonds.

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 Utility	Water	Solid Waste Management	Tidelands	Harbor	Airport	Principal	Interest	Total
2013	\$ 9,040	\$ 2,110	\$ 8,005	\$ 8,240	\$ 46,965	\$ 2,260	\$ 76,620	\$ 83,319	\$ 159,939
2014	7,305	2,385	8,410	6,465	49,115	2,340	76,020	79,841	155,861
2015	6,840	2,510	8,860	6,680	51,920	2,420	79,230	76,081	155,311
2016	7,150	2,630	9,320	6,930	54,610	2,515	83,155	72,103	155,258
2017	8,120	2,730	9,805	7,200	57,360	2,625	87,840	68,022	155,862
2018 - 2022	61,150	15,265	21,215	38,280	230,005	15,100	381,015	276,679	657,694
2023 - 2027	109,950	9,645	-	36,295	158,695	19,010	333,595	182,376	515,971
2028 - 2032	126,110	-	-	29,145	-	24,145	179,400	114,694	294,094
2033 - 2037	217,700	-	-	-	-	30,845	248,545	71,309	319,854
2038 - 2042	76,755	-	-	-	-	18,490	95,245	4,107	99,352
Totals	\$630,120	\$37,275	\$ 65,615	\$139,235	\$648,670	\$119,750	\$1,640,665	\$1,028,531	\$2,669,196

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

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

The 2007 Series A bonds have fixed interest rates ranging from 4.25 percent to 5.50 percent with an average of 4.70 percent. Series B are indexed at 67 percent of the three-month London Interbank Offered Rate (LIBOR), plus a spread between 1.41 percent to 1.55 percent.

In March of 2010, \$200.8 million Harbor 2010A Bonds were issued (a) to finance certain capital improvements at the Harbor, (b) to fund a reserve fund, and (c) to pay the costs of issuing the Bonds. The Serial bonds will mature on May 15 of each year from 2011 to 2025 in amounts ranging from \$1.5 million to \$18.3 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 0.4 percent to 5 percent. The City of Long Beach Harbor Revenue Bonds Series 2010A are secured by the Harbor's gross revenues.

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

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

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

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Advance Refundings

In December 2002, the Agency issued \$47.8 million in Long Beach Bond Finance Authority Downtown and West Long Beach Industrial Redevelopment Project Areas 2002 Series B Tax Allocation Revenue Bonds (Series B bonds). These 2002 Series B bonds were issued (a) to refund \$25.7 million of the outstanding Series 1992A Downtown and West Long Beach Industrial Bonds with interest rates ranging from 2.90 percent to 6.00 percent, (b) to repay certain amounts owed by the Agency to the Harbor, (c) to make a deposit to the reserve account and (d) to pay certain issuance costs for the 2002 Series B bonds. The 2002 Series B interest rates range from 2.00 percent to 5.50 percent for the West Long Beach Industrial Project and 2.25 percent to 5.50 percent for Downtown Project.

In February 2006, the Agency issued \$35.0 million in Long Beach Bond Finance Authority Tax Allocation Revenue Bonds Downtown and North Long Beach Redevelopment Project Areas 2005 Series C bonds (Series C bonds). These 2005 Series C bonds were issued (a) to purchase a portion of the outstanding Redevelopment Agency of the City of Long Beach 2002 Subordinate Tax Allocation Bonds (Downtown Redevelopment Project) and (b) the outstanding Redevelopment Agency of the City of Long Beach 2002 Tax Allocation bonds (North Long Beach Redevelopment Project) in order to advance refund a portion of the outstanding Long Beach Bond Finance Authority Tax Allocation Revenue Bonds (Downtown, North Long Beach, Poly High, and West Beach Redevelopment Project Areas) 2002 Series A and to finance certain Agency projects within or of benefit to the Downtown Project Area. The interest rates for the Series C bonds range from 3.25 percent to 5.50 percent.

In May 2005, the Long Beach Financing Authority issued \$8.0 million in Lease Revenue Bonds 2005 Series A (Temple and Willow Facility Refinancing Project) (a) to refinance the cost of new fleet services, towing, and lien sales operations and integrated resource operations facility, (b) to purchase a reserve surety bond, and (c) to pay costs of issuance on the bonds. The 2005 Series A bonds are payable through May 1, 2028 with a total debt service in the amount of \$13.0 million. The interest rates range from 2.75 percent to 4.50 percent. The refunding resulted in an accounting loss of \$598 thousand, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$316 thousand, thereby resulting in an economic gain of \$333 thousand.

Southeast Resource Recovery Facility Authority Bond Issue

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

Tidelands Rainbow Harbor Refunding Bonds

In April 2006, the Long Beach Bond Finance Authority issued \$50.8 million in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (2006 Series A) (a) to refund Long Beach Bond Finance Authority Lease Revenue Bonds (Rainbow Harbor Refinancing Project) 1999 Series A, (b) to refund to the 1997 Certificates of Participation (Queensway Bay Parking Facility), (c) to fund a reserve fund and (d) to pay costs of issuance for the bonds. The 2006 Series A bonds are payable through May 1, 2024 with total debt service in the amount of \$73.2 million. The interest

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rates range from 3.38 percent to 5.00 percent. The refunding resulted in an accounting loss of \$3.5 million, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$2.2 million, thereby resulting in an economic gain of \$1.5 million.

Tidelands Aquarium of the Pacific Refunding Bonds

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

Harbor Revenue Refunding Bonds

In May 2004, the City issued \$113.4 million of Harbor Revenue Refunding Bonds 2004 Series A and Series B bonds (a) to refund and defease all of the City's Harbor Revenue Bonds Series 1993, (b) to pay a bond insurance premium, (c) to fund a reserve fund, and (d) to pay certain costs of issuance. The refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$1.4 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is amortized using the straight-line method over the life of the bonds. Aggregate debt service decreased by approximately \$13.9 million, thereby resulting in an economic gain of approximately \$9.7 million.

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

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

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

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Water Revenue Refunding Bonds

In September 2010, the Water Fund issued \$22.7 million in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of 3.0 million, (a) to advance refund 82.4 percent or \$24.3 million of the outstanding 1997A Water Revenue Refunding Bonds at a redemption premium of 2 percent over par value, (b) to fund a reserve fund for the 2010 Bonds, and (c) to pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0 percent to 5.0 percent per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of \$2.7 million. This difference is considered to be a deferred loss on the refunding and is being amortized using the straight-line method over the life of the Series 2010A bonds. The Refunded Series 1997A Bonds were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by \$3.3 million, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was \$3.3 million.

The Series 2010A Bonds are secured by a pledge of all revenues of the Water Fund. The Board of Water Commissioners has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations (including the Series 1997A Bonds).

Pledged Revenue

The City has pledged a portion of future Upland Oil revenues from the General Fund to repay the 2004 Towne Centre Site Refinancing Project variable-rate bonds. The bonds were issued to refund bonds originally issued to finance the acquisition of land and construction of the Long Beach Towne Centre, a retail and entertainment complex. Upland Oil Fund oil revenues are projected to produce 873 percent of the debt service requirements over the life of the bonds. As of September 30, 2012, the total principal and interest requirement for the bonds was \$13.5 million (principal \$10.1 million, estimated interest of \$3.4 million at 3.0 percent), payable semiannually through November 1, 2030. For the current year, principal and interest paid were \$544 thousand secured by oil revenues of \$7.0 million.

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.

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At September 30, 2012, aggregate special assessment debt issued through the City consisted of eight issues and is summarized as follows:

• Dates Issued:	10/01/93 – 6/15/10
• Final Maturities:	10/01/13 – 10/1/40
• Range of Interest Rates:	2.0% – 6.375%
• Amounts Authorized and Issued:	\$1,060,000 – \$43,000,000
• Range of Amounts Outstanding:	\$350,000 – \$37,410,000
• Aggregate Outstanding at September 30, 2012:	\$80,964,234

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

Pike Public Improvements

In June 2002, the City of Long Beach Community Facilities District No. 6 issued \$43.0 million of 2002 Special Tax Bonds (Pike Public Improvement Bonds) under the provisions of the Mello-Roos Community Facilities Act of 1982. The Pike Public Improvement Bonds were issued (a) to finance a portion of the costs of the acquisition, construction, installation, and equipping of various public capital improvements in the Pike Development Project adjacent to downtown Long Beach. A substantial portion of the proceeds were applied to finance the cost of a parking structure. The bonds do not constitute a debt of the City; therefore, no liability has been recorded in the City's books. The debt is payable from special tax revenues levied on the property within the district, except as described in Note 24.

Earthquake Assessment

In 1990, the City, acting on behalf of certain property owners, formed the Earthquake Repair Assessment District 90-3 (District). In June 1991, the District issued \$17.4 million of City of Long Beach Earthquake Repair Assessment District No. 90-3 Limited Obligation Improvement Bonds (LOI Bonds) for the construction and installation of seismic resistance improvements to eligible commercial and residential properties within the City. The principal and interest were to be paid from the annual collection of special assessments on property within the District. As of September 30, 1996, \$10.1 million in LOI Bonds were outstanding. In September 1996, the LOI Bonds' Fiscal Agent determined that there were insufficient funds to make full payment of principal and interest due to significant delinquencies in payment of assessments. Under the provisions of the LOI Bond covenants, the City is required to commence judicial foreclosure proceedings upon delinquent assessments and to diligently pursue such foreclosure proceedings to completion. To date, the City has fulfilled its responsibility and will continue such action to ultimate resolution.

To structure a remedy for the default, the City formed the 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

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

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

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

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

Toledo Utility Underground

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

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

Conduit Debt

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

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

Several multi-family mortgage bonds have been issued under the auspices of the Authority and the Agency. These issues provided for the financing of acquisitions and construction of an apartment complex. The resulting bonds are not obligations of the City and only constitute special limited obligations of the Authority and the Agency and are payable solely from the revenue and assets of the homeowner obtaining funding under this program.

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At September 30, 2012, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2012
Carnival Bonds	2022	\$ 30,000	\$ 29,115
Grisham Housing Bonds Series A	2035	10,245	1,518
Total Conduit Debt		<u>\$ 40,245</u>	<u>\$ 30,633</u>

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

At September 30, 2012, the City had notes and installments payable, certificates of participation, commercial paper, and other long-term obligations, which consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding September 30, 2012
<u>GOVERNMENTAL ACTIVITIES</u>					
<u>NOTES PAYABLE:</u>					
Health Fund					
Health Facility	04/22/05	04/22/19	Variable	\$ 3,586	\$ 1,833
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	1,016	1,015
California Housing Finance Agency	03/13/03	03/13/13	3%	1,300	867
Total Housing Development Fund				2,316	1,882
Successor Agency Fund					
Los Angeles County	01/21/92	12/10/31	3.75%	4,257	4,257
Cal-Can Holding, LLC	12/02/09	09/30/13	0.0%	146	146
Total Successor Agency Fund				4,403	4,403
ANNUITY OBLIGATION:					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	14,224
Governmental Activities Notes and Annuity Obligation				\$ 47,905	\$ 22,342
<u>BUSINESS-TYPE ACTIVITIES</u>					
<u>NOTES PAYABLE:</u>					
Gas Utility Fund					
Commercial Paper Notes	07/01/05	N/A	0.2-4.6%	\$ 17,259	\$ 3,000
Tidelands Fund:					
State of Calif DBAW/Seawalls	09/12/94	08/01/24	4.5%	1,151	727
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/37	4.5%	31,718	27,535
State of Calif DBAW/Basin 8	02/20/98	08/01/28	4.5%	2,650	1,988
State of Calif DBAW/Basin 4	12/17/07	08/01/37	4.5%	13,477	13,257
State of Calif DBAW - Lighthouse	06/23/00	08/01/30	4.5%	700	517
State of Calif DBAW - Basin 1	01/25/11	08/01/41	4.5%	1,277	1,277
State of Calif DBAW - Basin 20& 3	01/25/11	08/01/41	4.5%	70	70
Southern Calif Edison On-Bill Financing Proj 2417	04/06/12	10/20/21	0.0%	13	12
Southern Calif Edison On-Bill Financing Proj 2421	04/06/12	07/13/13	0.0%	36	24
Southern Calif Edison On-Bill Financing Proj 2457	04/06/12	07/15/15	0.0%	95	81
Total Tidelands Fund				51,187	45,488
Sewer Fund:					
Revolving Line of Credit	05/05/11	N/A	0.88-0.92%	6,000	6,000
Business-type Activities Notes and Certificates of Participation				\$ 74,446	\$ 54,488

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Housing Development Fund Loan

In fiscal year 1992, the Housing Development Fund entered into a loan agreement totaling \$1.0 million with the State of California Department of Housing and Community Development for construction and rehabilitation. The project, Lois Apartments, was completed in fiscal year 1993. Interest on the loan accrues from the date the funds were disbursed at an annual simple interest rate of 3.00 percent. As of September 30, 2012, the outstanding balance of the loan was \$1.0 million.

The Housing Development Fund received \$1.9 million from the California Housing Finance Agency, which was utilized for the acquisition and/or rehabilitation of multi-family rental units. As of September 30, 2012, the outstanding balance was \$867 thousand.

Successor Agency Fund Loans

The Agency has an agreement with the Los Angeles County Office of Education and the County of Los Angeles (County Entities) whereby the County Entities' share of the net tax increment revenue generated by the Los Altos Project area shall be deferred through 2020. The deferral accrues simple interest at a rate of 3.75%. The outstanding balance of the deferral and any interest accrued thereon are due prior to the termination of the project area, which is 2031. The balance of the deferral at September 30, 2012 totaled \$4.2 million.

In the fiscal year ended September 30, 2010, the Agency executed a promissory note for \$146 thousand in favor of Cal-Can Holdings, LLC as partial consideration in the purchase of real property on 2144 W. 16th Street, Long Beach, California. This note was due and payable in full at the earlier of the resale of the real property or second anniversary of the date of the promissory note. Pursuant to California Assembly Bill 1484 (AB1484), the Agency is prohibited from disposing of properties until such time as it has received its Finding of Completion (FOC) and an approved Long Range Property Management Plan (LRPMP) from the California Department of Finance. The Successor Agency anticipates receiving both during fiscal year 2013, at which time sale of the parcel to Cal-Can Holdings, LLC can move forward and the obligation will be retired.

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

Year-end	Principal Payments by Fund			Annual Debt Service Requirements		
	Governmental Activities			Principal	Interest	Total
	Health Fund	Housing Development Fund	Successor Agency Fund			
2013	\$ 278	\$ 866	\$ 146	\$ 1,290	\$ 171	\$ 1,461
2014	280	-	-	280	7	287
2015	281	-	-	281	6	287
2016	282	-	-	282	4	286
2017	284	-	-	284	3	287
2018 - 2022	428	1,016	-	1,444	882	2,326
2028 - 2032	-	-	4,257	4,257	2,471	6,728
Totals	\$ 1,833	\$ 1,882	\$ 4,403	\$ 8,118	\$ 3,544	\$ 11,662

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Police and Fire Annuity Obligation Program

The City administers a Police and Fire Annuity Program (Program) under the City Charter Section 187. Enrollment in the program was terminated in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2012, there were 49 participants in this program.

Total expenditures to this closed group of individuals amounted to \$3.3 million for the fiscal year ended September 30, 2012. The City's accrued program liability was \$14.2 million at September 30, 2012. Program benefits are funded when required to be paid. Accordingly, there are no assets of the Program.

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

Accrued Program Liability at October 1, 2011	\$ 16,234
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(3,260)
Estimated Change in Annualized Value of Benefits	1,250
Accrued Program Liability at September 30, 2012	\$ 14,224

The number of Program participants diminishes each year. Since 1997, the number of program participants has been reduced by 156 individuals. The following table presents additional information for the Program (dollars in thousands):

<u>Year-end</u>	<u>Number of Participants</u>	<u>Annuity Benefits Paid</u>	<u>Accrued Program Liability</u>
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
2006	106	4,589	29,896
2007	81	4,277	27,432
2008	75	3,930	24,775
2009	67	3,721	21,494
2010	62	3,425	19,038
2011	53	3,044	16,234
2012	49	3,260	14,224

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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
	Gas Utility	Tidelands	Sewer			
2013	\$ -	\$ 875	\$ -	\$ 875	2,027	\$ 2,902
2014	-	1,042	6,000	7,042	2,047	9,089
2015	-	1,153	-	1,153	2,001	3,154
2016	-	1,125	-	1,125	1,953	3,078
2017	-	1,180	-	1,180	1,898	3,078
2018 - 2022	-	6,756	-	6,756	8,629	15,385
2023 - 2027	-	8,199	-	8,199	6,943	15,142
2028 - 2032	-	9,230	-	9,230	4,959	14,189
2033 - 2037	-	11,204	-	11,204	2,681	13,885
2038 - 2042	-	3,740	-	3,740	759	4,499
2043 - 2047	-	984	-	984	56	1,040
Indeterminant	3,000	-	-	3,000	-	3,000
Totals	\$ 3,000	\$ 45,488	\$ 6,000	\$ 54,488	\$ 33,953	\$ 88,441

Gas Commercial Paper

In July 2005, the City authorized the Gas Department's issuance and sales, from time to time, of City's subordinate Gas Utility Revenue Commercial Paper Notes, Series A and Series B (taxable), in an aggregate principal amount not to exceed \$35.0 million. Commercial paper is used for pipeline integrity projects. The program termination date is July 1, 2020 unless earlier terminated or extended in accordance with program terms. In fiscal years 2006, 2007, and 2008, commercial paper issuances were \$7.8 million, \$7.5 million, and \$2.0 million, respectively, less a fiscal year 2010, 2011, and 2012 repayment of \$11.8 million, \$2.0 million, and \$500 thousand, respectively, for a balance outstanding of \$3.0 million as of September 30, 2012. Interest rates have ranged from 0.11 percent to 4.60 percent over the period of issuance. The Commercial Paper Notes shall not have maturities exceeding 270 days and shall not bear interest rate in excess of the lesser of (a) 12.00 percent per annum and (b) the maximum rate of interest permitted by law. The Gas Department has the ability and intent to refinance on a long-term basis by renewal of Commercial Paper Notes and the future issuance of revenue bonds; accordingly, the \$3.0 million has been classified as a long-term obligation.

Tidelands Loans

The Tidelands Fund entered into various loan agreements between September 1994 and January 2011 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 \$51.0 million as of September 30, 2012. The amount outstanding at September 30, 2012 is \$45.5 million. Principal payments in the amount of \$1.0 million were paid in fiscal year 2012 at an interest rate of 4.50 percent.

On April 6, 2012 the City entered into a loan agreement with Southern California Edison totaling \$142 thousand to fund municipal energy efficiency projects. Principal payments of \$25 thousand were paid in 2012.

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Subordinate Sewer Revolving Line of Credit

On May 5, 2011, the Board of Water Commissioners approved Resolution WD-1282 authorizing the issuance from time to time of Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, which provides for a Revolving Line of Credit in an amount not to exceed \$20 million at any time. Obligations under the Revolving Line of Credit are secured by and payable from a subordinate lien upon the City's Sewer Enterprise net revenues (gross revenues less operation and maintenance costs). The Line of Credit is for a term of three years with a commitment expiration in May 2014 and was secured to pay off the outstanding principal on Senior Sewer Revenue Commercial Paper Notes and to continue to provide interim financing of sewer system improvements and sewer pipe rehabilitation and replacement programs. The Department will suspend the issuance of sewer commercial paper notes under the existing commercial paper program, but reserves the right issue obligations in the future senior to its obligations created under the Line of Credit.

On May 26, 2011, the Department drew \$6 million on the Revolving Line of Credit to retire \$4 million of outstanding Sewer Revenue Commercial Paper notes and fund \$2 million in sewer system improvements. Interest rates are based on 70% of the London Interbank Offered Rate (LIBOR) plus an applicable margin, and can be designated as fixed or variable for one-month, three-month, or six-month interest periods. Interest rates have ranged from 0.88% to 1.06%.

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NOTE 12 – LEASING ARRANGEMENTS

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

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2012
GOVERNMENTAL ACTIVITIES:					
General Fund:					
City Light and Power (a)	05/01/96	10/03/19	8.73%	\$ 18,500	\$ 10,854
Ambulances (b)	03/24/10	03/24/16	3.08%	988	598
Modular Trailers (c)	11/15/11	11/15/16	1.94%	302	254
Digital X-Ray (d)	03/30/12	03/15/19	2.06%	311	290
Total General Fund				20,101	11,996
Internal Service Funds:					
Civic Center Fund:					
Parking System (e)	10/24/08	10/24/13	4.99%	421	100
Civic Center Projects (f)	08/01/10	04/01/27	4.30%	31,450	27,760
Total Civic Center Fund				31,871	27,860
Fleet Services Fund:					
Fire Equipment Lease (g)	10/01/05	09/30/15	3.50%	5,279	1,781
Ambulance & Boats (h)	10/27/06	10/27/13	3.76%	2,191	117
Total Fleet Services Fund				7,470	1,898
General Services Fund:					
Software (i)	03/15/07	03/15/14	3.93%	4,400	1,047
IBM Mainline upgrade (j)	10/01/08	09/01/13	3.64%-4.24%	346	74
Personal Computers and laptops (k)	08/21/09	08/21/13	3.09%	1,358	326
Disaster Recovery Hardware (l)	08/20/10	08/20/15	2.64%	470	282
Personal Computers and Server (m)	03/11/11	03/31/15	2.44%	1,250	696
Telecommunication Equipment (n)	07/15/11	07/15/15	1.96%	811	580
Virtual Storage Platform (o)	06/06/12	06/15/17	1.89%	261	249
Personal Computers (p)	07/20/12	07/15/16	1.85%	1,100	1,056
Total General Services Fund				9,996	4,310
Total Governmental Activities Leases				\$ 69,438	\$ 46,064
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Gas Utility Fund:					
Utility Customer Information Software (q)	09/15/11	09/15/18	2.06%	\$ 3,025	\$ 2,619
Tidelands Fund:					
Convention Center (r)	10/01/05	10/01/26	4.99%	649	490
Total Business-type Activities Leases				\$ 3,674	\$ 3,109

- (a) The City entered into a capital lease agreement in May 1996 to improve and replace the street lighting infrastructure in the City. The lease is payable monthly; the amount varies by year, with the initial year at \$57 thousand per month and the maximum amount for the sixth through 25 years at \$169 thousand per month.

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- (b) In March 2010, the City financed the purchase of ambulances through a capital lease with monthly installments of \$15 thousand through March 2016.
- (c) In November 2012, the City entered into a capital lease agreement to finance the acquisition of five modular trailers to provide office and meeting space in several City parks. The lease is payable in monthly installments of \$5 thousand through November 2016.
- (d) The City entered into a capital lease agreement in March 2012 to finance the acquisition of a digital x-ray system for use by the Health and Human Services Department. Monthly installments of \$4 thousand are due through March 2019.
- (e) The City entered into a capital lease agreement in October 2008 to finance the purchase and installation of parking equipment in the Civic Center parking structure. Monthly installments of \$8 thousand are due through October 2013.
- (f) The City entered into a private placement capital lease to redeem the 1997 Series A Lease Revenue and Refunding Bonds. The original bonds proceeds were used for Civic Center complex capital projects. Advanced refunding resulted in an accounting loss of \$1.3 million and an economic gain of \$1.2 million. The City pays annual debt service payment of approximately \$2.6 million per annum through 2027.
- (g) The City entered into a capital lease agreement to finance the acquisition of equipment for the Fire Department, including two ladder trucks, ten pumper trucks, and a life-saving boat in October 2005. The lease is payable in monthly installments of \$52 thousand through September 2015.
- (h) The City entered into a capital lease agreement in October 2006 for the purchase of paramedic vehicles and fire rescue boats. Monthly installments of \$30 thousand are payable through October 2013.
- (i) The City entered into a capital lease agreement to finance the development of a billing and collection system in March 2007. The lease is payable in monthly installments of \$60 thousand through March 2014.
- (j) The City entered into a capital lease agreement in October 2008 to upgrade the City's computer mainframe. Equipment of \$272 thousand was financed at an interest rate of 3.64 percent and software of \$73 thousand was financed at 4.24 percent. Total monthly installment of \$6,000 are payable through September 2013.
- (k) The City entered into a capital lease agreement for the purchase of personal computers and laptops in August 2009. The lease is payable in monthly installments of \$30 thousand through August 2013.
- (l) In August 2010, the City entered into a capital lease agreement to finance computer hardware for the Emergency Communication & Operation Center to facilitate the City's disaster recovery strategy to maintain critical financial management and human resource operations. Monthly installments of \$8 thousand are due through August 2015.
- (m) The City entered into a capital agreement for the purchase of personal computer and server equipment in March 2011. The lease is payable in monthly installments of \$27 thousand through March 2015.
- (n) The City entered into a capital lease agreement to upgrade the City's telephone and voice mail system in July 2011. Lease payments are \$18 thousand a month through July 2015.

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- (o) In June 2012, the City entered into a capital lease agreement to replace computer servers that support the City's business information systems. Lease payments are \$5 thousand a month through June 2017
- (p) The City entered into a capital lease agreement for the purchase of personal computers in July 2012. The lease is payable in monthly installments of \$24 thousand through July 2016.
- (q) The City entered into a capital lease agreement for the purchase and implementation of a utility customer information system in September 2011. The lease is payable in monthly installments of \$39 thousand through September 2018.
- (r) The City entered into a capital lease agreement to finance the installation of a surface membrane to the Convention Center roof. The lease is payable in annual installments of \$52 thousand through October 2026.

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

Year-end	Principal Payments by Fund - Governmental Activities				Annual Debt Service Requirements		
	General	Civic Center	Fleet Services	General Services	Principal	Interest	Total
2013	\$ 1,310	\$ 1,477	\$ 690	\$ 2,020	\$ 5,497	\$ 2,248	\$ 7,745
2014	1,467	1,453	593	1,306	4,819	2,007	6,826
2015	1,623	1,505	615	654	4,397	1,781	6,178
2016	1,620	1,570	-	289	3,479	1,569	5,048
2017	1,652	1,645	-	41	3,338	1,361	4,699
2018 - 2022	4,324	9,515	-	-	13,839	3,900	17,739
2023 - 2027	-	10,695	-	-	10,695	1,185	11,880
Totals	\$ 11,996	\$ 27,860	\$ 1,898	\$ 4,310	\$ 46,064	\$ 14,051	\$ 60,115

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

Year-end	Principal Payments by Fund Business-type Activities		Annual Debt Service Requirements		
	Gas Utility	Tidelands	Principal	Interest	Total
2013	\$ 414	\$ 28	\$ 442	\$ 75	\$ 517
2014	423	29	452	65	517
2015	432	30	462	54	516
2016	441	32	473	44	517
2017	450	34	484	33	517
2018 - 2022	459	195	654	71	725
2023 - 2027	-	142	142	14	156
Totals	\$ 2,619	\$ 490	\$ 3,109	\$ 356	\$ 3,465

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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):

Year-end	<u>Total</u>
2013	\$ 286,267
2014	287,573
2015	287,858
2016	288,304
2017	284,336
2018-2022	1,408,405
2023-2027	1,111,237
2028-2032	377,517
2033-2037	1,072,078
2038-2042	39,868
2043-2047	38,575
2048-2052	34,366
2053-2057	13,478
2058-2062	13,119
2063-2067	11,969
2068-2072	6,795
2073-2077	5,659
2078-2082	5,622
2083-2087	1,740
2088-2092	3
Total	<u>\$ 5,574,769</u>

NOTE 13 – DERIVATIVE INSTRUMENTS

At September 30, 2012, the City had the following hedging derivative instruments outstanding within business-type activities:

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Various Maturity Dates to:</u>	<u>Terms</u>
Pay-Fixed Interest Rate Swap	To reduce the risks associated with the change in interest rates related to the 2007 Series B Variable-rate Bonds.	\$69.0 million	11/18/2007	11/15/2033	Receive 67% LIBOR plus 1.432%, pay fixed at 4.931%
Commodity Forward Contract	To hedge against a reduction in revenues resulting from changes in monthly commodity prices.	145.9 million MMBtu ¹	11/18/2007	9/30/2037	Pay variable receive fixed for scheduled notional

¹ MMBtu is one million British Thermal Units.

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

Maturity Date	Notional Amounts (in thousands)	Synthetic Fixed Rate	Variable Rate	Spread
11/15/2025	\$ 19,195	4.903%	1.650%	1.410%
11/15/2026	25,175	4.930%	1.670%	1.430%
11/15/2027	24,630	4.955%	1.690%	1.450%
11/15/2033	5	5.067%	1.790%	1.550%
	<u>\$ 69,005</u>	4.931% ²	1.672% ³	1.432% ²

² Percentages are weighted average.

³ The weighted average floating rate is based on the present value of 67% of the forward three-month LIBOR rate curve at 9/30/12, plus the indicative spread.

The objective of the swap was to effectively change the variable interest rate on the Prepay Bonds to a synthetic weighted average fixed rate of 4.93 percent (pay-fixed interest rate swap). The Prepay Bonds and the related swap agreements mature on the dates specified above and the swap's notional amount of \$69.0 million matches the \$69.0 million variable-rate Prepay Bonds. The swap was effective at the same time the Prepay Bonds were issued on October 18, 2007.

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

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

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

Fair Value: The interest rate swap, with the market price quoted by MLCS, had a negative fair value of approximately \$17.1 million at October 1, 2011. During the current period, the fair value decreased \$1.4 million to a negative fair value of \$18.5 million as of September 30, 2012.

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The commodity swap, with the market price quoted by the RBC, had a fair value of \$290.4 million at October 1, 2011. During the current period, fair value decreased \$45.8 million to a fair value of \$244.5 million as of September 30, 2012.

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

Maturity Date	Fair Value, October 1, 2011	Change in Fair Value	Fair Value, September 30, 2012
<i>Governmental Activities</i>			
<i>Interest Rate Swap</i>			
11/15/2025	\$ (4,559)	\$ (392)	\$ (4,951)
11/15/2026	(6,227)	(513)	(6,740)
11/15/2027	(6,348)	(483)	(6,831)
11/15/2033	(2)	-	(2)
	<u>(17,136)</u>	<u>(1,388)</u>	<u>(18,524)</u>
<i>Commodity Swap</i>			
11/1/2037	290,376	(45,846)	244,530
Total	<u>\$ 273,240</u>	<u>\$ (47,234)</u>	<u>\$ 226,006</u>

The cumulative increase in fair value of the commodity swap is netted against the cumulative decrease in fair value of the interest rate swap and is reported as a deferred inflow on the statement of net assets.

