

City of Long Beach, California



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

Prepared by the Department of Financial Management
Lori Ann Farrell, Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT

PREPARED BY THE DEPARTMENT OF FINANCIAL MANAGEMENT

CITY OF LONG BEACH, CALIFORNIA

For the Fiscal Year Ended
September 30, 2007

Lori Ann Farrell
Director of Financial Management

David Nakamoto
Acting City Controller

Mary Williams
Accounting Operations Officer

Francine Wiegelman
Accounting Operations Officer

Sandra Jong
Accounting Operations Officer

Michael Carrigg
Senior Accountant

Cathy Pingol
Senior Accountant

Bart Ramos
Senior Accountant

Angie Tran
Accountant

Jim Sugita
Accountant

Lucy Hong
Accountant

Latrice Cooper
Executive Secretary



City of Long Beach
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2007

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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

June 24, 2008

Honorable Mayor and City Council
City of Long Beach

In accordance with Section 302(e) of the City Charter, submitted herewith is the Comprehensive Annual Financial Report (CAFR) for the City of Long Beach (City) for the fiscal year ended September 30, 2007. This report has been prepared by the Department of Financial Management in accordance with generally accepted accounting principles (GAAP) and was audited in accordance with generally accepted auditing standards and government auditing standards by a firm of licensed certified public accountants.

This report contains management's representations concerning the finances of the City, and management assumes full responsibility for the completeness and reliability of all of the information presented. To provide a reasonable basis for making these representations, management of the City of Long Beach has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. As the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements 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 and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended September 30, 2007 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Long Beach, incorporated in 1897, is the fifth largest City in the State of California, located within Los Angeles County in Southern California. The City occupies a land area of approximately 50 square miles and serves a population of 492,642.

The City operates under a City Charter first adopted in 1921. The City Charter establishes the current Mayor-Council-City Manager form of government. The City is divided into nine council districts, with Council members elected to represent their respective districts for up to two four-year terms. The citizens, as a whole, elect a Mayor to serve up to two, four-year terms. The citizens, as a whole, also elect a City Auditor, City Prosecutor and City Attorney to serve four-year terms; however, there are no term limits for these positions. The City Council and Mayor appoint a City Manager who serves at their discretion. The City Council is a policy-setting body that is responsible, among other things, for 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, Redevelopment Agency of the City of Long Beach, 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, engineering, public works, sanitation, 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 of California.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager must submit a proposed budget to the Mayor on or before 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 30, the close of the City's fiscal year. The budget must be approved by fund and department. The City Council adopted the fiscal year 2007 budget prior to September 30, 2006 for all funds except for expendable trust funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Facing New Challenges While Continuing to Make Progress

The economic uncertainties evident in the current national economy are impacting Long Beach and municipalities throughout California. A slowdown in the overall economy has negatively impacted sales tax growth and declining home values will reduce property tax revenue expectations for the foreseeable future. In spite of these daunting fiscal realities, the Mayor, City Council and City Manager are well positioned to face the City's economic realities and to take the necessary steps to preserve and protect the City's ongoing financial stability.

Between 2002 and 2006, a focused and carefully coordinated effort between government and the community successfully eliminated a structural deficit of \$102 million. The difficult but valuable lessons learned from that formidable task have promised to serve the City well as it takes on new and equally difficult challenges.

While estimates of the current state's deficit are close to \$20 billion increased community expectations and limited areas for cutbacks make the identification of potential budget reductions an acutely sensitive exercise, one that can only be facilitated by close cooperation among all participants.

Under the leadership of the Mayor, City Council, City Manager and involved citizenry achieving and maintaining ongoing fiscal solvency is not only attainable, but achievable.

Critical Infrastructure Needs Tempered by Limited Funding

The City's aging and deteriorating infrastructure continues to be a significant area of concern to both residents and City management. Long Beach was originally settled well over a century ago and the need to rehabilitate streets, sewers, sidewalks, storm drains and other critical infrastructure assets is of paramount concern. Indeed, even the Long Beach Civic Center itself has been identified as requiring costly seismic retrofitting to maintain the viability of the 1976 structure. It is clear that currently identified revenue streams will not be sufficient to meet the City's complex infrastructure needs in a timely manner. Therefore, new and creative options must be identified and implemented to ensure the city's diversified infrastructure base is repaired and maintained.

Continued Stimulation of Economic Growth

Long Beach is the 35th largest city in the United States, which makes it larger than Cleveland, Omaha, Miami, Minneapolis, Pittsburgh and Kansas City. As characterized by Mayor Bob Foster in his 2008 State of the City address, Long Beach has gone from being "... an industry town dependent on federal spending to a 21st century economy supported by international trade and the burgeoning creative class."

In 2007, downtown Long Beach was recognized as one of the "Top Ten Turnaround Downtowns" in the United States by the Urban Land Institute. Carefully planned and location appropriate redevelopment continues to be at the core of the resurgence of downtown Long Beach. As defined by the Long Beach Redevelopment Agency, successful redevelopment embodies four principal guidelines: involve the surrounding community, keep a long-term perspective, involve the right "human" resources to facilitate the process and meet goals, and find the right financial resources.

The revitalization that results from successful redevelopment stimulates the economy by creating new investments, new jobs and new opportunities for community stakeholders. One ambitious effort for which ground has recently been broken is the West Gateway project on the west side of downtown. The current phase will be the first of three mixed-use developments in an area that was once a blighted neighborhood of decaying residences and underutilized commercial structures. The three-block area from Maine Street to Chestnut between Broadway and 3rd will include a combination of market-rate apartments and for-sale condominiums in the Central and Downtown Redevelopment Project Areas.

It is important to note that while the subprime mortgage crisis and other economic factors have resulted in modestly lower property values in Long Beach, the reduction in most beach communities, as recently reported in the *Los Angeles Times*, is far less than in interior locales.

The desirability of beach-adjacent property is also expected to result in an earlier recovery than might be expected in other areas.

Creating a Sustainable City

Environmental issues continue to resonate with City residents and their elected representatives. Mayor Bob Foster and the City Council have expressed enthusiastic support for a variety of sustainability efforts. Among the significant achievements in the area of sustainability and environmental health were:

- The River Link Project connecting neighborhoods in the western end of the city with parklands adjacent to the Los Angeles River will become a reality thanks to the efforts of Los Angeles County Supervisor Don Knabe.
- Fifteen acres of open space were added to the urban core.
- The City Council voted to make Long Beach the first city to join both the Climate Registry and the California Climate Action Registry to track progress in reducing greenhouse gas emissions.
- Long Beach Transit now uses more hybrid buses than any other system its size in the country.
- Long Beach residents were asked to conserve water during a period of drought and the result was that with a population 35 percent larger than 25 years ago, the City used the same amount of water as it did then.
- Long Beach Airport will become the first “green” airport in the nation by utilizing solar power and emissions reductions programs for runway equipment and on-site vehicles.
- Long Beach became the first large California city to require major private development projects to be LEED certified by the Leadership in Energy and Environmental Design Green Building Rating System.

The Mayor’s Priorities For Long Beach

At the 2008, State of the City, Mayor Bob Foster highlighted his priorities for the coming year:

- The very first job of local government is public safety. As such, we are pleased to report that in 2007, Long Beach’s murder rate dropped to its lowest level since 1974.

- Achieving a structurally balanced budget through improved operations and focusing on core services.
- Providing greater economic opportunities for young people as evidenced in the creation of the Architecture, Construction and Engineering (ACE) academy.
- Fostering diversity and a culture of tolerance and understanding.
- Supporting efforts to clean up dirty diesel trucks at the Ports of Long Beach and Los Angeles.
- Creating a renewed focus on infrastructure priorities including streets and roads, sidewalks, health and safety facilities, environmental systems and public buildings.
- Encouraging City employees to be more “facilitators” and less “regulators.”

The Continued Importance of Convention Business and Tourism

With the support of the Long Beach Convention and Visitors Bureau, both tourism and convention business continues to stimulate the City’s economy. The number of total annual visitors to the City exceeds 6,000,000, with direct visitor spending accounting for almost \$350,000,000 annually.

As such two new hotels are under construction in downtown Long Beach ensuring that the City will be even more attractive to prospective conventioners in coming years. The City is proud to announce that it will host the annual Technology, Entertainment and Design Conference bringing thousands of the nations top “Thinkers and Doers” to Long Beach in 2009.

The Port of Long Beach

The Port of Long Beach and its adjacent neighbor, the Port of Los Angeles, continue to drive the local, state and national economies. In 2007, the Port handled over 87 million metric tons of cargo, an increase of almost 2.5% over 2006. Over 316,000 jobs (1 in 22) in the five-county Southern California region are directly related to the port, as are almost 1.4 million jobs throughout the nation.

Long Beach is the second busiest port in the United States and the 16th busiest container cargo port in the world. When combined, the ports of Long Beach and Los Angeles are the world’s fifth busiest port complex after Singapore, Shanghai, Hong Kong and Shenzhen (China).

In recognition of increasing environmental concerns, the Port of Long Beach has announced its intention to become the most environmentally friendly Port in the world. The Board of Harbor Commissioners has adopted a pioneering Green Port Policy, which sets the framework for the Port’s environmental protection efforts as well as its day-to-day operations. The overarching goals of the Green Port Policy are to protect wildlife habitats, improve air and water quality, ensure clean soil and undersea sediments and create a sustainable Port culture.

Port security is also a primary concern of government at all levels. In recognition of the need for ongoing vigilance, the Port of Long Beach has recently been awarded \$12.8 million by the U.S. Department of Homeland Security to fund critical communications and undersea surveillance systems. The Port is spending \$4.2 million of its own funds on these projects under the cost sharing required of these security grants. The funds were recently awarded as part of nearly \$142 million in the fifth and latest round of awards under the federal Port Security Grant Program.

Funds will also be used to support a new fiber optic data transfer and interoperability network that will allow the Port of Long Beach's security team to quickly exchange essential information including images from surveillance cameras with the Port of Los Angeles. Funds will also support fixed and mobile undersea surveillance systems.

The Long Beach Airport

In 2007, there were 14,191 airline landings at the facility, a 10.6% increase in landings over 2006. Passenger traffic for calendar year 2007 totaled 2,906,556, an increase of 5.4%. As the airport celebrates its 85th anniversary it remains a vital component of both economic stimulus and enhanced service for Long Beach residents and visitors alike. City management remains committed to maintaining the integrity of the City's noise ordinance, while also bringing airport facilities up to 21st century standards. Design plans for a new parking structure and terminal improvements are moving forward as planned.

Neighborhoods and Quality of Life

For years, the Department formerly known as the Planning and Building Department has helped to shape the places where people live, work, and play throughout the City. Now, the department has expanded to include the City's Redevelopment Agency, whose mission is to improve the quality of life of all Long Beach residents by removing blighted areas and revitalizing neighborhoods. To recognize this transition and reflect the dynamic and service-oriented nature of the department, a new name was adopted: Long Beach Development Services.

Long Beach Development Services will endeavor to work with the community to get the right development, in the right place, at the right time. In addition, a shared vision will be formulated for how Long Beach will look over the long term, with a goal toward building a sustainable and environmentally responsible city that sets the standard for other cities to follow.

The City of Long Beach is also committed to maintaining and improving the quality of life in its neighborhoods, commercial corridors and industrial areas. The Code Enforcement Division of the Community Development Department responds to complaints of violations of the Long Beach Municipal Code that include substandard buildings, property maintenance, inoperative vehicles and land use violations. The City of Long Beach is divided into four Code Enforcement areas that are aligned with the existing divisions of the Police Department (North, South, East and West). Each area is assigned a code enforcement team overseen by a Team Leader.

These teams work with individuals, neighborhood associations and local business groups to resolve code enforcement issues in the area. When violations are identified, the responsible parties are contacted and requested to abate the conditions. Failure to correct violations could result in a citation or a referral to the City Prosecutor's office. These efforts help to ensure that Long Beach continues to improve the quality of life of its residents and businesses.

Using Performance Management and Achieve Progress

Performance management makes local government work better and become more cost effective for its residents by establishing performance goals, measuring progress, and making strategic decisions based on specific desired outcomes. Long Beach's process is called "Focus on Results" and involves five steps:

Planning: establishing annual Strategic Business Plans that outline the objectives departments will accomplish annually.

Budgeting: targeting resources around clear and measurable results through the City's performance-based program budgeting process.

Measuring: tracking operational and financial performance on a monthly, quarterly and annual basis to measure progress toward accomplishing short and long-term goals.

Communicating: publishing a portfolio of performance reports for internal and external audiences, City Council, the community and city management.

Evaluating: analyzing performance information to make strategic operational, fiscal and policy decisions and set goals for the coming year.

In a time of economic contraction, the successful deployment of Performance Management will help Long Beach invest its limited resources in the programs that most effectively deliver essential and core services to the community it serves.

Cash Management Policies and Practices

To maintain flexibility in cash management, the City employs a pooled cash system (see Notes 2 and 4 to the Basic Financial Statements in the Financial Section). Under the City's pool, all available cash is invested daily in various securities, while maintaining reasonable liquidity to meet maturing obligations and maximizing returns through the use of competitive rate comparisons from various investment sources.

The City's pooled investments for fiscal year 2007 averaged \$1,567,095,000 and earned an annual average return of 4.66 percent, reflecting a 97 basis point increase over the prior year. The City's pooled investments averaged \$1,362,707,000 for fiscal year 2006 and earned an annual average return of 3.69 percent.

The rate of return demonstrates that the City maintained a reasonable and safe return on its investments during fiscal year 2007, while employing prudent investment policies to safeguard the City's cash assets and maintaining adequate levels of liquidity. The City's Department of Financial Management presents cash and investment reports to the City Manager, Investment Advisory Committee and City Council each quarter. The City Auditor also performs a quarterly independent audit of City cash accounts and investments for adherence to the City's Statement of Investment Policy. The City's general investment strategies are set forth in a formal Statement of Investment Policy,

which has been written in accordance with State law and is reviewed and approved annually by the City Council.

As of this writing, we are pleased to report that Standard and Poor's rating agency has rated the City's investment pool as AAA.

Risk Management

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

Debt Administration

During fiscal year 2007, the City and its agencies issued approximately \$78.3 million in debt as follows:

Fund / Agency	Amount (millions)	Purpose
General Fund	\$54.0	Tax Revenue Anticipation notes
Redevelopment Agency	<u>24.3</u>	Acquisition and development of parks and open spaces
	<u>\$78.3</u>	

Tax Revenue Anticipation Notes were issued in October 2006 to meet cash flow needs of the City's General Fund. 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 11 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 that complies with the new Governmental Accounting Standards Board (GASB) Statement No. 44.

Pension and Other Post Employment Benefits

The City provides full-time employees retirement and disability benefits, including annual cost-of-living adjustments and death benefits through the California Public Employees' Retirement System (CalPERS), agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. The contribution requirements to the pension plan are established and amended by CalPERS.

The City's funding policy is to make contributions as determined by CalPERS. Based on the latest actuarial valuations by CalPERS, the City contributed the employer portion of 12.012 percent and 16.563 percent of salary for miscellaneous and safety employees, respectively in fiscal year 2007. As of June 30, 2006, the miscellaneous employees' pension plan was funded at 95.0 percent and the safety employees' plan at 102.6 percent, compared to 95.4 percent and 103.0 percent, as of June 30, 2005, respectively for miscellaneous and safety.

The City provides Special Status Contractors, and Seasonal and Temporary employees retirement, death and disability benefits through a Public Agency Retirement System (PARS) defined benefit single employer retirement plan.

The PARS plan is administered through a third-party administrator. The City's funding policy is to make the contribution as determined by the PARS plan's actuary. The PARS plan was funded at 165 percent as of September 30, 2007 and the City contributed the full Annual Pension Cost of \$92,546 based on the actuarial valuation for September 30, 2007.

The City also 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, 2007, there were 693 participants in this program at a cost of \$5,503,000 during the fiscal year. Consistent with Governmental Accounting Standards Board (GASB) No. 45 requirements, the City has hired an independent actuarial firm to analyze and calculate the City's unfunded accrued actuarial liability for these other post employment benefits. The results of this study have been presented to the City Council's Budget Oversight Committee in preparation for implementing GASB 45 in fiscal year 2008.

Additional information on the pension arrangements and post employment health-care benefits can be found in Notes 12 and 13, 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, 2007. The Independent Auditors' report has been included in this report.

Acknowledgments

We wish to acknowledge the excellent 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 Comprehensive Annual Financial Report is most appreciated.