Credit Risks: As of September 30, 2012, the interest rate swap counterparty was rated A- as rated by Standard & Poor's, or Baa2 as rated by Moody's Investor Services. As of September 30, 2012, the commodity swap counterparty was rated AA- by Standard & Poor's and Aa3 by Moody's.

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

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

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Interest Rate Swap Payment and Associated Debt: Using rates as of September 30, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rate remain the same for their term, were as follows (in thousands):

Fiscal Year Ending September 30	Variable-Rate Bonds		Net Swap Payments	Total Interest
	Principal	Interest		
2013	\$ -	\$ 3,403	\$ 715	\$ 4,118
2014	-	3,403	521	3,924
2015	-	3,403	394	3,797
2016	-	3,403	336	3,739
2017	-	3,403	305	3,708
2018 - 2022	-	17,015	1,204	18,219
2023 - 2027	69,000	11,339	874	12,213
2028 - 2032	-	-	18	18
2033 - 2034	5	-	-	-
Total	\$ 69,005	\$ 45,369	\$ 4,367	\$ 49,736

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

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

NOTE 14 – RETIREMENT PROGRAMS

Plan Description – Public Employees’ Retirement System (CalPERS)

The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by state statute and city ordinance. A copy of CalPERS’ annual financial report may be obtained from its executive office at 400 P. Street, Sacramento, California 95814. Since CalPERS is on a fiscal year ending June 30th, all actuarial calculations for the City’s retirement plan are made on a fiscal year ending June 30th, which differs from the City’s September 30th fiscal year-end.

Under the terms of the contract between CalPERS and the City, all full-time employees are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple-tier retirement plan with benefits varying by plan.

Safety: Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to three percent of the employee’s highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual five percent cost-of-living increase while those under the second tier are eligible to receive a maximum annual two percent cost-of-living increase.

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Miscellaneous: Vested first and second tier non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7 percent of their highest paid year of employment for each year of credited service. The City created tier three for non-safety employees hired after October 1, 2006. Vested tier three non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of their highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual five percent cost-of-living increase while those under the second and third tier are eligible to receive a maximum annual two percent cost-of-living increase. Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Policy

For the fiscal year ended September 30, 2012, Safety and Miscellaneous plan participants were required to contribute 9.0 percent and 8.0 percent of their annual covered salary, respectively. However, as a benefit to employees, the City, in some cases, has elected to pay a portion of the employees' portion of this required contribution. The following table details the contribution rates for the City and its employees as of September 30, 2012. Actual contributions varied during the year as the City actively negotiated with the labor unions to share a greater burden of pension cost.

<u>Bargaining Unit</u>	<u>City Contributes</u>	<u>Employee Contributes</u>	<u>New Hires</u>
Unrepresented Management within the City Auditor's office	4.0%	4.0%	8.0%
City Attorney's Association	4.0%	4.0%	8.0%
City Prosecutor's Association	0.0%	8.0%	8.0%
Elected Officials and City Clerk			
City Attorney	4.2%	3.8%	8.0%
City Prosecutor	4.2%	3.8%	8.0%
City Auditor	4.2%	3.8%	8.0%
City Clerk	4.2%	3.8%	8.0%
Mayor	4.2%	3.8%	8.0%
Council Districts 1 - 7 and 9	4.2%	3.8%	8.0%
Council District 8	6.0%	2.0%	8.0%
Unrepresented Management and Non-management	6.0%	2.0%	8.0%
Long Beach Association of Engineering Employees	6.0%	2.0%	8.0%
Long Beach Association of Confidential Employees	6.0%	2.0%	8.0%
Long Beach Management Association	6.0%	2.0%	8.0%
International Association of Machinists	6.0%	2.0%	N/A
Safety Managers	7.0%	2.0%	9.0%
Long Beach Firefighters' Association	0.0%	9.0%	9.0%
Long Beach Police Officers' Association	0.0%	9.0%	9.0%
Long Beach Lifeguard Association	7.0%	2.0%	N/A

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In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll; the current rates are 16.072 percent for miscellaneous employees and 22.687 percent for safety employees. For fiscal year 2013, the contribution rates will be 15.159 percent for miscellaneous employees and 22.315 percent for safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2012, the City's annual pension cost (APC) of \$76.9 million for CalPERS was equal to the City's annual required contribution (ARC) of \$93.2 million less employee contributions of \$16.3 million. The ARC was determined as a part of the June 30, 2009 actuarial valuations.

The City's APC, the percentage of APC contributed to the plans, and the net pension obligation for the miscellaneous and safety plans for the fiscal years ended September 30, 2010, 2011, and 2012 are as follows (dollars in thousands):

Fiscal Year	Miscellaneous Annual Pension Cost	Safety Annual Pension Cost	Annual Pension Cost (APC)	Percentage Contribution
2010	\$ 37,546	\$ 31,530	\$ 69,076	100%
2011	41,953	33,087	75,040	100%
2012	47,436	29,441	76,877	100%

Actuarial Methods and Assumptions

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2012 for miscellaneous and safety employees is shown below:

	Assumptions
Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Amortization Period	Closed
Average Remaining Period	27 Years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

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

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Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the funding status for the miscellaneous and safety plans were as follows (dollars in thousands):

Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Excess of Assets over AAL) (b-a)	Funded Ratio Actuarial Value Basis (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Miscellaneous	\$ 1,765,236	\$ 1,971,682	\$ 206,446	89.5%	\$ 222,312	92.9%
Safety	1,783,951	1,868,031	84,080	95.5%	132,176	63.6%

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

Plan Description – Public Agency Retirement System – Defined Benefit Plan

In November 1994, the City established Public Agency Retirement System (PARS) Defined Benefit Plans for Special Status Contractors and Seasonal and Temporary Employees (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 percent times the final average of the participant's highest 36 consecutive month's salary times the years of service. The Plan requires employee contributions of 6.20 percent of earnings (Contractors Special Status) and 3.0 percent of earnings (Seasonal and Temporary Employees). All employees enter the Plan upon hire and all benefits are vested after five years of service (Contractors Special Status) or immediately (Seasonal and Temporary Employees) and employees are always vested in their employee contributions. It is assumed that upon termination, employees will choose to receive an actuarially equivalent lump-sum (based on the actuarial assumptions described below). Audited annual financial statements are available from PARS Public Agency Retirement Services, 4350 Von Karman Avenue, Ste. 100, Newport Beach, CA 92660.

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Funding Policy and Annual Pension Cost

The City's funding policy is to make the contribution as determined by the Plan's actuary as of September 30, 2011 valuation date. The following information describes the calculation methodology:

- The Plan's APC for the fiscal year ended September 30, 2012 is based on the period from October 1, 2010 to September 30, 2011. The APC for fiscal year ended September 30, 2012, is \$113 thousand, the same amount contributed for this period.
- The actuarial liabilities and assets are valued as of September 30, 2011.
- The actuarial cost method used is the projected-unit-credit method. Under this method, the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

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

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level dollar amount to determine the unfunded actuarial liability rate. The actuarial value of Plan assets is based on a five-year smoothing of gains and losses. The net pension obligation information below is based on periods from October 1 through September 30:

Fiscal Year	Annual Pension Costs	Actual Contribution	Percentage Contribution	Net Pension Obligation
2010	\$ 92,515	\$ 92,515	100%	\$ -
2011	105,141	105,141	100%	-
2012	113,320	113,320	100%	-

Funded Status and Funding Progress

As of the most recent actuarial valuation date, September 30, 2011, the Plan's funding status was (dollars in thousands):

Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Excess of Assets over AAL) (b-a)	Funded Ratio Actuarial Value Basis (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PARS	\$ 879	\$ 1,354	\$ 475	64.9%	\$ 8,653	5.5%

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Actuarial Methods and Assumptions

The following is a summary of September 30, 2011 actuarial assumptions:

Interest Rate: 5.00%
Actuarial Cost Method: Projected Unit Credit
Mortality: 1983 Group Annuity Mortality (GAM83) 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 turnover rates:

<u>Years of Service</u>	<u>Turnover</u>
0	50%
1	35%
2	30%
3	25%
4	20%

Salary Scale: 5.0%
Amortization Period: Closed
Retirement Age: Age 65 or attained age, if older.

NOTE 15 – POST-RETIREMENT HEALTH CARE BENEFITS

General Plan Description

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

Under the provisions of the City's Personnel Ordinance, upon retirement, the City allows retirees, their spouses, and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental, and long-term care insurance premiums. Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested.

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

At September 30, 2012, there were 580 participants in the City's Retired Employees Health Insurance Program and their non-interest-bearing cash value equivalent of the remaining unused sick leave totaled \$20.8 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2012 were \$9.0 million and are included as an expense of the Employee Benefits Internal Service Fund.

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Termination Benefits

As of September 30, 2012, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$119.0 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation, and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and 2009 negotiated public safety health benefit supplements as described below:

Fire Retirement Supplement Benefit

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

Police Retirement Supplement Benefit

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

The actuarial study assumes an investment return of 4.3 percent; wage increases of 3.3 percent per year for both miscellaneous and safety employees, and insurance premium increases of 4.5 percent. The estimated current portion of such obligation of \$8.6 million has been fully funded and the long-term portion of the liability of \$110.4 million is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

Other Postemployment Benefits

As of September, 30, 2012, the City has also recorded a liability in the Employee Benefits Internal Service Fund of \$35.5 million based on an actuarial study of the "implicit subsidy" as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). While the City does not directly

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contribute any funding towards the cost of premiums for retirees, the ability to obtain coverage at an active employees rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City's health care benefit plans increases the overall health plan rates. The economic benefit is defined as an "implicit subsidy" under GASB 45.

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

Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2012, the City has not prefunded the plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 14,135
Interest on net OPEB obligation	1,307
Adjustment to annual required contribution	<u>(1,956)</u>
Annual OPEB cost	13,486
Contribution made	<u>(4,111)</u>
Increase in net OPEB obligation	9,375
Net OPEB obligation - beginning of year	<u>26,139</u>
Net OPEB obligation - end of year	<u><u>\$ 35,514</u></u>

The ARC was determined as part of the September 2010 actuarial valuation. For the year ended September 30, 2012, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 11,472	33.6%	\$ 18,022
9/30/2011	12,289	34.0%	26,139
9/30/2012	13,486	30.5%	35,514

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Funded Status and Funding Progress

The funded status of the plan as of September 30, 2012 as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 219,785
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 219,785</u>
Funded ratio (actuarial value of plan assets / AAL)	0.0%
Covered payroll	\$ 321,013
UAAL as a percentage of covered payroll	68.5%
ARC as a percentage of covered payroll	4.4%

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

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

Actuarial Methods and Assumption

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

The September 30, 2012 actuarial valuation used the Entry Age Normal Cost method. The actuarial assumptions included a 4.3 percent investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 11.3 percent for HMO plans and 8.6 percent for PPO plans that grades down to 4.5 percent for all plans by September 30, 2021, and an inflation assumption of 3.0 percent. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The actuarial value of plan assets was \$0. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over 30 years.

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NOTE 16 – SELF-INSURANCE PROGRAMS

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

At September 30, 2012, the City accrued non-discounted estimates totaling \$123.3 million for workers' compensation and general liability claims. This represents estimates of amounts to be paid for actual and incurred-but-not-reported claims based upon past experience, modified for current trends and developments. The City has no outstanding annuities payable. The City has recorded a current liability of \$23.0 million and a long-term liability of \$100.3 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2012 is dependent on future developments. Based upon actuary evaluation, City's management believes that the aggregate accrual adequately represents such losses. A summary of the City's claims activity for the fiscal years ended September 30, 2012 and 2011 is as follows (in thousands):

	<u>Workers' Compensation Claims</u>	<u>General Liability Claims</u>	<u>Total</u>
Balance at October 1, 2010	\$ 92,152	\$ 17,400	\$ 109,552
Additions (Reductions)	22,684	1,064	23,748
Payments	(12,699)	(6,200)	(18,899)
Balance at September 30, 2011	<u>102,137</u>	<u>12,264</u>	<u>114,401</u>
Additions	21,261	3,609	24,870
Payments	(12,345)	(3,609)	(15,954)
Balance at September 30, 2012	<u><u>\$ 111,053</u></u>	<u><u>\$ 12,264</u></u>	<u><u>\$ 123,317</u></u>

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

NOTE 17 – GOVERNMENTAL ACTIVITIES FUND BALANCE

As of September 30, 2012, total fund balances for the City’s major and non-major governmental funds are as follows (in thousands):

	<u>General</u>	<u>Successor Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Prepaid Expense and Deposits	\$ 8	\$ -	\$ 45	\$ 53
Advances to Other Funds	2,000	-	-	2,000
Subtotal	<u>2,008</u>	<u>-</u>	<u>45</u>	<u>2,053</u>
Restricted for:				
Debt Service	-	-	38,605	38,605
Public Safety	2,929	-	1,355	4,284
Public Health	-	-	4,219	4,219
Community and Cultural	-	155,796	62,100	217,896
Public Works	-	-	58,235	58,235
Subtotal	<u>2,929</u>	<u>155,796</u>	<u>164,514</u>	<u>323,239</u>
Committed to:				
Public Safety	1,000	-	-	1,000
Community and Cultural	-	-	1,362	1,362
Oil Abandonment	4,394	-	-	4,394
Subtotal	<u>5,394</u>	<u>-</u>	<u>1,362</u>	<u>6,756</u>
Assigned to:				
Emergency Reserve	31,558	-	-	31,558
Operating Reserve	12,986	-	-	12,986
Subsequent Year's Appropriations	16,391	-	-	16,391
Infrastructure Reserve	1,000	-	-	1,000
Community and Cultural	-	-	125	125
Debt Service	-	-	1,029	1,029
Public Safety	-	-	170	170
Public Health	-	-	651	651
Public Works	-	-	8,816	8,816
Subtotal	<u>61,935</u>	<u>-</u>	<u>10,791</u>	<u>72,726</u>
Unassigned	<u>4,857</u>	<u>(29,878)</u>	<u>(2,765)</u>	<u>(27,786)</u>
Total Fund Balances	<u>\$ 77,123</u>	<u>\$ 125,918</u>	<u>\$ 173,947</u>	<u>\$ 376,988</u>

Fund Deficits

The Internal Service Funds include accumulated deficits in the Insurance and Employee Benefits Internal Service Funds, which aggregate \$89.9 million and \$124.6 million, respectively. The City’s management believes the cash position is sufficient to cover the current costs related to retired health insurance, workers’ compensation, general liability claims, and current operating costs in the Insurance and Employee Benefits Internal Service Funds. The City’s management intends to make reasonable adjustments to amounts charged to City departments to ensure that adequate cash positions are maintained.

The Tidelands Oil Revenue Fund, a proprietary fund, reported a deficit net assets of \$6.1 million as of September 30, 2012. Tidelands Oil Revenue Fund deficit net assets is due to a future oil field abandonment liability. City’s management intends to accumulate futures resources to pay for this liability.

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

NOTE 18 – GAS UTILITY FUND

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

City of Long Beach
Gas Utility Fund
Consolidated Schedule of Net Position
September 30, 2012
(In Thousands)

	Gas Operating Function	LBBFA Gas Prepay Function	Total Before Elimination	Elimination Debit (Credit)	Gas Utility Fund
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 10,608	\$ 3	\$ 10,611	\$ -	\$ 10,611
Non-Pooled Cash and Cash Equivalents	6	81	87	-	87
Non Performing Investments	57	-	57	-	57
Non-Pooled Investments	650	-	650	-	650
Receivables:					
Interest Receivable	-	15	15	-	15
Accounts Receivable	2,839	2,575	5,414	(813)	4,601
Due from Other Governments	31	-	31	-	31
Due from Other Funds	1,314	-	1,314	(434)	880
Allowance for Receivables	(522)	-	(522)	-	(522)
Inventory	1,890	-	1,890	-	1,890
Prepaid Gas-Current	-	22,901	22,901	-	22,901
Other Assets	30	-	30	-	30
Total Current Assets	<u>16,903</u>	<u>25,575</u>	<u>42,478</u>	<u>(1,247)</u>	<u>41,231</u>
Noncurrent Assets:					
Restricted Noncurrent assets					
Non-Pooled Investments	-	21,749	21,749	-	21,749
Noncurrent Receivables:					
Other Noncurrent Receivables	1,277	-	1,277	-	1,277
Capital Assets:					
Land and Other Assets not Being Depreciated					
Property, Plant and Equipment	4,142	-	4,142	-	4,142
Capital Assets Net of Accumulated Depreciation	111,347	-	111,347	-	111,347
Prepaid Gas - Long-Term	-	518,804	518,804	-	518,804
Total Noncurrent Assets	<u>116,766</u>	<u>540,553</u>	<u>657,319</u>	<u>-</u>	<u>657,319</u>
Total Assets	<u>133,669</u>	<u>566,128</u>	<u>699,797</u>	<u>(1,247)</u>	<u>698,550</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	-	226,006	226,006	-	226,006
LIABILITIES					
Current Liabilities payable from Current Assets:					
Accounts Payable	4,422	7	4,429	813	3,616
Accrued Wages	238	-	238	-	238
Accrued Interest Payable	6	11,403	11,409	-	11,409
Due to Other Funds	169	434	603	434	169
Deferred Revenues	355	-	355	-	355
Customers Deposits	1,828	-	1,828	-	1,828
Obligations Under Capital Leases - Current	414	-	414	-	414
Bonds Payable Due Within One Year	750	8,290	9,040	-	9,040
Total Current Liabilities	<u>8,182</u>	<u>20,134</u>	<u>28,316</u>	<u>1,247</u>	<u>27,069</u>
Noncurrent Liabilities:					
Obligations Under Capital Leases	2,205	-	2,205	-	2,205
Other Long-Term Obligations	3,000	-	3,000	-	3,000
Bonds Payable	-	621,080	621,080	-	621,080
Unamortized Discount/Deferred cost	(14)	10,101	10,087	-	10,087
Total Noncurrent Liabilities	<u>5,191</u>	<u>631,181</u>	<u>636,372</u>	<u>-</u>	<u>636,372</u>
Total Liabilities	<u>13,373</u>	<u>651,315</u>	<u>664,688</u>	<u>1,247</u>	<u>663,441</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	-	226,006	226,006	-	226,006
NET POSITION (DEFICIT)					
Net Investment in Capital Assets	109,783	-	109,783	-	109,783
Restricted for:					
Debt Service	-	-	-	-	-
Capital Projects	3,183	-	3,183	-	3,183
Unrestricted	7,330	(85,187)	(77,857)	-	(77,857)
Total Net Position (Deficit)	<u>\$ 120,296</u>	<u>\$ (85,187)</u>	<u>\$ 35,109</u>	<u>\$ -</u>	<u>\$ 35,109</u>

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

City of Long Beach
Gas Utility Fund
Consolidated Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Gas Operating Function	LBBFA Gas Prepay Function	Total Before Elimination	Elimination Debit (credit)	Gas Utility Fund
Operating Revenues:					
Charges for Services	\$ 82,671	\$ 13,590	\$ 96,261	\$ 13,590	\$ 82,671
Total Revenues	<u>82,671</u>	<u>13,590</u>	<u>96,261</u>	<u>13,590</u>	<u>82,671</u>
Operating Expenses:					
Personal Services	15,885	-	15,885	-	15,885
Purchases of Gas	28,781	(4,276)	24,505	(13,590)	10,915
Maintenance and Other Operations	12,087	15	12,102	-	12,102
Amortization	11	96	107	-	107
Depreciation	4,763	-	4,763	-	4,763
Total Operating Expenses	<u>61,527</u>	<u>(4,165)</u>	<u>57,362</u>	<u>(13,590)</u>	<u>43,772</u>
Operating Income	<u>21,144</u>	<u>17,755</u>	<u>38,899</u>	<u>-</u>	<u>38,899</u>
Non-Operating Income (Expense):					
Interest Income	154	669	823	-	823
Interest Expense	(4)	(32,419)	(32,423)	-	(32,423)
Loss on Disposition of Fixed Assets	(377)	-	(377)	-	(377)
Capital Assets to/(from) Other Funds	(1,909)	-	(1,909)	-	(1,909)
Operating Grants	153	-	153	-	153
Other Income	1,646	(684)	962	-	962
Total Non-Operating Income (Expense)	<u>(337)</u>	<u>(32,434)</u>	<u>(32,771)</u>	<u>-</u>	<u>(32,771)</u>
Income Before Contributions and Transfers	20,807	(14,679)	6,128	-	6,128
Operating Transfers:					
Operating Transfers In	-	889	889	889	-
Operating Transfers Out	(12,862)	-	(12,862)	(889)	(11,973)
Change in Net Position	7,945	(13,790)	(5,845)	-	(5,845)
Net Position (Deficit), October 1	<u>112,351</u>	<u>(71,397)</u>	<u>40,954</u>	<u>-</u>	<u>40,954</u>
Net Position (Deficit), September 30	<u>\$ 120,296</u>	<u>\$ (85,187)</u>	<u>\$ 35,109</u>	<u>\$ -</u>	<u>\$ 35,109</u>

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

City of Long Beach
Gas Utility Fund
Consolidated Schedule of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Gas Operating Function	LBBFA Gas Prepay Function	Eliminations Increase (decrease)	Gas Utility Fund
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 83,672	\$ 14,133	\$ (14,133)	\$ 83,672
Payments for Employee Salaries	(16,006)	-	-	(16,006)
Payments for Goods and Services	(43,880)	(9)	14,133	(29,756)
Other Income	2,544	-	-	2,544
Other Expense	-	(1,583)	-	(1,583)
Net Cash Provided by Operating Activities	<u>26,330</u>	<u>12,541</u>	<u>-</u>	<u>38,871</u>
Cash Flows from Non-Capital Financing Activities:				
Operating Grants Received from Other Governments	122	-	-	122
Transfers In	-	889	-	889
Receipts from Prepayment of Gas Supply	-	26,967	-	26,967
Payments of Principal on Bonds Payable	-	(9,015)	-	(9,015)
Payments of Interest	-	(32,901)	-	(32,901)
Transfers Out	(12,862)	-	-	(12,862)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(12,740)</u>	<u>(14,060)</u>	<u>-</u>	<u>(26,800)</u>
Cash Flows from Capital and Related Financing Activities:				
Principal Received on Capital Leases from other funds	898	-	-	898
Payments for Capital Acquisitions	(15,339)	-	-	(15,339)
Payments of Principal on Bonds Payable	(1,020)	-	-	(1,020)
Payments of Principal on Other Long-Term Obligations	(906)	-	-	(906)
Payments of Interest	(118)	-	-	(118)
Net Cash Used for Capital and Related Financing Activities	<u>(16,485)</u>	<u>-</u>	<u>-</u>	<u>(16,485)</u>
Cash Flows from Investing Activities:				
Proceeds from the Sale of Investments	-	883	-	883
Receipts of Interest	203	669	-	872
Net Cash Provided by Investing Activities	<u>203</u>	<u>1,552</u>	<u>-</u>	<u>1,755</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,692)	33	-	(2,659)
Cash and Cash Equivalents - October 1	13,306	51	-	13,357
Cash and Cash Equivalents - September 30	<u>\$ 10,614</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 10,698</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>				
Operating Income	\$ 21,144	\$ 17,755	\$ -	\$ 38,899
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization Expense	4,774	96	-	4,870
Other Income	2,544	-	-	2,544
Other Expense	-	(684)	-	(684)
Decrease in Accounts Receivable, Net	737	542	813	2,092
Decrease in Amounts Due from Other Governments	31	-	-	31
Decrease in Amounts Due from Other Funds	-	(899)	-	(899)
Decrease in Inventory	(326)	-	-	(326)
Decrease in Other Operating Assets/Gas Prepay	(17)	(4,275)	-	(4,292)
Increase (Decrease) in Accounts Payable	(2,668)	6	(813)	(3,475)
Increase in Accrued Wages Payable	(105)	-	-	(105)
Increase in Amounts Due to Other Funds	(16)	-	-	(16)
Increase in Deferred Revenues	148	-	-	148
Decrease in Collections Held in Trust	84	-	-	84
Total Adjustments	<u>5,186</u>	<u>(5,214)</u>	<u>-</u>	<u>(28)</u>
Net Cash Provided by Operating Activities	<u>\$ 26,330</u>	<u>\$ 12,541</u>	<u>\$ -</u>	<u>\$ 38,871</u>

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

Gas Rates

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

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

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

NOTE 19 – SOLID WASTE MANAGEMENT FUND

The Solid Waste Management Fund is used to account for the City's refuse collection and resource recovery operations and includes the City's Solid Waste Management Function and the SERRF Function. SERRF was formed as a joint powers authority between the City 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 long-term receivable with a balance at September 30, 2012 of \$2.0 million.

In October 1995, the lease, between the joint powers authority and the City's SERRF operations, was revised as SERRF refunded the 1985, 1985-1, and 1986 bond issues with the SERRF 1995 Revenue Bond issue. The lease payment was equal to debt service payments with a maximum annual payment of \$25.0 million.

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

The City of Long Beach
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September 30, 2012

City of Long Beach
Solid Waste Management Fund
Consolidating Schedule of Net Position (Deficit)
September 30, 2012
(In Thousands)

	Solid Waste Management			Total Before Elimination	Eliminations Debit (Credit)	Solid Waste Management Fund
	Refuse Function	SERRF Function	SERRF Authority			
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 18,256	\$ 29,922	\$ 101	\$ 48,279	\$ -	\$ 48,279
Non-Pooled Cash and Cash Equivalents	3	-	55	58	-	58
Non Performing Investments	34	-	-	34	-	34
Receivables:						
Interest Receivable	-	-	66	66	-	66
Accounts Receivable	2,650	7,652	1,119	11,421	(1,119)	10,302
Due from Other Governments	-	285	-	285	-	285
Capital Leases Receivable-Current	-	-	8,005	8,005	(8,005)	-
Allowance for Receivables	(311)	(27)	-	(338)	-	(338)
Total Current Assets	20,632	37,832	9,346	67,810	(9,124)	58,686
Noncurrent Assets:						
Restricted Noncurrent assets						
Non-Pooled Investments	-	-	11,487	11,487	-	11,487
Noncurrent Receivables:						
Capital Lease Receivable	-	-	57,610	57,610	(57,610)	-
Other Noncurrent Receivables	-	1,983	-	1,983	-	1,983
Capital Assets:						
Land and Other Capital Assets not being Depreciated						
	102	7,176	-	7,278	-	7,278
Capital Assets net of Accumulated Depreciation	83	19,609	-	19,692	-	19,692
Other Assets-Long-Term	-	-	493	493	(493)	-
Total Noncurrent Assets	185	28,768	69,590	98,543	(58,103)	40,440
Total Assets	20,817	66,600	78,936	166,353	(67,227)	99,126
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	512	4,347	-	4,859	1,119	3,740
Accrued Wages	133	6	-	139	-	139
Accrued Interest Payable	-	-	1,119	1,119	-	1,119
Due to Other Funds	71	3	-	74	-	74
Collections Held in Trust	570	64	-	634	-	634
Obligations Under Capital Leases-Current	-	8,005	-	8,005	8,005	-
Bonds Payable Due Within One Year	-	-	8,005	8,005	-	8,005
Total Current Liabilities	1,286	12,425	9,124	22,835	9,124	13,711
Deferred Credits and Other Deferred Liabilities	-	493	-	493	493	-
Obligations Under Capital Leases	-	57,610	-	57,610	57,610	-
Bonds Payable	-	-	57,610	57,610	-	57,610
Unamortized Discount/Deferred cost	-	-	1,409	1,409	-	1,409
Total Noncurrent Liabilities	-	58,103	59,019	117,122	58,103	59,019
Total Liabilities	1,286	70,528	68,143	139,957	67,227	72,730
NET POSITION (DEFICIT)						
Net Investment in Capital Assets	185	(39,323)	-	(39,138)	(10,727)	(28,411)
Restricted for:						
Debt Service	-	-	657	657	-	657
Unrestricted	19,346	35,395	10,136	64,877	10,727	54,150
Total Net Position (Deficit)	\$ 19,531	\$ (3,928)	\$ 10,793	\$ 26,396	\$ -	\$ 26,396

The City of Long Beach
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City of Long Beach
Solid Waste Management Fund
Consolidating Schedule of Revenues, Expenses and
Changes in Fund Net Position (Deficit)
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Solid Waste Management			Total Before Elimination	Eliminations Debit (Credit)	Solid Waste Management Fund
	Refuse Function	SERRF Function	SERRF Authority			
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ -	\$ 3,393	\$ 3,393	\$ 3,393	\$ -
Charges for Services	38,847	45,659	-	84,506	7,395	77,111
Total Operating Revenues	<u>38,847</u>	<u>45,659</u>	<u>3,393</u>	<u>87,899</u>	<u>10,788</u>	<u>77,111</u>
Operating Expenses:						
Personal Services	14,097	484	-	14,581	-	14,581
Maintenance and Other Operations	26,012	29,520	-	55,532	(7,395)	48,137
Rental Expense	-	3,393	-	3,393	(3,393)	-
Amortization	-	-	265	265	-	265
Depreciation	14	3,721	-	3,735	-	3,735
Total Operating Expenses	<u>40,123</u>	<u>37,118</u>	<u>265</u>	<u>77,506</u>	<u>(10,788)</u>	<u>66,718</u>
Operating Income (Loss)	<u>(1,276)</u>	<u>8,541</u>	<u>3,128</u>	<u>10,393</u>	<u>-</u>	<u>10,393</u>
Non-Operating Income (Expenses):						
Interest Income	74	22	65	161	-	161
Interest Expense	-	-	(3,003)	(3,003)	-	(3,003)
Capital Assets (from) Other Funds	(1,303)	-	-	(1,303)	-	(1,303)
Operating Grants	302	-	-	302	-	302
Other Income (Expenses)	1,269	246	(13)	1,502	-	1,502
Total Non-Operating Income (Expenses)	<u>342</u>	<u>268</u>	<u>(2,951)</u>	<u>(2,341)</u>	<u>-</u>	<u>(2,341)</u>
Income (Loss) Before Contributions and Transfers	(934)	8,809	177	8,052	-	8,052
Transfers:						
Transfers Out	(1,717)	(2,472)	-	(4,189)	-	(4,189)
Change in Net Position	(2,651)	6,337	177	3,863	-	3,863
Net Position (Deficit) - October 1	<u>22,182</u>	<u>(10,265)</u>	<u>10,616</u>	<u>22,533</u>	<u>-</u>	<u>22,533</u>
Net Position (Deficit) - September 30	<u><u>\$19,531</u></u>	<u><u>\$ (3,928)</u></u>	<u><u>\$10,793</u></u>	<u><u>\$ 26,396</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,396</u></u>