Respectfully submitted,



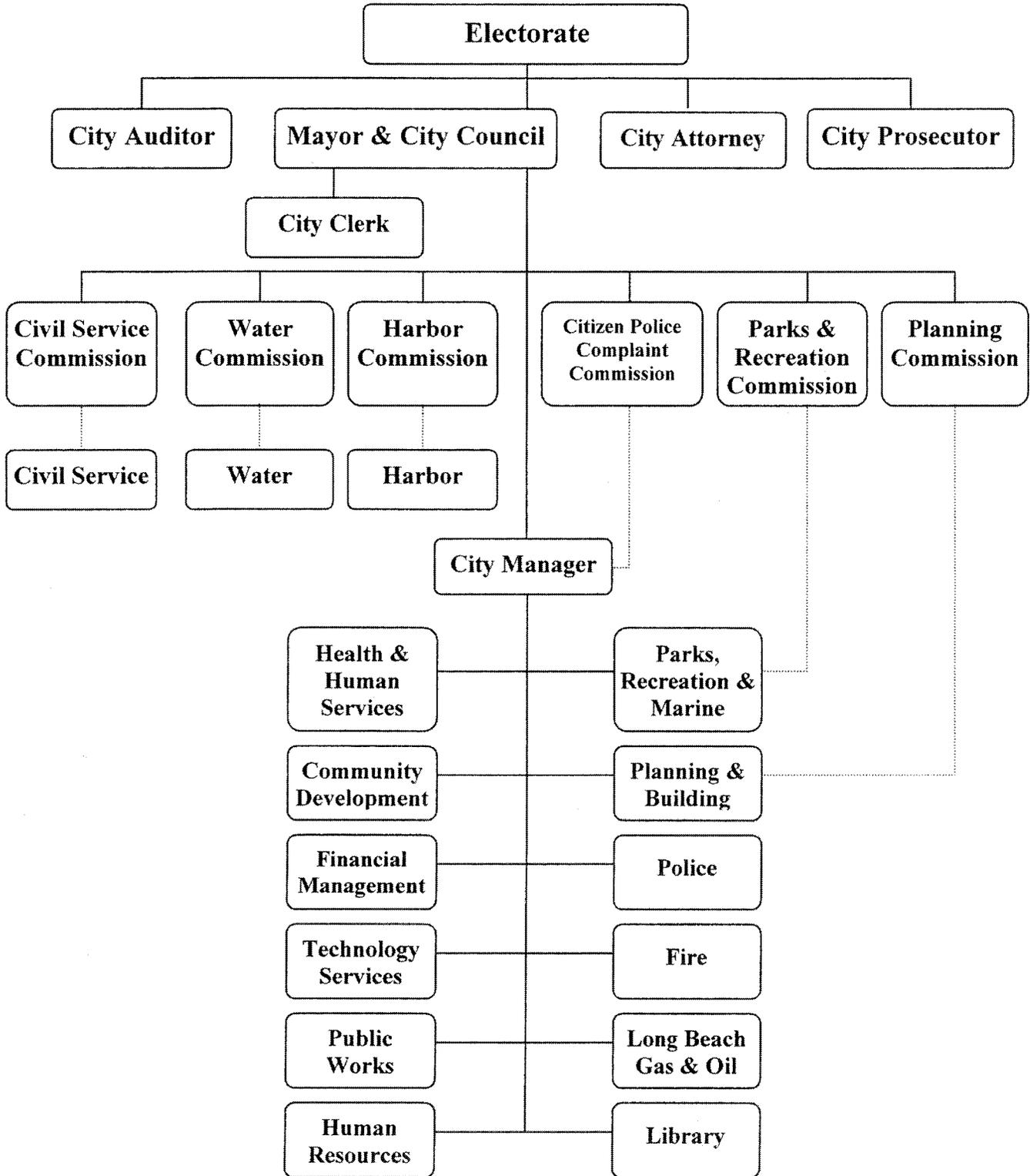
PATRICK H. WEST
CITY MANAGER



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT

LONG BEACH CITY GOVERNMENT ORGANIZATIONAL CHART

As of September 30, 2007



Current
Directory of City Officials *

Bob Foster
Mayor

Bonnie Lowenthal
Vice-Mayor
1st District

Suja Lowenthal
Councilmember
2nd District

Dee Andrews
Councilmember
6th District

Gary DeLong
Councilmember
3rd District

Tonia Reyes Uranga
Councilmember
7th District

Patrick O'Donnell
Councilmember
4th District

Rae Gabelich
Councilwoman
8th District

Gerrie Schipske
Councilmember
5th District

Val Lerch
Councilmember
9th District

Elected Department Heads

City Attorney
City Auditor
City Prosecutor

Robert E. Shannon
Laura Doud
Thomas M. Reeves

Appointed by Council or Commission

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

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

City Manager
Patrick H. West

Assistant City Manager
Suzanne Frick

Deputy City Manager
Reginald I. Harrison

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

Dennis Thys
Lori Ann Farrell
Ronald Arias
Suzanne R. Mason
Eleanore Schmidt
Christopher J. Garner
Phil T. Hester
Craig Beck
Michael P. Conway
Curtis Tani
David W. Ellis
Anthony W. Batts

* City Officials as of date of printing

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KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

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, 2007, 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 relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor.

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 and the report of the other auditors provide 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 unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Housing Development Fund, and the Community Development Grants Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2008 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.

The management's discussion and analysis on pages 3 through 25 and the schedule of the City's pension plans funding progress on pages 130 and 131 are not a required part of the basic financial statements, but are supplementary information required by the U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

June 25, 2008

Management's Discussion and Analysis

As management of the City of Long Beach (the City), we present to readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. We encourage readers to consider this information in conjunction with additional information included in our letter of transmittal.

Financial Highlights

Government-wide Basis:

- The assets of the City exceeded its liabilities as of September 30, 2007 by \$3.7 billion (*net assets*). Of this amount, \$1.1 billion may be used to meet the government's ongoing General Fund, grant, capital project and business-type activity obligations to citizens and creditors; however, expenditure restrictions apply to the grant funds and much of the Business-type and capital project funds.
- The City's total net assets increased by \$256.3 million, reflecting a \$190.8 million increase in net assets for Business-type activities and a \$65.5 million increase in net assets for Governmental activities.
- The City's total net long-term liabilities, including such items as bonds, notes and leases payable, accrued self-insured claims and retiree benefits, increased by \$47.4 million or 1.8 percent during the fiscal year. The City entered into one new bond issue, issued commercial paper, received one note draw and entered into seven capital leases in fiscal year 2007. In addition, governmental activities accrued self-insured claims decreased by a net \$4.0 million, composed of a decrease in general liability claims of \$6.1 million, offset by an increase in workers compensation claims of \$2.1 million. This net decrease was slightly negated by a \$1.3 million increase in retiree health care costs. Accrued liabilities increased in the business-type activities for estimated oil field abandonment costs, environmental remediation in the harbor area and site restoration costs for the desalination prototype facility, by \$8.6 million, \$47.7 million and \$400,000, respectively.

Fund Basis:

- As of September 30, 2007, unreserved fund balance for the General Fund was \$30.0 million, or 8.0 percent of total General Fund expenditures. Designated General Fund reserves of \$34.1 million, coupled with a \$2.5 million general purpose reserve allowed by the City Charter and listed under undesignated comprise the Emergency Reserve. The general purpose reserve is offset by a long-term advance of \$7.6 million from the Subsidence Fund allowed under State legislation.
- As of September 30, 2007, the City's governmental funds reported an unreserved fund balance of \$13.4 million. The governmental funds, excluding the General Fund, reported combined unreserved deficit fund balances of \$16.6 million. This consists of a \$150.8 million deficit in the Redevelopment Capital Projects Fund for long-term advances due to other funds and \$6.7 million in advances to special revenue funds, offset by \$140.9 million in fund balances designated for subsequent years' appropriations. The long-term advances will be repaid with future property tax increment and grant funds when received.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

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

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

Government-Wide Financial Analysis

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

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of changes in a government’s financial position. In the City of Long Beach, assets exceeded liabilities by \$3.7 billion at the close of fiscal year 2007, up \$256.3 million from fiscal year 2006.

Net Assets
September 30, 2007 and 2006
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and Other Assets	\$ 926,263	\$ 821,771	\$ 1,932,226	\$ 1,782,113	\$ 2,858,489	\$ 2,603,884
Capital Assets	740,059	721,567	3,141,750	3,061,704	3,881,809	3,783,271
Total Assets	1,666,322	1,543,338	5,073,976	4,843,817	6,740,298	6,387,155
Liabilities:						
Current Liabilities	219,052	169,520	323,810	225,443	542,862	394,963
Noncurrent Liabilities, Net	782,835	774,874	1,729,994	1,788,993	2,512,829	2,563,867
Total Liabilities	1,001,887	944,394	2,053,804	2,014,436	3,055,691	2,958,830
Net Assets:						
Invested in Capital Assets, Net of Related Debt	215,097	209,230	1,684,580	1,572,117	1,899,677	1,781,347
Restricted	291,468	303,636	366,018	361,166	657,486	664,802
Unrestricted	157,870	86,078	969,574	896,098	1,127,444	982,176
Total Net Assets	\$ 664,435	\$ 598,944	\$ 3,020,172	\$ 2,829,381	\$ 3,684,607	\$ 3,428,325

The largest portion of the City’s net assets (51.6 percent) reflects its investment of \$1.9 billion in capital assets (for example, land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to fund these liabilities.

An additional portion of the City’s net assets, \$657.5 million (17.8 percent) represent resources that are subject to external restrictions on how they may be used. The restricted

assets consist of 30.2 percent for debt repayment, 26.3 percent for capital projects, and 15.0 percent for grant funds with the balance related to various City special revenue and permanent funds, and a commitment by the Port of Long Beach's Harbor Fund for the Alameda Corridor. The remaining balance of *unrestricted net assets* in all City funds of \$1.1 billion may be used to meet the government's ongoing obligations to citizens and creditors; however, specific expenditure restrictions apply to the grant funds, and much of the business-type and capital project funds.

As of September 30, 2007, the City is able to report positive balances in all three categories of net assets, for both governmental and business-type activities. The governmental activities net asset increase of \$65.5 million consists of a \$71.8 million increase in unrestricted net assets primarily due to growth in designated equity for land held for resale and other non current receivables in the Housing Development and Redevelopment Capital Projects Funds and a \$5.9 million increase in invested in capital assets, net of related debt, offset by a \$12.2 million decrease in restricted net assets. Business-type activities net increase of \$190.8 million augmented all three equity classifications with increases of \$112.5 million, \$4.9 million and \$73.5 million in invested in capital assets, net of related debt and restricted and unrestricted net assets, respectively.

Analysis of Changes in Net Assets

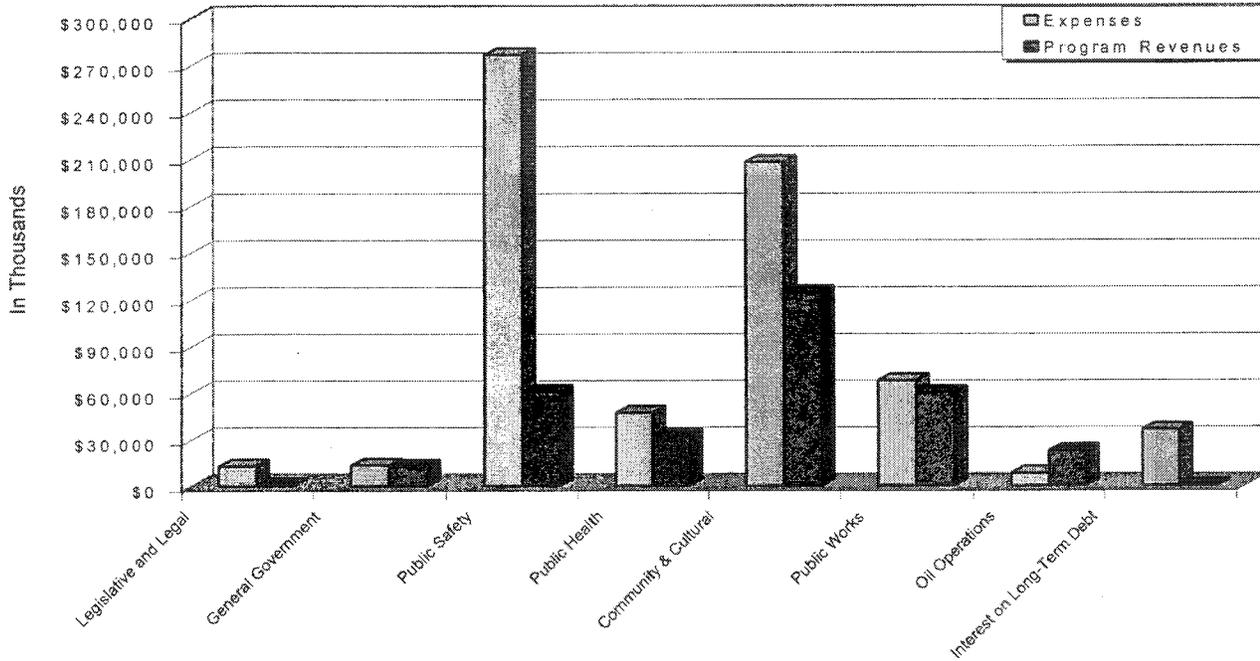
The City's net assets increased \$256.3 million in the fiscal year ended September 30, 2007. The increase is the result of business-type activities of \$190.8 million (which includes Harbor activities of \$160.6 million) and governmental activities of \$65.5 million and consists of program revenues, general revenues and transfers of \$313.5 million, \$393.2 million and \$28.4 million, respectively, reduced by program expenses of \$669.6 million. Specific factors that resulted in the change of net assets are discussed on the following pages.

Changes in Net Assets
September 30, 2007 and 2006
(In Thousands)

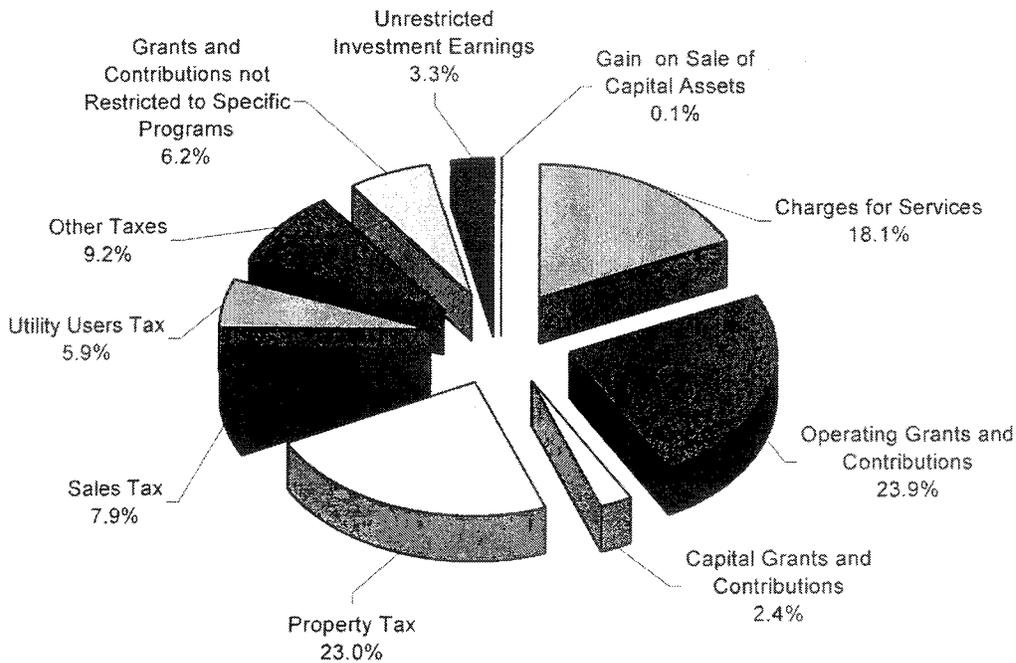
	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenues:				
Program Revenues:				
Charges for Services	\$ 127,415	\$ 127,301	\$ 978,076	\$ 1,000,573
Operating Grants and Contributions	169,190	166,426	2,116	1,184
Capital Grants and Contributions	16,908	13,726	24,580	8,947
General Revenues:				
Taxes:				
Property	162,342	141,335	-	-
Sales	55,848	51,557	-	-
Utility Users	41,694	40,637	-	-
Other	65,206	58,291	-	-
Grants and Contributions Not Restricted to Specific Programs	44,086	115,668	-	-
Unrestricted Investment Earnings	23,374	23,520	62,329	42,021
Gain on Sale of Capital Assets	649	806	-	-
Total Revenues	706,712	739,267	1,067,101	1,052,725
Expenses:				
Legislative and Legal	12,911	12,003	-	-
General Government	13,376	11,086	-	-
Public Safety	276,391	255,188	-	-
Public Health	47,189	44,024	-	-
Community & Cultural	207,566	189,430	-	-
Public Works	67,794	55,009	-	-
Oil Operations	8,175	7,192	-	-
Interest on Long-Term Debt	36,187	34,554	-	-
Gas	-	-	94,057	100,098
Water	-	-	68,704	62,693
Sewer	-	-	11,486	7,623
Airport	-	-	27,994	24,816
Solid Waste Management	-	-	78,305	73,686
Towing	-	-	8,838	8,520
Tidelands	-	-	111,156	105,647
Tideland Oil Revenue	-	-	199,542	264,355
Subsidence	-	-	-	4,061
Harbor	-	-	247,860	215,741
Total Expenses	669,589	608,486	847,942	867,240
Increase (Decrease) in Net Assets before Transfers	37,123	130,781	219,159	185,485
Capital Assets Transfers	(257)	-	257	-
Transfers	28,625	13,056	(28,625)	(13,056)
Change in Net Assets	65,491	143,837	190,791	172,429
Net Assets - October 1	598,944	455,107	2,829,381	2,656,952
Net Assets - September 30	\$ 664,435	\$ 598,944	\$ 3,020,172	\$ 2,829,381

Governmental Activities Year Ended September 30, 2007

Program Expenses and Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. The charts on the previous page illustrate program expenses and revenues by function, and revenues by source. Public Safety is the largest function at 41.3 percent of total governmental expense, followed by Community and Cultural at 31.0 percent, Public Works at 10.1 percent and Public Health at 7.0 percent. Property, sales and other taxes are general revenues used to support overall government functions; therefore, these are not shown as program revenues. Operating grants and contributions comprise 23.9 percent, charges for services 18.1 percent and property tax 23.0 percent of governmental revenue.