The City of Long Beach
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September 30, 2012

City of Long Beach
Solid Waste Management Fund
Consolidating Schedule of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Refuse Function	SERRF Function	SERRF Authority	Total Before Elimination	Eliminations Increase (Decrease)	Solid Waste Management Fund
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 38,772	\$ 43,211	\$ -	\$ 81,983	\$ -	\$ 81,983
Receipts from Capital Lease	-	-	3,510	3,510	(3,510)	-
Payments for Employee Salaries	(14,181)	(484)	-	(14,665)	-	(14,665)
Payments for Goods and Services	(25,922)	(33,182)	-	(59,104)	3,510	(55,594)
Other Income	1,269	246	-	1,515	-	1,515
Other Expense	-	-	(12)	(12)	-	(12)
Net Cash Provided by Operating Activities	<u>(62)</u>	<u>9,791</u>	<u>3,498</u>	<u>13,227</u>	<u>-</u>	<u>13,227</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received						
from Other Governments	308	-	-	308	-	308
Transfers Out	(1,717)	(2,472)	-	(4,189)	-	(4,189)
Net Cash Used for Non-Capital Financing Activities	<u>(1,409)</u>	<u>(2,472)</u>	<u>-</u>	<u>(3,881)</u>	<u>-</u>	<u>(3,881)</u>
Cash Flows from Capital and Related Financing Activities:						
Payments for Capital Acquisitions	(1,337)	-	-	(1,337)	-	(1,337)
Payments of Principal on Bonds Payable	-	-	(7,635)	(7,635)	-	(7,635)
Payments of Principal on Other Long-Term Obligations	-	(7,635)	-	(7,635)	7,635	-
Payments of Interest	-	-	(3,535)	(3,535)	-	(3,535)
Net Cash Used for Capital and Related Financing Activities	<u>(1,337)</u>	<u>(7,635)</u>	<u>(11,170)</u>	<u>(20,142)</u>	<u>7,635</u>	<u>(12,507)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	(89)	(89)	-	(89)
Principal Received under Capital Lease	-	-	7,635	7,635	(7,635)	-
Receipts of Interest	100	22	54	176	-	176
Net Cash Provided by Investing Activities	<u>100</u>	<u>22</u>	<u>7,600</u>	<u>7,722</u>	<u>(7,635)</u>	<u>87</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,708)	(294)	(72)	(3,074)	-	(3,074)
Cash and Cash Equivalents - October 1	20,967	30,216	228	51,411	-	51,411
Cash and Cash Equivalents - September 30	<u>\$ 18,259</u>	<u>\$ 29,922</u>	<u>\$ 156</u>	<u>\$ 48,337</u>	<u>\$ -</u>	<u>\$ 48,337</u>

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

City of Long Beach
Solid Waste Management Fund
Consolidating Schedule of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Refuse Function</u>	<u>SERRF Function</u>	<u>SERRF Authority</u>	<u>Total Before Elimination</u>	<u>Eliminations Increase (Decrease)</u>	<u>Solid Waste Management Fund</u>
Operating Income (Loss)	\$ (1,276)	\$ 8,541	\$ 3,128	\$ 10,393	\$ -	\$ 10,393
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	14	3,721	265	4,000	-	4,000
Other Income	1,269	246	-	1,515	-	1,515
Other Expense	-	-	(14)	(14)	-	(14)
(Increase) Decrease in Accounts Receivable, Net	(108)	(2,848)	119	(2,837)	(119)	(2,956)
Increase in Amounts Due from Other Governments	-	401	-	401	-	401
Increase (Decrease) in Accounts Payable	91	(189)	-	(98)	119	21
Decrease in Accrued Wages Payable	(71)	(1)	-	(72)	-	(72)
Increase in Amounts Due to Other Funds	(14)	-	-	(14)	-	(14)
Decrease in Deferred Credits	-	(80)	-	(80)	-	(80)
Increase in Collections Held in Trust	33	-	-	33	-	33
Total Adjustments	1,214	1,250	370	2,834	-	2,834
Net Cash Provided by Operating Activities	\$ (62)	\$ 9,791	\$ 3,498	\$ 13,227	\$ -	\$ 13,227

NOTE 20 – OIL ABANDONMENT LIABILITY

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

Tideland Oil Revenues

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

Annually, the City estimates the State's share in the costs of future abandonment and site clearance of the oil properties. At September 30, 2012, the State's total estimated abandonment cost liability is \$409.4 million increasing by \$12.2 million from fiscal year 2011. This estimate is based on the number and life of productive wells, general changes in the life of the oil field, and changes in oil prices. As of September 30, 2012, and as provided for in Assembly Bill (AB) 137, the State has put aside and deposited approximately \$273 million of the \$409.4 million estimated liability into the State's Oil Trust Fund - Abandonment Reserve.

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 \$6.7 million of which \$4.4 million has been funded in the Upland Oil Properties Special Revenue Fund as of September 30, 2012.

Subsidence

In accordance with State legislation, the City established a Reserve for Subsidence Contingencies to indemnify the City, State, and contractors for claims or costs arising from subsidence alleged to have resulted from oil operations. A maximum of \$40.0 million, plus accrued interest, was originally set aside for this purpose. Under provisions of State law that allowed the State's contractors to substantially increase oil production, and for a period of eight years that ended December 31, 1999, the City's Tidelands Fund received 50 percent of the interest earnings on the Reserve for Subsidence Contingences while the other 50 percent accrued to the Subsidence Fund. For a period of four years beginning January 1, 2000, 50 percent of the interest earnings were paid to the State of California while the other 50 percent accrued to the Subsidence Fund. After the expiration of the above provisions, 100 percent of the interest accrues to the Reserve for Subsidence. As of September 30, 2012, the reserve balance within the Subsidence Fund is \$155.5 million.

As part of the adoption of the State's 2005 fiscal year budget, 100 percent of this fund's interest earnings for calendar years 2004 and 2005 were eligible to be loaned to the City's General Fund, with repayment commencing in fiscal year 2008, without interest, in equal annual installments of \$500 thousand for up to 20 years. This action was taken to assist the City in making \$5 million contributions to the State in fiscal years 2005 and 2006. Also, per Assembly Bill No. 15, Chapter 14, approved by the Governor on July 28, 2009, a city that has established a Reserve for Subsidence Contingences may, for the 2009-10 fiscal year only, retain interest earned on that reserve for the previous three calendar years in an amount not to exceed the amount of the revenue reduction incurred by that City pursuant to Section 100.06 of the Revenue and Taxation Code. Repayment by the City to the Reserve for Subsidence Contingences of the amount so retained shall be made at the time the City is repaid for its reduction pursuant to Section 100.06 of the Revenue and Taxation Code. At September 30, 2012, total loan to the City's General Fund and interest retained amounts to \$15.4 million.

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

NOTE 21 – POLLUTION REMEDIATION OBLIGATIONS

BKK Sites

Victoria Golf Course: Between 1947 and 1949, the City disposed of municipal waste in a landfill owned by BKK Corp located in Carson, California. It has been determined that the site is the source of groundwater contamination. The State Department of Toxic Substances Control has identified the City as a potentially responsible party (PRP) under the Resources Conservation and Recovery Act and has threatened enforcement action. The County of Los Angeles has threatened a cross-claim against the City for contribution. As of September 30, 2012, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

West Covina: From the mid 1960s through 1987, the City disposed of municipal waste in a landfill owned by BKK Corp located in West Covina, California. It has been determined that the site is the source of groundwater contamination. The State Department of Toxic Substances Control has a cleanup order to PRPs under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The primary PRPs have entered into a consent decree. Those parties in turn have threatened to compel the City to contribute part of the clean-up costs. As of September 30, 2012, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

National Resources Defense Council

The County of Los Angeles filed a claim with the City, and more than 80 other cities in Los Angeles County, for contribution/indemnification in the lawsuit brought by the National Resources Defense Council (NRDC) against the County in 2009. The NRDC lawsuit was related to violations of the federal Clean Water Act that were allegedly caused by or contributed to by cities, including Long Beach. One or more of the sites is located in Long Beach. The Ninth Circuit has ruled against the County. That decision has been appealed to the US Supreme Court. The County's claim for contribution against Long Beach has been stayed pending the outcome of the appeal. As of September 30, 2012, the effect of any potential remediation activity on the City was not estimable.

West Covina Site

Chevron (USA), Exxon Mobile Corporation, Conocophillips Company, Long Beach Oil Development Company (LBOD), and American Energy Operations, Inc. have been named in cleanup actions (Imminent and Substantial Endangerment Determination and Order and a Remedial Action Order from the California Department of Toxic Substance Control). The site is located in West Covina. In response, the parties have filed claims against the City seeking unspecified damages. In 2005 and 2006, the parties entered into tolling agreements with the City. To date, no costs have been incurred in this matter. As of September 30, 2012, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City has an Environmental Pollution Insurance Policy that may cover some costs for the period in question.

Long Beach Oil Development Company

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

for costs expended. As of September 30, 2012, there was insufficient information to develop an estimate of potential remediation costs attributable to the City. The City acts as a trustee for the State for the impacted lands and the funds for defense and settlement shall come from State of California Oil Revenue.

Housing Development Company

In 2006, the Agency purchased property at 2085 Atlantic Boulevard at a reduced price with the knowledge that remediation activities for soil and groundwater contamination would have to be undertaken. In August 2007, the property was conveyed to the Company. The remediation activities, as directed by the Los Angeles Regional Water Quality Control Board (Regional Board), have been completed; however, continued monitoring of the site has been ordered. The original estimated liability for the monitoring, based on a cost estimate from the monitoring service provider, was \$50 thousand. As of September 30, 2012, the remaining liability for the monitoring was \$16 thousand. There is a remote possibility that the cost of monitoring may increase if the mandated monitoring period is extended. There is no reasonable expectation of any recovery associated with these remediation efforts.

Paramount Landfill

The City of Long Beach operated the Paramount Landfill from 1945 to 1948. After closure, the landfill was partitioned and all but one parcel has been sold. The remaining parcel was developed into Davenport Park. In May 2009, the Regional Board notified the City that additional groundwater monitoring is required for this site. The original estimated remaining liability associated with the groundwater monitoring, based on a cost estimate from the monitoring service provider, is \$60 thousand. As of September 30, 2012, the remaining liability for the monitoring was \$21 thousand. There is a possibility that the cost of monitoring may increase if the mandated monitoring period is extended. There is no reasonable expectation of any recovery associated with these remediation efforts.

El Ranchito

In 2009, the Agency purchased property at 5301 Long Beach Blvd. In fiscal year 2012, the Agency initiated a voluntary remediation project at the site. The original estimated remaining liability associated with the groundwater monitoring, based on a cost estimate from the monitoring service provider, is \$485 thousand. As of September 30, 2012, the remaining liability for the monitoring was \$421 thousand. There is a possibility that the cost of monitoring may increase. There is no reasonable expectation of any recovery associated with these remediation efforts.

Metropolitan Transportation Authority (MTA) Bus Parking Lot

The Regional Board has notified the City that additional ground water monitoring for the former MTA bus parking lot may be required. MTA had requested site closure for the site prior to it being sold to the City. MTA pledged \$300 thousand to pay for any future monitoring costs when the City acquired the property. Management has not recorded a liability because it is believed that the costs associated with any future monitoring would be less than the pledge of the MTA. At September 30, 2012, the site is still being evaluated and the City is waiting for final determination from the Regional Board as to the extent of, if any, additional monitoring activities that may be required.

Union Pacific Railroad (UPRR) Site

The Regional Board has directed the City to perform ground water monitoring at the former UPRR site. The City performed the monitoring as directed. All monitoring wells have been closed

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

and monitoring activities have ceased. At September 30, 2012, final determination for site closure was still pending and no liability related to activities at this site has been recorded within the financial statements.

Leaking Underground Storage Tanks (LUST)

The City has been named a responsible party for a number of LUST by the Regional Board. The Regional Board has directed that these sites be evaluated for remediation and continued monitoring activities. As of September 30, 2012, the estimated related liability for the future remediation was \$3.2 million. There is a possibility that these costs may increase. There is no reasonable expectation of any recovery associated with these remediation efforts.

NOTE 22 – INVESTMENT IN JOINT VENTURES

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (the Venturers) have entered into a joint venture agreement to form ICTF for the purposes of financing and constructing an intermodal container transfer facility (the facility) to transfer cargo containers between trucks and railroad cars. The facility has been leased to Southern Pacific, now merged with Union Pacific (the Tenant). The facility was developed by the Tenant who assumed operational responsibility for the facility. The Venturers' share net income and equity distributions from ICTF equally. The ICTF financial statements for the year ended June 30, 2012 can be obtained from the Harbor.

NOTE 23 – DEFERRED COMPENSATION

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

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

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

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

NOTE 24 – COMMITMENTS AND CONTINGENCIES

Commitments

At September 30, 2012, business-type fund and governmental-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

Governmental Activities:

General Fund	\$	416
Successor Agency		22
Other Governmental funds		
Special Revenue Funds		5,319
Debt Service Funds		1
Capital Projects Funds		6,438
Total		\$ 12,196

Business-Type Activities:

Gas Utility	\$	578
Airport		10,932
Tidelands		12,358
Tidelands Oil Revenue		13
Harbor		233,149
Non-major business-type funds		5,855
Total		\$ 262,885

At September 30, 2012, the City’s commitments for Internal Service Fund activity construction projects and for the purchase of goods and services aggregated to \$556 thousand.

Health Insurance

The City contracts with an insurance company to provide group health insurance to City employees. In an effort to maintain rates at acceptable levels, the City deposited with a trustee certain securities valued at approximately \$5.0 million to cover terminal liability claims. The securities are included in the City’s pooled cash and investments and all interest earned on the securities accrues to the City. In the event the City terminates its contract with the insurance company, any funds in excess of the actual terminal claims liability will be returned to the City.

Self-Insurance

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

As stated in Note 16, the City is self-insured for its workers’ compensation and liability claims. As claims are made against the City, they are routinely evaluated and appropriate accrued liabilities are recorded. Certain of these claims may ultimately reach the trial level and could result in judgments against the City. While the ultimate adverse effect, if any, of claims and judgments against the City cannot be estimated with certainty, it is the opinion of management, based upon consultation with the City Attorney and outside legal counsel as applicable, that such judgments

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

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.

Potential Obligations Related to the Alameda Corridor Transportation Authority

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

To the extent that the revenues from use and container charges are not sufficient to meet ACTA's obligations, the Harbor and the Port of Los Angeles have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the Corridor project and is limited to a total of 40 percent of the total annual required amount, with the Harbor and the Port of Los Angeles each responsible for one-half, or 20 percent of the required amount.

ACTA's latest Notice of Estimated Shortfall Advances and Reserve Accounting Funding (the Notice) was transmitted to the Department on August 8, 2012. Estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. The projected shortfall for ACTA's fiscal year ended June 30, 2012, based on the Notice submitted by ACTA was \$2.9 million bringing the cumulative shortfall to \$5.9 million. Any shortfall advance made by the Harbor and the Port of Los Angeles is reimbursable, with interest, by ACTA. Reimbursement could begin as soon as 2018. The Harbor is funding a cash reserve to satisfy claims to the shortfall advance potential obligation. The balances of the reserve, as of September 30, 2012 and 2011, were \$46.0 million each year.

Trade Corridor Improvement Fund Matching Contribution

The Harbor, as part of its continuing capital improvement program, has rail projects for track re alignment and rail yard improvements. These improvements are being partially funded by grants from the Trade Corridor Improvement Fund (TCIF). These TCIF grants require a matching contribution of 100% from the Harbor. As a result, the Harbor has set aside, for both fiscal years 2012 and 2011, reserves in the amount of \$35.8 million to meet this match requirement.

New Gerald Desmond Bridge Matching Contribution

The Harbor continues to pursue the replacement of the Gerald Desmond Bridge. The total cost to replace the bridge is estimated at \$950 million. The Harbor anticipates that funding of this project will come primarily from federal and state sources. Local matching funds will also be required.

In anticipation of this funding requirement, the Harbor has set aside funds to provide the expected 10% local match. During FY 2011, the Harbor reassigned certain state grant funds from various rail projects to the Gerald Desmond Bridge project resulting in an increase in the amount of the project's reserves. As of September 30, 2012 and 2011, matching funds earmarked for this project were \$49.1 million and \$69.1 million, respectively.

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

Environmental Mitigation Costs

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

An agreement between the Harbor, the Port of Los Angeles, and several federal and state regulatory agencies provided for the Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. The land was transferred to the state in return for environmental mitigation credits to allow for the construction of up to 267 acres of landfill in the outer harbor area. During fiscal year 2006, the Department acquired \$11.4 million of environmental mitigation credits.

During fiscal year 2007, the Department completed landfills that required the utilization of \$6.5 million of the available credits. No acquisitions or utilization of credits occurred during fiscal year 2011. During fiscal year 2012 the Harbor utilized \$1.0 million of the available credits. The balance of the Environmental Mitigation Credits was \$43.3 million and \$44.3 million as of both September 30, 2012 and 2011, respectively.

Clean Air Action Plan (CAAP)

In January 2007, the Harbor adopted a wide-ranging Green Port Policy that greatly expanded its commitment to sustain the environment by establishing new guidelines for port's current operations and future development. Key provisions include protection of the community from the harmful impacts of port operations and employment of state-of-the-art technology to minimize environmental impacts. Air emissions from ships at berth account for over one-third of all vessel air emissions. Providing electrification reduces emissions significantly. With electrification, or "cold ironing," vessels can shut down their auxiliary engines, while at berth, and plug into dockside electric substations.

Pike Public Improvements

In fiscal year 2002, the City issued special assessment debt under the authority of the Mello-Roos Community Facilities Act for public improvements, mainly a parking facility, in the Pike Development Project area. Although the debt does not constitute an indebtedness of the City, in order to facilitate such financing, the parking facility was subleased to the City for the purposes of issuing the Mello-Roos Bonds pursuant to a City sublease. According to the sublease, the City is subject to an annual calculated lease payment up to \$1.2 million through October 2032, plus net revenues from certain other Pike area parking operations, in the event the Pike garage does not generate sufficient net revenue to make bond payments.

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

NOTE 25 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred Outflows of Resources

At September 30, 2012, Deferred Outflows of Resources were reflected in the following funds:

City of Long Beach
Deferred Outflows of Resources
As of September 30, 2012

Fund	Balances at September 30, 2012
Gas Fund	
Derivative - Fair Value - Commodity Swap	\$ 244,530
Derivative - Fair Value - Interest Rate Swap	(18,524)
Total - Deferred Outflows of Resources	\$ 226,006

Deferred Inflows of Resources

At September 30, 2012, Deferred Inflows of Resources were reflected in the following funds:

City of Long Beach
Deferred Inflows of Resources
As of September 30, 2012

Fund	Balances at September 30, 2012
Gas Fund	
Derivative - Commodity Swap	\$ 244,530
Derivative - Interest Rate Swap	(18,524)
Total - Deferred Inflows of Resources	\$ 226,006

The City of Long Beach
The Notes to the Basic Financial Statements
September 30, 2012

NOTE 26 – SUBSEQUENT EVENTS

City of Long Beach 2012A Lease Revenue Refunding Bonds and

On November 28, 2012, the City issued \$54.6 million of Lease Revenue Refunding Bonds Series A. The Series A Bond proceeds were issued to (a) refund the 1998B Temple Willow Lease Revenue Refunding Bonds, the 2001 Plaza Parking Lease Revenue Bonds, the 2002 Public Safety Facilities Projects Lease Revenue Bonds, to advance refund the 2005A Temple Willow Lease Revenue Bonds, and (b) pay a portion of the costs of issuance of the Bonds. Payment for this debt begins in February of 2013 and continues through August 2031.

2012B Taxable Lease Revenue Refunding Bonds

On November 28, 2012, the City issued \$15.1 million of Taxable Lease Revenue Refunding Bonds Series B. The Series B Bond proceeds were issued to (a) refund the 2003 Skylinks Golf Course Project Lease Revenue Bonds and the 2004A Long Beach Towne Center Taxable Variable Rate Demand Revenue Bonds, and (b) pay a portion of the costs of issuance of the Bonds. Payment for this debt begins in February of 2013 and continues through August 2018.

Affect of the Due Diligence Reviews (DDR) on the Successor Agency and Housing Development Funds

On December 3, 2012, a second mandated DDR related to the former redevelopment functions of the Agency was completed. As result of the review, the Successor Agency is required to remit an additional \$41.7 million to the County prior to the end of fiscal year 2013.

On December 6, 2012 the Successor Agency remitted \$30.9 million to the County. This transfer of funds resulted from the first DDR, completed prior to September 30, 2012, and involved the calculation of tax increment amounts that were to be returned to the County for redistribution solely from the City's 20% set-aside housing activity

REQUIRED SUP-
PLEMENTARY
INFORMATION

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

June 30 Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal Accrued Liability (b)	Excess Funded (Deficit / Unfunded) Assets (a) – (b)	Funded Status		Annual Covered Payroll (c)	Excess Funded (Deficit / Unfunded) Assets as a % of Covered Payroll [(a) - (b)] / (c)
				(AVA) (a) / (b)	Market Value		
Miscellaneous Employees							
2009	\$ 1,630,805	\$ 1,846,094	\$ (215,289)	88.3%	64.5%	\$ 222,150	-96.9%
2010	1,692,444	1,888,325	(195,881)	89.6%	70.1%	221,420	-88.5%
2011	1,765,236	1,971,682	(206,446)	89.5%	79.4%	222,312	-92.9%
Safety Employees							
2009	\$ 1,652,960	\$ 1,730,518	\$ (77,558)	95.5%	69.8%	\$ 137,923	-56.2%
2010	1,713,418	1,786,693	(73,275)	95.9%	75.0%	133,770	-54.8%
2011	1,783,951	1,868,031	(84,080)	95.5%	84.7%	132,176	-63.6%

See accompanying independent auditors' report

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Funded (Excess assets)	Funded Ratio	Annual Covered Payroll	Rate of Funded Liability to Annual Covered Payroll
2002	\$1,527	\$475	\$1,052	321%	\$8,473	12.41%
2003	1,704	517	1,187	329%	8,505	13.95%
2004	1,537	545	992	282%	8,266	12.00%
2005	1,388	675	713	206%	7,697	9.27%
2006	1,308	790	518	166%	7,928	6.53%
2007	1,421	860	561	165%	8,461	6.63%
2008	1,102	1,047	55	105%	9,178	0.60%
2009	889	1,123	(234)	79%	8,376	-2.79%
2010	966	1,176	(210)	82%	8,369	-2.51%
2011	879	1,354	(475)	65%	8,653	-5.49%

Postemployment Health Care Benefits
Analysis of Funding Progress
(Unaudited)

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

See accompanying independent auditors' report

ADDITIONAL
FINANCIAL
SECTION

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City of Long Beach
 Successor Agency Capital Projects
 Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Fiscal Year Ended September 30, 2012
 (In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Sources:				
Property Taxes	\$ -	\$ 33,446	\$ 14,859	\$ (18,587)
Licenses and Permits	-	14	15	1
Use of Money and Property	-	819	1,328	509
Other	-	1,102	1,022	(80)
Transfers In	-	220,683	288,117	67,434
Total Sources	-	256,064	305,341	49,277
Uses:				
General Government				
Financial Management	-	550	622	(72)
Community and Cultural				
Community Development	-	106,657	81,861	24,796
Transfers Out	-	124,480	19,726	104,754
Loss on Disposition of Land Held for Resale	-	-	77,236	(77,236)
Total Uses	-	231,687	179,445	52,242
Net Change in Budgetary Funds Available:	\$ -	\$ 24,377	\$ 125,896	\$ 101,519
Reconciliation of Funds Available to U.S. GAAP Fund Balance				
Budgetary Funds Available - September 30				\$ -
Change in Budgetary Funds Available - September 30, Budgetary Basis				125,896
Add:				
Change in			CY Encumbrances	22
			PY Restricted Fund Balance	(155,796)
Budgetary Funds Available - September 30				(29,878)
Add:				
Change in			Restricted Use Funds	61,391
Change in			Land Held for Resale	94,405
Funds Available (U.S. GAAP Basis) - September 30				\$ 125,918

See accompanying independent auditors' report

City of Long Beach
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
ASSETS				
Pooled Cash and Cash Equivalents	\$ 77,265	\$ 17,182	\$ 2,131	\$ 96,578
Non-Pooled Cash and Cash Equivalents	409	8,946	11,510	20,865
Non Performing Investments	113	29	-	142
Non-Pooled Investments	-	-	26,949	26,949
Receivables:				
Interest Receivable	-	-	21	21
Property Taxes	152	-	-	152
Accounts Receivable	3,265	170	-	3,435
Due from Other Governments	22,199	5,290	-	27,489
Due from Other Funds	1,860	311	-	2,171
Allowance for Receivables	(1,013)	-	-	(1,013)
Other Assets	33	-	-	33
Advances to Other Funds	36,587	-	-	36,587
Land Held for Resale	6,029	-	-	6,029
Other Noncurrent Receivables	174,441	-	-	174,441
Total Assets	\$ 321,340	\$ 31,928	\$ 40,611	\$ 393,879
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 11,605	\$ 2,586	\$ 71	\$ 14,262
Accrued Wages and Benefits Payable	553	98	-	651
Due to Other Governments	2,024	-	-	2,024
Due to Other Funds	9,146	52	-	9,198
Deferred Revenues	178,044	3,921	-	181,965
Deposits and Collections Held in Trust	2,218	1	904	3,123
Advances from Other Funds	8,709	-	-	8,709
Total Liabilities	212,299	6,658	975	219,932
Fund Balances:				
Nonspendable	45	-	-	45
Restricted	110,229	15,678	38,607	164,514
Committed	1,362	-	-	1,362
Assigned	170	9,592	1,029	10,791
Unassigned	(2,765)	-	-	(2,765)
Total Fund Balance	109,041	25,270	39,636	173,947
Total Liabilities and Fund Balances	\$ 321,340	\$ 31,928	\$ 40,611	\$ 393,879

See accompanying independent auditors' report

City of Long Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2012

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Revenues:				
Taxes:				
Property	\$ 14,332	\$ -	\$ 36,337	\$ 50,669
Sales	2,085	-	-	2,085
Other Taxes	14,677	-	968	15,645
Licenses and Permits	7,644	569	-	8,213
Use of Money and Property	1,866	388	1,534	3,788
From Other Agencies	174,057	5,288	1,060	180,405
Charges for Services	1,580	-	-	1,580
Other	9,175	771	-	9,946
Total Revenues	225,416	7,016	39,899	272,331
Expenditures:				
Current:				
General Government	538	235	-	773
Public Safety	16,722	-	-	16,722
Public Health	36,201	-	-	36,201
Community and Cultural	150,712	5,332	10,756	166,800
Public Works	31,701	-	-	31,701
Total Current Expenditures	235,874	5,567	10,756	252,197
Capital Improvements	-	17,183	-	17,183
Gain on Disposition of Land Held for Resale	2,072	3	-	2,075
Debt Service:				
Principal	-	-	14,379	14,379
Interest	-	5	23,293	23,298
Debt Administration Fees	-	-	494	494
Total Expenditures	237,946	22,758	48,922	309,626
Excess of Revenues Over (Under) Expenditures	(12,530)	(15,742)	(9,023)	(37,295)
Other Financing Sources (Uses):				
Debt Issuance	311	140	-	451
Transfers In	7,801	27,358	63,416	98,575
Transfers Out	(34,763)	(184,102)	(131,372)	(350,237)
Total Other Financing Sources (Uses)	(26,651)	(156,604)	(67,956)	(251,211)
Net Change in Fund Balances	(39,181)	(172,346)	(76,979)	(288,506)
Fund Balances - October 1	148,222	197,616	116,615	462,453
Fund Balances - September 30	\$ 109,041	\$ 25,270	\$ 39,636	\$ 173,947

See accompanying independent auditors' report

NONMAJOR SPECIAL REVENUE FUNDS

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

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

The Police and Fire Public Safety Oil production Act Fund accounts for impact fee assessed on oil producers barrel production in the City and associated police officers and firefighters expenditures that the revenue supports. The fee was established under Proposition H, amending the Long Beach Municipal Code in fiscal year 2007.

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

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

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

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

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

The Gasoline Tax Fund is a Special Revenue Fund established to account for the City's share of the State of California's Highway User Tax collected by the State to finance any street-related purpose of the City's system of streets, including the maintenance thereof. The fund also accounts Non Harbor, U.S. Department of Transportation, and Federal Highway Administration Grants to finance certain transportation projects.

The Transportation Fund is a Special Revenue Fund established to account for the City's share of a 1/2 cent sales tax collected by the County to finance certain transportation projects under Proposition A (approved November 1980), Proposition C (approved November 1990), Measure R, and for the City's share of the State of California's Proposition 1B Transportation Bond to finance repairs to the City's local streets, and for the City's share of the South Coast Air Quality Management District vehicle registration fee to finance programs that reduce the impact of air pollution from motor vehicles on the community.