Governmental activities increased the City's net assets by \$65.5 million, a decrease of \$78.3 from fiscal year 2006 net asset increase of \$143.8 million. This decrease is mainly due to capitalized easements and rights-of-way in fiscal year 2006. The City's general revenues other than grants and contributions not restricted to a specific programs and operating transfer increased \$33.0 million or 10.4 percent. Program revenues increased \$6.1 million or 2.0 percent offset by an increase in governmental activities expense of \$61.1 million or 10.0 percent generating a greater reliance on general revenue. Key factors include the following:

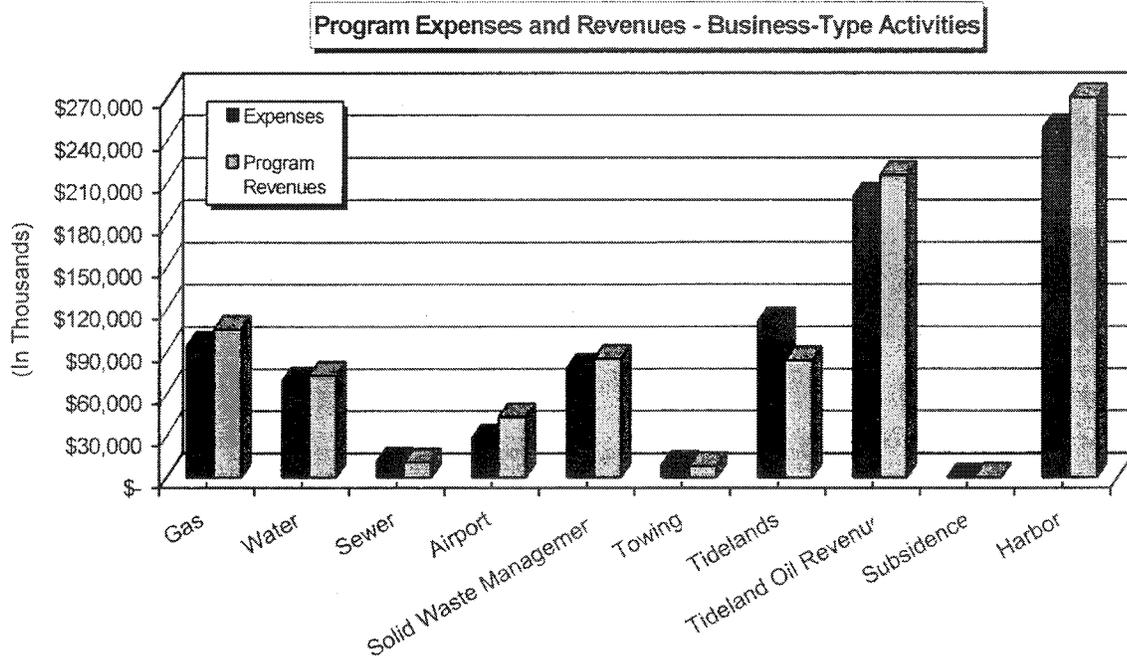
- Property tax, including redevelopment property tax increment, increased \$21.0 million or 14.9 percent with uniform percentage increases in the General, Redevelopment and Housing Development Funds, of \$9.0 million, \$9.6 million and \$2.4 million, respectively. Property values per the Los Angeles County Assessor continue to increase in fiscal year 2008. Mortgage foreclosures within the City are following County trends and are significant. The City expects growth to dissipate in fiscal year 2009 signaling the onset of a turnaround in the real estate boom.
- Sales tax revenue increased by \$4.3 million or 8.3 percent, due to a higher wages and increased spending in the Greater Long Beach area.
- Utility users' tax experienced its second consecutive year of growth in six years with an increase of \$1.1 million or 2.6 percent and is attributed to a increased electricity usage due to unseasonably warm whether.
- Other tax revenue increased \$6.9 million or 11.9 percent and is primarily composed of pipeline fees, transient occupancy taxes, business license taxes and real estate property transfer tax revenue. Transient occupancy taxes increased due to increased hotel occupancy and room rates in fiscal year 2007. The average occupancy was 78.3 percent in fiscal year 2007, compared to 77.2 percent in fiscal year 2006. Business license increased due to field operations identifying unlicensed business and auditing current licenses to ensure reporting accuracy. This effort was coupled with a 3 percent consumer price index increase in July 2007. In addition, the City received \$3.8 million of annual pipeline permit fee revenue on sewer main lines. This assessment was effective October 1, 2006.
- Overall charges for services remained relatively flat, reflecting a net increase of \$114,000 or 0.1 percent, reflecting:
 - Legislative and legal charges for service decreased \$1.1 million primarily due to cost reimbursement for biannual election services rendered in fiscal year 2006.

- Public safety showed a slight decrease of \$904,000 reflecting a decrease in fire revenue offset by an increase in police. Fire department charges for services decreased \$3.5 million due to direct billing of the Airport for services within the airport area to eliminate double budgeting and align services with the function they support. Police department charges for services increased \$2.7 million primarily due to greater asset forfeiture revenue, parking citation enforcement and increased cost recovery for police services.
- Oil operations revenue in the City's Uplands oil extraction area increased 1.1 million or 5.27 percent due to the collection of administration fees as a result of more drilling and maintenance work done in the oil fields stimulated by higher oil prices in fiscal year 2007. In addition, the Belmont field produced 65,356 barrels of oil in fiscal year 2007 compared to 45,002 in fiscal year 2006.
- General government, public health, and community and cultural experienced minimal increases in charges for service in fiscal year 2007 offset by a slight decrease in Public works.
- Operating grants and contributions increased by \$2.8 million or 1.7 percent reflecting:
 - Legislative and legal operating grants and contributions increased \$444,000 from reimbursement of state mandated costs for absentee ballots.
 - Public works' operating grants and contributions increased \$724,000 due to an increase in gasoline sales tax (Assembly Bill 2928) of \$2.6 million offset by reduced state and federal operating grants, including a reduction in Safe, Accountable, Flexible, Efficient Transportation Act revenue. In fiscal year 2006 the City of Long Beach started to receive Assembly Bill 2928 funding after not receiving since fiscal year 2004. The City also received a \$3.6 million "payback" for fiscal year 2004 and 2005 in August of 2006. The increase in revenue of \$2.6 million is a result of revenue recognition for the repair and maintenance projects paid by these funds.
 - Public safety operating grants and contributions decreased slightly by \$648,000 primarily in the Police Department due a decrease in state grant funded expenditures for front line law enforcement. This grant is funding fiscal year 2008 purchases of bulletproof vests, tasers and other safety equipment.
 - Public health operating grants increased by \$1.9 million due to increased grant funding for various public health services including lead based paint hazard control and AIDS early intervention and educational programs.
 - Community and cultural operating grants increased by \$1.0 million primarily due to library donations and after school educational safety programs.
- Governmental activities expenses increased \$61.1 million or 10.0 percent in fiscal year 2007. Details include:
 - Public safety expenses increased \$21.2 million mainly due to police department expenditures. This increase is accredited to a greater police presence throughout the City of Long Beach together with sworn wage adjustments including longevity

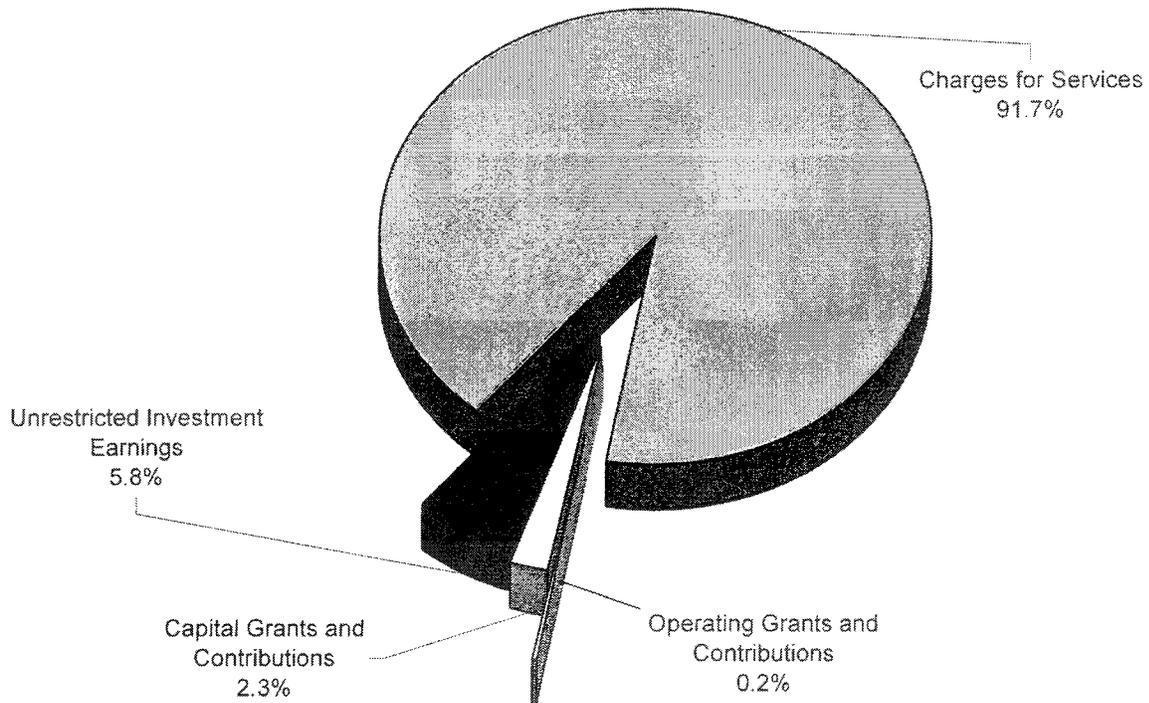
pay incentives to retain qualified experienced police officers and command staff. In addition, Police expenditures grew by \$5.6 million primarily due to a greater apportionment of general liability estimated losses.

- Community and cultural expenses increased by \$18.1 million or 9.6 percent, and is composed of community development, library, parks and recreation and community planning increases of \$11.1 million, \$2.6 million, \$3.0, and \$1.4 million, respectively. The majority of the increase in community development is due to a loss on land held for resale in the redevelopment area of \$9.2 million. Other increases reflect the restoration of library hours to fiscal year 2003 service levels and additional parks ground maintenance expense, including tree trimming. In addition, parks and recreation had a \$1.5 million increase in water utility payments. Before fiscal year 2007 the City parks enjoyed free potable and reclaimed water from the City Water Department. To promote conservation this program was discontinued in fiscal year 2007.
- Public works' expense increased \$12.8 million or 23.2 percent and is attributed to large repair and maintenance projects for streets, storm drains and critical facilities to preserve the city's core infrastructure and assets. Some of these projects were capitalized as construction in progress in fiscal 2006 and expensed in fiscal year 2007.
- Public health expenses increased by \$3.2 due to salaries, benefits and contract services, many of which were grant funded.
- General government expenses increased \$2.3 million in fiscal year 2007 due to benefits and salary adjustments and outside contracting for financial and operational auditing services.
- The increase of \$1.6 million in interest on debt is the result of the issuance of tax anticipation notes in fiscal year 2007 to offset timing differences between the City's cash in flow and out flow streams. The City did not issue these notes in fiscal year 2006.

Business-Type Activities Year Ended September 30, 2007



Revenue by Source - Business-type Activities Year Ended September 30, 2007



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

Business-type activities increased the City's overall net assets by \$190.8 million, accounting for 74.4 percent of the total growth in net assets. The fiscal year 2007 increase in business-type net assets is \$18.4 million more than the 2006 fiscal year increase of \$172.4 million. Key elements of the increase in fiscal year 2007 are:

- The Port of Long Beach's net assets, which are included in the City's Harbor Fund, increased by \$160.6 million. This increase was due to net income from operations of \$190.8 million and capital grant revenue of \$10.0 million offset by net non-operating expenses of \$24.8 million and a transfer out of \$15.4 million to the Tidelands Fund. The net non-operating expenses were mainly the result of \$21.1 million loss in oil operation, \$53.1 million of interest expense, offset by interest earnings of \$43.4 million and other income of \$6.0 million. The Port's operating income decreased \$1.5 million, or 0.8 percent from last year, and is attributed to an increase in operating expense due to the ongoing implementation of the Green Port policy, which encompasses programs such as the Clean Air Action Plan. The Port's loss in oil operations, included in non-operating, is a \$27.2 million decrease from the \$6.1 million of income in fiscal year 2006. This expense is the result of recognition of a \$47.7 million liability for environmental remediation on Pier A West, offset by net income of \$26.6 million.
- The Tidelands Fund's net assets decreased by \$10.5 million; the net result of net operating transfers of \$12.2 million offset by a combined operating and non-operating loss of \$22.7 million. Tidelands operating revenue increased \$10.7 million or 14.8 percent from fiscal year 2006 and is due to increased charges for services, of which \$5.8 million is a result of the collection of past and current lease revenue for the Queen Mary and surrounding adjacent areas as part of a bankruptcy settlement. The remaining increase in charges for services is primarily attributed to other rental and concessions revenue of \$1.7 million and marina slips fees of \$1.3 million. The Tidelands Fund operating revenue increase is offset by a \$5.8 million escalation of operating expense consisting of enhanced public safety as well as operational and maintenance costs at beaches and marinas.
- The Tideland Oil Revenue Fund net assets increased \$4.4 million due to net operating and non-operating income of \$15.2 million reduced by a \$10.8 million operating transfer to the Tidelands Fund under a revenue sharing agreement for the optimized water flood program.
- The Water Fund net assets increased \$4.5 million due to net operating income of \$3.3 million and capital contributions of \$2.5 million offset by non-operating expense of \$1.4 million. Operating revenue increased \$4.2 million due to a 3 percent general rate increase together with the termination of a long-standing agreement with the City in which General Fund departments were not charged for portable and reclaimed water usage.

- The Solid Waste Management Fund increased net assets by \$6.7 million, consisting of net operating and non non-operating income of \$8.0 million, and \$1.9 million, respectively, less operating transfers of \$3.2 million. Operating revenue increased \$3.2 million, a 4.1 percent increase from the prior year and consists of \$1.4 million increase in Southeast Resource Recovery Facility (SERRF- a Refuse to Energy Facility) revenue and \$1.8 million in refuse charges. SERRF received 6,765 more tons of rubbish in fiscal year 2007 than in 2006 resulting in an approximately \$300,000 more in revenue. The balance is due to increases in contracted waste rates and general hauler fees. Contract rates increased by a Consumer Price index (CPI) of 2.7 percent in July 2007; and hauler rates, as determined by the Los Angeles Sanitation District, increased 7 percent in January 2007. In addition, refuse collection and recycling charges increased as a result of a 5 percent CPI increase, which went into, effect October 1, 2006. In addition, operating expense increased \$3.8 million primarily due to increased facility operations, maintenance and personnel costs.
- The Gas Fund net assets increased \$759,000 due to \$11.4 million from net operating income, \$762,000 in net non-operating income, less \$11.4 million in operating transfers to the General Fund. Operating income decreased by \$1.1 million from the prior year; with a decline in both revenue and expense of \$7.8 million (or 7.3 percent) and \$6.7 million (or 6.7 percent), respectively. Both volume and average price reductions resulted in a natural gas sales decrease of about 8.0 percent, encompassing a residential gas sales decrease of 7.6 percent and a commercial and industrial gas sales decrease of 9.9 percent. The change in operating expense is primarily attributed to a decrease in natural gas purchases.
- The \$22.7 million increase in non-major business-type activities net assets includes the Airport and Subsidence Fund net assets increase of \$16.1 and \$7.6 million, respectively. The Airport net assets increase is primarily due to federal administration grant reimbursement for runway enhancements and rescue and fire fighting equipment. The Subsidence Fund net assets increase includes an increase in interest income. Other non-major enterprise funds reflected minimal changes in operations.

Government Funds Financial Analysis

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

Governmental funds

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

At September 30, 2007, the City's governmental funds reported a combined ending fund balance of \$517.1 million, a net increase of \$55.9 million over the prior year. This change is primarily the result of increases in the fund balances of the Housing Development, General Capital projects and other governmental funds. Governmental funds assets increased by \$112.5 million or 14.4 percent, primarily due to growth in pooled cash and cash equivalents, accumulated for repayment of tax anticipation notes, and land held for resale.

Of the total fund balance, the net unreserved fund balance is \$13.3 million. This is a \$22.2 million turnaround from fiscal year 2006's net unreserved fund deficit of \$8.9 million and is attributed to designations for capital projects. The unreserved General Fund ending fund balance at September 30, 2007 totaled a net \$30.0 million representing Emergency Reserves of \$34.1 million and a designation for subsequent years' appropriations of \$983,000, offset by undesignated fund deficit of \$5.1 million inclusive of long-term advances of \$7.6 million from the Subsidence Fund. All other governmental funds reported positive unreserved fund balance aggregating \$101.5 million, with the exception of the Redevelopment Capital Projects Fund reporting a net unreserved fund balance deficit of \$118.1 million containing an unreserved, undesignated, deficit of \$150.8 million for advances from the General Fund. These advances will be repaid from future property tax increment revenue.

The *reserved* fund balance classification indicates funds committed for: (a) long-term advances to other funds (\$152.8 million) that are not available to spend; (b) reserves for land held for resale (\$160.3 million) that are not available to spend; (c) asset seizure funds restricted by law (\$2.2 million); (d) commitments for contracts and purchase orders (\$8.9 million); (e) City Charter requirements to maintain a \$1.5 million cash balance reserve; (f) future capital projects and special programs (\$110.1 million); (g) required bond reserves to pay debt service (\$64.8 million); and (h) other restricted purposes including a reserve for estimated oil field abandonment (\$3.1 million).

Since the implementation of GASB 34 in 2002, long-term advances due from other funds have been recorded as fund balance reserved for non-current receivables. The long-term advances due from other funds (e.g. loan to the Redevelopment Agency) have no specified repayment date; therefore, the General Fund reserved fund balance in the amount of \$103.0 million is not available. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The total unreserved fund balance of \$30.0 million, including emergency reserves of \$34.1 million, represents 8.0 percent of total General Fund expenditures of \$376.0 million.

The General Fund's fund balance decreased by \$3.2 million during fiscal year 2007, creating a greater reliance on prior equity of \$431,000 when compared to fiscal year's 2006 decrease of \$2.8 million. This \$431,000 decrease is composed of a decline in other financing sources of \$1.7 million and greater outlays in current expenditures and debt service of \$13.0 million and \$3.5 million, respectively, offset by an increase in revenue of \$17.7 million. Factors affecting fiscal year 2007 include the following:

- Tax revenue increased \$19.3 million with an increase in property, sales, utility users and other taxes of \$9.4 million, \$4.2 million, \$1.0 million and \$ 4.7 million, respectively.
- Licenses and permits decreased \$10.4 million due to the transfer of development services from the General Fund to a newly created special revenue fund. The Development Services Fund allows greater visibility for the collection of building, zoning and plan check permits and impact fees and associated expenses to support.
- Charges for services decrease of \$3.5 million is primarily due to the decision to direct charge the Airport Fund for fire services and the transfer of development services from the General Fund to a special revenue fund.
- Revenue from other agencies increased by a net \$5.9 million primarily due to an increase in Property Tax in-lieu-of Vehicle License Fee revenue.
- Fines and forfeitures increased \$1.3 million, primarily due to greater enforcement of parking violations.
- Use of money and property increased by \$4.2 million mainly due to pooled cash interest and investment income. This is attributed to higher cash balances from the issuance of tax anticipation notes in fiscal year 2007, which did not occur in fiscal year 2006, and an increase in the annual average return from 3.69 percent in fiscal year 2006 to 4.66 percent in fiscal year 2007.
- Other financing sources decreased by \$1.7 million primarily due to an increase of transfers out to other funds.
- Current expenditures increased \$12.9 million or 3.7 percent from the prior year with a \$15.2 million or 9.3 percent increase in police expenditures included in public safety functional expense offset by various other governmental service decreases, including a decrease in fire expenditures for direct billing to the Airport Fund.
- Debt Service increased \$3.5 million due to new debt issuance for parks and open space bonds, capital leases for software, equipment and vehicles and tax anticipation notes.

Other notable changes in major governmental funds include the following:

- General Capital Projects Fund's net assets increased \$22.2 million mostly due to parks and open space bond proceeds.
- Redevelopment Capital Projects increased net assets by \$1.4 million and consists of increased incremental property tax revenue offset by a loss for land held for resale and net transfers out to the Housing Development Fund.

- The Housing Development Fund increased net assets by \$22.8 million primarily by incremental property tax revenue, twenty percent set aside, and net transfers in from the Redevelopment Fund.

Enterprise Funds

The enterprise funds' total net assets at September 30, 2007 totaled \$3.0 billion. Total unrestricted net assets amounted to \$982.6 million, before the internal service fund activities allocation. The total growth in net assets was \$190.8 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, Tideland Oil Revenue and Harbor Funds reported unrestricted net assets of \$14.1 million, \$46.5 million and \$826.9 million, respectively. The Gas, Water and Solid Waste Management funds reported unrestricted net assets of \$8.5 million, \$8.4 million and \$62.6 million, respectively. The Solid Waste Management Fund reported a deficit investment in Capital Assets net of Related Debt due to the 1995 refunding bond issue that extended the original repayment terms for the debt. Other business-type funds reported unrestricted net assets of \$15.5 million.

Internal Service Funds

The internal service funds, which are used to finance and account for goods and services provided internally among City departments, had a deficit in unrestricted net assets of \$131.1 million at September 30, 2007. This deficit is in the Insurance and Employee Benefit Internal Service Funds, which have always been accounted for on a pay-as-you-go basis and therefore are not fully funded for long-term liabilities. City management believes the cash position of each fund is sufficient to cover the current costs related to health insurance, worker's compensation, and general liability claims and operating costs. In light of GASB 45 – Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, which becomes effective in fiscal year 2008, City's management is exploring different funding options including adjustments to billings to City departments to start funding the implicit rate subsidy for post-employment health care that will be recognized under GASB 45. Upon retirement, employees can continue health care coverage at a blended rate for all city employees, active and inactive. The difference between the value of health care coverage based on participates age and the charge to retirees creates an implicit rate subsidy liability for the City.

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, with net assets of \$885,000 and \$106,000, respectively, at September 30, 2007.

Budgetary Highlights

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

General Fund

General Fund final appropriations for revenues and expenditures reflected a net increase from the original adopted budget of \$7.1 million for fiscal year ended September 30, 2007. \$9.4 million of this supplement increased personnel costs in the police department. The department achieved full staffing in fiscal year 2007 as a result of the City's proactive steps to fill vacant positions by running larger and more frequent academies and offering longevity pay for 10 and 15 or more years of service to minimize attrition of experienced sworn personnel. This appropriation adjustment was mitigated by a net increase in operating transfers.

The General Fund reflects a net positive ending fund balance variance of \$3.9 million on a budgetary basis, which consists of an unfavorable variance in revenue of \$11.1 million, offset by favorable expenditures and other financing sources of \$3.0 million and \$12.0 million, respectively.

General Fund actual revenues were below budget due to unfavorable variances in all tax revenue aggregating \$6.1 million, combined with an unfavorable variance in other revenue of \$7.7 million offset by actual revenue achieving higher than expected results in use of money and property. Property tax was slightly less than budgeted by \$1.8 million and is attributed to the effects of roll correction, refunds, delinquencies and increased administrative costs. Sales tax actual revenue was \$1.7 million less than the final projection of \$55.0 million, primarily due a slower economy than forecasted. In addition the City did not receive two quarters of revenue from a major sales tax producer totaling approximately \$400,000 due to a pending appeal of a related sales tax ruling. Utility users' tax revenue totaled \$41.7 million under final projections by \$1.5 million and is attributed to Southern California Edison's 2.6 percent rate decrease in the second quarter, lower gas commodity prices, and a slowing of telephone utility users' tax as customers shift landline usage to cell phones. Other taxes revenue was \$1.1 million less than budget and consisted of the under collection of projected business licenses and pipeline franchise fees being only slightly offset by better than expected transit occupancy tax. Other revenue of \$7.2 million was \$7.7 million below anticipated revenue due to one-time revenue sources from sale of City property (including the sale of City Hall East) that did not occur. These unfavorable variances were offset by use of money and property revenue coming in slightly more than budget with a favorable variance of \$1.8 million due to better than anticipated interest rates yielding greater earnings on higher average pooled cash.

Actual expenditures were below anticipated expenditures for the most part across all departments and other financing sources increased fund balances beyond expectation primarily due to a favorable variance in net transfers.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$3.9 billion, net of accumulated depreciation. This is an increase of \$98.5 million over fiscal year 2006 consisting of growth in both Governmental and Business-type activities of 2.6 percent or \$18.5 million and 2.6 percent or \$80.1 million, respectively.

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

- The Harbor Fund capital assets increased \$53.9 million primarily due to an increase in construction in progress, offset by buildings depreciation.
- The Airport Fund increased \$17.0 million predominately due to construction in progress for the ongoing rehabilitation of taxiways and runways as well as projects for airport layout and terminal development, inclusive of baggage handling modifications.
- The Water Fund capital assets increased \$5.8 million due to construction in progress for distributions and storage capabilities, including projects for reclaimed water system expansion, conjunctive use wells and seawater desalination.
- The Sewer Fund capital assets increased \$4.0 million largely due to ongoing sewer main replacement and improvements programs.
- Gas Fund capital assets increased by \$8.0 million due to the repairs and rehabilitation of gas main pipelines.
- Governmental activities land increased \$8.8 million. \$8.2 million of the increase consists of an unused Union Pacific railroad parcel, a Metropolitan Transportation Authority (MTA) bus storage and maintenance yard and land that once housed a ceramics factory. This land was acquired for the future site of a park, open space and wetlands area in downtown Long Beach to connect the Drake and Cesar E. Chavez Parks. The remaining \$625,000 was for the relocation of the historical society of the City of Long Beach.
- Governmental activities construction in progress increased by \$3.9 million for the replacement of the City's billing and collection system and other technical projects for a total of \$2.7 million and various capital projects in the Civic Center Fund including a new library roof.
- The governmental activities automobile fleet increased \$3.5 million, net of depreciation, and consists of trash haulers, parking enforcements vehicles, ambulances, patrol cars, as well as vehicles used for other public safety purposes including disaster management.
- The governmental activities other asset categories decreased mainly due to depreciation.

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

Capital Assets, Net of Depreciation
September 30, 2007 and 2006
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 124,716	\$ 115,922	\$ 912,432	\$ 910,632	\$ 1,037,148	\$ 1,026,554
Rights-of-way	81,311	81,311	209,744	209,671	291,055	290,982
Construction In Progress	100,763	96,824	298,343	218,724	399,106	315,548
Buildings	177,806	168,428	1,085,988	1,125,898	1,263,794	1,294,326
Improvements other than Buildings	33,581	35,908	191,786	159,728	225,367	195,636
Infrastructure	159,223	162,768	430,803	425,551	590,026	588,319
Machinery and Equipment	18,021	17,805	7,118	5,975	25,139	23,780
Automotive	41,799	38,342	4,765	5,525	46,564	43,867
Other Tangible Assets	2,839	4,259	-	-	2,839	4,259
Patents	-	-	771	-	771	-
Total Net Capital Assets (net)	<u>\$ 740,059</u>	<u>\$ 721,567</u>	<u>\$ 3,141,750</u>	<u>\$ 3,061,704</u>	<u>\$ 3,881,809</u>	<u>\$ 3,783,271</u>

Long-Term Indebtedness

At the end of fiscal year 2007, the City had total net long-term obligations outstanding of \$2.7 billion. Of this amount, \$1.9 billion relates to revenue bonds, certificates of participation, notes payable, capital leases, accrued oil field abandonment costs and other obligations of the City's business enterprises. The remaining balance of \$829.1 million relates to revenue bonds, tax allocation bonds, notes payable, capital leases, self-insurance, employee benefit obligations and other obligations of the governmental funds.

The City's net long-term obligations outstanding increased by \$47.4 million by September 30, 2007 (Note 8), consisting of an increase of accrued liabilities of \$51.5 million offset by a decrease in long-term indebtedness of \$4.1 million. Long-term indebtedness (excluding due to the State of California payable under a trust agreement) decreased by \$85.8 due to debt service payments, offset by a net increase in deferred amounts of \$2.1 million and new debt issues of \$53.5 million in fiscal year 2007. \$24.3 million in revenue bonds were issued to finance the acquisition of land and the construction and improvements of parks and open space throughout the city. The City entered into \$12.4 million in new capital leases for voting equipment, parking citation devices, street sweepers, fire trucks, rescue boats and software to support the city revenue billing and collection process, including ambulance billing. Governmental activities notes payable to Los Angeles County increased \$367,000 (including \$76,000 of accrued interest) for incremental property tax in the redevelopment area. The Gas Fund issued \$7.5 million in commercial paper to fund infrastructure projects and the Tidelands Fund received \$8.9 million of additional funding from the Department of Boating and Waterways to continue the downtown Marina refurbishment project. Other changes in outstanding debt include a net increase of \$26.1 million due to the State of California from the Tidelands Oil Revenue Fund, primarily due to the timing of payments under the trust agreement.

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

Economic Factors and Next Year's Budget and Rates

The unemployment rate, not seasonally adjusted, for the City of Long Beach is currently 5.5 percent and reflects a decrease from a rate of 5.8 percent a year ago. This compares to the State of California and national unemployment rates of 5.0 and 4.3 percent, respectively.

Fiscal year 2008 represents the first 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 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 2008 budget are as follows:

In compliance with City Council's Financial Policy to achieve and maintain a structurally balanced budget, the proposed fiscal year 2008 General Fund budget is without a structural deficit for the second year in a row. This accomplishment required identification of areas for cost or service reduction in lower-priority programs, as well as enhancing existing and proposing new revenue streams. The Fiscal year 2008 adopted General Fund revenue budget of \$392.6 million, of which \$7.5 million is one-time in nature, reflects a projected net increase of \$4.9 million or 1.3 percent from the final fiscal year 2007 budget. The four largest structural revenue sources for fiscal year 2008 - property tax, sales and use tax, motor vehicle in lieu and utility users' tax - comprise 51.9 percent of total General Fund budgeted revenues. Below is a closer look at these four key General Fund resources:

- Secured real property tax revenue of \$67.5 million, an increase of \$1.9 million from the final fiscal year 2007 budget, reflects the county's growth rate of 7.6 percent in Long Beach less refunds and administrative fees. The City expects growth to stabilize in fiscal year 2009 signaling the end the real estate boom.
- Sales and use tax revenue of \$52.4 million, \$2.6 million from final 2007 budget, is indicative of anticipated slower growth in discretionary spending.
- Vehicle license fee revenue of \$40.8 million, an increase of \$3.6 million in budgeted revenue, is largely attributed to the State's property tax in-lieu payments, which grow as citywide property values increase. The City does not anticipate this trend to continue.
- Utility users' tax revenue of \$43.1 million remains relatively flat with a modest decline of \$0.1 million.

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 2008 adopted General Fund operating budget of \$391.9 million supports over 170 programs spanning several key areas of services delivery. Contingent upon receipt of one-time General Fund resources becoming available, \$7.5 million in investments

are proposed in the fiscal year 2008 budget, including \$2.0 million in residential street repair, \$1.5 million for storm drains system repairs, \$1.5 million in critical facility repairs and \$1.5 for planned citywide ballot initiative and district elections. \$385 million of the fiscal year 2008 budget appropriations are considered structural in nature and are designed to maintain core municipal services such as public safety, public works, parks and recreation, library services, legislative and administrative support. In addition to negotiated employee salary increases, escalating insurance costs, and higher fuel and utility prices, the fiscal year 2008 General Fund's expenditure budget also includes enhancements (many which are offset by additional revenue) in critical areas. Below are the more significant enhancements:

- A \$100,000 increase for neighborhood leadership programs and neighborhood resource center.
- A \$194,000 increase for parking facility repairs.
- A \$500,000 increase for additional positions in the development services program.
- Creation of a new revenue management functions for an increase of \$204,000.
- An additional general billing and collections customer services representative and a business licensing and permits customer services representative for increases of \$135,000 and \$69,000, respectively.
- A \$104,000 increase to establish permanent maintenance positions in the animal shelter operation program.
- A partial restoration of library material and additional support for main and branch libraries for an increase of \$300,000 and \$81,000, respectively.
- A \$422,000 increase for additional parking enforcement officers.
- A \$250,000 increases for patrol car cellular accounts.
- A \$1,050,000 increase for the first of five annual debt service payments for the acquisition of new certified natural gas street sweepers.
- A \$343,000 increase for two new full time auditors and a part-time audit analyst, salary increases and auto allowances in the City Auditors department.
- A \$201,000 increase for a new deputy city attorney and a workers compensation examiner in the City Attorney's department.
- A \$270,000 increase in the Civil Service department for an administrative aid, a personnel analyst and support of additional cost for fire recruitment.
- A \$143,000 increase for technology service programming costs in the City Clerk's department.

As part of the fiscal year 2008 budget development process, the financial strategic plan, which provides a three-year continuous outlook on revenue sources and commitments, was updated. The plan highlighted the following three pivotal issues that have a long-standing impact on the City's ability to maintain a structural balance in the General Fund:

- Compensation increases given to sworn police personnel have consumed any projected structural revenue growth in the next few years. This has limited the ability of the General Fund to respond to existing and emerging service delivery issues.
- There are several major cost commitments on the horizon totaling approximately \$34 million annually, including police officers' compensation commitment to medium of comparable agencies in fiscal year 2010, possible issues with police overtime, potential City Hall seismic repairs, post-employment health care liabilities and upcoming negotiations with other employee bargaining units.
- Revenue streams in the General Fund continue to fall short of the true needs for community services and physical infrastructure and major facility investments throughout the city.

In addition, fiscal year 2008 marked the third consecutive year the City adopted a performance-based budget. The City's full-scale implementation of its Focus on Results (FOR) performance based management system has aligned the City's financial resources and operations with the City Council and community's priorities, improving the efficiency of City operations and increasing accountability at all levels of the organization.