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

City of Long Beach
Nonmajor Governmental Special Revenue Funds
Combining Balance Sheet
September 30, 2012
(In Thousands)

	Special Revenue					
	General Grants	Police and Fire Public Safety Oil Production Act	Community Development Grants	Health	Belmont Shore Parking Meter Revenue	Housing Assistance
ASSETS						
Pooled Cash and Cash Equivalents	\$ 589	\$ 1,003	\$ 267	\$ 1,633	\$ 942	\$ 9,953
Non-Pooled Cash and Cash Equivalents	-	-	12	16	64	311
Non Performing Investments	-	1	-	-	1	-
Receivables:						
Property Taxes	-	-	-	-	-	-
Accounts Receivable	127	295	42	578	-	690
Due from Other Governments	9,115	-	3,660	7,114	-	447
Due from Other Funds	1,860	-	-	-	-	-
Allowance for Receivables	-	-	-	(417)	-	(183)
Other Assets-Current	-	-	27	-	-	-
Advances to Other Funds	-	-	6,709	-	-	-
Land Held for Resale	-	-	1,823	-	-	-
Other Noncurrent Receivables (net)	-	-	55,570	-	-	-
Total Assets	\$ 11,691	\$ 1,299	\$ 68,110	\$ 8,924	\$ 1,007	\$ 11,218
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 888	\$ -	\$ 1,267	\$ 2,020	\$ 32	\$ 76
Accrued Wages	38	33	99	290	-	62
Due to Other Governments	1,860	-	-	164	-	-
Due to Other Funds	4,603	17	1,813	2,663	-	33
Deferred Revenues	2,692	290	55,623	346	-	31
Deposits and Collections Held in Trust	1,184	-	8	79	-	744
Advances from Other Funds	-	-	-	2,000	-	2,900
Total Liabilities	11,265	340	58,810	7,562	32	3,846
Fund Balances:						
Nonspendable	-	-	44	1	-	-
Restricted	256	959	9,256	3,361	975	7,372
Committed	-	-	-	-	-	-
Assigned	170	-	-	-	-	-
Unassigned	-	-	-	(2,000)	-	-
Total Fund Balances	426	959	9,300	1,362	975	7,372
Total Liabilities and Fund Balances	\$ 11,691	\$ 1,299	\$ 68,110	\$ 8,924	\$ 1,007	\$ 11,218

See accompanying independent auditors' report

Housing Development	Gasoline Tax	Transportation	Other Special Revenue Funds	Total September 30, 2012	
ASSETS					
\$ 10,035	\$ 17,206	\$ 29,097	\$ 6,540	\$ 77,265	Pooled Cash and Cash Equivalents
6	-	-	-	409	Non-Pooled Cash and Cash Equivalents
47	8	50	6	113	Non Performing Investments
-	-	-	152	152	Receivables:
-	-	-	1,527	3,265	Property Taxes
6	-	-	21	22,199	Accounts Receivable
-	1,252	590	-	1,860	Due from Other Governments
-	-	-	-	1,860	Due from Other Funds
-	-	-	(413)	(1,013)	Allowance for Receivables
-	-	-	6	33	Other Assets-Current
29,878	-	-	-	36,587	Advances to Other Funds
4,206	-	-	-	6,029	Land Held for Resale
117,642	-	-	1,229	174,441	Other Noncurrent Receivables
<u>\$ 161,820</u>	<u>\$ 18,466</u>	<u>\$ 29,737</u>	<u>\$ 9,068</u>	<u>\$ 321,340</u>	Total Assets
LIABILITIES AND FUND BALANCES					
Liabilities:					
\$ 1,848	\$ 631	\$ 3,683	\$ 1,160	\$ 11,605	Accounts Payable
9	-	-	22	553	Accrued Wages
-	-	-	-	2,024	Due to Other Governments
5	-	-	12	9,146	Due to Other Funds
117,733	27	7	1,295	178,044	Deferred Revenues
16	-	-	187	2,218	Deposits and Collections Held in Trust
3,809	-	-	-	8,709	Advances from Other Funds
<u>123,420</u>	<u>658</u>	<u>3,690</u>	<u>2,676</u>	<u>212,299</u>	Total Liabilities
Fund Balances:					
-	-	-	-	45	Nonspendable
39,003	17,808	26,047	5,192	110,229	Restricted
162	-	-	1,200	1,362	Committed
-	-	-	-	170	Assigned
(765)	-	-	-	(2,765)	Unassigned
<u>38,400</u>	<u>17,808</u>	<u>26,047</u>	<u>6,392</u>	<u>109,041</u>	Total Fund Balances
<u>\$ 161,820</u>	<u>\$ 18,466</u>	<u>\$ 29,737</u>	<u>\$ 9,068</u>	<u>\$ 321,340</u>	Total Liabilities and Fund Balances

City of Long Beach
Nonmajor Governmental Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Changes in Fund Balances (Deficit)
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Special Revenue					
	General Grants	Police and Fire Public safety Oil Production Act	Community Development Grants	Health	Belmont Shore Parking Meter Revenue	Housing Assistance
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ 5,248	\$ -	\$ -
Sales	-	-	-	2,085	-	-
Other Taxes	-	3,392	-	-	-	-
Licenses and Permits	-	-	-	4,945	-	-
Use of Money and Property	8	3	528	26	555	28
From Other Agencies	16,813	-	24,250	21,329	-	75,482
Charges for Services	72	-	-	1,505	-	-
Other	388	-	2,479	138	-	523
Total Revenues	17,281	3,395	27,257	35,276	555	76,033
Expenditures:						
Current:						
General Government	-	-	276	-	-	4
Public Safety	13,648	3,074	-	-	-	-
Public Health	34	-	-	34,876	-	-
Community and Cultural	5,090	-	25,178	-	622	78,687
Public Works	378	-	94	-	-	-
Total Current Expenditures	19,150	3,074	25,548	34,876	622	78,691
Loss on Disposition of Land Held for Resale	-	-	-	-	-	-
Total Expenditures	19,150	3,074	25,548	34,876	622	78,691
Excess of Revenues Over (Under) Expenditures	(1,869)	321	1,709	400	(67)	(2,658)
Other Financing Sources (Uses):						
Debt Issuance	-	-	-	311	-	-
Transfers In	1,969	-	39	13	-	-
Transfers Out	-	-	(1,968)	(24)	-	-
Total Other Financing Sources (Uses)	1,969	-	(1,929)	300	-	-
Net Change in Fund Balances	100	321	(220)	700	(67)	(2,658)
Fund Balances - October 1	326	638	9,520	662	1,042	10,030
Fund Balances - September 30	\$ 426	\$ 959	\$ 9,300	\$ 1,362	\$ 975	\$ 7,372

See accompanying independent auditors' report

Special Revenue					
Housing Development	Gasoline Tax	Transportation	Other Special Revenue Funds	Totals September 30, 2012	
					Revenues:
					Taxes:
\$ 9,084	\$ -	\$ -	\$ -	\$ 14,332	Property
-	-	-	-	2,085	Sales
-	-	-	11,285	14,677	Other Taxes
20	-	-	2,679	7,644	Licenses and Permits
343	64	225	86	1,866	Use of Money and Property
871	16,698	18,614	-	174,057	From Other Agencies
-	-	-	3	1,580	Charges for Services
5,316	-	-	331	9,175	Other
<u>15,634</u>	<u>16,762</u>	<u>18,839</u>	<u>14,384</u>	<u>225,416</u>	Total Revenues
					Expenditures:
					Current:
258	-	-	-	538	General Government
-	-	-	-	16,722	Public Safety
-	-	-	1,291	36,201	Public Health
29,586	-	-	11,549	150,712	Community and Cultural
-	12,326	18,903	-	31,701	Public Works
<u>29,844</u>	<u>12,326</u>	<u>18,903</u>	<u>12,840</u>	<u>235,874</u>	Total Current Expenditures
2,072	-	-	-	2,072	Loss on Disposition of Land Held for Resale
<u>31,916</u>	<u>12,326</u>	<u>18,903</u>	<u>12,840</u>	<u>237,946</u>	Total Expenditures
					Excess of Revenues Over (Under) Expenditures
<u>(16,282)</u>	<u>4,436</u>	<u>(64)</u>	<u>1,544</u>	<u>(12,530)</u>	
					Other Financing Sources (Uses):
-	-	-	-	311	Debt Issuance
5,572	-	-	208	7,801	Transfers In
<u>(32,457)</u>	<u>-</u>	<u>-</u>	<u>(314)</u>	<u>(34,763)</u>	Transfers Out
<u>(26,885)</u>	<u>-</u>	<u>-</u>	<u>(106)</u>	<u>(26,651)</u>	Total Other Financing Sources (Uses)
<u>(43,167)</u>	<u>4,436</u>	<u>(64)</u>	<u>1,438</u>	<u>(39,181)</u>	Net Change in Fund Balances
<u>81,567</u>	<u>13,372</u>	<u>26,111</u>	<u>4,954</u>	<u>148,222</u>	Fund Balances - October 1
<u>\$ 38,400</u>	<u>\$ 17,808</u>	<u>\$ 26,047</u>	<u>\$ 6,392</u>	<u>\$ 109,041</u>	Fund Balances - September 30

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	General Grants			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
Sources:				
Fines and Forfeitures	\$ 15	\$ 15	\$ -	\$ (15)
Use of Money and Property	-	-	8	8
From Other Agencies	26,333	38,979	16,813	(22,166)
Charges for Services	50	50	72	22
Other Revenues	149	764	388	(376)
Transfers In	182	2,169	1,969	(200)
Total Sources	26,729	41,977	19,250	(22,727)
Uses:				
General Government	382	382	-	382
Public Safety	20,756	31,830	15,425	16,405
Public Health	78	306	34	272
Community and Cultural	4,811	8,258	5,090	3,168
Public Works	712	1,212	398	814
Total Uses	26,739	41,988	20,947	21,041
Net Change in Budgetary Funds Available	\$ (10)	\$ (11)	\$ (1,697)	\$ (1,686)

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	(1,697)
Add: Change in	
PY Restricted Fund Balance	(100)
CY Encumbrances	1,797
Budgetary Funds Available - September 30	-
Add: Change in	
Restricted Use Funds	100
Add:	
Prior Year Fund Balance	326
Funds Available (US GAAP Basis) - September 30	\$ 426

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Police and Fire Public Safety Oil Production Tax			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources:				
Other Taxes	\$ 3,190	\$ 3,190	\$ 3,392	\$ 202
Use of Money and Property	-	-	3	3
Total Sources	<u>3,190</u>	<u>3,190</u>	<u>3,395</u>	<u>205</u>
Uses:				
Public Safety	3,135	3,135	3,074	(61)
Total Uses	<u>3,135</u>	<u>3,135</u>	<u>3,074</u>	<u>(61)</u>
Net Change in Budgetary Funds Available	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 321</u>	<u>\$ 144</u>

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	321
Add: Change in PY Restricted Fund Balance	<u>(321)</u>
Budgetary Funds Available - September 30	-
Add: Change in Restricted Use Funds	321
Add: Prior Year Fund Balance	<u>638</u>
Funds Available (US GAAP Basis) - September 30	<u>\$ 959</u>

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Community Development Grants			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources:				
Use of Money and Property	\$ 263	\$ 263	\$ 528	\$ 265
From Other Agencies	59,575	61,600	24,250	(37,350)
Other Revenues	1,599	1,614	2,479	865
Transfers In	-	-	39	39
Total Sources	61,437	63,477	27,296	(36,181)
Uses:				
General Government	766	766	276	490
Community and Cultural	55,176	56,461	25,180	31,281
Public Works	114	-	94	(94)
Transfers Out	-	600	1,968	(1,368)
Total Uses	56,056	57,827	27,518	30,309
Net Change in Budgetary Funds Available	\$ 5,381	\$ 5,650	\$ (222)	\$ (5,872)

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1		\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis		(222)
Add: Change in	PY Restricted Fund Balance	220
	CY Encumbrances	2
Budgetary Funds Available - September 30		-
Add: Change in	Restricted Use Funds	(220)
Add:	Prior Year Fund Balance	9,520
Funds Available (US GAAP Basis) - September 30		\$ 9,300

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Health			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
Sources				
Property Taxes	\$ 5,808	\$ 5,808	\$ 5,248	\$ (560)
Sales Taxes	2,151	2,151	2,085	(66)
Licenses and Permits	5,542	5,542	4,945	(597)
Use of Money and Property	33	33	26	(7)
From Other Agencies	49,842	53,250	21,329	(31,921)
Charges for Services	1,429	1,529	1,505	(24)
Other Revenues	16	16	138	122
Debt Issuance	-	-	311	311
Transfers In	223	223	13	(210)
Total Sources	<u>65,044</u>	<u>68,552</u>	<u>35,600</u>	<u>(32,952)</u>
Uses				
Public Health	64,500	67,893	34,893	33,000
Transfers Out	(288)	(288)	24	(312)
Total Uses	<u>64,212</u>	<u>67,605</u>	<u>34,917</u>	<u>32,688</u>
Net Change in Budgetary Funds Available	<u>\$ 832</u>	<u>\$ 947</u>	<u>\$ 683</u>	<u>\$ (264)</u>

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	683
Add: Change in	
PY Restricted Fund Balance	(700)
PY Encumbrances	(1)
CY Encumbrances	18
Budgetary Funds Available - September 30	-
Add: Change in	
Restricted Use Funds	700
Add:	
Prior Year Fund Balance	662
Funds Available (US GAAP Basis) - September 30	<u>\$ 1,362</u>

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Belmont Shore Parking Meter Revenues			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources				
Use of Money and Property	\$ 527	\$ 527	\$ 555	\$ 28
Total Sources	527	527	555	28
Uses				
Community and Cultural	462	462	622	(160)
Total Uses	462	462	622	(160)
Net Change in Budgetary Funds Available	\$ 65	\$ 65	\$ (67)	\$ (132)

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	(67)
Add: Change in PY Restricted Fund Balance	67
Budgetary Funds Available - September 30	-
Add: Change in Restricted Use Funds	(67)
Add: Prior Year Fund Balance	1,042
Funds Available (US GAAP Basis) - September 30	\$ 975

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Housing Assistance			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
Sources				
Use of Money and Property	\$ 78	\$ 78	\$ 28	\$ (50)
From Other Agencies	73,446	79,629	75,482	(4,147)
Other Revenues	455	455	523	68
Total Sources	<u>73,979</u>	<u>80,162</u>	<u>76,033</u>	<u>(4,129)</u>
Uses				
General Government	4	4	4	-
Community and Cultural	73,899	80,078	78,695	1,383
Total Uses	<u>73,903</u>	<u>80,082</u>	<u>78,699</u>	<u>1,383</u>
Net Change in Budgetary Funds Available	<u>\$ 76</u>	<u>\$ 80</u>	<u>\$ (2,666)</u>	<u>\$ (2,746)</u>

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	(2,666)
Add: Change in	
PY Restricted Fund Balance	2,658
CY Encumbrances	8
Budgetary Funds Available - September 30	-
Add: Change in	
Restricted Use Funds	(2,658)
Add:	
Prior Year Fund Balance	10,030
Funds Available (US GAAP Basis) - September 30	<u>\$ 7,372</u>

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Housing Development			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
Sources				
Property Taxes	\$ 17,334	\$ 17,334	\$ 9,084	\$ (8,250)
Licenses and Permits	251	251	20	(231)
Use of Money and Property From Other Agencies	7,471	7,471	343	(7,128)
Other Revenues	-	-	871	871
Debt Issuance	7,690	7,690	5,316	(2,374)
Transfers In	1,080	1,080	-	(1,080)
	6,906	6,906	5,572	(1,334)
Total Sources	<u>40,732</u>	<u>40,732</u>	<u>21,206</u>	<u>(19,526)</u>
Uses				
General Government	367	367	258	109
Community and Cultural	70,054	70,054	31,683	38,371
Transfers Out	21,821	21,821	32,457	(10,636)
Total Uses	<u>92,242</u>	<u>92,242</u>	<u>64,398</u>	<u>27,844</u>
Net Change in Budgetary Funds Available	<u>\$ (51,510)</u>	<u>\$ (51,510)</u>	<u>\$ (43,192)</u>	<u>\$ 8,318</u>

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	(43,192)
Add: Change in PY Restricted Fund Balance	43,167
CY Encumbrances	25
Budgetary Funds Available - September 30	<u>-</u>
Add: Change in Restricted Use Funds	(43,167)
Add: Prior Year Fund Balance	81,567
Funds Available (US GAAP Basis) - September 30	<u>\$ 38,400</u>

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Gasoline Tax			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
Sources				
Use of Money and Property	\$ 28	\$ 28	\$ 64	\$ 36
From Other Agencies	30,273	30,273	16,698	(13,575)
Total Sources	30,301	30,301	16,762	(13,539)
Uses				
Public Works	40,736	40,736	8,870	31,866
Total Uses	40,736	40,736	8,870	31,866
Net Change in Budgetary Funds Available	\$ (10,435)	\$ (10,435)	\$ 7,892	\$ 18,327

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	7,892
Add: Change in	
PY Restricted Fund Balance	(4,436)
PY Encumbrances	(1,938)
CY Encumbrances	(1,518)
Budgetary Funds Available - September 30	-
Add: Change in	
Restricted for Capital Purpo	4,436
Add:	
Prior Year Fund Balance	13,372
Funds Available (US GAAP Basis) - September 30	\$ 17,808

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Transportation			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
Sources				
Use of Money and Property	\$ 202	\$ 202	\$ 225	\$ 23
From Other Agencies	16,746	19,446	18,614	(832)
Total Sources	16,948	19,648	18,839	(809)
Uses				
Public Works	33,937	36,640	18,761	17,879
Total Uses	33,937	36,640	18,761	17,879
Net Change in Budgetary Funds Available	\$ (16,989)	\$ (16,992)	\$ 78	\$ 17,070

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	78
Add: Change in	
PY Restricted Fund Balance	64
PY Encumbrances	(843)
CY Encumbrances	701
Budgetary Funds Available - September 30	-
Add: Change in	
Restricted Use Funds	(64)
Add:	
Prior Year Fund Balance	26,111
Funds Available (US GAAP Basis) - September 30	\$ 26,047

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Special Revenue Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Other Special Revenue Funds			Variance with Final Budget - Favorable (unfavorable)
	Budgeted Amounts		Actual on Budgetary Basis	
	Original	Final		
Sources				
Other Taxes	\$ 10,365	\$ 10,365	\$ 11,285	\$ 920
Licenses and Permits	2,563	2,652	2,679	27
Use of Money and Property	111	111	86	(25)
From Other Agencies	284	284	-	(284)
Charges for Services	-	-	3	3
Other Revenues	827	827	331	(496)
Transfers In	321	321	208	(113)
Total Sources	<u>14,471</u>	<u>14,560</u>	<u>14,592</u>	<u>32</u>
Uses				
Public Health	1,242	1,331	1,303	28
Community and Cultural	13,531	14,125	11,550	2,575
Transfers Out	-	50	314	(264)
Total Uses	<u>14,773</u>	<u>15,506</u>	<u>13,167</u>	<u>2,339</u>
Net Change in Budgetary Funds Available	<u>\$ (302)</u>	<u>\$ (946)</u>	<u>\$ 1,425</u>	<u>\$ 2,371</u>
Reconciliation of Funds Available to U.S. GAAP Fund Balance				
Budgetary Funds Available - October 1			<u>\$ -</u>	
Change in Budgetary Funds Available - September 30 - Budgetary Basis			1,425	
Add: Change in				
PY Restricted Fund Balance			(1,438)	
PY Encumbrances			1	
CY Encumbrances			<u>12</u>	
Budgetary Funds Available - September 30			<u>-</u>	
Add: Change in				
Restricted Use Funds			1,438	
Add:				
Prior Year Fund Balance			<u>4,954</u>	
Funds Available (US GAAP Basis) - September 30			<u><u>\$ 6,392</u></u>	

See accompanying independent auditors' report



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NONMAJOR DEBT SERVICE FUND

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

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

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

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

City of Long Beach
 Nonmajor Governmental Debt Service Funds
 Combining Balance Sheet
 September 30, 2012
 (In Thousands)

	General Debt Service Fund	Successor Agency Debt Service Fund	Redevelopment Debt Service Fund	Total September 30, 2012
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,601	\$ 530	\$ -	\$ 2,131
Non-Pooled Cash and Cash Equivalents	2,674	8,836	-	11,510
Non-Pooled Investments	3,699	23,250	-	26,949
Receivables:				
Interest Receivable	21	-	-	21
Total Assets	<u>\$ 7,995</u>	<u>\$ 32,616</u>	<u>\$ -</u>	<u>\$ 40,611</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 71	\$ -	\$ -	\$ 71
Deposits and Collections Held in Trust	904	-	-	904
Total Liabilities	<u>975</u>	<u>-</u>	<u>-</u>	<u>975</u>
Fund Balances (Deficit):				
Restricted	5,991	32,616	-	38,607
Assigned	1,029	-	-	1,029
Total Fund Balance	<u>7,020</u>	<u>32,616</u>	<u>-</u>	<u>39,636</u>
Total Liabilities and Fund Balances	<u>\$ 7,995</u>	<u>\$ 32,616</u>	<u>\$ -</u>	<u>\$ 40,611</u>

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Governmental Debt Service Fund
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	General Debt Service Fund	Successor Agency Debt Service Fund	Redevelopment Debt Service Fund	Total September 30, 2012
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ 36,337	\$ 36,337
Other Taxes	-	-	968	968
Use of Money and Property	546	590	398	1,534
From Other Agencies	-	530	530	1,060
Total Revenues	546	1,120	38,233	39,899
Expenditures:				
Current:				
Community and Cultural	-	-	10,756	10,756
Total Current Expenditures	-	-	10,756	10,756
Debt Service:				
Principal	3,674	6,360	4,345	14,379
Interest	5,220	15,891	2,182	23,293
Debt Administration Fees	268	213	13	494
Total Expenditures	9,162	22,464	17,296	48,922
Excess of Revenues Over (Under) Expenditures	(8,616)	(21,344)	20,937	(9,023)
Other Financing Sources (Uses):				
Transfers In	9,456	53,960	-	63,416
Transfers Out	-	-	(131,372)	(131,372)
Total Other Financing Sources (Uses)	9,456	53,960	(131,372)	(67,956)
Net Change in Fund Balances	840	32,616	(110,435)	(76,979)
Fund Balances - October 1	6,180	-	110,435	116,615
Fund Balances - September 30	<u>\$ 7,020</u>	<u>\$ 32,616</u>	<u>\$ -</u>	<u>\$ 39,636</u>

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Debt Service Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

General Debt Service Fund				Variance with Final Budget - Favorable (unfavorable)
Budgeted Amounts		Actual on Budgetary Basis		
Original	Final			
Sources:				
Use of Money and Property	\$ -	\$ -	\$ 546	\$ 546
Transfers In	10,813	10,872	9,456	(1,416)
Total Sources	10,813	10,872	10,002	(870)
Uses:				
General Government	-	-	1	(1)
Debt Service	10,813	10,872	9,162	1,710
Total Uses	10,813	10,872	9,163	1,709
Net Change in Budgetary Funds Available	\$ -	\$ -	\$ 839	\$ 839

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	839
Add: Change in	
PY Restricted Fund Balance	(840)
CY Encumbrances	1
Budgetary Funds Available - September 30	-
Add: Change in	
Debt Service Reserves	14
Change in Restricted Use Funds	826
Add:	
Prior Year Fund Balance	6,180
Funds Available (US GAAP Basis) - September 30	\$ 7,020

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Debt Service Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Successor Agency Debt Service Fund			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources:				
Property Taxes	\$ -	\$ 191	\$ -	\$ (191)
Use of Money and Property	-	-	590	590
From Other Agencies	-	-	530	530
Transfers In	-	38,658	53,960	15,302
Total Sources	-	38,849	55,080	16,231
Uses:				
Community and Cultural	-	-	22	(22)
Debt Service	-	21,251	22,464	(1,213)
Transfers Out	-	14,394	-	14,394
Total Uses	-	35,645	22,486	13,159
Net Change in Budgetary Funds Available	\$ -	\$ 3,204	\$ 32,594	\$ 29,390

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	32,594
Add: Change in	
PY Restricted Fund Balance	(32,616)
CY Encumbrances	22
Budgetary Funds Available - September 30	-
Add: Change in	
Debt Service Reserves	32,616
Funds Available (US GAAP Basis) - September 30	\$ 32,616

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Debt Service Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

Redevelopment Debt Service Fund				
		Budgeted Amounts	Actual on	Variance
		Original	Final	with Final
				Budget -
				Favorable
				(unfavorable)
Sources:				
Property Taxes	\$	79,376	\$ 79,376	\$ 36,337
Other Taxes		3,765	3,765	968
Use of Money and Property		1,352	1,352	398
From Other Agencies		1,059	1,059	530
Transfers In		3,521	3,521	-
Total Sources		89,073	89,073	38,233
Uses:				
Community and Cultural		25,501	25,501	10,756
Debt Service:		30,046	30,046	6,540
Transfers Out		13,649	13,649	131,372
Total Uses		69,196	69,196	148,668
Net Change in Budgetary Funds Available	\$	19,877	\$ 19,877	\$ (110,435)
 Reconciliation of Funds Available to U.S. GAAP Fund Balance				
Budgetary Funds Available - October 1			\$	-
Change in Budgetary Funds Available - September 30 - Budgetary Basis				(110,435)
Add: Change in			PY Restricted Fund Balance	110,435
Budgetary Funds Available - September 30				-
Funds Available (US GAAP Basis) - September 30			\$	-

See accompanying independent auditors' report

NONMAJOR CAPITAL PROJECTS FUND

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

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

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

The Redevelopment Capital Projects Fund is used to account for the acquisition, relocation, demolition, and sale of properties for the Agency's redevelopment areas. Agency projects are primarily financed through debt backed by property tax increment funds as well as through operating transfers from the Community Development Grants Fund.

City of Long Beach
Nonmajor Governmental Capital Project Funds
Combining Balance Sheet
September 30, 2012
(In Thousands)

	General Capital Projects	Special Assessment Projects	Redevelopment Capital Projects	Total Capital Projects Funds
ASSETS				
Pooled Cash and Cash Equivalents	\$ 15,630	\$ 1,552	\$ -	\$ 17,182
Non-Pooled Cash and Cash Equivalents	8,257	689	-	8,946
Non Performing Investments	29	-	-	29
Receivables:				
Accounts Receivable	170	-	-	170
Due from Other Governments	5,290	-	-	5,290
Due from Other Funds	311	-	-	311
Total Assets	<u>\$ 29,687</u>	<u>\$ 2,241</u>	<u>\$ -</u>	<u>\$ 31,928</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,586	\$ -	\$ -	\$ 2,586
Accrued Wages and Benefits Payable	98	-	-	98
Due to Other Funds	52	-	-	52
Deferred Revenues	3,921	-	-	3,921
Deposits and Collections Held in Trust	1	-	-	1
Total Liabilities	<u>6,658</u>	<u>-</u>	<u>-</u>	<u>6,658</u>
Fund Balances:				
Restricted	13,437	2,241	-	15,678
Assigned	9,592	-	-	9,592
Total Fund Balance	<u>23,029</u>	<u>2,241</u>	<u>-</u>	<u>25,270</u>
Total Liabilities and Fund Balances	<u>\$ 29,687</u>	<u>\$ 2,241</u>	<u>\$ -</u>	<u>\$ 31,928</u>

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Governmental Capital Project Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	General Capital Projects	Special Assessment Projects	Redevelopment Capital Projects	Total Capital Projects Funds
Revenues:				
Licenses and Permits	\$ 554	\$ -	\$ 15	\$ 569
Use of Money and Property	97	10	281	388
From Other Agencies	5,242	-	46	5,288
Other	-	-	771	771
Total Revenues	<u>5,893</u>	<u>10</u>	<u>1,113</u>	<u>7,016</u>
Expenditures:				
Current:				
General Government	-	-	235	235
Community and Cultural	-	-	5,332	5,332
Total Current Expenditures	<u>-</u>	<u>-</u>	<u>5,567</u>	<u>5,567</u>
Capital Improvements	17,144	39	-	17,183
Loss on Disposition of Land Held for Resale	-	-	3	3
Debt Service:				
Interest	-	-	5	5
Total Expenditures	<u>17,144</u>	<u>39</u>	<u>5,575</u>	<u>22,758</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,251)</u>	<u>(29)</u>	<u>(4,462)</u>	<u>(15,742)</u>
Other Financing Sources (Uses):				
Debt Issuance	-	-	140	140
Transfers In	11,401	-	15,957	27,358
Transfers Out	(529)	-	(183,573)	(184,102)
Total Other Financing Sources (Uses)	<u>10,872</u>	<u>-</u>	<u>(167,476)</u>	<u>(156,604)</u>
Net Change in Fund Balances	<u>(379)</u>	<u>(29)</u>	<u>(171,938)</u>	<u>(172,346)</u>
Fund Balances - October 1	<u>23,408</u>	<u>2,270</u>	<u>171,938</u>	<u>197,616</u>
Fund Balances - September 30	<u>\$ 23,029</u>	<u>\$ 2,241</u>	<u>\$ -</u>	<u>\$ 25,270</u>

See accompanying independent auditors' report

City of Long Beach
Nonmajor Capital Projects Funds
Schedule of Sources, Uses, and Changes in Funds Available
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	General Capital Projects Fund			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources:				
Licenses and Permits	\$ 3,174	\$ 4,595	\$ 554	\$ (4,041)
Use of Money and Property	(6,747)	(6,747)	97	6,844
From Other Agencies	29,684	43,226	5,242	(37,984)
Other Revenues	9,741	10,186	-	(10,186)
Transfers In	6,085	13,743	11,401	(2,342)
Total Sources	41,937	65,003	17,294	(47,709)
Uses:				
Capital Improvements	33,615	56,711	17,365	39,346
Transfers Out	22,204	22,204	529	21,675
Total Uses	55,819	78,915	17,894	61,021
Net Change in Budgetary Funds Available	\$ (13,882)	\$ (13,912)	\$ (600)	\$ 13,312

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	(600)
Add: Change in	
PY Restricted Fund Balance	379
PY Encumbrances	(702)
CY Encumbrances	923
Budgetary Funds Available - September 30	-
Add: Change in	
Capital Project Reserves	(3,451)
Restricted Use Funds	3,072
Add:	
Prior Year Fund Balance	23,408
Funds Available (US GAAP Basis) - September 30	\$ 23,029

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Capital Projects Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