Requests for Information

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

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City of Long Beach
Statement of Net Assets
September 30, 2007
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
ASSETS				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 368,005	\$ 780,053	\$ 1,148,058	\$ -
Non-Pooled Cash and Cash Equivalents	136,461	-	136,461	15,385
Non-Pooled Investments	-	603	603	-
Interest Receivable	1,962	535	2,497	-
Property Tax Receivable, Net	1,747	-	1,747	-
Accounts and Loans Receivables, Net	19,186	120,388	139,574	1,863
Due from Other Governments	43,879	9,743	53,622	-
Internal Balances	(1,364)	1,364	-	-
Inventory	1,725	4,289	6,014	722
Other Assets	10,280	-	10,280	263
Land Held for Resale	160,283	-	160,283	-
Restricted Assets:				
Pooled Cash and Cash Equivalents	5,385	513,823	519,208	-
Non-Pooled Cash and Cash Equivalents	10,882	42,651	53,533	22,374
Non-Pooled Investments	-	50,652	50,652	-
Accounts and Loans Receivables, Net	-	605	605	7,665
Interest Receivable	-	274	274	-
Deposits	10,289	-	10,289	-
Noncurrent Assets:				
Non-Pooled Investments	10,000	-	10,000	-
Other Noncurrent Receivables	81,537	13,743	95,280	-
Land and Other Capital Assets not being Depreciated	306,790	1,420,519	1,727,309	7,891
Capital Assets, net of Accumulated Depreciation	433,269	1,721,231	2,154,500	66,871
Other Assets	66,006	393,503	459,509	-
Total Assets	1,666,322	5,073,976	6,740,298	123,034
LIABILITIES				
Current Liabilities:				
Accounts Payable	34,329	88,829	123,158	1,303
Accrued Wages and Benefits Payable	46,028	8,995	55,023	2,524
Accrued Interest Payable	6,920	754	7,674	-
Tax and Revenue Anticipation Notes Payable	54,000	-	54,000	-
Deferred Revenue, Credits and Other Payables	21,848	34,519	56,367	12,132
Employee Benefits and Accrued Long-Term Obligations	22,700	-	22,700	3,666
Bonds, Loans, Capital Leases and Other Long-Term Obligations	26,374	104,929	131,303	-
Liabilities Payable From Restricted Assets:				
Accounts Payable	-	1,489	1,489	-
Accrued Interest Payable	6,853	22,977	29,830	-
Deferred Revenue, Credits and Other Payables	-	-	-	6,327
Customers Deposits	-	2,583	2,583	-
Employee Benefits and Accrued Long-Term Obligations	-	9,600	9,600	-
Bonds and Other Long-Term Obligations	-	49,135	49,135	-
Noncurrent Liabilities:				
Deferred Revenue, Credits and Other Payables	2,783	11,229	14,012	17,946
Employee Benefits and Accrued Long-Term Obligations	182,479	390,200	572,679	769
Bonds, Loans, Capital Leases and Other Long-Term Obligations	597,573	1,328,565	1,926,138	-
Total Liabilities	1,001,887	2,053,804	3,055,691	44,667
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	215,097	1,684,580	1,899,677	74,762
Restricted for:				
Asset Seizure Money	2,186	-	2,186	-
Debt Service	54,564	144,171	198,735	-
Capital Projects	114,954	57,789	172,743	85
Public Safety	904	-	904	-
Public Health	2,172	-	2,172	-
Community and Cultural	96,317	-	96,317	-
Health Care Insurance	15,615	-	15,615	-
Other Purposes	4,756	164,058	168,814	-
Unrestricted	157,870	969,574	1,127,444	3,520
Total Net Assets	\$ 664,435	\$ 3,020,172	\$ 3,684,607	\$ 78,367

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, 2007
(In Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Legislative and Legal	\$ 12,911	\$ 119	\$ 482	\$ -
General Government	13,376	13,406	(634)	-
Public Safety	276,391	40,326	20,368	-
Public Health	47,189	7,099	25,414	-
Community and Cultural	207,566	26,131	95,228	2,926
Public Works	67,794	17,722	28,332	13,982
Oil Operations	8,175	22,612	-	-
Interest on Long-Term Debt	36,187	-	-	-
Total Governmental Activities	<u>669,589</u>	<u>127,415</u>	<u>169,190</u>	<u>16,908</u>
Business-Type Activities:				
Gas	89,021	100,421	-	-
Water	68,704	70,258	-	2,544
Sewer	11,486	10,812	-	-
Airport	27,994	30,985	-	12,016
Solid Waste Management	78,305	83,865	942	-
Towing	8,838	8,126	-	-
Tidelands	111,156	83,085	489	-
Tideland Oil Revenue	199,542	214,157	685	-
Subsidence	-	500	-	-
Harbor	247,860	370,832	-	10,020
Total Business-Type Activities	<u>842,906</u>	<u>973,041</u>	<u>2,116</u>	<u>24,580</u>
Total Primary Government	<u>\$ 1,512,495</u>	<u>\$ 1,100,456</u>	<u>\$ 171,306</u>	<u>\$ 41,488</u>
Component Unit:				
Long Beach Public Transportation Company	<u>\$ 78,065</u>	<u>\$ 15,170</u>	<u>\$ 44,496</u>	<u>\$ 7,886</u>

General Revenues

Taxes:

Property

Sales

Utility Users

Other

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Gain on Sale of Capital Assets

Capital Asset Transfers

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - October 1

Net Assets - September 30

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
\$ (12,310)	\$ -	\$ (12,310)	\$ -
(604)	-	(604)	-
(215,697)	-	(215,697)	-
(14,676)	-	(14,676)	-
(83,281)	-	(83,281)	-
(7,758)	-	(7,758)	-
14,437	-	14,437	-
(36,187)	-	(36,187)	-
<u>(356,076)</u>	<u>-</u>	<u>(356,076)</u>	<u>-</u>
-	11,400	11,400	-
-	4,098	4,098	-
-	(674)	(674)	-
-	15,007	15,007	-
-	6,502	6,502	-
-	(712)	(712)	-
-	(27,582)	(27,582)	-
-	15,300	15,300	-
-	500	500	-
-	132,992	132,992	-
-	156,831	156,831	-
<u>(356,076)</u>	<u>156,831</u>	<u>(199,245)</u>	<u>-</u>
-	-	-	(10,513)
162,342	-	162,342	-
55,848	-	55,848	-
41,694	-	41,694	-
65,206	-	65,206	-
44,086	-	44,086	-
23,374	62,329	85,703	1,687
649	-	649	-
(257)	257	-	-
28,625	(28,625)	-	-
<u>421,567</u>	<u>33,961</u>	<u>455,528</u>	<u>1,687</u>
65,491	190,792	256,283	(8,826)
598,944	2,829,381	3,428,325	87,193
<u>\$ 664,435</u>	<u>\$ 3,020,173</u>	<u>\$ 3,684,608</u>	<u>\$ 78,367</u>

City of Long Beach
Governmental Funds
Balance Sheet
September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	General	Housing Development	Community Development Grants
ASSETS			
Pooled Cash and Cash Equivalents	\$ 87,465	\$ 38,692	\$ 4,779
Non-Pooled Cash and Cash Equivalents	6,219	16	3
Non-Pooled Investments	-	-	-
Receivables:			
Interest Receivable	21	-	-
Property Taxes	4,821	-	-
Accounts Receivable	20,086	1	-
Notes and Loans Receivable	2,218	-	-
Due from Other Governments	18,484	-	2,287
Due from Other Funds	12,453	-	-
Allowance for Receivables	(17,227)	-	-
Other Assets	6	1	193
Advances to Other Funds	103,001	20,927	6,719
Land Held for Resale	-	15,492	1,332
Other Noncurrent Receivables	-	31,852	35,302
Total Assets	\$ 237,547	\$ 106,981	\$ 50,615
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 6,187	\$ 746	\$ 1,374
Accrued Wages Payable	8,001	52	229
Accrued Interest Payable	2,436	-	-
Tax and Revenue Anticipation Notes Payable	54,000	-	-
Due to Other Funds	3,777	25	1,752
Deferred Revenues	8,204	34,037	36,097
Deposits and Collections Held in Trust	3,114	58	31
Advances from Other Funds	7,614	3,819	-
Total Liabilities	93,333	38,737	39,483
Fund Balances (Deficit):			
Reserved for:			
Other Noncurrent Receivables	103,001	20,927	6,719
Asset Seizure Money	2,186	-	-
Encumbrances	1,248	325	182
Future Advances to Other Funds	1,486	-	-
Future Capital Projects and Special Programs	-	-	-
Housing Development	-	196	-
Land Held for Resale	-	15,492	1,332
Estimated Oil Field Abandonment Costs	-	-	-
Debt Service	6,333	-	-
Unreserved, Designated for:			
Subsequent Years' Appropriations			
General Fund	983	-	-
Special Revenue Funds	-	35,123	2,899
Capital Projects Funds	-	-	-
Emergency			
General Fund	34,091	-	-
Unreserved, Undesignated, Reported in:			
General Fund	(5,114)	-	-
Special Revenue Funds	-	(3,819)	-
Capital Projects Funds	-	-	-
Total Fund Balance	144,214	68,244	11,132
Total Liabilities and Fund Balances	\$ 237,547	\$ 106,981	\$ 50,615

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

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2007	September 30, 2006
\$ 18,642	\$ 54,537	\$ 79,282	\$ 283,397	\$ 196,069
25,245	104,592	386	136,461	149,883
-	10,000	-	10,000	10,000
-	1,941	-	1,962	2,632
-	-	-	4,821	3,452
87	390	4,338	24,902	28,863
-	-	-	2,218	2,266
9,836	39	12,876	43,522	46,397
-	-	-	12,453	12,558
-	-	(633)	(17,860)	(21,219)
-	8,837	11	9,048	24,065
1,471	18,807	-	150,925	144,649
-	143,459	-	160,283	118,832
-	2,938	1,732	71,824	63,058
<u>\$ 55,281</u>	<u>\$ 345,540</u>	<u>\$ 97,992</u>	<u>\$ 893,956</u>	<u>\$ 781,505</u>
\$ 3,716	\$ 6,349	\$ 11,023	\$ 29,395	\$ 28,017
153	110	1,135	9,680	9,352
-	-	-	2,436	-
-	-	-	54,000	-
76	3,524	7,524	16,678	16,586
361	3,097	8,876	90,672	95,088
1	482	3,134	6,820	5,669
-	150,834	4,900	167,167	165,606
<u>4,307</u>	<u>164,396</u>	<u>36,592</u>	<u>376,848</u>	<u>320,318</u>
1,471	20,655	-	152,773	131,970
-	-	-	2,186	2,463
3,413	182	3,578	8,928	16,579
-	-	-	1,486	1,486
2,615	76,684	30,800	110,099	140,578
-	-	-	196	104
-	143,459	-	160,283	118,832
-	-	3,051	3,051	3,495
-	58,237	200	64,770	54,546
-	-	-	983	6,696
-	-	26,671	64,693	63,586
43,475	32,761	-	76,236	47,563
-	-	-	34,091	34,396
-	-	-	(5,114)	(5,614)
-	-	(2,900)	(6,719)	(6,720)
-	(150,834)	-	(150,834)	(148,773)
<u>50,974</u>	<u>181,144</u>	<u>61,400</u>	<u>517,108</u>	<u>461,187</u>
<u>\$ 55,281</u>	<u>\$ 345,540</u>	<u>\$ 97,992</u>	<u>\$ 893,956</u>	<u>\$ 781,505</u>

City Of Long Beach
 Reconciliation of Total Governmental Fund Balances to Net Assets
 of Governmental Activities in the Statement of Net Assets
 September 30, 2007
 (in Thousands)

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

Total governmental fund balances	\$ 517,108
Capital assets used in the governmental activities, that are not included in the internal service funds, are not financial resources and, therefore, are not reported in the funds.	602,364
Certain property taxes receivable are not available to pay current-period expenditures and, therefore, are deferred in the funds.	1,747
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.	71,667
Governmental long-term liabilities, excluding those liabilities in the internal service funds, are not due and payable in the current period, therefore, are not reported in the funds. (Note 3)	(505,943)
Internal service funds are used by management to charge the cost of operations and financing related to the Civic Center complex; operations, maintenance, financing, and timely replacement of information technology assets and vehicles; and to account for the City's risk management, self-insurance and employee benefits programs to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(22,508)
Net assets of governmental activities	\$ 664,435

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

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City of Long Beach
 Governmental Funds
 Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Fiscal Year Ended September 30, 2007
 With Summarized Financial Information for 2006
 (In Thousands)

	<u>General</u>	<u>Housing Development</u>	<u>Community Development Grants</u>
Revenues:			
Taxes:			
Property	\$ 71,185	\$ 18,253	\$ -
Sales	53,305	-	-
Utility Users	41,694	-	-
Other Taxes	49,238	-	-
Licenses and Permits	12,716	265	3
Fines and Forfeitures	17,644	-	-
Use of Money and Property	21,949	1,836	491
From Other Agencies	44,587	-	24,910
Charges for Services	23,468	-	-
Other Land Proceeds	-	-	-
Other	7,212	986	2,159
Total Revenues	<u>342,998</u>	<u>21,340</u>	<u>27,563</u>
Expenditures:			
Current:			
Legislative and Legal	13,602	-	-
General Government	10,813	79	779
Public Safety	255,161	-	-
Public Health	4,833	-	-
Community and Cultural	48,143	8,623	25,681
Public Works	28,466	-	-
Oil Operations	-	-	-
Total Current Expenditures	<u>361,018</u>	<u>8,702</u>	<u>26,460</u>
Capital Improvements	-	-	-
Loss on Disposition of Land Held for Resale	-	-	-
Debt Service:			
Principal	6,706	579	-
Interest	8,278	93	-
Debt Administration Fees	-	7	-
Total Expenditures	<u>376,002</u>	<u>9,381</u>	<u>26,460</u>
Excess of Revenues Over (Under) Expenditures	<u>(33,004)</u>	<u>11,959</u>	<u>1,103</u>
Other Financing Sources (Uses):			
Other Deferred Payments	-	-	-
Debt Issuance	2,084	-	-
Discount on Debt Issuance	(122)	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Reconveyance of Land	-	7,092	-
Advances-Capitalized Interest	3,377	127	-
Transfers In	35,443	13,681	350
Transfers Out	(11,001)	(10,030)	(1,735)
Total Other Financing Sources (Uses)	<u>29,781</u>	<u>10,870</u>	<u>(1,385)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(3,223)</u>	<u>22,829</u>	<u>(282)</u>
Fund Balances - October 1	<u>147,437</u>	<u>45,415</u>	<u>11,414</u>
Fund Balances - September 30	<u>\$ 144,214</u>	<u>\$ 68,244</u>	<u>\$ 11,132</u>

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

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2007	September 30, 2006
\$ -	\$ 73,011	\$ -	\$ 162,449	\$ 141,081
-	-	2,543	55,848	51,557
-	-	-	41,694	40,637
-	4,033	11,934	65,205	58,292
744	425	18,087	32,240	30,008
-	-	-	17,644	16,387
1,747	7,687	25,806	59,516	57,964
13,941	873	146,527	230,838	219,946
-	-	2,700	26,168	29,071
-	-	-	-	716
67	(598)	3,885	13,711	13,892
<u>16,499</u>	<u>85,431</u>	<u>211,482</u>	<u>705,313</u>	<u>659,551</u>
-	-	-	13,602	12,464
-	321	3,773	15,765	12,221
-	-	24,221	279,382	266,057
-	-	42,576	47,409	44,734
-	44,385	83,114	209,946	202,679
-	-	14,120	42,586	42,647
-	-	8,171	8,171	7,089
-	44,706	175,975	616,861	587,891
28,897	-	11,893	40,790	39,062
-	9,184	-	9,184	-
-	7,812	354	15,451	14,822
-	18,774	204	27,349	25,289
-	69	5	81	147
<u>28,897</u>	<u>80,545</u>	<u>188,431</u>	<u>709,716</u>	<u>667,211</u>
<u>(12,398)</u>	<u>4,886</u>	<u>23,051</u>	<u>(4,403)</u>	<u>(7,660)</u>
-	291	-	291	220
23,664	-	-	25,748	40,402
-	-	-	(122)	-
-	-	-	-	(36,135)
-	(7,092)	-	-	-
-	(3,504)	-	-	-
11,431	25,059	6,003	91,967	55,900
(496)	(18,243)	(16,055)	(57,560)	(40,349)
<u>34,599</u>	<u>(3,489)</u>	<u>(10,052)</u>	<u>60,324</u>	<u>20,038</u>
22,201	1,397	12,999	55,921	12,378
<u>28,773</u>	<u>179,747</u>	<u>48,401</u>	<u>461,187</u>	<u>448,809</u>
<u>\$ 50,974</u>	<u>\$ 181,144</u>	<u>\$ 61,400</u>	<u>\$ 517,108</u>	<u>\$ 461,187</u>

City Of Long Beach
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended September 30, 2007
 (in Thousands)

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

Excess of revenue and other sources over expenditures and other uses - total governmental funds	\$ 55,921
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period. (Note 3)	12,661
Net effect of miscellaneous transactions involving capital assets (for example, sales, trade-ins and donations) is a decrease to net assets.	649
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	186
Governmental funds report expenditures pertaining to the establishment of certain long-term loans made. Payments on these long-term receivables are recorded as revenue in the governmental funds. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding net expense is not reported on the statement of activities.	8,796
The issuance of long-term debt (for example, bonds and leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is reflected herein. (Note 3)	(5,652)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds. (Note 3)	(2,409)
Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of of certain activities of internal service funds is reported as governmental activities. (Note 3)	<u>(4,661)</u>
 Change in net assets of governmental activities	 <u><u>\$ 65,491</u></u>