Special Assessment Capital Projects Fund				
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources:				
Use of Money and Property	\$ 1,000	\$ 1,000	\$ 10	\$ (990)
Other Revenues	(735)	(735)	-	735
Transfers In	1,174	1,174	-	(1,174)
Total Sources	1,439	1,439	10	(1,429)
Uses:				
Capital Improvements	2,196	2,196	10	(2,186)
Total Uses	2,196	2,196	10	(2,186)
Net Change in Budgetary Funds Available	\$ (757)	\$ (757)	\$ -	\$ (757)
Reconciliation of Funds Available to U.S. GAAP Fund Balance				
Budgetary Funds Available - October 1			\$ -	
Change in Budgetary Funds Available - September 30 - Budgetary Basis			-	
Add: Change in		PY Restricted Fund Balance	29	
		PY Encumbrances	(2,270)	
		CY Encumbrances	2,241	
			-	
Budgetary Funds Available - September 30			-	
Add: Change in		Capital Project Reserves	(29)	
Add:		Prior Year Fund Balance	2,270	
Funds Available (US GAAP Basis) - September 30			\$ 2,241	

See accompanying independent auditors' report

City of Long Beach
 Nonmajor Capital Projects Funds
 Schedule of Sources, Uses, and Changes in Funds Available
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended September 30, 2012
 (In Thousands)

	Redevelopment Capital Projects Fund			
	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final		
Sources:				
Licenses and Permits	\$ (47)	\$ -	\$ 15	\$ 15
Use of Money and Property	756	2,077	281	(1,796)
From Other Agencies	\$ 1,774	\$ 46	46	-
Charges for Services	-	-	-	-
Other Revenues	\$ 1,533	\$ 5,208	771	(4,437)
Debt Issuance	-	-	140	140
Land Transfers	\$ 21,522	\$ 242	-	(242)
Transfers In	5,978	11,755	15,957	4,202
Total Sources	31,516	19,328	17,210	(2,118)
Uses:				
General Government	\$ 1,055	\$ 1,055	235	820
Community and Cultural	\$ 276,860	\$ 274,445	5,335	269,110
Debt Service:	3,322	3,322	5	3,317
Transfers Out	-	-	183,573	(183,573)
Total Uses	281,237	278,822	189,148	89,674
Net Change in Budgetary Funds Available	\$ (249,721)	\$ (259,494)	\$ (171,938)	\$ 87,556

Reconciliation of Funds Available to U.S. GAAP Fund Balance

Budgetary Funds Available - October 1	\$ -
Change in Budgetary Funds Available - September 30 - Budgetary Basis	(171,938)
Add: Change in PY Restricted Fund Balance	171,938
Budgetary Funds Available - September 30	-
Funds Available (US GAAP Basis) - September 30	\$ -

See accompanying independent auditors' report

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Net Position
September 30, 2012
(In Thousands)

	Water Utility	Sewer	Solid Waste Management	Towing	Subsidence	Development Services	Totals September 30, 2012
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 48,853	\$ 6,625	\$ 48,279	\$ 1,146	\$ 157,962	\$ 10,074	\$ 272,939
Non-Pooled Cash and Cash Equivalents	544	-	58	4	-	-	606
Non Performing Investments	14	4	34	-	206	4	262
Non-Pooled Investments	2,595	-	-	-	-	-	2,595
Interest Receivable	15	-	66	-	-	-	81
Accounts Receivable	6,255	1,020	10,302	503	-	161	18,241
Due from Other Governments	-	-	285	-	-	-	285
Due from Other Funds	226	14	-	-	500	-	740
Allowance for Receivables	(365)	(60)	(338)	(302)	-	(55)	(1,120)
Inventory	2,414	108	-	-	-	-	2,522
Other Assets-Current	566	-	-	-	-	-	566
Total Current Assets	61,117	7,711	58,686	1,351	158,668	10,184	297,717
Noncurrent Assets:							
Restricted Noncurrent assets							
Non-Pooled Investments	-	-	11,487	-	1,910	-	13,397
Noncurrent Receivables							
Other Noncurrent Receivables	-	-	1,983	-	-	-	1,983
Advances to Other Funds	-	-	-	-	15,414	-	15,414
Capital Assets:							
Land and Other Capital Assets Not Being Depreciated	31,474	3,371	7,278	-	-	-	42,123
Capital Assets Net of Accumulated Depreciation	241,843	55,094	19,692	-	-	-	316,629
Other Assets-Long-Term	256	-	-	-	-	-	256
Total Noncurrent Assets	273,573	58,465	40,440	-	17,324	-	389,802
Total Assets	334,690	66,176	99,126	1,351	175,992	10,184	687,519
LIABILITIES							
Current Liabilities Payable from Current Assets:							
Accounts Payable	9,675	1,805	3,740	51	-	261	15,532
Accrued Wages	245	70	139	26	-	92	572
Accrued Interest Payable	546	-	1,119	-	-	-	1,665
Due to Other Funds	133	37	74	14	-	49	307
Deferred Revenues	-	-	-	-	5,114	6	5,120
Collections Held in Trust	-	-	634	-	-	4,331	4,965
Customers Deposits	710	-	-	-	-	1,269	1,979
Advances from Developers	185	86	-	-	-	-	271
Bonds Payable Due Within One Year	2,110	-	8,005	-	-	-	10,115
Total Current Liabilities	13,604	1,998	13,711	91	5,114	6,008	40,526
Noncurrent Liabilities:							
Site Restoration	1,000	-	-	-	-	-	1,000
Other Long-Term Obligations	-	6,000	-	-	-	-	6,000
Unamortized Discount / Deferred Cost	-	(136)	-	-	-	-	(136)
Bonds Payable	35,165	-	57,610	-	-	-	92,775
Unamortized Discount/Deferred cost	802	-	1,409	-	-	-	2,211
Total Noncurrent Liabilities	36,967	5,864	59,019	-	-	-	101,850
Total Liabilities	50,571	7,862	72,730	91	5,114	6,008	142,376
NET POSITION							
Net Investment in Capital Assets	237,791	52,601	(28,411)	-	-	-	261,981
Restricted for:							
Debt Service	1,350	-	657	-	-	-	2,007
Subsidence	-	-	-	-	170,878	-	170,878
Unrestricted	44,978	5,713	54,150	1,260	-	4,176	110,277
Total Net Position	\$284,119	\$58,314	\$ 26,396	\$ 1,260	\$170,878	\$ 4,176	\$ 545,143

See accompanying independent auditors' report

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Water Utility	Sewer	Solid Waste Management	Towing	Subsidence	Development Services	Totals September 30, 2012
Operating Revenues:							
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,098	\$ 13,098
Charges for Services	86,515	17,325	77,111	6,513	-	714	188,178
Total Operating Revenues	86,515	17,325	77,111	6,513	-	13,812	201,276
Operating Expenses:							
Personal Services	17,594	3,749	14,581	2,225	-	7,471	45,620
Purchases of Gas and Water	23,887	-	-	-	-	-	23,887
Maintenance and Other Operations	28,501	8,987	48,137	4,466	-	3,894	93,985
Amortization	-	-	265	-	-	-	265
Depreciation	9,359	1,675	3,735	-	-	-	14,769
Total Operating Expenses	79,341	14,411	66,718	6,691	-	11,365	178,526
Operating Income (Loss)	7,174	2,914	10,393	(178)	-	2,447	22,750
Non-Operating Income (Expenses):							
Interest Income	193	25	161	9	1,138	37	1,563
Interest Expense	(872)	(101)	(3,003)	-	-	-	(3,976)
Gain (Loss) on Disposition of Capital Assets	(370)	2	-	-	-	-	(368)
Capital Asset to/(from) Other Funds	(1,083)	(796)	(1,303)	-	-	-	(3,182)
Operating Grants	-	-	302	-	-	-	302
Other Income	558	(390)	1,502	70	(5)	-	1,735
Total Non-Operating Income	(1,574)	(1,260)	(2,341)	79	1,133	37	(3,926)
Income (Loss) Before Contributions	5,600	1,654	8,052	(99)	1,133	2,484	18,824
Capital Grants and Contributions	247	185	-	-	-	-	432
Operating Transfers:							
Operating Transfers Out	-	-	(4,189)	-	-	-	(4,189)
Change in Net Position	5,847	1,839	3,863	(99)	1,133	2,484	15,067
Net Position - October 1	278,272	56,475	22,533	1,359	169,745	1,692	530,076
Net Position - September 30	<u>\$ 284,119</u>	<u>\$ 58,314</u>	<u>\$ 26,396</u>	<u>\$ 1,260</u>	<u>\$ 170,878</u>	<u>\$ 4,176</u>	<u>\$ 545,143</u>

See accompanying independent auditors' report

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	Water Utility	Sewer	Solid Waste Management	Towing	Subsidence	Development Services	Totals
							September 30, 2012
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 85,931	\$ 17,123	\$ 81,983	\$ 6,601	\$ -	\$ 15,424	\$ 207,062
Payments for Employee Salaries	(17,746)	(3,735)	(14,665)	(2,244)	-	(7,495)	(45,885)
Payments for Goods and Services	(46,666)	(4,518)	(55,594)	(2,746)	-	(4,059)	(113,583)
Payments in Lieu of Taxes	(5,549)	(4,273)	-	(1,700)	-	-	(11,522)
Payments to Employees and Suppliers Capitalized	-	-	-	-	-	-	-
Other Income	-	-	1,515	71	-	-	1,586
Other Expense	(988)	(1,206)	(12)	-	-	-	(2,206)
Net Cash Provided by (Used for) Operating Activities	14,982	3,391	13,227	(18)	-	3,870	35,452
Cash Flows from Non-Capital Financing Activities:							
Operating Grants Received from Other Governments	-	-	308	-	-	-	308
Transfers Out	-	-	(4,189)	-	-	(50)	(4,239)
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	-	(3,881)	-	-	(50)	(3,931)
Cash Flows from Capital and Related Financing Activities:							
Receipt of Capital Grants	339	-	-	-	-	-	339
Proceeds from the Sale of Capital Assets	93	22	-	-	-	-	115
Proceeds from Issuance of Bonds	9,850	-	-	-	-	-	9,850
Original issuance premium/(discount)	1,341	-	-	-	-	-	1,341
Payment of Cost of Issuance	(191)	-	-	-	-	-	(191)
Receipts of Contributed Capital	-	185	-	-	-	-	185
Payments for Capital Acquisitions	(15,138)	(6,997)	(1,337)	-	-	-	(23,472)
Payments of Principal on Bonds Payable	(490)	-	(7,635)	-	-	-	(8,125)
Payments of Principal on Other Long-Term Obligations	(11,000)	-	-	-	-	-	(11,000)
Payments of Interest	(1,267)	(19)	(3,535)	-	-	-	(4,821)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(16,463)	(6,809)	(12,507)	-	-	-	(35,779)
Cash Flows from Investing Activities:							
Proceeds from the Sale of Investments	(28)	-	(89)	-	-	-	(117)
Proceeds from Other Government Entities	-	-	-	-	(5)	-	(5)
Receipts of Interest	194	25	176	8	1,213	41	1,657
Net Cash Provided by (Used for) Investing Activities	166	25	87	8	1,208	41	1,535
Net Increase (Decrease) in Cash and Cash Equivalents	(1,315)	(3,393)	(3,074)	(10)	1,208	3,861	(2,723)
Cash and Cash Equivalents - October 1	50,712	10,018	51,411	1,160	156,754	6,213	276,268
Cash and Cash Equivalents - September 30	\$ 49,397	\$ 6,625	\$ 48,337	\$ 1,150	\$ 157,962	\$ 10,074	\$ 273,545

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

Operating Income (Loss)	\$ 7,174	\$ 2,914	\$ 10,393	\$ (178)	\$ -	\$ 2,447	\$ 22,750
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Activities:							
Depreciation and Amortization Expense	9,359	1,675	4,000	-	-	-	15,034
Other Income	-	-	1,515	71	-	-	1,586
Other Expense	(988)	(1,206)	(14)	-	-	-	(2,208)
Increase (Decrease) in Accounts Receivable, Net	(327)	(188)	(2,956)	87	-	(20)	(3,404)
Decrease in Amounts Due from Other Governments	-	-	401	-	-	-	401
Increase in Amounts Due from Other Funds	(226)	-	-	-	-	-	(226)
Increase in Inventory	338	(14)	-	-	-	-	324
Decrease in Other Operating Assets	38	-	-	-	-	-	38
Increase (Decrease) in Accounts Payable	(203)	1	21	20	-	(165)	(326)
Increase (Decrease) in Accrued Wages Payable	(152)	195	(72)	(15)	-	(73)	(117)
Increase (Decrease) in Amounts Due to Other Funds	-	-	(14)	(3)	-	49	32
(Increase) Decrease in Deferred Revenues	(69)	14	-	-	-	159	104
Decrease in Deferred Credits	-	-	(80)	-	-	-	(80)
Decrease in Collections Held in Trust	38	-	33	-	-	1,473	1,544
Total Adjustments	7,808	477	2,834	160	-	1,423	12,702
Net Cash Provided by (Used for) Operating Activities	\$ 14,982	\$ 3,391	\$ 13,227	\$ (18)	\$ -	\$ 3,870	\$ 35,452

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Capitalized Interest	\$ 490	\$ 38	\$ -	\$ -	\$ -	\$ -	\$ 528
Accrued Capital Asset Costs	1,803	42	-	-	-	-	1,845
Amortization of Bond Premium, Net	70	82	-	-	-	-	152
Other	3,044	-	-	-	-	-	3,044

See accompanying independent auditors' report

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

City of Long Beach
Internal Service Funds
Combining Statement of Net Position (Deficit)
September 30, 2012
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals September 30 2012
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 7,083	\$ 10,613	\$ 25,464	\$ 36,072	\$ 76,941	\$ 156,173
Non-Pooled Cash and Cash Equivalents	-	5	1,433	-	-	1,438
Non Performing Investments	10	7	12	21	84	134
Receivables:						
Interest Receivable	-	-	16	-	-	16
Accounts Receivable	6	1,321	298	1	-	1,626
Due from Other Governments	-	-	3	29	-	32
Due from Other Funds	-	21	-	5	7,101	7,127
Allowance for Receivables	-	-	(208)	-	-	(208)
Deposits	-	-	-	-	617	617
Inventory	-	203	1,408	-	-	1,611
Other Assets-Current	-	25	-	-	-	25
Total Current Assets	7,099	12,195	28,426	36,128	84,743	168,591
Noncurrent Assets:						
Restricted Noncurrent assets						
Non-Pooled Investments	-	-	2,723	-	-	2,723
Noncurrent Receivables:						
Other Noncurrent Receivables	-	1,122	-	-	-	1,122
Capital Assets:						
Land and Other Capital Assets Not Being Depreciated	3,063	6,255	-	-	-	9,318
Capital Assets Net of Accumulated Depreciation	44,741	6,268	43,553	27	-	94,589
Other Assets-Long-Term	-	-	-	-	37,956	37,956
Total Noncurrent Assets	47,804	13,645	46,276	27	37,956	145,708
Total Assets	54,903	25,840	74,702	36,155	122,699	314,299
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	440	993	767	2,541	759	5,500
Accrued Wages and Benefits	30	201	89	139	37,014	37,473
Accrued Interest Payable	-	5	667	-	2,372	3,044
Due to Other Funds	16	399	47	74	-	536
Collections Held in Trust	-	-	-	-	3,242	3,242
Employee Benefits-Current	-	-	-	-	8,660	8,660
Accrued Claims-Current	-	-	-	23,005	-	23,005
Environmental Remediation - Current	-	-	163	-	-	163
Obligations Under Capital Leases-Current	1,477	2,020	690	-	-	4,187
Bonds Payable Due Within One Year	-	-	1,085	-	4,530	5,615
Total Current Liabilities	1,963	3,618	3,508	25,759	56,577	91,425
Noncurrent Liabilities:						
Employee Benefits	-	-	-	-	145,888	145,888
Accrued Self-Insurance Claims	-	-	-	100,311	-	100,311
Environmental Remediation	-	-	2,992	-	-	2,992
Obligations Under Capital Lease	26,383	2,290	1,208	-	-	29,881
Bonds Payable	-	-	26,990	-	45,675	72,665
Unamortized Discount/Deferred cost	(1,440)	-	(1,350)	-	(806)	(3,596)
Total Noncurrent Liabilities	24,943	2,290	29,840	100,311	190,757	348,141
Total Liabilities	26,906	5,908	33,348	126,070	247,334	439,566
NET POSITION (DEFICIT)						
Net Investment in Capital Assets	21,384	9,335	17,652	27	-	48,398
Restricted for:						
Debt Service	-	-	1,673	-	59	1,732
Capital Projects	-	1,613	-	-	-	1,613
Health Care Insurance	-	-	-	-	16,535	16,535
Unrestricted	6,613	8,984	22,029	(89,942)	(141,229)	(193,545)
Total Net Position (Deficit)	\$ 27,997	\$ 19,932	\$ 41,354	\$ (89,915)	\$ (124,635)	\$ (125,267)

See accompanying independent auditors' report

City of Long Beach
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals September 30, 2012
Operating Revenues:						
Billing to Other Departments	\$ 9,535	\$ 34,676	\$ 30,571	\$ 38,033	\$ 210,180	\$ 322,995
Other	462	4,362	2,049	-	-	6,873
Total Operating Revenues	<u>9,997</u>	<u>39,038</u>	<u>32,620</u>	<u>38,033</u>	<u>210,180</u>	<u>329,868</u>
Operating Expenses:						
Personal Services	2,196	16,880	8,076	8,150	3,518	38,820
Maintenance and Other Operations	4,863	18,115	11,471	4,927	2,471	41,847
Insurance Premiums	-	-	-	2,115	-	2,115
Self-Insured Losses	-	-	-	24,870	-	24,870
Compensated Absences	-	-	-	3,577	46,073	49,650
Employee Benefits	-	-	-	-	171,258	171,258
Amortization	110	-	130	-	3,783	4,023
Depreciation	2,753	1,980	7,829	5	-	12,567
Total Operating Expenses	<u>9,922</u>	<u>36,975</u>	<u>27,506</u>	<u>43,644</u>	<u>227,103</u>	<u>345,150</u>
Operating Income (Loss)	<u>75</u>	<u>2,063</u>	<u>5,114</u>	<u>(5,611)</u>	<u>(16,923)</u>	<u>(15,282)</u>
Non-Operating Income (Expenses):						
Interest Income	-	-	32	133	41	206
Interest Expense	(1,248)	(126)	(1,496)	-	(2,621)	(5,491)
Gain on Disposition of Capital Assets	-	(5)	51	-	-	46
Capital Assets to (from) Other Funds	-	5,084	-	-	-	5,084
Operating Grants	-	-	98	-	-	98
Other Income	(5)	32	138	553	64	782
Total Non-Operating Income (Expenses)	<u>(1,253)</u>	<u>4,985</u>	<u>(1,177)</u>	<u>686</u>	<u>(2,516)</u>	<u>725</u>
Income (Loss) Before Contributions and Transfers	<u>(1,178)</u>	<u>7,048</u>	<u>3,937</u>	<u>(4,925)</u>	<u>(19,439)</u>	<u>(14,557)</u>
Capital Grants and Contributions	193	1,114	-	-	-	1,307
Transfers:						
Transfers In	-	150	-	-	3,645	3,795
Transfers Out	-	(4,652)	(1,000)	-	-	(5,652)
Change in Net Position	<u>(985)</u>	<u>3,660</u>	<u>2,937</u>	<u>(4,925)</u>	<u>(15,794)</u>	<u>(15,107)</u>
Net Position (Deficit) - October 1	<u>28,982</u>	<u>16,272</u>	<u>38,417</u>	<u>(84,990)</u>	<u>(108,841)</u>	<u>(110,160)</u>
Net Position (Deficit) - September 30	<u>\$ 27,997</u>	<u>\$ 19,932</u>	<u>\$ 41,354</u>	<u>\$ (89,915)</u>	<u>\$ (124,635)</u>	<u>\$ (125,267)</u>

See accompanying independent auditors' report

City of Long Beach
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals September 30, 2012
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 457	\$ 4,362	\$ 2,219	\$ -	\$ -	\$ 7,038
Receipts from Other Funds	9,535	34,661	30,571	38,033	210,495	323,295
Payments for Employee Salaries	(2,185)	(17,007)	(8,147)	(8,172)	(3,610)	(39,121)
Payments for Goods and Services	(4,657)	(18,187)	(11,041)	(4,811)	(7,736)	(46,432)
Payments for Compensated Absences	-	-	-	(15,924)	(45,422)	(61,346)
Payments for Employee Benefits	-	-	-	-	(144,100)	(144,100)
Payments for Liability Claims	-	-	-	(3,609)	-	(3,609)
Other Income	-	32	-	709	63	804
Other Expense	(5)	-	(6)	-	-	(11)
Net Cash Provided by Operating Activities	<u>3,145</u>	<u>3,861</u>	<u>13,596</u>	<u>6,226</u>	<u>9,690</u>	<u>36,518</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	-	-	98	-	-	98
Operating Subsidies Received from Other Funds	-	150	-	-	156	306
Transfers Out	-	(4,652)	(1,000)	-	-	(5,652)
Net Cash (Used for) Non-Capital Financing Activities	<u>-</u>	<u>(4,502)</u>	<u>(902)</u>	<u>-</u>	<u>156</u>	<u>(5,248)</u>
Cash Flows from Capital and Related Financing Activities:						
Financing Activities:						
Receipt of Capital Grants	-	1,114	-	-	-	1,114
Proceeds from the Sale of Capital Assets	-	15	76	-	-	91
Proceeds from Issuance Of Long-Term Obligations	-	1,361	-	-	-	1,361
Receipts of Contributed Capital	193	-	-	-	-	193
Proceeds from (payments of) Capital Acquisitions	(49)	(1,346)	(2,374)	(18)	-	(3,787)
Payments of Principal on Other Long-Term Obligations	(1,413)	(1,973)	(1,153)	-	(4,315)	(8,854)
Payments of Interest	(1,247)	(127)	(924)	-	(2,804)	(5,102)
Net Cash Used for Capital and Related Financing Activities	<u>(2,516)</u>	<u>(956)</u>	<u>(4,375)</u>	<u>(18)</u>	<u>(7,119)</u>	<u>(14,984)</u>
Cash Flows from Investing Activities:						
Payment for Investments	-	-	43	-	-	43
Receipts of Interest	9	4	38	150	109	310
Net Cash Provided by Investing Activities	<u>9</u>	<u>4</u>	<u>81</u>	<u>150</u>	<u>109</u>	<u>353</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>638</u>	<u>(1,593)</u>	<u>8,400</u>	<u>6,358</u>	<u>2,836</u>	<u>16,639</u>
Cash and Cash Equivalents - October 1	6,445	12,211	18,497	29,714	74,105	140,972
Cash and Cash Equivalents - September 30	<u>\$ 7,083</u>	<u>\$ 10,618</u>	<u>\$ 26,897</u>	<u>\$ 36,072</u>	<u>\$ 76,941</u>	<u>\$ 157,611</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>						
Operating Income (Loss)	\$ 75	\$ 2,063	\$ 5,114	\$ (5,611)	\$ (16,923)	\$ (15,282)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	2,863	1,980	7,959	5	3,783	16,590
Other Income	-	30	-	709	64	803
Other Expense	(5)	-	-	-	-	(5)
Decrease in Accounts Receivable, Net	-	6	138	-	1,175	1,319
(Increase) Decrease in Amounts Due from Other Governments	(4)	-	170	-	-	166
Increase in Amounts Due from Other Funds	-	(21)	-	(5)	314	288
Decrease in Inventory	-	-	368	-	-	368
Increase in Other Operating Assets	-	25	-	-	-	25
Decrease in Environmental Liabilities	-	-	(144)	-	-	(144)
Increase (Decrease) in Accounts Payable	205	(95)	62	2,236	(5,265)	(2,857)
Increase (Decrease) in Accrued Wages Payable	5	(107)	(58)	(96)	24,090	23,834
Increase (Decrease) in Amounts Due to Other Funds	6	(20)	(13)	74	-	47
Increase in Accrued Claims Payable	-	-	-	8,914	-	8,914
Increase in Collections Held in Trust	-	-	-	-	2,452	2,452
Total Adjustments	<u>3,070</u>	<u>1,798</u>	<u>8,482</u>	<u>11,837</u>	<u>26,613</u>	<u>51,800</u>
Net Cash Provided by Operating Activities	<u>\$ 3,145</u>	<u>\$ 3,861</u>	<u>\$ 13,596</u>	<u>\$ 6,226</u>	<u>\$ 9,690</u>	<u>\$ 36,518</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Contribution of Capital Assets	\$ -	\$ 5,084	\$ -	\$ -	\$ -	\$ 5,084

See accompanying independent auditors' report

FIDUCIARY FUNDS

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

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

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

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

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

City of Long Beach
 Fiduciary Funds
 Private Purpose Trust Funds
 Combining Statement of Net position
 September 30, 2012
 (In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Total September 30, 2012
ASSETS			
Pooled Cash and Cash Equivalents	\$ 828	\$ 82	\$ 910
Non Performing Investments	1	-	1
Total Assets	<u>\$ 829</u>	<u>\$ 82</u>	<u>\$ 911</u>
NET POSITION			
Held in Trust for Private Purpose Trust Funds	<u>\$ 829</u>	<u>\$ 82</u>	<u>\$ 911</u>

City of Long Beach
 Fiduciary Funds
 Private Purpose Trust Funds
 Combining Statement of Changes in Net Position
 Fiscal Year Ended September 30, 2012
 (In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Total September 30, 2012
Additions:			
Use of Money and Property	\$ 3	\$ -	\$ 3
Contributions from Citizens	-	24	24
Total Additions	3	24	27
Deductions:			
Community and Cultural	27	34	61
Change in Net Position	(24)	(10)	(34)
Net Position, October 1	853	92	945
Net Position, September 30	<u>\$ 829</u>	<u>\$ 82</u>	<u>\$ 911</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, 2012
 (In Thousands)

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
<u>BELMONT SHORE PARKING 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	\$ 1,639	\$ 10	\$ 5	\$ 1,644
Non Performing Investments	4	-	2	2
Total Assets	<u>\$ 1,643</u>	<u>\$ 10</u>	<u>\$ 7</u>	<u>\$ 1,646</u>
LIABILITIES				
Collections Held in Trust	\$ 1,643	\$ 4	\$ 1	\$ 1,646
<u>SPECIAL ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,147	\$ 11,910	\$ 7,778	\$ 6,279
Non Performing Investments	7	-	3	4
Investments at Par-Nonpooled	6,132	2,720	6,139	2,713
Interest Receivable	31	8	31	8
Property Taxes Receivable	-	10	5	5
Non-Pooled Cash and Cash Equivalents	2,682	10,052	6,471	6,263
Total Assets	<u>\$ 10,999</u>	<u>\$ 24,700</u>	<u>\$ 20,427</u>	<u>\$ 15,272</u>
LIABILITIES				
Accounts/Voucher Payable	\$ -	\$ 432	\$ 432	\$ -
Due to Special Assessment Bondholders	2,656	9,798	5,364	7,090
Collections Held in Trust	8,341	3,393	3,552	8,182
Total Liabilities	<u>\$ 10,997</u>	<u>\$ 13,623</u>	<u>\$ 9,348</u>	<u>\$ 15,272</u>
<u>INTERMODAL CONTAINER TRANSFER FACILITY</u>				
<u>JOINT POWER AUTHORITY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 6,421	\$ 4,020	\$ 6,020	\$ 4,421
Non Performing Investments	10	-	4	6
Total Assets	<u>\$ 6,431</u>	<u>\$ 4,020</u>	<u>\$ 6,024</u>	<u>\$ 4,427</u>
LIABILITIES				
Collections Held in Trust	\$ 6,431	\$ 4,006	\$ 6,010	\$ 4,427
<u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,058	\$ 799	\$ 837	\$ 1,020
Non Performing Investments	4	-	2	2
Property Taxes Receivable	-	135	68	67
Total Assets	<u>\$ 1,062</u>	<u>\$ 934</u>	<u>\$ 907</u>	<u>\$ 1,089</u>
LIABILITIES				
Due to Special Assessment Bondholders	\$ 759	\$ 725	\$ 700	\$ 784
Collections Held in Trust	305	-	-	305
Total Liabilities	<u>\$ 1,064</u>	<u>\$ 725</u>	<u>\$ 700</u>	<u>\$ 1,089</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, 2012
 (In Thousands)

	Balance October 1, 2,011	Additions	Deletions	Balance September 30, 2,012
<u>LOS CERRITOS WETLANDS AUTHORITY</u>				
ASSETS				
Non-Pooled Cash and Cash Equivalents	\$ 67	\$ 385	\$ 398	\$ 54
Accounts Receivable	4	-	4	-
Prepaid Expense	-	6	-	6
Land	11,000	-	-	11,000
Total Assets	<u>\$ 11,071</u>	<u>\$ 391</u>	<u>\$ 402</u>	<u>\$ 11,060</u>
LIABILITIES				
Accounts Payable	\$ 31	\$ 218	\$ 168	\$ 81
Collections Held in Trust	11,040	391	452	10,979
Total Liabilities	<u>\$ 11,071</u>	<u>\$ 609</u>	<u>\$ 620</u>	<u>\$ 11,060</u>
<u>OTHER AGENCY FUNDS</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,638	\$ 1,094	\$ 1,181	\$ 1,551
Non-Pooled Cash and Cash Equivalents	2	-	2	-
Accounts Receivable	-	15	15	-
Total Assets	<u>\$ 1,640</u>	<u>\$ 1,109</u>	<u>\$ 1,198</u>	<u>\$ 1,551</u>
LIABILITIES				
Accounts Payable	\$ 55	\$ 648	\$ 534	\$ 169
Collections Held in Trust	1,585	1,076	1,279	1,382
Total Liabilities	<u>\$ 1,640</u>	<u>\$ 1,724</u>	<u>\$ 1,813</u>	<u>\$ 1,551</u>
<u>TOTAL AGENCY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 12,992	\$ 17,833	\$ 15,821	\$ 15,004
Non Performing Investments	25	-	11	14
Investments at Par-Nonpooled	6,132	2,720	6,139	2,713
Non-Pooled Cash and Cash Equivalents	2,751	10,437	6,871	6,317
Property Taxes Receivable	-	145	73	72
Accounts Receivable	4	15	19	-
Interest receivable	31	8	31	8
Prepaid Expense	-	6	-	6
Land	11,000	-	-	11,000
Total Assets	<u>\$ 32,935</u>	<u>\$ 31,164</u>	<u>\$ 28,965</u>	<u>\$ 35,134</u>
LIABILITIES				
Accounts Payable	\$ 175	\$ 1,298	\$ 1,134	\$ 339
Due to Special Assessment Bondholders	3,415	10,523	6,064	7,874
Collections Held in Trust	29,345	8,870	11,294	26,921
Total Liabilities	<u>\$ 32,935</u>	<u>\$ 20,691</u>	<u>\$ 18,492</u>	<u>\$ 35,134</u>