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

City of Long Beach
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 72,943	\$ 72,943	\$ 71,185	\$ (1,758)
Sales Taxes	55,040	55,040	53,305	(1,735)
Utility Users Taxes	43,158	43,158	41,694	(1,464)
Other Taxes	49,359	50,359	49,238	(1,121)
Licenses and Permits	13,154	13,154	12,716	(438)
Fines and Forfeitures	16,650	16,650	17,644	994
Use of Money and Property	20,068	20,100	21,949	1,849
From Other Agencies	44,316	44,316	44,587	271
Charges for Services	23,364	23,514	23,468	(46)
Other	13,623	14,902	7,212	(7,690)
Total Revenues	351,675	354,136	342,998	(11,138)
Expenditures:				
Current:				
Legislative and Legal				
Mayor and City Council	3,916	3,871	5,081	(1,210)
City Attorney	5,282	5,282	3,396	1,886
City Clerk	3,314	5,312	5,188	124
General Government				
City Auditor	2,821	2,821	2,756	65
City Manager	3,710	3,845	3,077	768
Civil Service	3,071	3,071	3,769	(698)
Financial Management	9,621	9,941	9,150	791
Human Resources	547	547	537	10
Planning and Building	744	744	564	180
Non Departmental	(13,693)	(12,164)	(8,725)	(3,439)
Public Safety				
Police	168,595	179,674	179,132	542
Fire	65,836	66,399	64,928	1,471
City Prosecutor	4,577	4,906	4,778	128
Planning and Building-Code Enforcement	2,617	2,617	2,233	384
Police and Fire Annuity	5,012	5,012	4,277	735
Public Health				
	4,902	4,902	4,837	65
Community and Cultural				
Community Development	5,605	5,731	5,625	106
Library	16,203	16,221	15,148	1,073
Planning and Building-Community Planning	377	377	250	127
Parks and Recreation	27,178	27,874	27,749	125
Public Works				
	31,850	29,172	28,516	656
Total Current Expenditures	352,085	366,155	362,266	3,889
Debt Service:				
Principal	6,311	6,343	6,706	(363)
Interest	7,274	7,799	8,278	(479)
Total Expenditures	365,670	380,297	377,250	3,047
Excess of Revenues Over (Under) Expenditures	(13,995)	(26,161)	(34,252)	(8,091)
Other Financing Sources (Uses):				
Debt Issuance	-	1,730	2,084	354
Discount on Debt Issuance	-	-	(122)	(122)
Advances-Capitalized Interest	-	-	3,377	3,377
Transfers In	25,731	31,905	35,443	3,538
Transfers Out	(13,006)	(15,819)	(11,001)	4,818
Total Other Financing Sources	12,725	17,816	29,781	11,965
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,270)	(8,345)	(4,471)	3,874
Fund Balances - October 1, Budgetary Basis	146,163	146,163	146,163	-
Encumbrances, Beginning of the Year	1,274	1,274	1,274	-
Fund Balances - September 30, Budgetary Basis	\$ 146,167	\$ 139,092	\$ 142,966	\$ 3,874

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

City of Long Beach
Housing Development Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 12,821	\$ 18,300	\$ 18,253	\$ (47)
Licenses and Permits	24	265	265	-
Use of Money and Property From Other Agencies	416	1,267	1,836	569
Other	25,187	25,458	-	(25,458)
	165	555	986	431
Total Revenues	<u>38,613</u>	<u>45,845</u>	<u>21,340</u>	<u>(24,505)</u>
Expenditures:				
General Government				
Financial Management	86	86	79	7
Community and Cultural				
Community Development	60,767	74,717	8,948	65,769
Total Current Expenditures	60,853	74,803	9,027	65,776
Debt Service:				
Principal	97	189	579	(390)
Interest	575	1,103	93	1,010
Debt Administration Fees	14	14	7	7
Total Expenditures	<u>61,539</u>	<u>76,109</u>	<u>9,706</u>	<u>66,403</u>
Excess of Revenues Over (Under) Expenditures	<u>(22,926)</u>	<u>(30,264)</u>	<u>11,634</u>	<u>41,898</u>
Other Financing Sources (Uses):				
Reconveyance of Land	-	-	7,092	7,092
Advances-Capitalized Interest	-	-	127	127
Transfers In	24,572	26,533	13,681	(12,852)
Transfers Out	(3,521)	(5,172)	(10,030)	(4,858)
Total Other Financing Sources (Uses)	<u>21,051</u>	<u>21,361</u>	<u>10,870</u>	<u>(10,491)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,875)</u>	<u>(8,903)</u>	<u>22,504</u>	<u>31,407</u>
Fund Balances - October 1, Budgetary Basis	<u>45,415</u>	<u>45,415</u>	<u>45,415</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 43,540</u>	<u>\$ 36,512</u>	<u>\$ 67,919</u>	<u>\$ 31,407</u>

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

City of Long Beach
Community Development Grants Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ -	\$ -	\$ 3	\$ 3
Use of Money and Property	406	406	491	85
From Other Agencies	69,947	76,124	24,910	(51,214)
Other	1,700	3,202	2,159	(1,043)
Total Revenues	<u>72,053</u>	<u>79,732</u>	<u>27,563</u>	<u>(52,169)</u>
Expenditures:				
General Government				
Financial Management	871	871	779	92
Community and Cultural				
Community Development	69,929	75,816	25,863	49,953
Total Current Expenditures	<u>70,800</u>	<u>76,687</u>	<u>26,642</u>	<u>50,045</u>
Total Expenditures	<u>70,800</u>	<u>76,687</u>	<u>26,642</u>	<u>50,045</u>
Excess of Revenues Over (Under) Expenditures	<u>1,253</u>	<u>3,045</u>	<u>921</u>	<u>(2,124)</u>
Other Financing Sources (Uses):				
Transfers In	185	185	350	165
Transfers Out	-	(1,560)	(1,735)	(175)
Total Other Financing Sources (Uses)	<u>185</u>	<u>(1,375)</u>	<u>(1,385)</u>	<u>(10)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,438	1,670	(464)	(2,134)
Fund Balances - October 1, Budgetary Basis	10,019	10,019	10,019	-
Encumbrances - Beginning of the Year	63	63	63	-
Fund Balances - September 30, Budgetary Basis	<u>\$ 11,520</u>	<u>\$ 11,752</u>	<u>\$ 9,618</u>	<u>\$ (2,134)</u>

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

City of Long Beach
 Proprietary Funds
 Statement of Net Assets (Deficit)
 September 30, 2007
 With Summarized Financial Information for 2006
 (In Thousands)

	Business-type Activities - Enterprise Funds				
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 6,029	\$ 6,487	\$ 64,884	\$ 19,445	\$ 53,596
Non-Pooled Cash and Cash Equivalents	-	-	-	-	-
Non-Pooled Investments	-	603	-	-	-
Receivables:					
Interest Receivable	-	-	-	-	-
Accounts Receivable	3,312	5,772	6,484	8,895	47,178
Due from Other Governments	-	-	534	834	-
Due from Other Funds	733	-	-	17,572	-
Capital Leases Receivable-Current	-	-	-	419	-
Other Receivables	-	-	-	-	-
Allowance for Receivables	(490)	(230)	(247)	(186)	-
Inventory	1,128	2,256	-	110	-
Other Assets-Current	-	-	-	-	-
Total Current Asset	10,712	14,888	71,655	47,089	100,774
Restricted Assets:					
Pooled Cash and Cash Equivalents	4,632	2,119	415	13,657	-
Non-Pooled Cash and Cash Equivalents	-	-	-	20,554	-
Non-Pooled Investments	650	2,996	12,018	-	-
Interest Receivable	-	-	-	247	-
Accounts Receivable	-	-	-	-	-
Deposits	-	-	-	-	-
Total Restricted Assets	5,282	5,115	12,433	34,458	-
Noncurrent Assets:					
Noncurrent Receivables:					
Capital Lease Receivable	-	-	-	108	-
Other Noncurrent Receivables (net)	-	-	5,136	-	610
Advances to Other Funds	4,213	-	-	-	-
Capital Assets:					
Land and Other Capital Assets not being Depreciated	6,399	33,563	6,667	50,666	-
Capital Assets net of Accumulated Depreciation	66,890	220,735	39,535	322,886	-
Other Assets-Long-Term	-	1,941	1	-	332,900
Total Noncurrent Assets	77,502	256,239	51,339	373,660	333,510
Total Assets	93,496	276,242	135,427	455,207	434,284

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2007	September 30, 2006
		September 30, 2007	September 30, 2006		
\$ 607,747	\$ 21,865	\$ 780,053	\$ 702,062	\$ 84,608	\$ 89,623
-	-	-	34	-	-
-	-	603	603	-	-
535	-	535	576	-	-
48,782	2,820	123,243	119,528	7,028	10,096
5,931	2,444	9,743	6,709	357	702
-	-	18,305	16,877	6,793	6,534
-	-	419	386	-	-
-	66	66	64	-	-
(1,853)	(334)	(3,340)	(11,434)	(176)	(329)
734	61	4,289	4,102	1,725	1,737
-	-	-	-	1,420	-
<u>661,876</u>	<u>26,922</u>	<u>933,916</u>	<u>839,507</u>	<u>101,755</u>	<u>108,363</u>
332,988	160,012	513,823	431,547	5,385	7,326
21,789	308	42,651	43,006	10,882	12,357
32,228	2,760	50,652	50,764	-	-
-	27	274	282	-	-
-	606	606	291	-	-
-	-	-	-	10,289	6,858
<u>387,005</u>	<u>163,713</u>	<u>608,006</u>	<u>525,890</u>	<u>26,556</u>	<u>26,541</u>
-	-	108	527	-	-
7,462	427	13,635	13,522	9,713	2,137
27,435	7,614	39,262	40,495	-	-
1,284,364	38,860	1,420,519	1,339,027	14,624	9,662
960,928	110,257	1,721,231	1,722,677	123,071	122,851
<u>58,661</u>	<u>-</u>	<u>393,503</u>	<u>415,091</u>	<u>65,818</u>	<u>71,420</u>
<u>2,338,850</u>	<u>157,158</u>	<u>3,588,258</u>	<u>3,531,339</u>	<u>213,226</u>	<u>206,070</u>
<u>3,387,731</u>	<u>347,793</u>	<u>5,130,180</u>	<u>4,896,736</u>	<u>341,537</u>	<u>340,974</u>

(continued)

City of Long Beach
Proprietary Funds
Statement of Net Assets (Deficit)
September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)
(continued)

Business-type Activities - Enterprise Funds

	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
LIABILITIES					
Current Liabilities Payable from Current Assets:					
Accounts Payable	\$ 5,241	\$ 7,196	\$ 6,593	\$ 3,084	\$ 16,744
Accrued Wages	408	366	260	517	128
Accrued Interest Payable	-	-	7	309	-
Due to Other Funds	201	282	128	989	2,086
Deferred Revenues	540	-	-	5,300	-
Collections Held in Trust	-	-	521	88	3,683
Advances from Developers	-	220	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-	-
Due to State of California	-	-	-	-	31,619
Obligations Under Capital Leases-Current	-	-	-	2,531	-
Bonds Payable Due Within One Year	-	-	-	8,390	-
Other Long-Term Obligations-Current	-	-	-	1,373	-
Total Current Liabilities	<u>6,390</u>	<u>8,064</u>	<u>7,509</u>	<u>22,581</u>	<u>54,260</u>
Current Liabilities Payable from Restricted Assets:					
Accounts Payable	-	-	-	-	-
Accrued Interest Payable	25	764	1,522	3,536	-
Customers Deposits/Deferred Revenue	1,852	706	-	25	-
Environmental Remediation - Current	-	-	-	-	-
Other Long-Term Obligations	-	85	-	-	-
Bonds Payable Due Within One Year	925	1,265	6,690	-	-
Total Liabilities Payable from Restricted Assets	<u>2,802</u>	<u>2,820</u>	<u>8,212</u>	<u>3,561</u>	<u>-</u>
Noncurrent Liabilities:					
Advances from Other Funds	-	-	-	23,020	-
Deferred Revenues	-	-	5,136	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims	-	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	-	332,900
Environmental Remediation	-	-	-	-	-
Site Restoration	-	400	-	-	-
Due to State of California	-	-	-	-	610
Obligations Under Capital Leases	-	-	-	1,236	-
Other Long-Term Obligations	15,255	6,002	-	35,715	-
Unamortized Discount/Deferred cost	-	(10)	-	-	-
Bonds Payable	4,670	32,200	94,465	170,500	-
Unamortized Discount/Deferred cost	(91)	(3,256)	2,059	(15,139)	-
Total Noncurrent Liabilities	<u>19,834</u>	<u>35,336</u>	<u>101,660</u>	<u>215,332</u>	<u>333,510</u>
Total Liabilities	<u>29,026</u>	<u>46,220</u>	<u>117,381</u>	<u>241,474</u>	<u>387,770</u>
NET ASSETS (DEFICIT)					
Investment in Capital Assets, Net of Related Debt	52,530	217,247	(57,011)	168,946	-
Restricted for:					
Debt Service	819	4,409	12,018	22,097	-
Capital Projects	2,586	-	406	1,962	-
Health Care Insurance	-	-	-	-	-
Aquarium	-	-	-	6,592	-
Subsidence	-	-	-	-	-
Unrestricted	8,535	8,366	62,633	14,136	46,514
Total Net Assets (Deficit)	<u>\$ 64,470</u>	<u>\$ 230,022</u>	<u>\$ 18,046</u>	<u>\$ 213,733</u>	<u>\$ 46,514</u>

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

Net Assets of Business - Type Activities

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2007	September 30, 2006
		September 30, 2007	September 30, 2006		
\$ 45,571	\$ 4,400	\$ 88,829	\$ 93,732	\$ 4,934	\$ 3,398
6,946	370	8,995	8,229	36,348	33,977
283	155	754	498	4,484	4,691
16,285	215	20,186	18,705	687	678
15,921	7,962	29,723	29,155	-	-
-	246	4,538	1,920	555	489
-	38	258	266	-	-
-	-	-	-	5,600	6,200
-	-	-	-	17,100	19,010
-	-	31,619	5,470	-	-
-	-	2,531	2,331	3,680	2,214
-	-	8,390	8,065	8,320	7,710
60,191	825	62,389	2,220	-	-
<u>145,197</u>	<u>14,211</u>	<u>258,212</u>	<u>170,591</u>	<u>81,708</u>	<u>78,367</u>
-	1,489	1,489	65	-	-
17,130	-	22,977	23,803	-	-
-	-	2,583	2,554	-	-
9,600	-	9,600	-	-	-
-	-	85	143	-	-
40,170	-	49,050	46,990	-	-
<u>66,900</u>	<u>1,489</u>	<u>85,784</u>	<u>73,555</u>	<u>-</u>	<u>-</u>
-	-	23,020	19,538	-	-
-	6,093	11,229	11,872	-	-
-	-	-	-	66,297	64,356
-	-	-	-	83,650	85,780
18,800	-	351,700	343,100	-	-
38,100	-	38,100	-	-	-
-	-	400	-	-	-
-	-	610	610	-	-
-	-	1,236	3,788	13,898	7,161
-	9,370	66,342	112,555	-	-
-	(1,015)	(1,025)	(1,218)	-	-
953,310	-	1,255,145	1,312,585	142,865	151,185
22,684	-	6,257	5,701	(11,375)	(13,350)
<u>1,032,894</u>	<u>14,448</u>	<u>1,753,014</u>	<u>1,808,531</u>	<u>295,335</u>	<u>295,132</u>
<u>1,244,991</u>	<u>30,148</u>	<u>2,097,010</u>	<u>2,052,677</u>	<u>377,043</u>	<u>373,499</u>
1,162,931	139,937	1,684,580	1,572,117	74,121	71,300
103,808	1,020	144,171	143,351	5,848	5,710
49,097	3,738	57,789	59,974	-	-
-	-	-	-	15,615	14,125
-	-	6,592	7,978	-	-
-	157,466	157,466	149,863	-	-
826,904	15,484	982,572	910,776	(131,090)	(123,660)
<u>\$ 2,142,740</u>	<u>\$ 317,645</u>	<u>3,033,170</u>	<u>2,844,059</u>	<u>\$ (35,506)</u>	<u>\$ (32,525)</u>
		(12,998)	(14,678)		
		<u>\$ 3,020,172</u>	<u>\$ 2,829,381</u>		