See accompanying independent auditors' report

**OTHER
SUPPLEMENTARY
INFORMATION**

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City of Long Beach
General Fund
Combining Balance Sheet
September 30, 2012
(In Thousands)

	General Fund	Uplands Oil Fund	Combined General Fund September 30, 2012
ASSETS			
Pooled Cash and Cash Equivalents	\$ 64,170	\$ 19,699	\$ 83,869
Non-Pooled Cash and Cash Equivalents	373	-	373
Non Performing Investments	98	-	98
Receivables:			
Property Taxes	94,328	-	94,328
Accounts Receivable	34,972	3,733	38,705
Notes and Loans Receivable	1,929	-	1,929
Due from Other Governments	15,215	-	15,215
Due from Other Funds	10,149	-	10,149
Allowance for Receivables	(35,179)	-	(35,179)
Other Assets	8	-	8
Advances to Other Funds	2,000	-	2,000
Total Assets	<u>188,063</u>	<u>23,432</u>	<u>211,495</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	12,216	1,213	13,429
Accrued Wages and Benefits Payable	4,007	-	4,007
Due to Other Funds	7,860	-	7,860
Deferred Revenues	91,731	-	91,731
Deposits and Collections Held in Trust	1,931	-	1,931
Advances from Other Funds	15,414	-	15,414
Total Liabilities	<u>133,159</u>	<u>1,213</u>	<u>134,372</u>
Fund Balances (Deficit):			
Nonspendable	2,008	-	2,008
Restricted	2,929	-	2,929
Committed	1,000	4,394	5,394
Assigned	48,535	13,400	61,935
Unassigned	432	4,425	4,857
Total Fund Balance	<u>54,904</u>	<u>22,219</u>	<u>77,123</u>
Total Liabilities and Fund Balances	<u>\$ 188,063</u>	<u>\$ 23,432</u>	<u>\$ 211,495</u>

City of Long Beach
General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	General Fund	Uplands Oil General	Eliminations	Combined General Fund September 30, 2012
Revenues:				
Taxes:				
Property	\$ 115,513	\$ -	\$ -	\$ 115,513
Sales	58,329	-	-	58,329
Utility Users	37,097	-	-	37,097
Other Taxes	27,715	-	-	27,715
Franchise Fees	23,143	-	-	23,143
Licenses and Permits	16,050	-	-	16,050
Fines and Forfeitures	17,762	-	-	17,762
Use of Money and Property	14,126	39,156	-	53,282
From Other Agencies	4,065	-	-	4,065
Charges for Services	27,006	-	-	27,006
Other	8,576	-	-	8,576
Total Revenues	349,382	39,156	-	388,538
Expenditures:				
Legislative and Legal	10,316	-	-	10,316
General Government	16,046	-	-	16,046
Public Safety	269,085	-	-	269,085
Public Health	5,248	-	-	5,248
Community and Cultural	40,958	-	-	40,958
Public Works	28,667	-	-	28,667
Oil Operations	-	9,146	-	9,146
Total Current Expenditures	370,320	9,146	-	379,466
Total Expenditures	370,320	9,146	-	379,466
Excess of Revenues Over (Under) Expenditures	(20,938)	30,010	-	9,072
Other Financing Sources (Uses):				
Debt Issuance	302	-	-	302
Transfers In	47,675	-	(24,565)	23,110
Transfers Out	(15,619)	(31,300)	24,565	(22,354)
Total Other Financing Sources (Uses)	32,358	(31,300)	-	1,058
Net Change in Fund Balances	11,420	(1,290)	-	10,130
Fund Balances - October 1	43,484	23,509	-	66,993
Fund Balances - September 30	<u>\$ 54,904</u>	<u>\$ 22,219</u>	<u>\$ -</u>	<u>\$ 77,123</u>

City of Long Beach
General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Final Amended Budget			Actual on Budgetary Basis		Combined	Variance with	
	General	Uplands	Eliminations	Combined	General	Uplands	Budgetary Basis	Final Budget - Favorable (Unfavorable)
Sources:								
Property Taxes	\$ 113,618	\$ -	\$ -	\$ 113,618	\$ 115,513	\$ -	\$ 115,513	\$ 1,895
Sales Taxes	56,856	-	-	56,856	58,329	-	58,329	1,473
Utility Users Taxes	40,075	-	-	40,075	37,097	-	37,097	(2,978)
Other Taxes	23,346	-	-	23,346	27,715	-	27,715	4,369
Franchise Fees	23,414	-	-	23,414	23,143	-	23,143	(271)
Licenses and Permits	17,620	-	-	17,620	16,050	-	16,050	(1,570)
Fines and Forfeitures	16,958	-	-	16,958	17,762	-	17,762	804
Use of Money and Property	15,063	21,430	-	36,493	14,126	39,156	53,282	16,789
From Other Agencies	5,194	-	-	5,194	4,065	-	4,065	(1,129)
Charges for Services	26,457	-	-	26,457	27,006	-	27,006	549
Other	9,325	-	-	9,325	8,576	-	8,576	(749)
Proceeds from Long-term Debt	-	-	-	-	302	-	302	302
Transfers In	56,637	-	(24,565)	32,072	22,791	-	22,791	(9,281)
Total Sources	404,563	21,430	(24,565)	401,428	372,475	39,156	411,631	10,203
Uses:								
Current:								
Legislative and Legal								
Mayor and City Council	5,128	-	-	5,128	5,026	-	5,026	102
City Attorney	1,847	-	-	1,847	1,825	-	1,825	22
City Clerk	5,177	-	-	5,177	3,483	-	3,483	1,694
General Government								
City Auditor	2,424	-	-	2,424	2,210	-	2,210	214
City Manager	2,327	-	-	2,327	2,695	-	2,695	(368)
Civil Service	2,778	-	-	2,778	2,326	-	2,326	452
Financial Management	10,998	-	-	10,998	10,442	-	10,442	556
Planning and Building	880	-	-	880	495	-	495	385
Non Departmental	1,751	-	-	1,751	(1,816)	-	(1,816)	3,567
Public Safety								
Police	194,232	-	-	194,232	186,890	-	186,890	7,342
Fire	76,109	-	-	76,109	71,392	-	71,392	4,717
City Prosecutor	5,108	-	-	5,108	4,859	-	4,859	249
Planning and Building-Code Enforcement	3,288	-	-	3,288	2,700	-	2,700	588
Police and Fire Annuity	-	-	-	-	3,260	-	3,260	(3,260)
Public Health	5,326	-	-	5,326	5,248	-	5,248	78
Community and Cultural								
Community Development	1,099	-	-	1,099	914	-	914	185
Library	14,643	-	-	14,643	14,452	-	14,452	191
Parks and Recreation	25,691	-	-	25,691	25,652	-	25,652	39
Public Works	30,068	-	-	30,068	28,682	-	28,682	1,386
Oil Operations	-	8,204	-	8,204	-	9,283	9,283	(1,079)
Transfers Out	12,789	31,300	(31,300)	12,789	15,619	6,735	22,354	(9,565)
Total Uses	401,663	39,504	(31,300)	409,867	386,354	16,018	402,372	7,495
Net Change in Budgetary Funds Available:	\$ 2,900	\$ (18,074)	\$ 6,735	\$ (8,439)	\$ (13,879)	\$ 23,138	\$ 9,259	\$ 17,698

Reconciliation of Funds Available to U.S. GAAP Fund Balance

		General	Uplands	Combined
Budgetary Funds Available - October 1		\$ 182	\$ 500	\$ 682
Change in Budgetary Funds Available - September 30, Budgetary Basis		(13,879)	23,138	9,259
Add:	PY Encumbrances	(181)	-	(181)
	CY Encumbrances	415	137	552
	Change in PY Restricted Fund Balance	(10,667)	5,714	(4,953)
Less:	PY Operational Shortfall Funds	-	(500)	(500)
Budgetary Funds Available - September 30		<u>435</u>	<u>4,424</u>	<u>4,859</u>
Add:	PY Unrestricted	(182)	(500)	(682)
	Long-term Receivables	(50)	-	(50)
	Prepaid Expenses	(25)	-	(25)
	Change in Restricted Use Funds	3,254	286	3,540
	Change in Future Appropriations	1,346	(5,500)	(4,154)
	Change in Contingency Funds	2,499	(2,000)	499
	Change in Future Operating Shortfalls	4,143	2,000	6,143
Add:	Prior Year Fund Balance	43,484	23,509	66,993
Funds Available (U.S. GAAP Basis) - September 30		<u>\$ 54,904</u>	<u>\$ 22,219</u>	<u>\$ 77,123</u>

**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, 2012
 (In Thousands)

Governmental Funds Capital Assets:

Land	\$ 158,692
Right-of-way	81,334
Construction in progress	27,229
Building	157,081
Improvements other than buildings	97,318
Infrastructure	412,784
Machinery and equipment	43,500
Vehicles and Aircrafts	12,297
Other assets	48
Less accumulated depreciation	<u>(397,661)</u>
Governmental Funds Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 592,622</u></u>

Investments in Governmental Funds Capital Assets by Source:

General fund	\$ 260,253
Special revenue funds	191,695
Capital projects funds	<u>140,674</u>
	<u><u>\$ 592,622</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.

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule by Function ¹
September 30, 2012
(In Thousands)

	Capital Assets Not Being Depreciated			Capital Assets, Net of Depreciation						Total
	Land	Right-of-way	Construction In Progress	Building	Improvements other than Buildings	Infrastructure	Machinery and Equipment	Vehicles & Aircrafts		
Legislative and Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ 16	
General Government	58	-	-	-	26	-	954	-	1,038	
Public Safety	2,765	-	982	36,209	877	-	7,033	5,428	53,294	
Public Health	4,651	-	-	5,676	2,063	-	395	-	12,785	
Community and Cultural	136,499	-	17,157	37,954	34,536	2,387	292	277	229,102	
Public Works	14,719	81,334	9,090	21,647	16,914	151,638	1,002	43	296,387	
Total	\$ 158,692	\$ 81,334	\$ 27,229	\$ 101,486	\$ 54,416	\$ 154,025	\$ 9,692	\$ 5,748	\$ 592,622	

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.

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule of Changes by Function ¹
September 30, 2012
(In Thousands)

	Balance at October 1, 2011	Increase (Decrease), net of Depreciation	Decrease, net of Accumulated Depreciation	Transfers	Balance at September 30, 2012
Legislative and Legal	\$ 117	\$ (101)	\$ -	\$ -	\$ 16
General Government	1,330	(292)	-	-	1,038
Public Safety	50,513	2,787	(6)	-	53,294
Public Health	12,948	(163)	-	-	12,785
Community and Cultural	225,191	12,221	(8,310)	-	229,102
Public Works	311,271	(7,097)	(7,793)	6	296,387
Total	\$ 601,370	\$ 7,355	\$ (16,109)	\$ 6	\$ 592,622

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



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TIDELANDS FUND

The Tideland Operating segment is used to account for the business-type operations of the Long Beach Convention and Entertainment Center, as well as beach maintenance and beach/water safety programs directly related to the tidelands area, including lifeguards and patrol boats. Beginning with the 1997 fiscal year, leases for areas adjacent to the Queen Mary were also included in the Tideland Operating segment. The Rainbow Harbor Area segment is used to account for the Rainbow Harbor Area administration, the Rainbow Harbor financing, and the Aquarium of the Pacific Parking Structure operations. The Marina segment is used to account for the operations and development of the City's marinas in the Tidelands area. The Queen Mary segment is used to account for the operations related to the Queen Mary.

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

Summary financial information for the consolidated Tidelands Business-type Enterprise Fund is presented on following pages (in thousands) as of September 30, 2012:

City of Long Beach
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project
Consolidated Schedule of Net Position
September 30, 2012
(In Thousands)

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Eliminations Debit / (credit)	Consolidated Tidelands Total
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$151,150	\$ 7,810	\$ 1,896	\$ 6,207	\$167,063	\$ -	\$ 167,063
Non-Pooled Cash and Cash Equivalents	6,865	16	-	28	6,909	-	6,909
Non Performing Investments	146	9	-	4	159	-	159
Non-Pooled Investments	-	-	-	-	-	-	-
Receivables:							
Interest Receivable	39	-	66	25	130	-	130
Accounts Receivable	2,633	377	-	261	3,271	-	3,271
Due from Other Governments	5,271	78	-	-	5,349	-	5,349
Due from Other Funds	28,761	-	-	-	28,761	(1,381)	27,380
Allowance for Receivables	(4)	(366)	-	(2)	(372)	-	(372)
Total Current Assets	194,861	7,924	1,962	6,523	211,270	(1,381)	209,889
Noncurrent Assets:							
Restricted Noncurrent assets							
Non-Pooled Investments	8,158	-	-	4,301	12,459	-	12,459
Capital Assets:							
Land and Other Capital Assets Not Being Depreciated	29,625	10,082	-	11,110	50,817	-	50,817
Capital Assets Net of Accumulated Depreciation	149,300	64,726	10,432	57,604	282,062	-	282,062
Total Noncurrent Assets	187,083	74,808	10,432	73,015	345,338	-	345,338
Total Assets	381,944	82,732	12,394	79,538	556,608	(1,381)	555,227
LIABILITIES							
Current Liabilities payable from Current Assets:							
Accounts Payable	4,474	1,716	-	978	7,168	-	7,168
Accrued Wages	160	113	-	15	288	-	288
Accrued Interest Payable	1,925	282	-	658	2,865	-	2,865
Due to Other Funds	1,007	825	-	1,389	3,221	1,381	1,840
Deferred Revenues	108	1,935	-	25	2,068	-	2,068
Collections Held in Trust	67	50	25	1	143	-	143
Obligations Under Capital Leases	28	-	-	-	28	-	28
Bonds Payable Due Within One Year	5,560	-	-	2,680	8,240	-	8,240
Other Long Term Obligation-Current	104	752	-	19	875	-	875
Total Current Liabilities	13,433	5,673	25	5,765	24,896	1,381	23,515
Noncurrent Liabilities:							
Advances from Other Funds	1,300	-	-	-	1,300	-	1,300
Deferred Revenues	5,096	-	-	-	5,096	-	5,096
Obligations Under Capital Leases-Current	462	-	-	-	462	-	462
Other Long Term Obligations	748	43,367	-	498	44,613	-	44,613
Unamortized Discount/Deferred cost	(3)	-	-	-	(3)	-	(3)
Bonds Payable	97,020	-	-	33,975	130,995	-	130,995
Unamortized Discount (Premium) Deferred cost	1,654	-	-	(504)	1,150	-	1,150
Total Noncurrent Liabilities	106,277	43,367	-	33,969	183,613	-	183,613
Total Liabilities	119,710	49,040	25	39,734	208,509	1,381	207,128
NET POSITION							
Net Investment in Capital Assets	81,572	30,680	10,432	36,302	158,986	-	158,986
Restricted for:							
Debt Service	8,254	-	-	95	8,349	-	8,349
Capital Projects	5	-	-	170	175	-	175
Tidelands	6,803	1,053	-	-	7,856	-	7,856
Unrestricted	165,600	1,959	1,937	3,237	172,733	-	172,733
Total Net Position	\$262,234	\$33,692	\$12,369	\$39,804	\$348,099	\$-	\$348,099

City of Long Beach
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project
Consolidated Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended September 30, 2012
(In Thousands)

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Eliminations Debit / (credit)	Consolidated Tidelands Total
Operating Revenues:							
Licenses and Permits	\$ 208	\$ 2	\$ -	\$ 53	\$ 263	\$ -	\$ 263
Fines and Forfeitures	342	-	-	-	342	-	342
Fees, Concessions and Rentals	7,459	20,089	189	9,145	36,882	1,381	35,501
From Other Agencies	39	186	-	-	225	-	225
Charges for Services	20,027	88	-	-	20,115	-	20,115
Other	-	-	-	8	8	-	8
Total Revenues	28,075	20,365	189	9,206	57,835	1,381	56,454
Operating Expenses:							
Personal Services	15,374	9,160	1	1,297	25,832	-	25,832
Maintenance and Other Operations	36,323	4,229	8	8,450	49,010	(1,381)	47,629
Amortization	631	-	-	497	1,128	-	1,128
Depreciation	9,707	3,759	419	3,604	17,489	-	17,489
Total Operating Expenses	62,035	17,148	428	13,848	93,459	(1,381)	92,078
Operating Income	(33,960)	3,217	(239)	(4,642)	(35,624)	-	(35,624)
Non-Operating Income (Expense):							
Interest Income	880	21	2	49	952	-	952
Interest Expense	(5,248)	(934)	-	(1,617)	(7,799)	-	(7,799)
Gain on Disposition of Fixed Assets	-	7	-	-	7	-	7
Operating Grants	416	-	-	-	416	-	416
Other Income	259	13	-	-	272	-	272
Total Non-Operating Income (Expense)	(3,693)	(893)	2	(1,568)	(6,152)	-	(6,152)
Income (Loss) Before Contributions and Transfers	(37,653)	2,324	(237)	(6,210)	(41,776)	-	(41,776)
Capital Grants & Contributions	7,764	89	-	-	7,853	-	7,853
Operating Transfers:							
Operating Transfers In	76,148	-	-	6,550	82,698	6,550	76,148
Operating Transfers Out	(6,550)	-	-	-	(6,550)	(6,550)	-
Change in Net Position	39,709	2,413	(237)	340	42,225	-	42,225
Net Position, October 1	222,525	31,279	12,606	39,464	305,874	-	305,874
Net Position, September 30	\$262,234	\$ 33,692	\$ 12,369	\$ 39,804	\$348,099	\$ -	\$ 348,099

City of Long Beach
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Area
Schedule of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Eliminations Increase (Decrease)	Consolidated Tidelands Total
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 28,814	\$ 20,125	\$ 262	\$ 9,222	\$ -	\$ 58,423
Receipts from Other Governments	3,537	197	-	-	-	3,734
Payments for Employee Salaries	(15,392)	(9,158)	(1)	(1,296)	-	(25,847)
Payments for Goods and Services	(34,110)	(4,287)	(11)	(8,420)	-	(46,828)
Other Income	258	13	-	-	-	271
Net Cash Provided by (Used for) Operating Activities	(16,893)	6,890	250	(494)	-	(10,247)
Cash Flows from Non-Capital Financing Activities:						
Transfers In	71,191	-	-	6,550	(6,550)	71,191
Transfers Out	(7,453)	-	-	60	6,550	(843)
Net Cash Provided by Non-Capital Financing Activities	63,738	-	-	6,610	-	70,348
Cash Flows from Capital and Related						
Proceeds from the Sale of Capital Assets	-	8	-	-	-	8
Proceeds from Issuance Of Long-Term Obligations	142	10,188	-	-	-	10,330
Proceeds from Issuance of Bonds	102,580	-	-	-	-	102,580
Original Issuance of Premium	11,595	-	-	-	-	11,595
Payment of Cost of Issuance	(918)	-	-	-	-	(918)
Redemption of Premium	(768)	-	-	-	-	(768)
Changes Related to Capital Acquisitions	(1,735)	(21,839)	-	(802)	-	(24,376)
Payments of Principal on Bonds Payable	(3,380)	-	-	(2,590)	-	(5,970)
Payments of Principal on Other Long-Term Obligations	(92)	(940)	-	(18)	-	(1,050)
Payments to Defeasance Bonds	(111,175)	-	-	-	-	(111,175)
Payments of Interest	(6,090)	(1,755)	-	(1,690)	-	(9,535)
Net Cash Used for Capital and Related Financing Activities	(9,841)	(14,338)	-	(5,100)	-	(29,279)
Cash Flows from Investing Activities:						
Payments for Investments	1,293	-	-	13	-	1,306
Receipts of Interest	1,004	28	2	48	-	1,082
Net Cash Provided by (Used for) Investing Activities	2,297	28	2	61	-	2,388
Net Increase (Decrease) in Cash and Cash Equivalents	39,301	(7,420)	252	1,077	-	33,210
Cash and Cash Equivalents - October 1	118,714	15,246	1,644	5,158	-	140,762
Cash and Cash Equivalents - September 30	<u>\$ 158,015</u>	<u>\$ 7,826</u>	<u>\$ 1,896</u>	<u>\$ 6,235</u>	<u>\$ -</u>	<u>\$ 173,972</u>

City of Long Beach
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project
Schedule of Cash Flows
For the Fiscal Year Ended September 30, 2012
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Eliminations Increase (Decrease)	Total
Operating Income (Loss)	\$ (33,960)	\$ 3,217	\$ (239)	\$ (4,642)	\$ -	\$ (35,624)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	10,338	3,759	419	4,101	-	18,617
Other Income	-	102	-	-	-	102
Decrease in Accounts Receivable, Net	851	55	73	16	-	995
Increase in Amounts Due from Other Governments	(4,683)	(78)	-	-	-	(4,761)
Decrease in Other Non-Operating Assets	8,439	-	-	59	-	8,498
Increase (Decrease) in Accounts Payable	2,213	(58)	(3)	(27)	-	2,125
Decrease in Accrued Wages Payable	(26)	(8)	-	(1)	-	(35)
Increase in Amounts Due to Other Funds	8	10	-	1	-	19
Decrease in Deferred Revenues	(85)	(109)	-	(1)	-	(195)
Decrease in Collections Held in Trust	12	-	-	-	-	12
Total Adjustments	17,067	3,673	489	4,148	-	25,377
Net Cash Provided by (Used for) Operating Activities	\$ (16,893)	\$ 6,890	\$ 250	\$ (494)	\$ -	\$ (10,247)
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u>						
Capitalized Interest	\$ 52	\$ 835	\$ -	\$ 27	\$ -	\$ 914

STATISTICAL SECTION

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STATISTICAL SECTION

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for use in evaluating the information contained with the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

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These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant fiscal year.

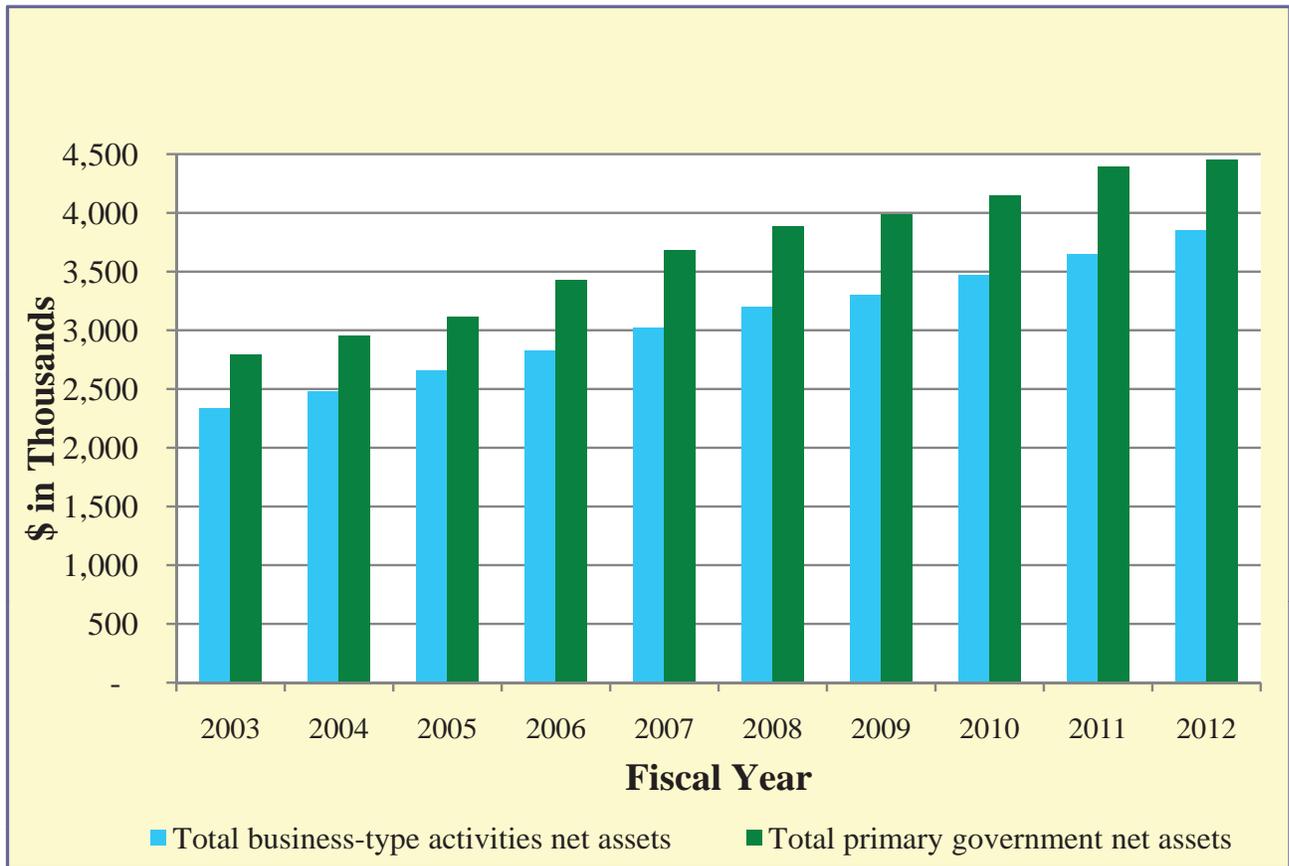


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City of Long Beach
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Net Investment in capital assets	\$ 233,912	\$ 261,014	\$ 99,122	\$ 209,230	\$ 215,097	\$ 217,866	\$ 203,709	\$ 170,432	\$ 215,317	\$ 237,998
Restricted	313,047	286,745	474,313	496,094	291,468	285,937	289,658	346,412	631,729	470,723
Unrestricted	(85,689)	(78,179)	(118,328)	(106,380)	157,870	182,007	185,296	157,316	(104,327)	(100,337)
Total governmental activities net position	461,270	469,580	455,107	598,944	664,435	685,810	678,663	674,160	742,719	608,384
Business-type activities:										
Net Investment in capital assets	1,484,399	1,534,595	1,564,750	1,572,117	1,684,580	1,875,911	1,954,565	2,184,850	2,547,605	2,769,461
Restricted	453,919	498,341	505,875	523,769	366,018	359,364	367,477	603,007	289,999	289,864
Unrestricted	396,157	446,833	586,327	733,495	969,574	964,333	982,105	683,114	809,277	787,926
Total business-type activities net assets	2,334,475	2,479,769	2,656,952	2,829,381	3,020,172	3,199,608	3,304,147	3,470,971	3,646,881	3,847,251
Primary government										
Net Investment in capital assets	1,718,311	1,795,609	1,663,872	1,781,347	1,899,677	2,093,777	2,158,274	2,355,282	2,762,922	3,007,459
Restricted	766,966	785,086	980,188	1,019,863	657,486	645,301	657,135	949,419	921,728	760,587
Unrestricted	310,468	368,654	467,999	627,115	1,127,444	1,146,340	1,167,401	840,430	704,950	687,589
Total primary government net position	\$2,795,745	\$2,949,349	\$3,112,059	\$3,428,325	\$3,684,607	\$3,885,418	\$3,982,810	\$4,145,131	\$4,389,600	\$4,455,635

Note: Effective fiscal year 2010 and beyond, unrestricted net position amounts have been changed to reflect the effects of the implementation of GASB 54 - Fund Balance Reporting and Governmental Fund Type Definition.