City of Long Beach
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	Business-type Activities - Enterprise Funds				
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
Operating Revenues:					
Licenses and Permits	\$ -	\$ -	\$ -	\$ 435	\$ -
Fees, Concessions and Rentals	-	-	-	39,074	208,544
From Other Agencies	-	-	-	798	-
Charges for Services	99,648	70,259	81,412	42,481	5,606
Other	-	-	-	-	2
Total Operating Revenues	99,648	70,259	81,412	82,788	214,152
Operating Expenses:					
Personal Services	12,894	14,069	11,403	31,193	4,717
Purchases of Gas and Water	61,273	20,606	-	-	-
Maintenance and Other Operations	10,575	21,224	57,320	53,212	6,547
Rental Expense	-	-	-	-	-
Insurance Premiums	-	-	-	-	-
Self-Insured Losses	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Payments to Other Entities	-	-	-	-	188,365
Bad Debt	409	66	259	-	-
Amortization	-	-	-	887	-
Depreciation	3,098	10,972	4,473	14,926	-
Total Operating Expenses	88,249	66,937	73,455	100,218	199,629
Operating Income (Loss)	11,399	3,322	7,957	(17,430)	14,523
Non-Operating Income (Expenses):					
Interest Income	1,057	758	3,352	5,217	-
Interest Expense	(627)	(2,218)	(4,863)	(11,184)	-
Gain on Disposition of Capital Assets	(441)	66	-	(46)	-
Operating Grants	-	-	942	489	685
Other Income (Expenses)	773	(1)	2,453	297	5
Total Non-Operating Income (Expenses)	762	(1,395)	1,884	(5,227)	690
Income (Loss) Before Contributions and Transfers	12,161	1,927	9,841	(22,657)	15,213
Capital Grants and Contributions	-	2,544	-	-	-
Transfers:					
Transfers In	-	-	-	26,939	-
Transfers Out	(11,402)	-	(3,174)	(14,737)	(10,851)
Change in Net Assets	759	4,471	6,667	(10,455)	4,362
Net Assets (Deficit) - October 1	63,711	225,551	11,379	224,188	42,152
Net Assets (Deficit)- September 30	\$ 64,470	\$ 230,022	\$ 18,046	\$ 213,733	\$ 46,514
Change in Net Assets of Business - Enterprise Funds					
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					
Change in Net Assets of Business - Type Activities					

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

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2007	September 30, 2006
		September 30, 2007	September 30, 2006		
\$ -	\$ -	\$ 435	\$ 475	\$ -	\$ -
366,524	26,837	640,979	665,833	-	-
-	-	798	582	-	-
-	18,834	318,240	314,717	290,120	268,338
4,308	-	4,310	4,328	5,414	6,129
<u>370,832</u>	<u>45,671</u>	<u>964,762</u>	<u>985,935</u>	<u>295,534</u>	<u>274,467</u>
31,074	13,266	118,616	110,491	31,841	30,645
-	-	81,879	88,822	-	-
65,890	29,081	243,849	221,092	40,757	35,726
-	-	-	-	-	-
-	-	-	-	2,763	2,804
-	-	-	-	8,597	7,841
-	-	-	-	44,502	43,408
-	-	-	-	138,166	120,906
-	-	188,365	253,010	-	-
-	15	749	670	-	-
5,734	-	6,621	5,360	7,398	8,785
<u>77,333</u>	<u>5,505</u>	<u>116,307</u>	<u>117,024</u>	<u>13,326</u>	<u>12,160</u>
<u>180,031</u>	<u>47,867</u>	<u>756,386</u>	<u>796,469</u>	<u>287,350</u>	<u>262,275</u>
<u>190,801</u>	<u>(2,196)</u>	<u>208,376</u>	<u>189,466</u>	<u>8,184</u>	<u>12,192</u>
43,374	8,571	62,329	42,021	2,405	2,394
(53,073)	(681)	(72,646)	(74,718)	(8,630)	(9,947)
-	-	(421)	(2,041)	(23)	229
-	-	2,116	1,184	-	-
(15,128)	4,745	(6,856)	5,479	4,447	15,414
<u>(24,827)</u>	<u>12,635</u>	<u>(15,478)</u>	<u>(28,075)</u>	<u>(1,801)</u>	<u>8,090</u>
165,974	10,439	192,898	171,541	6,383	20,282
10,020	12,274	24,838	8,947	(3,582)	176
-	-	26,939	37,589	116	484
(15,400)	-	(55,564)	(50,645)	(5,898)	(2,979)
160,594	22,713	189,111	167,432	(2,981)	17,963
<u>1,982,146</u>	<u>294,932</u>	<u>2,844,059</u>	<u>2,676,627</u>	<u>(32,525)</u>	<u>(50,488)</u>
<u>\$ 2,142,740</u>	<u>\$ 317,645</u>	<u>\$ 3,033,170</u>	<u>\$ 2,844,059</u>	<u>\$ (35,506)</u>	<u>\$ (32,525)</u>
		189,111	167,432		
		1,680	4,997		
		<u>\$ 190,791</u>	<u>\$ 172,429</u>		

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 99,656	\$ 70,530	\$ 84,168	\$ 78,421	\$ -
Receipts from Oil Companies	-	-	-	-	213,242
Receipts from Other Governments	-	-	-	737	-
Receipts from Other Funds	-	-	-	-	-
Payments for Employee Salaries	(12,649)	(13,988)	(11,377)	(31,130)	(4,702)
Payments for Goods and Services	(76,802)	(35,643)	(54,909)	(56,561)	(5,029)
Payments for Compensated Absences	-	-	-	-	-
Payments for Employee Benefits	-	-	-	-	-
Payments for Liability Claims	-	-	-	-	-
Payments to Other Entities	-	-	-	-	(162,215)
Payments in Lieu of Taxes	-	(4,846)	-	-	-
Other Income (Expense)	-	20	2,455	(85)	6
Net Cash Provided by (Used for)					
Operating Activities	<u>10,205</u>	<u>16,073</u>	<u>20,337</u>	<u>(8,618)</u>	<u>41,302</u>
Cash Flows from Non-Capital Financing Activities:					
Other Income	774	-	-	-	-
Operating Grants Received from Other Governments	-	-	1,383	-	685
Transfers In	-	-	-	25,324	-
Transfers Out	(11,402)	-	(3,174)	(14,737)	(10,851)
Net Cash Provided by (Used for)					
Non-Capital Financing Activities	<u>(10,628)</u>	<u>-</u>	<u>(1,791)</u>	<u>10,587</u>	<u>(10,166)</u>
Cash Flows from Capital and Related Financing Activities:					
Receipt of Capital Grants	-	1,768	-	489	-
Proceeds from the Sale of Capital Assets	-	120	-	22	-
Proceeds from Issuance of Long-Term Obligations	7,500	-	-	9,069	-
Proceeds from Issuance of Bonds	-	-	-	-	-
Receipts of Contributed Capital	-	-	(3)	-	-
Principal Received on Capital Leases	-	-	-	386	-
Principal Received on Capital Leases from other funds	698	-	-	-	-
Payments for Capital Acquisitions	(11,554)	(17,339)	451	(11,204)	-
Payments of Principal on Bonds Payable	(905)	(1,210)	(6,540)	(8,065)	-
Payments of Principal on Other Long-Term Obligations	-	(143)	-	14,069	-
Payments to Defeasance Bonds	-	-	-	-	-
Payments of Interest	(615)	(2,007)	(4,635)	(10,476)	-
Net Cash Used for Capital and Related Financing Activities	<u>(4,876)</u>	<u>(18,811)</u>	<u>(10,727)</u>	<u>(5,710)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Proceeds from the Sale of Investments	-	-	(235)	-	-
Payment for Investments	-	-	(65)	-	-
Payments to Other Government Entities	-	-	-	-	-
Harbor Oil Operations Providing Cash	-	-	-	-	-
Receipts of Interest	1,056	758	3,350	5,213	-
Net Cash Provided by Investing Activities	<u>1,056</u>	<u>758</u>	<u>3,050</u>	<u>5,213</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,243)</u>	<u>(1,980)</u>	<u>10,869</u>	<u>1,472</u>	<u>31,136</u>
Cash and Cash Equivalents - October 1	<u>14,904</u>	<u>10,586</u>	<u>54,430</u>	<u>52,185</u>	<u>22,460</u>
Cash and Cash Equivalents - September 30	<u>\$ 10,661</u>	<u>\$ 8,606</u>	<u>\$ 65,299</u>	<u>\$ 53,657</u>	<u>\$ 53,596</u>

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		Service Funds	
		September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
\$ 366,578	\$ 45,029	\$ 744,382	\$ 720,640	\$ 6,085	\$ 5,849
-	-	213,242	273,420	-	-
-	-	737	369	-	-
-	-	-	-	291,109	259,265
(27,600)	(13,231)	(114,677)	(104,686)	(31,714)	(30,836)
(68,436)	(11,873)	(309,253)	(279,394)	(41,961)	(42,372)
-	-	-	-	(53,742)	(53,787)
-	-	-	-	(141,292)	(123,277)
-	-	-	-	(1,472)	(23,479)
-	-	(162,215)	(352,914)	-	-
-	(13,022)	(17,868)	(12,861)	-	-
-	284	2,680	9,867	4,784	15,263
<u>270,542</u>	<u>7,187</u>	<u>357,028</u>	<u>254,441</u>	<u>31,797</u>	<u>6,626</u>
-	-	774	-	-	-
-	-	2,068	923	-	-
-	-	25,324	32,042	116	484
<u>(14,222)</u>	<u>-</u>	<u>(54,386)</u>	<u>(45,923)</u>	<u>(5,897)</u>	<u>(2,982)</u>
<u>(14,222)</u>	<u>-</u>	<u>(26,220)</u>	<u>(12,958)</u>	<u>(5,781)</u>	<u>(2,498)</u>
4,613	3,968	10,838	7,636	-	-
-	-	142	166	276	342
-	-	16,569	16,615	1,727	4,830
-	-	-	58,653	-	-
-	12,470	12,467	2,739	181	176
-	-	386	351	-	-
-	-	698	663	-	-
(104,546)	(26,744)	(170,936)	(115,165)	(20,737)	(13,376)
(38,335)	(785)	(55,840)	(49,005)	-	-
(41)	-	13,885	(3,634)	(9,642)	(11,628)
-	-	-	(48,815)	-	-
<u>(54,966)</u>	<u>(543)</u>	<u>(73,242)</u>	<u>(79,876)</u>	<u>(8,657)</u>	<u>(8,710)</u>
<u>(193,275)</u>	<u>(11,634)</u>	<u>(245,033)</u>	<u>(209,672)</u>	<u>(36,852)</u>	<u>(28,366)</u>
-	501	266	3,710	-	-
-	-	(65)	-	-	-
-	500	500	(4,061)	-	-
11,123	-	11,123	29,562	-	-
<u>43,417</u>	<u>8,486</u>	<u>62,280</u>	<u>41,951</u>	<u>2,405</u>	<u>2,393</u>
<u>54,540</u>	<u>9,487</u>	<u>74,104</u>	<u>71,162</u>	<u>2,405</u>	<u>2,393</u>
117,585	5,040	159,879	102,973	(8,431)	(21,845)
<u>844,939</u>	<u>177,145</u>	<u>1,176,649</u>	<u>1,073,676</u>	<u>109,306</u>	<u>131,151</u>
<u>\$ 962,524</u>	<u>\$ 182,185</u>	<u>\$ 1,336,528</u>	<u>\$ 1,176,649</u>	<u>\$ 100,875</u>	<u>\$ 109,306</u>

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>				
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
Operating Income (Loss)	\$ 11,399	\$ 3,322	\$ 7,957	\$ (17,430)	\$ 14,523
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)					
Operating Activities:					
Depreciation and Amortization Expense	3,098	11,010	4,473	15,813	-
Other Income (Expense)	-	86	2,455	(85)	6
(Increase) Decrease in Accounts Receivable, Net	414	272	3,125	(5,932)	(3,444)
(Increase) Decrease in Amounts Due from Other Governments	-	-	(105)	(60)	26,150
(Increase) Decrease in Amounts Due from Other Funds	-	926	-	-	-
(Increase) Decrease in Inventory	(104)	(282)	-	-	-
(Increase) in Other Assets	-	-	-	-	-
Increase (Decrease) in Accounts Payable	(4,670)	660	2,492	(3,314)	1,195
Increase in Accrued Wages Payable	43	80	17	63	15
Increase (Decrease) in Amounts Due to Other Funds	21	-	9	(36)	323
(Decrease) in Accrued Claims Payable	-	-	-	-	-
Increase (Decrease) in Deferred Revenues	(26)	-	-	2,361	-
Decrease in Deferred Credits	-	-	(80)	-	-
Increase (Decrease) in Collections Held in Trust	30	(1)	(6)	2	2,534
Total Adjustments	(1,194)	12,751	12,380	8,812	26,779
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,205</u>	<u>\$ 16,073</u>	<u>\$ 20,337</u>	<u>\$ (8,618)</u>	<u>\$ 41,302</u>

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

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2007	September 30, 2006
		September 30, 2007	September 30, 2006		
\$ 190,801	\$ (2,196)	\$ 208,376	\$ 194,541	\$ 8,184	\$ 12,192
83,067	5,505	122,966	122,384	20,724	20,945
-	299	2,761	9,923	1,716	11,407
(3,002)	(628)	(9,195)	6,710	1,917	(8,884)
(320)	-	25,665	(100,254)	345	265
-	-	926	850	(312)	(838)
(194)	6	(574)	(13)	11	(219)
-	-	-	-	(1,420)	-
288	4,050	701	15,578	1,536	(3,644)
637	32	887	754	3,010	4,770
(143)	132	306	1,290	59	(23)
-	-	-	-	(4,039)	(29,321)
(592)	(101)	1,642	5,974	-	-
-	-	(80)	(80)	-	-
-	88	2,647	(3,216)	66	(24)
79,741	9,383	148,652	59,900	23,613	(5,566)
\$ 270,542	\$ 7,187	\$ 357,028	\$ 254,441	\$ 31,797	\$ 6,626

City of Long Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2007
(In Thousands)

	Private Purpose Trust	Agency Funds
ASSETS:		
Pooled Cash and Cash Equivalents	\$ -	\$ 18,184
Non-Pooled Cash and Cash Equivalents	-	21,987
Restricted Pooled Cash and Cash Equivalents	991	-
Land	-	11,000
Total Assets	\$ 991	\$ 51,171
LIABILITIES:		
Accounts Payable	-	121
Due to Special Assessment Bondholders	-	18,030
Collections Held in Trust	-	33,020
Total Liabilities	-	51,171
NET ASSETS:		
Held in Trust for Private Purpose Trust Funds	\$ 991	\$ -

City of Long Beach
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
September 30, 2007
(In Thousands)

	Private Purpose Trust
ADDITIONS:	
Interest Income	\$ 45
Contributions from Citizens	29
Total Additions	74
DEDUCTIONS:	
Community and Cultural	26
Change in Net Assets	48
Net Assets, October 1	943
Net Assets, September 30	\$ 991

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

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 – REPORTING ENTITY

Organization

The City of Long Beach, California (the City), operates under a City Charter originally adopted in 1921 and last amended in 2006. 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 eleven-member Board of Commissioners, comprised of the nine City Council members and two representatives elected by housing assistance benefit recipients. The Authority's administrative functions are directed and performed by City employees. The financial activity of the Authority is included in the Housing Assistance Fund, a non-major governmental fund.

Redevelopment Agency of the City of Long Beach (the Agency) was established by action of the City Council in 1961 under provisions of State law. The Agency is administered by five-member governing boards whose members are appointed by, and

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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

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

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

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

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007**

Non-profit Financing Corporations and Authorities:

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

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

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

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

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

Discretely Presented Component Unit

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

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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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, CA 90801.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements to minimize double counting. Exceptions to this general rule, are 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: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues, as they are appropriately reported as general revenues.

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

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City’s financial statements for the year ended September 30, 2006, from which the summarized information was derived.

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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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.

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

Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.), net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City. Property taxes levied for State fiscal year 2007-2008 are included in the City fiscal year 2007-2008 budget and financial statements as the tax proceeds are received by the City in December 2007 and April 2008, and have not been recorded in the accompanying financial statements for fiscal year 2006-2007.

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 of Long Beach, which are not required to be accounted for in another fund.

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

The Community Development Grants Fund 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 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.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

The Redevelopment Capital Projects Fund is used to account for the acquisition, relocation, demolition and sale of properties for the City of Long Beach's redevelopment areas. Redevelopment projects are mainly financed with property tax increment funds, operating transfers from the Community Development Grants Special Revenue Fund and bond proceeds. This fund is also used to account for the accumulation of resources for, and the payment of principal and interest on the Redevelopment Agency's bonded debt and other long-term obligations.

Major Enterprise Funds

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by generally accepted accounting principles, the City has also elected to apply those Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 that may apply to the accounting and reporting practices of the City's enterprise and business-type activities, except those that may conflict with GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Pooled Cash and Cash Equivalents

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

Interest income arising from pooled cash and investments is apportioned to the participating funds based on the relationship of their respective daily cash balances to the total of pooled cash and investments. Investments are stated at fair value as of September 30, 2007. (See Note 4).

Receivables and Payables

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

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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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

Inventories

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

Capital Assets

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

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

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

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

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

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

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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 Assets and Fund Equity

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

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

Property Tax Calendar

Under the State Constitution, the property tax rate is limited to 1 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.

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.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Employee Benefits and Compensated Absences

Benefits for City employees are paid from the City's Employee Benefits Internal Service Fund, except for the residual balance of a City-administered Police and Fire Annuity Benefit Program that was terminated in 1945. The Employee Benefits Internal Service Fund is reimbursed through payroll charges to other funds based on estimates of benefits earned. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. 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. Effective January 1, 2005 this benefit ceased for safety employees. 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, pre-tax into a trust account maintained in the employee's name. This benefit to deposit the value of 32 hours of sick leave and excess leave was effective through fiscal year 2003. The excess vacation was effective through fiscal year 2005.

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

Budgetary Principles

The City Council adopted the fiscal year 2007 budget prior to September 30, 2006 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.

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

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

Accounting for Encumbrances

Encumbrances outstanding at year-end are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. 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 as required by generally accepted accounting principles. (Adjustments necessary to convert actual expenditures from the modified accrual basis to the budgetary basis are reflected in Note 16).