See accompanying independent auditors' report

City of Long Beach
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental Activities:										
Legislative and Legal	\$ 9,457	\$ 9,721	\$ 10,313	\$ 12,003	\$ 12,911	\$ 13,210	\$ 12,866	\$ 11,527	\$ 10,106	\$ 10,998
General Government	24,635	23,179	25,808	13,988	13,376	16,871	16,292	19,792	22,653	22,128
Public Safety	231,514	227,601	280,415	255,188	276,391	294,916	302,025	291,399	284,986	290,542
Public Health	39,515	42,184	43,874	44,024	47,189	48,330	47,134	44,731	44,428	42,712
Community and Cultural	159,765	164,982	177,210	186,528	207,566	227,274	227,772	258,512	193,886	331,170
Public Works	56,545	67,425	58,783	55,009	67,794	83,232	95,354	91,375	89,942	92,058
Oil Operations	5,516	6,215	6,367	7,192	8,175	8,630	8,004	6,923	7,318	9,256
Interest on Long-Term Debt	24,761	22,652	30,831	34,554	36,187	38,418	35,831	32,744	35,273	28,492
Total Governmental Activities Expenses	551,708	563,959	633,601	608,486	669,589	730,881	745,278	757,003	688,592	827,356
Business-type Activities:										
Gas	68,728	76,408	89,463	99,656	89,021	137,263	90,364	77,531	84,003	77,157
Water	55,756	57,849	62,075	62,480	68,704	70,571	76,895	71,442	82,050	81,377
Sewer	8,748	7,787	7,337	7,612	11,486	11,989	13,224	14,607	15,357	15,042
Airport	18,747	19,476	22,465	24,816	27,994	31,698	32,113	37,762	39,530	41,764
Development Services	-	-	-	-	-	-	-	-	11,126	11,617
Solid Waste Management	71,027	70,658	70,493	73,679	78,305	82,590	83,245	71,632	71,330	69,506
Towing	5,427	6,762	6,858	8,520	8,838	9,863	7,883	8,916	6,670	6,743
Tidelands	80,880	83,501	94,033	105,671	111,156	123,258	124,711	117,071	124,830	100,602
Tideland Oil Revenue	70,376	102,098	188,250	264,355	199,542	486,759	178,636	276,850	393,317	390,602
Subsidence	2,401	441	4,054	4,061	-	-	-	-	5	5
Harbor	175,821	198,084	207,689	214,349	247,860	242,822	225,991	218,262	217,335	193,773
Total Business-Type Activities Expenses	557,911	623,064	752,717	865,199	842,906	1,196,813	833,062	894,073	1,045,553	988,188
Total Primary Government Expenses	1,109,619	1,187,023	1,386,318	1,473,685	1,512,495	1,927,694	1,578,340	1,651,076	1,734,145	1,815,544
Program Revenues:										
Governmental Activities:										
Charges for services:										
Legislative and Legal	400	415	98	1,256	119	801	264	862	104	714
General Government	24,893	26,952	27,289	20,174	13,406	14,049	14,679	14,968	16,501	17,521
Public Safety	34,120	36,678	39,768	36,694	40,326	42,516	37,078	40,072	35,110	34,617
Public Health	7,041	7,397	7,557	6,565	7,099	7,599	9,644	8,422	8,725	9,538
Community and Cultural	17,921	18,292	23,649	23,291	26,131	28,905	26,322	26,186	20,825	13,978
Public Works	14,966	15,179	16,878	17,840	17,722	19,382	25,803	25,985	21,072	26,876
Oil Operations	11,587	13,274	17,253	21,481	22,612	32,956	19,011	25,556	31,552	39,156
Operating Grants and Contributions	135,837	143,818	142,011	166,426	169,190	172,478	172,281	185,899	198,198	175,647
Capital Grants and Contributions	14,456	13,285	11,489	13,726	16,908	7,424	3,595	10,395	7,588	6,147
Total Governmental Activities Program Revenues	\$ 261,221	\$ 275,290	\$ 285,992	\$ 307,453	\$ 313,513	\$ 326,110	\$ 308,677	\$ 338,345	\$ 339,675	\$ 324,194

(continued)

See accompanying independent auditors' report

City of Long Beach
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

(continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type activities:										
Charges for Services:										
Gas	\$ 75,610	\$ 88,717	\$ 104,450	\$ 113,053	\$ 100,421	\$ 123,580	\$ 113,910	\$ 80,605	\$ 88,240	\$ 83,633
Water	60,197	64,984	65,813	67,198	70,258	72,527	81,380	87,151	88,576	87,073
Sewer	9,056	9,283	9,729	9,245	10,812	11,785	12,707	15,186	16,447	17,325
Airport	23,540	27,905	29,121	29,086	30,985	35,080	35,004	38,820	40,395	43,893
Development Services	-	-	-	-	-	-	-	-	12,160	13,812
Solid Waste Management	69,441	71,198	70,128	80,015	83,865	85,958	87,032	78,772	74,019	78,613
Towing	5,640	6,770	7,622	7,846	8,126	8,816	8,516	8,529	7,297	6,583
Tidelands	50,870	53,887	55,436	73,013	83,085	81,511	83,245	82,948	83,018	56,726
Tideland Oil Revenue	85,839	131,035	208,488	266,992	214,157	522,956	143,336	295,680	449,819	452,863
Subsidence	-	-	-	-	500	500	492	496	-	-
Harbor	249,542	280,782	338,167	354,125	370,832	382,119	336,930	341,744	345,389	333,887
Operating Grants and Contributions	886	1,066	2,520	1,184	2,116	1,241	1,213	597	2,723	1,413
Capital Grants and Contributions	9,625	23,500	25,787	8,947	24,580	14,984	25,210	32,001	26,406	26,552
Total Business-Type Activities										
Program Revenues	640,246	759,127	917,261	1,010,704	999,737	1,341,057	928,975	1,062,529	1,234,489	1,202,373
Total Primary Government										
Program Revenues	901,467	1,034,417	1,203,253	1,318,157	1,313,250	1,667,167	1,237,652	1,400,874	1,574,164	1,526,567
Net Revenues (expenses):										
Governmental Activities	(290,487)	(288,669)	(347,609)	(301,033)	(356,076)	(404,771)	(436,601)	(418,658)	(348,917)	(503,162)
Business-Type Activities	82,335	136,063	164,544	145,505	156,831	144,244	95,913	168,456	188,936	214,185
Total Net Revenues (expenses)	(208,152)	(152,606)	(183,065)	(155,528)	(199,245)	(260,527)	(340,688)	(250,202)	(159,981)	(288,977)
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Taxes:										
Property	87,285	107,796	123,924	141,335	162,342	173,184	196,402	180,262	218,570	179,746
Sales	44,863	42,383	48,216	51,557	55,848	55,261	51,585	53,144	60,159	60,414
Utility Users	50,883	45,339	39,216	40,637	41,694	41,028	39,901	39,240	38,739	37,097
Other	42,841	46,616	51,238	58,291	65,206	73,715	61,250	62,889	43,254	43,360
Franchise Fees	-	-	-	-	-	-	-	-	24,184	23,143
Grants and Contributions not										
Restricted to Specific Programs	27,917	28,693	39,205	115,668	44,086	46,330	48,364	46,058	-	-
Unrestricted Investment Earnings	13,369	12,325	16,213	23,520	23,374	24,357	14,712	7,837	10,291	4,349
Gain (Loss) on Sales of Capital Assets	977	317	810	806	649	(49)	(1,024)	8,539	-	-
Capital Asset Transfers	21,790	926	-	-	(257)	(1,142)	(1,337)	(101)	1,266	5,090
Transfers	-	12,584	14,314	13,056	28,625	13,462	19,601	16,287	21,601	15,628
Total Governmental Activities	289,925	296,979	333,136	444,870	421,567	426,146	429,454	414,155	418,064	368,827
Business-type Activities:										
Unrestricted Investment Earnings	24,378	25,280	27,599	42,021	62,329	47,512	26,890	14,554	9,253	6,903
Loss on Sales of Capital Assets	(12,036)	(2,539)	(665)	(2,041)	-	-	-	-	-	-
Capital Asset Transfers	(21,790)	(926)	19	-	257	1,142	1,337	101	(1,266)	(5,090)
Transfers	-	(12,584)	(14,314)	(13,056)	(28,625)	(13,462)	(19,601)	(16,287)	(21,601)	(15,628)
Total Business-type Activities	(9,448)	9,231	12,639	26,924	33,961	35,192	8,626	(1,632)	(13,614)	(13,815)
Total Primary Government	280,477	306,210	345,775	471,794	455,528	461,338	438,080	412,523	404,450	355,012
Change in Position										
Government activities	(562)	8,310	(14,473)	143,837	65,491	21,375	(7,147)	(4,503)	69,147	(134,335)
Business-type Activities	72,887	145,294	177,183	172,429	190,792	179,436	104,539	166,824	175,322	200,370
Total Primary Government	\$ 72,325	\$ 153,604	\$ 162,710	\$ 316,266	\$ 256,283	\$ 200,811	\$ 97,392	\$ 162,321	\$ 244,469	\$ 66,035

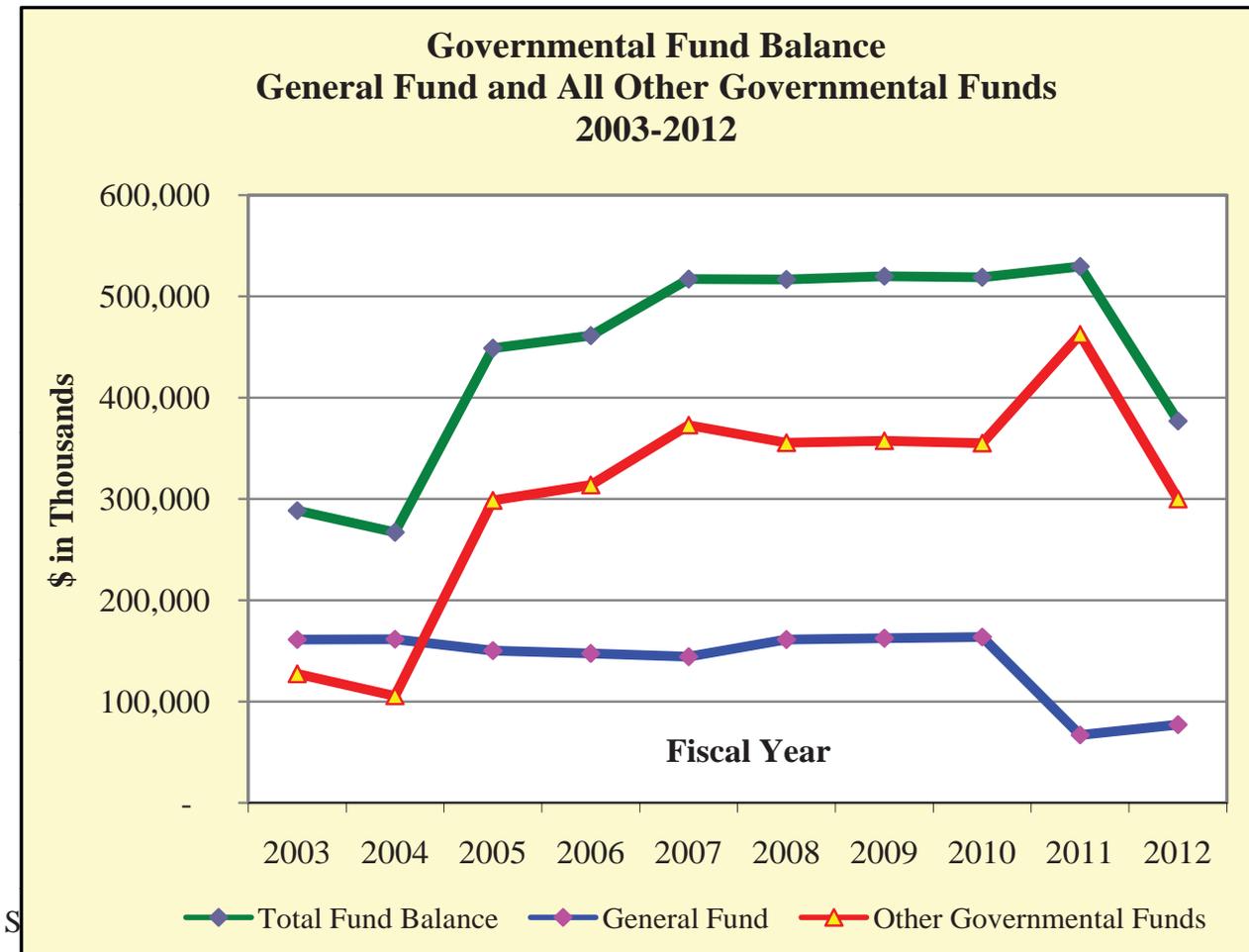
Note: With the implementation of GASB 54- Fund Balance Reporting and Governmental Fund Type Definitions, effective fiscal year 2010, the presentation of some financial data have changed in compliance with the aforementioned GASB standard.

See accompanying independent auditors' report

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ 115,644	\$ 114,006	\$ 111,825	\$ 111,959	\$ 114,254	\$ 115,088	\$ 116,569	\$ -	\$ -	\$ -
Unreserved	45,592	47,516	38,404	35,478	29,960	46,042	45,899	-	-	-
* Nonspendable	-	-	-	-	-	-	-	104,591	2,083	2,008
* Restricted	-	-	-	-	-	-	-	8,673	675	2,929
* Committed	-	-	-	-	-	-	-	1,486	4,108	5,394
* Assigned	-	-	-	-	-	-	-	3,798	59,445	61,935
* Unassigned	-	-	-	-	-	-	-	45,155	682	4,857
Total General Fund	161,236	161,522	150,229	147,437	144,214	161,130	162,468	163,703	66,993	77,123
Other Governmental Funds:										
Reserved	227,051	196,602	377,560	358,094	389,518	390,061	424,108	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	20,154	18,227	30,346	40,843	57,974	56,166	56,848	-	-	-
Capital Project Funds	(119,856)	(109,292)	(109,326)	(85,187)	(74,598)	(90,741)	(123,512)	-	-	-
* Nonspendable	-	-	-	-	-	-	-	24,902	1,654	45
* Restricted	-	-	-	-	-	-	-	514,588	489,841	320,310
* Committed	-	-	-	-	-	-	-	2,594	161	1,362
* Assigned	-	-	-	-	-	-	-	41,581	10,664	10,791
* Unassigned	-	-	-	-	-	-	-	(228,576)	(39,867)	(32,643)
Total Other Governmental Funds	127,349	105,537	298,580	313,750	372,894	355,486	357,444	355,089	462,453	299,865
Total All Governmental Funds	\$288,585	\$267,059	\$448,809	\$461,187	\$517,108	\$516,616	\$519,912	\$518,792	\$529,446	\$376,988

* Note: In accordance with GASB No. 54, Fund Balance types from fiscal year 2010 and onward were reclassified to reflect the requirements of this statement. The Development Services Fund was reclassified from a Special Revenue Fund to Proprietary Fund. The Upland Oil Fund was reclassified from a Special Revenue



City of Long Beach
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes:										
Property	\$ 87,264	\$107,825	\$124,463	\$141,081	\$162,449	\$172,741	\$195,128	\$216,922	\$218,593	\$ 181,041
Sales	44,863	42,383	48,216	51,557	55,848	55,261	51,585	53,144	60,159	60,414
Utility Users	50,883	45,339	39,216	40,637	41,694	41,028	39,901	39,240	38,739	37,097
Other Taxes	42,842	46,616	51,237	58,292	65,205	73,715	61,250	42,465	43,254	43,360
Franchise Fees	-	-	-	-	-	-	-	24,040	24,184	23,143
Licenses and Permits	23,103	22,878	26,269	30,008	32,240	33,899	32,239	24,864	24,812	24,278
Fines and Forfeitures	11,017	13,581	14,744	16,387	17,644	18,509	19,501	17,042	16,193	17,762
Use of Money and Property	40,135	36,856	48,849	57,964	59,516	71,586	47,841	47,526	56,415	58,398
From Other Agencies	178,275	186,426	192,722	219,946	230,838	228,427	227,060	195,940	208,167	184,470
Charges for Services	44,282	45,948	46,633	29,071	26,168	27,609	30,742	26,264	28,549	28,586
Other Land Proceeds	-	-	-	716	-	-	-	-	-	-
Other Contributions	-	-	-	-	-	-	-	2,898	-	-
Other	13,922	13,106	15,987	13,892	13,711	17,587	11,667	13,599	25,256	19,544
Interfund Charges	-	-	-	-	-	-	-	-	-	-
Total Revenues	536,586	560,958	608,336	659,551	705,313	740,362	716,914	703,944	744,321	678,093
Expenditures:										
Legislative and Legal	9,588	10,359	10,037	12,464	13,602	12,481	11,649	10,806	9,683	10,316
General Government	24,655	23,407	25,209	15,123	15,765	16,081	11,993	15,480	20,035	17,441
Public Safety	236,341	227,176	257,869	266,057	279,382	285,366	290,615	291,618	289,538	285,807
Public Health	38,146	41,927	41,651	44,734	47,409	47,383	45,181	37,644	43,665	41,449
Community and Cultural	158,190	177,114	179,859	199,777	209,946	253,432	238,090	264,171	263,625	289,597
Public Works	42,751	43,589	42,885	42,647	42,586	50,221	53,358	46,002	44,178	60,368
Oil Operations	5,517	5,512	6,164	7,089	8,171	8,625	6,888	6,718	7,173	9,146
Total Current Expenditures	515,188	529,084	563,674	587,891	616,861	673,589	657,774	672,439	677,897	714,124
Capital Improvements	39,148	55,565	30,106	39,062	40,790	25,328	27,721	38,956	29,630	17,183
Loss on Disposition of Land										
Held for Resale	3,134	12	4,090	-	9,184	4,459	1,526	9,524	519	79,311
Debt Service:										
Principal	9,169	11,001	11,942	14,822	15,451	15,819	17,456	13,804	13,475	14,379
Interest	17,327	16,282	20,806	25,289	27,349	30,477	28,300	24,847	28,984	23,298
Debt Administration Fees	152	247	320	147	81	397	259	195	391	494
Total Expenditures	584,118	612,191	630,938	667,211	709,716	750,069	733,036	759,765	750,896	848,789
(Deficiency) of Revenues Over (Under) Expenditures	(47,532)	(51,233)	(22,602)	(7,660)	(4,403)	(9,707)	(16,122)	(55,821)	(6,575)	(170,696)
Other Financing Sources (Uses):										
Other Deferred Payments	159	229	221	220	291	-	-	-	-	-
Proceeds from other Long- Term Obligations	-	-	-	-	-	-	-	-	-	-
Debt Issuance	58,756	17,360	188,344	40,402	25,748	280	311	34,417	297	753
Discount on Debt Issuance	-	-	-	-	(122)	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	(38,295)	(10,729)	(3,526)	(36,135)	-	-	-	-	-	-
Reconveyance of Land	-	-	-	-	-	(13,296)	(3,677)	(41)	-	-
Advances-Capitalized Interest	512	13	491	-	-	-	-	-	-	-
Land Transfers	-	-	-	-	-	-	-	-	(6,233)	-
Transfers In	74,534	73,563	52,782	55,900	91,967	84,353	60,163	56,406	271,094	409,802
Transfers Out	(41,703)	(50,729)	(33,960)	(40,349)	(57,560)	(62,122)	(37,379)	(36,306)	(247,930)	(392,317)
Total Other Financing Sources	53,963	29,707	204,352	20,038	60,324	9,215	19,418	54,476	17,228	18,238
Net Change in Fund Balances	\$ 6,431	\$ (21,526)	\$181,750	\$ 12,378	\$ 55,921	\$ (492)	\$ 3,296	\$ (1,345)	\$ 10,653	\$(152,458)
Debt Service as a Percentage of Noncapital Expenditures	4.9%	5.0%	5.5%	6.4%	6.4%	6.4%	6.5%	5.4%	5.9%	4.6%

Effective 2011 the City implemented GASB 54 - Fund Balance Reporting and Governmental Fund Type Definition, the City reviewed all governmental fund revenue streams. As a result FY 2010 financial data was reclassified.

See accompanying independent auditors' report

City of Long Beach
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

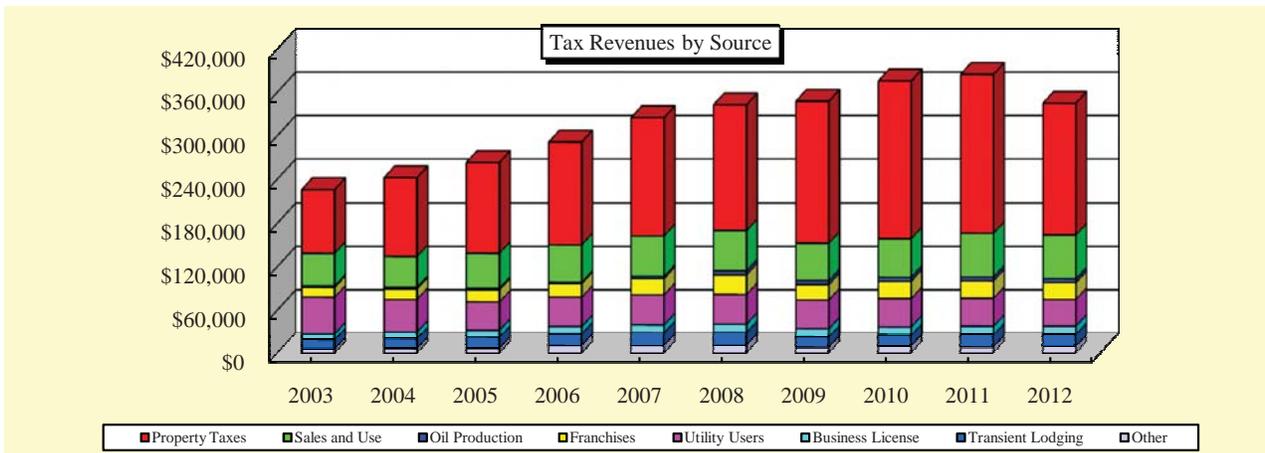
Fiscal Year-end (1)	Property Taxes	Sales and Use Taxes	Oil Production Taxes	Franchises Taxes	Utility Users Taxes	Business License Taxes	Transient Lodging Taxes	Other (2) Taxes	Totals
2003	\$ 87,264	\$ 44,863	\$ 2,245	\$ 13,363	\$ 50,883	\$ 8,430	\$ 13,134	\$ 5,670	225,852
2004	107,825	42,383	2,306	14,460	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
2006	141,081	51,557	2,245	18,501	40,637	10,345	16,548	10,653	291,567
2007	162,449	55,848	3,123	22,340	41,694	10,909	18,309	10,524	325,196
2008	172,741	55,261	5,767	27,147	41,028	11,681	18,324	10,796	342,745
2009	195,128	51,585	5,557	21,274	39,901	11,647	14,635	8,137	347,864
2010	216,922	53,144	5,517	24,040	39,240	11,686	15,461	9,801	375,811
2011	218,593	60,159	5,331	24,184	38,739	11,956	17,603	8,364	384,929
2012	181,041	60,414	5,259	23,143	37,097	11,537	17,759	8,805	345,055

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 during fiscal years 2003 through 2012.

Fiscal Year-end	Property Taxes	Transient Occupancy / Other
2003	\$ 25,796	\$ 2,604
2004	27,475	2,778
2005	41,718	2,899
2006	50,977	3,261
2007	63,406	3,634
2008	73,011	4,033
2009	77,460	4,064
2010	92,762	3,495
2011	77,470	3,820
2012	36,337	968

- (2) 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.

See accompanying independent auditors' report

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

Fiscal Year-end	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2003	\$ 24,478,339	\$ 1,976,078	\$ (722,421)	\$ 25,731,996	1.00%
2004	27,334,246	2,278,983	(783,201)	28,830,028	1.00%
2005	29,650,613	2,419,098	(678,462)	31,391,249	1.00%
2006	32,881,116	2,638,789	(916,457)	34,603,448	1.00%
2007	37,042,813	2,834,656	(961,500)	38,915,969	1.00%
2008	40,310,054	3,035,367	(1,072,806)	42,272,615	1.00%
2009	43,819,413	2,802,330	(1,047,919)	45,573,824	1.00%
2010	42,549,483	2,916,792	(1,239,013)	44,227,262	1.00%
2011	42,014,055	2,575,570	(1,593,660)	42,995,965	1.00%
2012	42,641,685	2,780,087	(1,318,100)	44,103,672	1.00%

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is reassessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and are subject to the limitations described above.

Source: Los Angeles County Office of Assessor.

See accompanying independent auditors' report

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

Overlapping Rates						
Fiscal Year-end	City Direct Rate	Los Angeles County	Unified Schools	Community College	Special Districts	Total
2003	1.000000	0.001000	0.035190	-	0.042800	1.078990
2004	1.000000	0.000992	0.042849	0.011705	0.006562	1.062108
2005	1.000000	0.000923	0.046671	0.012394	0.006045	1.066033
2006	1.000000	0.000795	0.040750	0.018569	0.005249	1.065363
2007	1.000000	0.000663	0.106814	0.021462	0.004752	1.133691
2008	1.000000	-	0.123342	0.008794	0.004500	1.136636
2009	1.000000	-	0.124782	0.022115	0.004300	1.151197
2010	1.000000	-	0.151809	0.023112	0.004300	1.179221
2011	1.000000	-	0.186954	0.040310	0.003700	1.230964
2012	1.000000	-	0.168187	0.035296	0.003700	1.207183

Note:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is reassessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt.

Source: County of Los Angeles

City of Long Beach
Principal Property Taxpayers
Current Year and Nine Fiscal Years Ago
(In Thousands)

Taxpayer	Fiscal Year 2012		Fiscal Year 2003	
	Assessed Valuation	Percent of Total Net Assessed Valuation	Assessed Valuation	Percent of Total Net Assessed Valuation
The Boeing Company	\$ 429,070	1.05 %	\$ 573,102	2.41 %
AES Alamitos LLC	226,400	0.56	504,546	2.12
Legacy Partners II LB World Trade LLC	154,840	0.38	-	-
2009 CUSA Community Owner LLC	137,783	0.34	-	-
Trizechahn Colony Square GP LLC	114,928	0.28	59,545	0.25
GRE Shoreline Square LP	95,091	0.23	-	-
Noble Utah Long Beach LLC	91,418	0.22	-	-
200 Oceangate LLC	83,050	0.20	-	-
Linwood Avenue LP	82,693	0.20	-	-
Arco Terminal Services Corp.	62,682	0.15	103,555	0.44
HEI Long Beach LLC	62,087	0.15	-	-
City Place Long Beach LLC	60,870	0.15	-	-
Alamitos Bay Partnership	56,778	0.14	56,252	0.24
Sunstone Ocean LLC	54,805	0.13	-	-
Pacific Pipeline System LLC	52,085	0.13	-	-
Lyon West Gateway LLC	51,187	0.13	-	-
EQR Fresca 2009 LP	50,447	0.12	-	-
Plain West Coast Terminals LLC	48,267	0.12	-	-
Los Altos Gateway LLC	48,261	0.12	-	-
Pacific Castle	47,165	0.12	-	-
Stevens Creek Associates			81,789	0.34
Pacific Towers Associates			65,522	0.28
Hughes Aircraft Co.			62,265	0.26
Atlantic Richfield Company			49,846	0.21
Bixby Land Co.			46,599	0.20
	<u>\$2,009,907</u>	<u>4.92 %</u>	<u>\$1,603,021</u>	<u>6.75 %</u>

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report

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

Fiscal Year-end (1)	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (2)	Collections as Percent of Levy	Outstanding Delinquent Taxes (4)	Delinquent Tax as Percent of Current Levy
2003 (3)	\$ 83,222	\$ 85,699	103.0%	\$ 2,245	\$ 87,944	105.7%	\$ 9,358	11.2%
2004	100,538	99,745	99.2%	8,634	108,379	107.8%	9,321	9.3%
2005	116,299	113,610	97.7%	11,388	124,998	107.5%	9,024	7.8%
2006	139,172	130,147	93.5%	12,093	142,240	102.2%	10,164	7.3%
2007	155,850	145,113	93.1%	17,819	162,932	104.5%	11,447	7.3%
2008	174,002	157,865	90.7%	14,877	172,742	99.3%	11,369	6.5%
2009	191,251	179,716	94.0%	15,412	195,128	102.0%	13,760	7.2%
2010	180,159	161,354	89.6%	9,542	170,896	94.9%	11,857	6.6%
2011	174,025	165,851	95.3%	7,468	173,319	99.6%	10,874	6.3%
2012	174,505	133,062	76.3%	4,169	137,231	78.6%	10,698	6.1%

Notes:

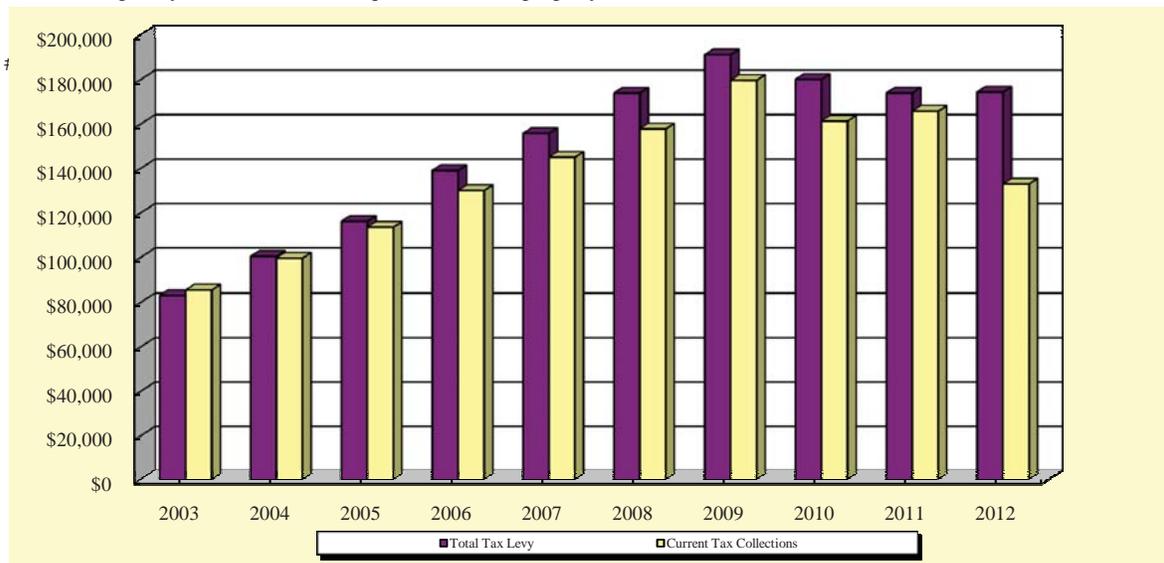
(1) Total tax collections for fiscal years 2003 through 2012 include redevelopment tax increment collections in accordance with generally accepted accounting principles as follows:

Fiscal Year-end	Collections (in thousands)
2003	\$ 27,475
2004	41,718
2005	50,977
2006	63,406
2007	73,011
2008	77,460
2009	92,762
2010	83,609
2011	77,470
2012	36,337

(2) Excludes motor vehicle and vehicle license fees in-lieu taxes, interests, penalties, and Los Angeles County administrative cost.

(3) 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.

(4) Restated prior years to include delinquent unsecured property taxes.



Source: City of Long Beach, Department of Financial Management and County of Los Angeles Auditor-Controller

See accompanying independent auditors' report

City of Long Beach
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(In Thousands, Except Per Capita Amount)

Fiscal Year-end	Governmental Activities					Total Governmental Activities
	Revenue Bonds	Tax Allocation Bonds	Notes Payable	Capital Leases	Other	
2003	\$ 244,465	\$ 179,974	\$ 18,757	\$ 42,649	\$ 44,535	\$ 530,380
2004	249,290	175,292	9,269	40,682	42,400	516,933
2005	242,685	355,444	11,971	31,957	37,962	680,019
2006	231,470	348,626	11,146	35,131	34,996	661,369
2007	246,500	340,813	10,734	39,481	32,532	670,060
2008	236,535	332,562	8,888	32,992	29,875	640,852
2009	222,770	323,890	9,057	27,227	27,704	610,648
2010	178,895	347,740	8,415	54,159	25,448	614,657
2011	167,940	337,557	8,560	49,712	22,784	586,553
2012	161,620	326,852	8,118	46,064	20,884	563,538

	Business-type Activities					Total Business-type Activities
	Revenue Bonds	Certificates of Participation	Notes Payable (1)	Capital Leases	Other (3)	
2003	\$ 1,542,800	\$ 16,905	\$ 85,808	\$ 11,223	\$ 270,376	\$ 1,927,112
2004	1,491,930	15,985	89,581	9,484	316,100	1,923,080
2005	1,409,610	15,025	188,150	7,572	328,700	1,949,057
2006	1,367,640	9,960	104,958	6,119	343,100	1,831,777
2007	1,312,585	9,175	119,641	3,767	399,800	1,844,968
2008	2,012,545	8,350	132,395	1,237	450,170	2,604,697
2009	1,728,770	7,480	117,597	565	48,324	1,902,736
2010	1,714,810	-	73,797	541	38,615	1,827,763
2011	1,709,685	-	56,687	3,541	28,274	1,798,187
2012	1,640,665	-	54,488	3,109	28,400	1,726,662

	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2003	\$ 2,457,492	2.279%	\$ 5,232
2004	2,440,013	2.392%	5,169
2005	2,629,076	2.536%	5,584
2006	2,493,146	2.749%	5,332
2007	2,515,028	2.843%	5,408
2008	3,245,549	2.897%	7,006
2009	2,513,384	2.784%	5,438
2010	2,442,420	2.763%	5,279
2011	2,384,740	2.808%	5,159
2012	2,290,200	2.820%	4,919

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

- (1) Notes payable in fiscal year 2005 included \$97,354,000 abandonment reserve payable to the California State Lands Commission.
- (2) See Schedule of Demographic and Economic Statistics for personal income and population data. Restated prior years due to the data's annual revision.
- (3) Includes Estimated Oil Field Abandonment Costs and starting with 2007 environmental remediation and site restoration are also included in this category.

See accompanying independent auditors' report

City of Long Beach
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year-end	Outstanding General Bonded Debt			Ratio of Net Bonded Debt to Assessed Value (2)	Per Capita (3)
	Tax Allocation Bonds	Less: Amounts Restricted for Debt Service (1)	Net Bonded Debt (1)		
2003	\$ 179,974	\$ 20,989	\$ 158,985	60%	\$ 331.14
2004	175,292	26,258	149,034	50%	306.78
2005	355,444	39,059	316,385	99%	647.84
2006	348,626	36,936	311,690	88%	636.53
2007	340,813	42,945	297,868	75%	609.33
2008	332,562	45,796	286,766	72%	585.40
2009	323,890	53,895	269,995	58%	548.01
2010	347,740	57,937	289,803	64%	588.22
2011	337,557	48,360	289,197	65%	625.04
2012	326,852	32,615	294,237	65%	636.52

Notes:

- (1) Includes Redevelopment bonds issued during fiscal years 2002, 2003, 2005, and 2006.
- (2) Assessed value can be found in the Schedule of Assessed Value and Actual Value of Taxable Property. Percentage calculated using the following formula: Net bonded Debt / (Assessed Value - Exemptions)
- (3) Population data can be found in the Schedule of Demographic and Economic Statistics.

See accompanying independent auditors' report

City of Long Beach
Schedule of Direct and Overlapping Debt
September 30, 2012 (In Thousands)

2011-12 Assessed Valuation: \$43,339,549
 Redevelopment Incremental Valuation: 9,627,393
 Adjusted Assessed Valuation: \$33,712,156

<u>DIRECT DEBT:</u>	<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach			
Lease Revenue Bonds	\$ 175,515	\$ 65,615 ⁽¹⁾	\$ 109,900
Marks-Roos Bonds (4)	28,075	-	28,075
Pension Obligations	50,205	-	50,205
Total Direct Debt	<u>\$ 253,795</u>	<u>\$ 65,615</u>	<u>\$ 188,180</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
Cerritos Community College District	0.443 %	\$ 188,229	\$ 187,395	\$ 834
Compton Community College District	1.788	62,816	61,693	1,123
Long Beach Community College District	87.965	340,827	41,019	299,808
Los Angeles Community College District	0.038	3,469,755	3,468,436	1,319
ABC Unified School District	1.690	44,700	43,945	755
Compton Unified School District	0.023	57,777	57,764	13
Long Beach Unified School District	87.962	511,282	61,548	449,734
Los Angeles Unified School District	0.046	10,945,695	10,940,660	5,035
Paramount Unified School District	6.926	116,474	108,407	8,067
Los Angeles County Flood Control District	3.620	37,195	35,849	1,346
Metropolitan Water District	1.869	196,545	192,872	3,673
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT (1)		<u>\$ 15,971,295</u>	<u>\$ 15,199,588</u>	<u>\$ 771,707</u>

<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>	<u>% Applicable</u>	<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
Los Angeles County General Fund Obligations	3.633	\$ 1,447,164	\$ 1,394,589	\$ 52,575
Los Angeles County Superintendent of Schools Certificates of Participation	3.633	10,377	10,000	377
Compton Unified School District Certificates of Participation	0.023	28,625	28,618	7
Los Angeles Unified School District Certificates of Participation	0.046	418,851	418,658	193
Paramount Unified School District Certificates of Participation	6.926	25,090	23,352	1,738
County Sanitation District No. 1 Certificates of Participation	0.901	19,768	19,590	178
County Sanitation District No. 2 Certificates of Participation	0.123	30,523	30,485	38
County Sanitation District No. 3 Certificates of Participation	84.221	14,809	2,337	12,472
County Sanitation District No. 8 Certificates of Participation	2.109	12,064	11,810	254
County Sanitation District No. 19 Certificates of Participation	38.192	5,498	3,398	2,100
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$ 2,012,769</u>	<u>\$ 1,942,837</u>	<u>\$ 69,932</u>

TOTAL GROSS OVERLAPPING COMBINED DEBT	\$ 17,984,064	\$ 17,142,425	\$ 841,639
Less: Los Angeles County General Fund Obligations supported by landfill revenues	28,050	27,443	607
Los Angeles Unified School District (Qualified Zone Academic Bonds supported by period payments to investment accounts)	10,000	9,998	2
TOTAL NET OVERLAPPING COMBINED DEBT	<u>\$ 17,946,014</u>	<u>\$ 17,104,984</u>	<u>\$ 841,030</u>
TOTAL NET DIRECT AND OVERLAPPING COMBINED DEBT (2) (3)	<u>\$ 18,199,809</u>	<u>\$ 17,170,599</u>	<u>\$ 1,029,210</u>

Notes:

- (1) Supported Southeast Resource Recovery Facility issues.
- (2) Excludes 1915 Act and Mello-Roos Act Bonds
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations
- (4) Principal payments made by the City of Long Beach on September 30, 2012, are not reflected on the schedule above. These payments were posted, by the trustee, on October 1, 2012.

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report

City of Long Beach
Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Assessed valuation	\$26,454,417	\$29,613,229	\$32,069,711	\$35,519,905	\$39,877,469
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	6,613,604	7,403,307	8,017,428	8,879,976	9,969,367
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	992,041	1,110,496	1,202,614	1,331,996	1,495,405
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 992,041</u>	<u>\$ 1,110,496</u>	<u>\$ 1,202,614</u>	<u>\$ 1,331,996</u>	<u>\$ 1,495,405</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

	Fiscal Year				
	2008	2009	2010	2011	2012
Assessed valuation	\$43,345,421	\$46,621,743	\$45,466,275	\$44,589,625	\$45,421,772
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	10,836,355	11,655,436	11,366,569	11,147,406	11,355,443
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	1,625,453	1,748,315	1,704,985	1,672,111	1,703,316
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 1,625,453</u>	<u>\$ 1,748,315</u>	<u>\$ 1,704,985</u>	<u>\$ 1,672,111</u>	<u>\$ 1,703,316</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15 percent of gross assessed valuation. This provision was enacted when assessed valuation was based on 25 percent of market value. Effective with fiscal year 1982, each parcel is assessed at 100 percent of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 percent level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Long Beach, Department of Financial Management.
County of Los Angeles, Department of Auditor-Controller.

See accompanying independent auditors' report

City of Long Beach
Pledged Revenue Coverage
Gas Fund Revenue Bond Coverage
Last Ten Fiscal Years (5)
(In Thousands)

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (Loss) (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements (4)			Times Coverage
						Principal	Interest	Total	
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
2006	107,481	96,786	10,695	5,807	16,502	885	195	1,080	15.3
2007	99,648	85,151	14,497	1,389	15,886	905	173	1,078	14.7
2008	123,085	89,115	33,970	993	34,963	925	29,697	30,622	1.1
2009	87,736	41,232	46,504	26,983	73,487	1,050	46,548	47,598	1.5
2010	79,732	39,803	39,929	1,566	41,495	9,480	33,918	43,398	1.0
2011	87,730	45,922	41,808	227	42,035	10,400	33,444	43,844	1.0
2012	82,671	38,902	43,769	(348)	43,421	10,035	32,955	42,990	1.0

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

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
2006	66,074	53,059	13,015	1,564	14,579	1,155	1,836	2,991	4.9
2007	70,259	55,965	14,294	823	15,117	1,210	1,785	2,995	5.0
2008	71,604	57,239	14,365	1,417	15,782	1,265	1,731	2,996	5.3
2009	80,933	61,637	19,296	861	20,157	1,330	1,661	2,991	6.7
2010	87,151	67,091	20,060	10,075	30,135	1,405	1,588	2,993	10.1
2011	88,576	70,565	18,011	(207)	17,804	-	861	861	20.7
2012	86,515	69,982	16,533	(702)	15,831	490	1,249	1,739	9.1

Solid Waste Management Fund
SERRF Authority Revenue Bond Coverage
Last Ten Fiscal Years (3)
(In Thousands)

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
2006	78,173	65,218	12,955	5,385	18,340	6,355	4,813	11,168	1.6
2007	81,412	68,982	12,430	6,747	19,177	6,540	4,635	11,175	1.7
2008	83,628	72,102	11,526	6,342	17,868	6,690	4,478	11,168	1.6
2009	84,151	73,976	10,175	4,163	14,338	6,860	4,312	11,172	1.3
2010	77,419	64,608	12,811	4,228	17,039	7,050	4,121	11,171	1.5
2011	73,797	64,198	9,599	1,867	11,466	7,305	3,860	11,165	1.0
2012	77,111	62,718	14,393	662	15,055	7,635	3,535	11,170	1.3

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.
- (2) The Water Revenue Refunding Bonds Series 1997A were refunded by the Water Revenue Refunding Bonds Series 2010A. Current debt service payments for the 1997 Bonds were covered by the 2010 Bonds refunding issue proceeds.
- (3) The SERRF Authority issued revenue bonds on December 1, 1985, and August 1 and December 1, 1986. According to the December 1, 1986 bond resolution interest was funded from bond proceeds through August 1989. These bonds were refunded by the SERRF Authority Lease Revenue refunding Bond Series 1995. Current debt service payments for the previous issues were covered by the 1995 refunding issue proceeds. The 1995 refunding bonds were refunded by the SERRF Authority Lease Revenue Bonds Series 2003 in October 2003.
- (4) The 2009 increase of Non-Operating Income for Gas was due to the \$25.6 million savings attributable to the tender of 2007 Gas Prepay Bonds of \$231 million.

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

See accompanying independent auditors' report

City of Long Beach
Pledged Revenue Coverage
Airport Revenue Bond Coverage
Last Ten Fiscal Years
(In Thousands)

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (Loss) (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0
2004	-	-	-	-	-	-	-	-	0.0
2005	-	-	-	-	-	-	-	-	0.0
2006	-	-	-	-	-	-	-	-	0.0
2007	-	-	-	-	-	-	-	-	0.0
2008	-	-	-	-	-	-	-	-	0.0
2009	-	-	-	-	-	-	-	-	0.0
2010	31,033	26,157	4,876	7,301	12,177	855	1,998	2,853	4.3
2011	32,416	28,150	4,266	7,224	11,490	905	5,668	6,573	1.7
2012	34,405	27,142	7,263	4,647	11,910	1,330	7,046	8,376	1.4

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

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
2006	26,926	18,598	8,328	789	9,117	940	1,526	2,466	3.7
2007	28,306	21,229	7,077	402	7,479	865	1,571	2,436	3.1
2008	28,408	21,088	7,320	908	8,228	900	1,534	2,434	3.4
2009	30,941	20,491	10,450	1,900	12,350	945	1,494	2,439	5.1
2010	33,028	20,396	12,632	36	12,668	980	1,449	2,429	5.2
2011	33,460	22,348	11,112	1,011	12,123	1,025	1,493	2,518	4.8
2012	32,620	19,547	13,073	319	13,392	1,035	1,410	2,445	5.5

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.
Prior year adjustments to operating expenses were made to exclude amortization.

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

See accompanying independent auditors' report

City of Long Beach
Pledged Revenue Coverage
Rainbow Harbor Area Segment
Revenue Bond Coverage
Last Ten Fiscal Years (2)
(In Thousands)

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non-Operating Income (Loss) (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
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	-
2006	6,404	8,728	(2,324)	338	(1,986)	1,515	2,369	3,884	-
2007	7,230	10,305	(3,075)	465	(2,610)	2,070	2,184	4,254	-
2008	7,212	9,739	(2,527)	210	(2,317)	2,235	2,025	4,260	-
2009	6,880	9,498	(2,618)	2,275	(343)	2,325	1,936	4,261	-
2010	7,421	9,255	(1,834)	(20)	(1,854)	2,410	1,846	4,256	-
2011	8,780	9,869	(1,089)	69	(1,020)	2,500	1,761	4,261	-
2012	9,206	9,747	(541)	49	(492)	2,590	1,666	4,256	-

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

2003	\$ 31,699	\$ 37,496	\$ (5,797)	\$ 1,815	\$ (3,982)	\$ 2,438	\$ 6,558	\$ 8,996	-
2004	32,390	37,600	(5,210)	1,679	(3,531)	2,434	6,558	8,992	-
2005	33,593	43,633	(10,040)	1,679	(8,361)	2,430	6,558	8,988	-
2006	48,859	57,923	(9,064)	4,732	(4,332)	2,369	6,558	8,927	-
2007	56,663	61,199	(4,536)	3,516	(1,020)	2,765	6,504	9,269	-
2008	52,739	69,138	(16,399)	6,563	(9,836)	2,870	6,393	9,263	-
2009	55,684	72,880	(17,196)	6,335	(10,861)	2,985	6,274	9,259	-
2010	55,288	65,736	(10,448)	1,055	(9,393)	3,105	6,147	9,252	-
2011	55,287	73,809	(18,522)	1,524	(16,998)	3,240	6,010	9,250	-
2012	28,075	51,697	(23,622)	1,555	(22,067)	3,380	5,622	9,002	-

Harbor Fund
Revenue Bond Coverage
Last Ten Fiscal Years (4)
(In Thousands)

2003	\$ 249,542	\$ 44,450	\$ 205,092	\$ (2,524)	\$ 202,568	\$ 30,145	\$ 60,757	\$ 90,902	2.2
2004	280,782	54,208	226,574	12,987	239,561	32,590	60,474	93,064	2.6
2005	329,208	62,016	267,192	26,524	293,716	34,215	58,444	92,659	3.2
2006	353,294	75,541	277,753	27,741	305,494	34,935	54,556	89,491	3.4
2007	370,832	96,964	273,868	28,246	302,114	38,335	51,216	89,551	3.4
2008	359,345	116,166	243,179	55,866	299,045	40,090	49,432	89,522	3.3
2009	311,351	97,880	213,471	27,160	240,631	42,150	47,488	89,638	2.7
2010	321,639	98,026	223,613	44,166	267,779	40,120	42,427	82,547	3.2
2011	345,389	81,423	263,966	(12,490)	251,476	42,175	37,247	79,422	3.2
2012	333,887	87,637	246,250	(2,522)	243,728	44,815	35,193	80,008	3.0

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes interest expense.
- (2) The Rainbow Harbor Area Segment of the Tidelands Fund fund balance is considered adequate to cover the debt service. Operating transfers are made to provide funding to the Rainbow Harbor Area from other Tidelands funds on an as needed basis.
- (3) The Long Beach Aquarium of the Pacific Lease Revenue Refunding Bonds Series 2012 were issued to (1) refund the Long Beach Aquarium of the Pacific Revenue Bonds 2001 Series bonds, (2) to fund a reserve fund for the Series 2012 Bonds, and (3) pay the costs of issuance of the Series 2012 Bonds.
- (4) Harbor 2000 Revenue Bonds Series A was paid off in fiscal year 2010 and a new Harbor 2010 Revenue Bonds Series A was issued. Prior year adjustments are being made to reflect these bond changes.

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

See accompanying independent auditors' report

City of Long Beach
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year-end	Estimated Population (1)	Personal Income (in millions) (2) (5)	Per Capita Personal Income (2) (5)	Public School Enrollment (3)	Unemployment Rate (4)
2003	469,713	\$ 10,703	\$ 22,787	97,212	7.7
2004	472,013	11,290	23,919	97,560	7.2
2005	470,781	11,939	23,266	96,319	5.9
2006	467,586	12,854	27,490	93,589	5.3
2007	465,017	13,222	28,434	90,663	5.6
2008	463,250	13,422	28,974	88,186	8.2
2009	462,211	12,866	27,880	87,509	12.8
2010	462,685	12,783	27,627	86,283	13.9
2011	462,257	12,981	28,081	84,812	13.4
2012	465,576	13,129	28,199	83,691	12.2

Sources:

(1) California Department of Finance

(2) Bureau of Economic Analysis (BEA).

Personal income and per capita personal income with exception of 1999 and 2005 are based on percent change of per capita personal income for Los Angeles-Long Beach-Santa Ana, CA (Metropolitan Statistic Area). The BEA's report does not have personal income and per capita personal income available for 2011 and 2012, so an average of the last five years was used.

(3) California Department of Education Educational Demographic Unit . Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.

(4) Average annual rate reported by California Employment Development Department (EDD). Each rate from 2003 through 2012 is noted not adjusted, not preliminary.

(5) Restated prior years due to the data's annual revision.

See accompanying independent auditors' report

City of Long Beach
Principal Employers
Current Year and Nine Years Ago

Ranking	Employer	Fiscal Year 2012		Fiscal Year 2003	
		Number of Employees (1)	Percentage of Total City Employment (2)	Number of Employees (1)	Percentage of Total City Employment (2)
1	Long Beach Unified School District	11,334	4.83%	11,096	4.83%
2	City of Long Beach	5,758	2.45%	6,542	2.85%
3	Long Beach Memorial Medical Center	5,743	2.45%	4,400	1.91%
4	The Boeing Company	5,186	2.21%	10,500	4.57%
5	California State University Long Beach	3,527	1.50%	5,609	2.44%
6	Veteran Affairs Medical Center	2,200	0.94%	3,000	1.31%
7	Long Beach City College	1,785	0.76%	2,000	0.87%
8	California State Univ Long Beach Foundation	1,500	0.64%	1,600	0.70%
9	St. Mary Medical Center	1,432	0.61%	1,900	0.83%
10	United States Postal Service	1,306	0.56%	1,900	0.83%

Sources:

(1) Economic Research Group, Department of Development Services

(2) State of California Employment Development Department Labor Market Info for 2003 and 2012.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report

City of Long Beach
Full Time Equivalent City Government Employees by Function
Last Nine Fiscal Years

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legislative and Legal	140	139	143	148	144	138	138	133	130
General Government	469	433	447	451	522	506	483	438	424
Public Safety	2,121	2,125	2,143	2,127	2,120	2,022	1,927	1,826	1,796
Public Health	435	414	399	405	390	337	322	311	262
Community and Cultural	1,103	1,119	1,100	1,194	1,219	1,107	1,131	1,094	1,038
Public Works	370	375	373	373	298	326	321	336	287
Gas	177	169	178	181	185	181	178	195	194
Water	230	215	217	229	212	208	219	216	225
Airport	71	85	90	98	88	61	60	57	96
Solid Waste Management	125	134	143	135	184	209	200	205	189
Towing	45	42	38	42	38	35	32	34	29
Tideland Oil Revenue	38	35	34	35	34	31	22	22	19
Harbor	335	327	337	345	378	409	433	445	466
Total	5,659	5,612	5,642	5,763	5,812	5,570	5,466	5,312	5,155

Source: City of Long Beach, Department of Financial Management as of September 30, 2012

See accompanying independent auditors' report



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

Function	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Public Safety:					
Police priority one calls response time in minutes	N/A	N/A	N/A	4.5	4.3
Violent crime rate - per 1,000 residents	N/A	N/A	N/A	6.99	6.82
Fire on-scene arrival for emergency calls within six minutes	N/A	N/A	N/A	73.6%	73.9%
Public Health:					
Percentage of beach days that are safe for swimming in summer	N/A	N/A	N/A	94%	93%
Homeless population ratio vs. total population (1)	N/A	N/A	N/A	0.91%	0.93%
Community and Cultural					
Public library computer session log-ons	N/A	N/A	N/A	305,130	348,982
Parks, recreation programs - youth and teen attendance	N/A	N/A	N/A	647,705	646,035
Public Works:					
Number of trees trimmed	19,758	14,908	25,629	28,401	34,342
Curbs and alleys swept in miles	176,112	164,253	157,976	165,706	176,542
Sidewalk repaired in square feet	372,104	426,559	379,070	436,505	363,089
Storm drain catch basins cleaned	8,614	10,202	3,911	5,110	4,744
Gas:					
Gas consumption in sales dollars-total	\$ 69,592,000	\$ 79,665,000	\$ 91,575,000	\$ 100,336,000	\$ 92,323,000
Gas consumption in cubic feet (In 000's)	10,579,739	11,982,873	11,792,301	10,659,740	10,924,000
Average daily gas consumption (MCF)	28,986	32,830	32,308	30,186	29,928
Gas mains installed/replaced/relocated in feet (2)	70,750	14,838	60,460	83,086	80,096
Gas meters installed/removed/replaced	4,846	4,716	5,482	6,880	7,352
Water:					
Water daily demand in thousand gallons	60,308	63,331	53,118	59,317	60,969
Water annual demand in thousand gallons	22,012,177	23,115,870	19,388,070	21,650,844	22,253,636
Available supply total in thousand gallons	23,683,176	25,071,954	22,960,765	23,607,579	24,253,546
Sewer:					
Sewer mains cleaned in miles	341	437	338	474	361
Sewer mains and laterals repaired in number of jobs	97	316	246	296	270
Airport:					
Number of commercial passengers enplaned	1,386,078	1,479,623	1,520,918	1,412,636	1,446,120
Number of commercial passengers deplaned	1,371,173	1,462,348	1,506,953	1,402,379	1,434,463
Number of aircraft landings and take offs	339,370	343,993	344,377	360,811	399,622
Solid Waste Management:					
Number of refuse tons collected	233,787	224,331	225,467	216,725	199,995
Number of recycling tons collected	N/A	N/A	N/A	31,413	178,773
SERRF tons of refuse received	495,542	490,196	463,956	495,794	502,558
SERRF energy sold to So Cal Edison megawatt-hours	230,619	233,062	206,640	236,384	241,839
Harbor:					
Number of container movements in twenty-foot equivalent units	4,388,815	5,355,972	6,644,080	7,166,771	7,361,881
Cargo in thousands of metric revenue tons	118,236	138,023	158,136	168,416	173,037
Number of ship calls	4,937	4,997	5,301	5,588	5,653

Sources: City Departments.

(1) The homeless population count is biannual.

(2) "Gas mains installed/replaced/relocated in feet" were combined into one line in FY 2012. FY 2007, 2008, 2009, 2010, 2011 were overstated.

See accompanying independent auditors' report

Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Function
					Public Safety:
4.4	4.07	4.00	4.20	4.35	Police priority one calls response time in minutes
6.53	6.51	6.42	5.90	6.18	Violent crime rate - per 1,000 residents
71.6%	70.5%	67.7%	62.9%	60.8%	Fire on-scene arrival for emergency calls within six minutes
					Public Health:
87%	80%	83%	85%	91%	Percentage of beach days that are safe for swimming in summer
0.80%	0.80%	0.79%	0.93%	0.93%	Homeless population ratio vs. total population (1)
					Community and Cultural
437,211	420,100	385,514	330,375	331,028	Public library computer session log-ons
726,812	652,953	699,391	744,103	745,052	Parks, recreation programs - youth and teen attendance
					Public Works:
25,682	19,300	21,618	19,986	28,021	Number of trees trimmed
163,298	154,152	142,000	151,743	156,537	Curbs and alleys swept in miles
260,742	203,805	348,394	179,641	481,497	Sidewalk repaired in square feet
5,800	3,122	163,618	3,550	3,800	Storm drain catch basins cleaned
					Gas:
\$ 101,834,000	\$ 71,294,000	\$ 67,674,000	\$ 78,663,000	\$ 70,193,000	Gas consumption in sales dollars-total
10,122,000	9,137,000	8,902,000	9,388,000	9,135,000	Gas consumption in cubic feet (In 000's)
27,655	25,034	24,389	25,721	24,959	Average daily gas consumption (MCF)
69,026	91,217	61,855	66,567	84,594	Gas mains installed/replaced/relocated in feet (2)
7,416	7,290	8,713	7,150	8,664	Gas meters installed/removed/replaced
					Water:
55,302	50,688	50,653	50,910	52,260	Water daily demand in thousand gallons
20,185,133	18,501,135	18,488,492	18,581,979	19,074,861	Water annual demand in thousand gallons
22,346,927	20,523,106	20,687,237	20,604,243	21,330,532	Available supply total in thousand gallons
					Sewer:
365	424	547	470	414	Sewer mains cleaned in miles
278	215	182	259	261	Sewer mains and laterals repaired in number of jobs
					Airport:
1,439,598	1,466,499	1,460,041	1,532,442	1,643,383	Number of commercial passengers enplaned
1,438,407	1,464,412	1,461,890	1,549,164	1,634,345	Number of commercial passengers deplaned
354,727	302,672	317,328	302,763	287,699	Number of aircraft landings and take offs
					Solid Waste Management:
201,816	217,349	209,289	194,462	187,505	Number of refuse tons collected
195,291	197,104	193,820	180,160	172,143	Number of recycling tons collected
485,207	488,999	485,207	460,906	474,689	SERRF tons of refuse received
229,664	226,866	229,664	208,663	220,867	SERRF energy sold to So Cal Edison megawatt-hours
					Harbor:
6,736,756	5,282,385	5,936,066	6,298,840	5,857,218	Number of container movements in twenty-foot equivalent units
162,910	135,255	147,357	154,417	144,230	Cargo in thousands of metric revenue tons
5,140	4,933	4,826	4,758	4,158	Number of ship calls

See accompanying independent auditors' report

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

Function	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Public Safety:					
Number of police stations	1	1	1	1	1
Number of police substations (full facility)	2	2	2	2	3
Number of police storefront stations	4	4	4	4	4
Number of fire stations	24	23	23	23	23
Community and Cultural:					
Number of parks	103	103	108	115	116
Parks and golf courses in acres	2,814	2,814	2,817	2,855	2,873
Number of libraries	12	12	12	12	12
Number of library holdings (books, videos, tapes)	997,509	1,013,730	998,330	984,727	972,499
Number of library circulations	1,721,269	1,536,968	1,467,069	1,396,443	1,458,862
Public Works:					
Street in miles	815	815	815	815	815
Storm drain lines in miles	180	180	180	180	180
Number of street lights (1)	27,281	30,839	31,582	31,582	31,582
Gas:					
Gas mains in miles	920	920	922	922	921
Water:					
Water mains in miles	915	907	907	907	905
Number of fire hydrants	6,421	6,640	6,501	6,505	6,489
Number of water services	89,139	94,730	94,860	N/A	N/A
Sewer:					
Sanitary sewers in miles	765	712	712	712	711
Number of manholes	15,595	16,031	16,041	16,044	16,055
Sanitary sewer pump stations	27	28	28	28	28
Storm drain pump stations	23	23	23	23	23
Harbor:					
Sanitary sewer pump stations	N/A	N/A	N/A	N/A	N/A
Storm drain pump stations	N/A	N/A	N/A	N/A	N/A
Solid Waste Management:					
Number of waste-to-energy facilities	N/A	N/A	N/A	1	1

(1) In 2008 the number of street lights changed from 34,000 to 31,000 due to updated reports.

Sources: City Departments.

See accompanying independent auditors' report

Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Function
					Public Safety:
1	1	1	1	1	Number of police stations
3	3	3	3	3	Number of police substations (full facility)
4	3	3	3	-	Number of police storefront stations
23	23	23	23	23	Number of fire stations
					Community and Cultural:
150	155	159	160	162	Number of parks
3,061	3,063	3,120	3,120	3,124	Parks and golf courses in acres
12	12	12	12	12	Number of libraries
977,197	916,504	889,669	888,975	818,390	Number of library holdings (books, videos, tapes)
1,695,540	1,562,913	1,644,125	1,561,713	1,551,997	Number of library circulations
					Public Works:
815	815	2,533,794	823	823	Street in miles
181	181	180	180	180	Storm drain lines in miles
31,000	31,000	31,000	31,000	31,000	Number of street lights
					Gas:
920	918	921	931	937	Gas mains in miles
					Water:
904	908	909	911	911	Water mains in miles
6,507	6,525	6,529	6,603	6,594	Number of fire hydrants
95,432	95,424	95,398	95,629	95,643	Number of water services
					Sewer:
711	712	712	712	712	Sanitary sewers in miles
16,078	16,129	16,135	16,147	16,148	Number of manholes
28	28	28	28	28	Sanitary sewer pump stations
23	23	23	23	23	Storm drain pump stations
					Harbor:
N/A	32	34	36	34	Sanitary sewer pump stations
N/A	20	20	20	23	Storm drain pump stations
					Solid Waste Management:
1	1	1	1	1	Number of waste-to-energy facilities

See accompanying independent auditors' report



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