Implementation of New Accounting Pronouncements

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

In April 2004, GASB issued Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. The City will implement GASB Statement No. 48 for the fiscal year ended September 30, 2008.

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of

**CITY OF LONG BEACH
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SEPTEMBER 30, 2007**

implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The City of Long (the City) in preparation of implementation in fiscal year 2008, commissioned an independent actuary to determine the city' liability under GASB 45. In May of 2007, City Council's Budget Oversight Committee was briefed on the results of this valuation together with different options of funding and associated financial impact.

In September 2007, GASB issued Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This statement establishes criteria that governments will use to determine whether certain transactions should be regarded as a sale and reported as revenue or regarded as collateralized borrowing and recorded as a liability. Examples of such transactions include the sale of delinquent taxes, certain mortgages, student loans, or future revenue such as those from tobacco settlement agreements. The statement also includes provisions that stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The requirements of this statement are effective for the financial statements for periods beginning after December 15, 2007. The City plans on implementing GASB Statement No. 48 for the fiscal year ended September 30, 2008.

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement addresses accounting and reporting standards for pollution remediation obligations, including contamination. The statement focuses on current and potential detrimental effects of existing pollution through participation in pollution remediation activities, such as site assessment and clean-up, but excludes pollution prevention and control obligation with respect to current operation and future remediation activities that may be required with asset retirements such as landfill closures or "nuclear power plant" decommissioning. The requirements of this statement are effective for financial statements periods beginning after December 15, 2007, and include measurement of pollution remedial liabilities at the beginning of the fiscal period as to restate beginning net assets. Governments with sufficient objective verifiable information to apply expected cash flow techniques to determine prior period liabilities are required to do for all periods presented. The City plans on implementing GASB Statement No. 49 for fiscal year ending September 30, 2009.

Estimates

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

Reclassifications

Certain amounts reported in fiscal year 2006 have been reclassified to conform to the fiscal year 2007 presentation. Such reclassifications had no effect on the previously reported change in net assets.

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007**

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

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

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

Bonds Payable (Note 9)	\$ 436,128
Less: Deferred charge on refunding (to be amortized as interest expense)	(2,336)
Plus: issuance premium (to be amortized as a reduction of interest expense)	9,915
Less: issuance discount (to be amortized as an increase of interest expense)	(842)
Notes, certificates of participation, commercial paper and other long-term obligations	43,266
Capital lease payable	21,903
Accrued interest payable	6,853
Less: deferred charge for issuance costs (to be amortized over life of debt)	<u>(8,944)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 505,943</u>

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

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

Capital outlay	\$ 32,371
Contributed Asset	3,506
Depreciation expense	<u>(23,216)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 12,661</u>

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

Debt issued or incurred:	
Issuance of revenue bonds	\$ 24,320
Less discounts	(122)
Less Issuance costs	(537)
Increase of notes, certificates of participation, commercial paper and other long-term obligations due to deferral of charges	291
Capital leases	1,428
Principal repayments:	
Revenue bond debt	(9,392)
Notes, certificates of participation, commercial paper and other long-term obligations	(778)
Police and fire annuities paid (closed plan)	(4,277)
Capital leases	(5,281)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (5,652)</u>

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

Increase in liability for police and fire annuities	\$ (1,813)
Accrued interest	(549)
Amortization of premium	476
Amortization of discount	(32)
Amortization of issuance cost	(387)
Amortization of deferred charge on refunding	(104)
Net difference	<u>\$ (2,409)</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The net revenues of certain activities of internal service funds are reported with governmental activities. The details of this difference are as follows (in thousands):

Change in net assets as reported in the internal service funds	\$ (2,981)
Activities of internal service funds related to enterprise funds are allocated to business-type activities, resulting in a negative internal balance in governmental activities	<u>(1,680)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (4,661)</u>

NOTE 4 – CASH AND INVESTMENTS

Cash and Investments as of September 30, 2007 are classified in the accompanying financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments in City pool	\$ 1,686,441
Cash and investments held by bond trustee	<u>273,236</u>
Total cash and investments	<u>\$ 1,959,677</u>

Cash and Investments as of September 30, 2007 consist of the following:	
Cash and deposits	\$ 32,878
Outstanding Checks	(10,379)
Investments	<u>1,937,178</u>
Total cash and investments	<u>\$ 1,959,677</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, 2007 is as follows (in thousands):

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Pooled Cash and Cash Equivalents	\$ 368,005	\$ 780,053	\$ 18,184	\$ 1,166,242	\$ -
Non-Pooled Cash and Cash Equivalents	136,461	-	21,987	158,448	15,385
Non-Pooled Investments	10,000	603	-	10,603	-
Restricted Assets:					
Pooled Cash and Cash Equivalents	5,385	513,823	991	520,199	-
Non-Pooled Cash and Cash Equivalents	10,882	42,651	-	53,533	22,374
Non-Pooled Investment	-	50,652	-	50,652	-
Total Deposits and Investments	<u>\$ 530,733</u>	<u>\$ 1,387,782</u>	<u>\$ 41,162</u>	<u>\$ 1,959,677</u>	<u>\$ 37,759</u>

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provision of the California Government Code or the City's investment policy.

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

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

Investments Authorized by Debt Agreements

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.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following schedule indicates the interest rate risk of the City's investments as of September 30, 2007 (in thousands):

Investment Type		Weighted Average Maturity (in years)
Inter-Department Loan (Health Savrs)	\$ 3,098	11.60
U.S. Treasury Notes	145,149	0.90
Federal agency securities	1,190,784	2.28
Medium-Term Notes	49,881	1.83
Short-term Commercial Paper	135,874	0.02
Local Agency Investment Fund (LAIF)	139,156	0.01
Subtotal City Pool	1,663,942	
Cash and Deposits	32,878	
Outstanding Checks	(10,379)	
Total City Pool	<u>\$ 1,686,441</u>	
Guaranteed Investment Contracts	\$ 157,231	-
Money Market Funds	102,834	-
Time Certificates of Deposit	10,000	1.00
City Bonds	2,760	-
Local Agency Investment Fund (LAIF)	411	0.49
Total held by Bond Trustees	<u>\$ 273,236</u>	

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, 2007. 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. Presented below is the minimum rating required by the California Government Code, the City's investment policy, and the actual rating as of year end for each investment type (in thousands):

Investment Type		Rating as of Year End						
		Minimum Legal Rating	Not Required To Be Rated	A-1+	A-1	AAA	AA-	Unrated
Inter-Department Loan (Health Savrs)	\$ 3,098	N/A	\$ 3,098	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	145,149	N/A	145,149	-	-	-	-	-
Federal agency securities	1,190,784	N/A	-	-	-	1,190,784	-	-
Medium-Term Notes	49,881	A	-	-	-	44,861	5,020	-
Short-term Commercial Paper	135,874	N/A	-	54,350	81,524	-	-	-
Local Agency Investment Fund (LAIF)	139,156	N/A	139,156	-	-	-	-	-
Subtotal City Pool	1,663,942		287,403	54,350	81,524	1,235,645	5,020	-
Cash and Deposits	32,878		-	-	-	-	-	32,878
Outstanding Checks	(10,379)		-	-	-	-	-	(10,379)
Total City Pool	<u>\$ 1,686,441</u>		<u>\$ 287,403</u>	<u>\$ 54,350</u>	<u>\$ 81,524</u>	<u>\$ 1,235,645</u>	<u>\$ 5,020</u>	<u>\$ 22,499</u>

Investment Type		Rating as of Year End						
		Minimum Legal Rating	Not Required To Be Rated	A-1+	A-1	AAA	AA-	Unrated
Guaranteed Investment Contracts	\$ 157,231	N/A	\$ 157,231	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Funds	102,834	N/A	102,834	-	-	-	-	-
Time Certificates of Deposit	10,000	N/A	-	-	-	-	-	10,000
City Bonds	2,760	N/A	-	-	-	-	-	2,760
Local Agency Investment Fund (LAIF)	411	N/A	-	-	-	-	-	411
Total held by Bond Trustees	<u>\$ 273,236</u>		<u>\$ 260,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,171</u>

**CITY OF LONG BEACH
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Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5 percent or more of the City's total pooled investments are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	Federal Agency Securities	\$ 89,334
Federal Home Loan Bank	Federal Agency Securities	354,763
Federal Home Loan Mortgage Association	Federal Agency Securities	307,866
Federal National Mortgage Association	Federal Agency Securities	438,822
U.S. Treasuries	U.S. Treasury Notes & bonds	145,149
Commercial Paper	Unsecured Corporate debt	135,874
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	139,157

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

As of September 30, 2007, the City reports deposits of \$32,878,000 less \$10,379,000 for checks outstanding.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the

**CITY OF LONG BEACH
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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.

GASB 31

GASB 31 requires that certain investments and external investment pools be reported at fair value. At September 30, 2007 and 2006, the effect of valuating the City's investments at fair value did not have a material impact on its financial position.

Securities Lending

The City did not engage in any securities lending programs for the fiscal year ended September 30, 2007. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreements with the City's contract bank. These agreements limit the nature and amount of the transactions, and provide for full collateralization of each transaction.

Component Unit

The Long Beach Transportation Company (LBT) is authorized to participate in the investments listed below, at June 30, 2007. The LBT elected to have all but \$500,000 of its investments with the Local Agency Investment Fund (LAIF). The remaining \$500,000 was invested in an overnight repurchase agreement.

	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	10%	10%
Money Market Mutual Funds	N/A	None	None
Bankers Acceptances	180 days	40%	10%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds	N/A	15%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Mortgage Pass-through Securities	5 years	20%	None
Local Agency Bonds	5 years	10%	None

Component Unit Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of investments contained in the LAIF investment pool is approximately 176 days.

**CITY OF LONG BEACH
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Information about the sensitivity of fair values of the LBT's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2007 (in thousands):

		<u>Maturity Date</u>
State Investment Pool (LAIF)	\$ 36,607	176 days average maturity
Repurchase Agreement (Overnight Sweep Account)	<u>500</u>	July 2, 2007
Total	<u>\$ 37,107</u>	

LBT also has cash on hand and deposits with financial institutions totaling \$652,000, which do not have interest rate risk.

Component Unit Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Component Unit Concentration of Credit Risk

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

Component Unit Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government code and LBT's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial Credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools, such as LAIF.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 – RECEIVABLES

Receivables at September 30, 2007 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands). All receivables are expected to be collected within one year, except for delinquent property taxes.

	General	Housing Development	Community Development Grants	General Capital Projects	Redevelopment Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Governmental Activities:								
Receivables:								
Interest	\$ 21	\$ -	\$ -	\$ -	\$ 1,941	\$ -	\$ -	\$ 1,962
Taxes	4,821	-	-	-	-	-	-	4,821
Accounts, Unrestricted	-	1	-	87	390	4,338	7,028	11,844
Notes and Loans	2,218	-	-	-	-	-	-	2,218
Due from Other	-	-	-	-	-	-	-	-
Governments	18,484	-	2,287	9,836	39	12,876	357	43,879
Total Receivables	25,544	1	2,287	9,923	2,370	17,214	7,385	64,724
Less Allowance for Receivables	(17,227)	-	-	-	-	(633)	(176)	(18,036)
Net Receivables	<u>\$ 8,317</u>	<u>\$ 1</u>	<u>\$ 2,287</u>	<u>\$ 9,923</u>	<u>\$ 2,370</u>	<u>\$ 16,581</u>	<u>\$ 7,209</u>	<u>\$ 46,688</u>

	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue	Harbor	Nonmajor Proprietary Funds	Total
Business-Type Activities:								
Receivables:								
Interest, Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 535	\$ -	\$ 535
Interest, Restricted	-	-	-	247	-	-	27	274
Accounts, Unrestricted	3,312	5,772	6,484	8,895	47,178	48,762	2,820	123,243
Accounts, Restricted	-	-	-	-	-	-	606	606
Capital Lease-current	-	-	-	419	-	-	-	419
Other Receivables	-	-	-	-	-	-	66	66
Due from Other	-	-	-	-	-	-	-	-
Governments	-	-	534	834	-	5,931	2,444	9,743
Total Receivables	3,312	5,772	7,018	10,395	47,178	55,248	5,963	134,886
Less Allowance for Receivables	(490)	(230)	(247)	(186)	-	(1,853)	(334)	(3,340)
Net Receivables	<u>\$ 2,822</u>	<u>\$ 5,542</u>	<u>\$ 6,771</u>	<u>\$ 10,209</u>	<u>\$ 47,178</u>	<u>\$ 53,395</u>	<u>\$ 5,629</u>	<u>\$ 131,546</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2007 is as follows (in thousands):

<u>Due to / from Other Funds:</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Development Grants	\$ 1,640
	Redevelopment Capital Projects	3,470
	Nonmajor Governmental Funds	6,964
	Harbor	57
	Nonmajor Business-type Funds	30
	Internal Service Funds	<u>292</u>
Subtotal General Fund		<u>12,453</u>
Gas	Tidelands	<u>733</u>
Tidelands	Tideland Oil Revenue	2,023
	Harbor	15,549
Subtotal Tidelands		<u>17,572</u>
Internal Service Funds	General	3,777
	Housing Development	25
	Community Development Grants	112
	General Capital Projects	76
	Redevelopment Capital Projects	54
	Nonmajor Governmental Funds	560
	Gas	201
	Water	282
	Solid Waste Management	128
	Tidelands	256
	Tideland Oil Revenue	63
	Harbor	679
	Nonmajor Business-type Funds	185
	Internal Service Funds	<u>395</u>
Subtotal Internal Service Funds		<u>6,793</u>
Total Due to / from Other Funds		<u>37,551</u>
<u>Advances from / to Other Funds:</u>		
General	Redevelopment Capital Projects	101,001
	Nonmajor Governmental Funds	2,000
	Tidelands	
	Nonmajor Business-type Funds	
Subtotal - General Fund		<u>103,001</u>
Housing Development	Redevelopment Capital Projects	<u>20,927</u>
Community Development Grants	Housing Development	3,819
	Nonmajor Governmental Funds	<u>2,900</u>
	Nonmajor Business-type Funds	
Subtotal - Community Development Grants		<u>6,719</u>
General Capital Projects	Redevelopment Capital Projects	<u>1,471</u>
Redevelopment Capital Projects	Tidelands	<u>18,807</u>
Gas	Tidelands	<u>4,213</u>
Harbor	Redevelopment Capital Projects	<u>27,435</u>
	Nonmajor Governmental Funds	
	Tidelands	
	Nonmajor Business-type Funds	
Nonmajor Business-type Funds		<u>27,435</u>
Total Advances from / to Other Funds	General Fund	<u>7,614</u>
Total Interfund Balances Entity-Wide		<u>227,738</u>
Less Amounts Eliminated in the Entity-Wide Basis Financial Statements		<u>(226,374)</u>
Entity-Wide Basis Financial Statement Internal Balances		<u>\$ 1,364</u>

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Due To / Due From Other Funds

At September 30, 2007, the Redevelopment Capital Projects Fund owed the General Fund \$3,470,000 for an advance to fund estimated Redevelopment Agency operating costs prior to receiving tax increment revenues. It is intended that this advance will be paid in the next fiscal year as tax increment revenues are received.

The General Fund has advanced cash in the amount of \$4,283,000, \$2,681,000 and \$1,640,000 to the General Grants Fund, Health Fund and Community Development Grants Fund, respectively, to cover operating costs prior to receipt of grant funds from the Homeland Security grants, Health related grants, Federal Government Workforce Investment Act grant, Community Development Block Grant and various other grants.

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, or \$15,400,000, of the Harbor Fund net income for fiscal year 2006 to the City's Tidelands Fund. This amount is recorded as a due to the Tidelands Fund and due from the Harbor Fund and will be paid quarterly in fiscal year 2008. In addition, the Harbor Fund recorded \$149,000 as due to the Tidelands Fund for public safety services rendered by the Port Security Unit.

Employee Benefits overhead costs, such as funding for health benefits and paid time off, relating to the wages and salaries accrued at September 30, 2007 are payable from various funds to the Employee Benefits Internal Service Fund in the amount of \$6,793,000 at September 30, 2007.

Advances from Other Funds

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

From 1974 to 2007, the City provided the Redevelopment Agency (the Agency) with certain Federal grant monies for use on redevelopment projects. The Agency makes discretionary payments to the City annually, which in fiscal year 2007 amounted to approximately \$1,444,000. Interest on the advances is set at 0.05 percent above the City interest rate payments on the City's Tax Anticipation Note. At September 30, 2007, the outstanding balances of these advances totaled \$101,001,000, \$4,565,000 and \$1,471,000 in the General Fund, Housing Development Fund, and General Capital Projects Fund, respectively, with the latter being for land acquisition and planning and engineering services provided by the City. It is the intent of the City and the Agency that the Agency repays these transfers as future property tax increment revenues permit. Due to the long-term nature of repayment, the City has reserved these interfund receivables in the General Fund, Housing Development Fund and General Capital Projects Fund as fund balance reserved for noncurrent receivables.

The Agency has entered into a financing agreement with the Port of Long Beach (Harbor Fund), under which the Agency was advanced \$30,000,000 for the expansion of the Long Beach Convention and Entertainment Center. A payment of \$1,765,000 was made on the note by the Agency in November 1998. An amendment deferred payments to be made in quarterly installments of \$441,000 over 16 years, beginning in 2002.

**CITY OF LONG BEACH
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At September 30, 2007 and 2006, the balance of this advance is \$27,435,000. The note is payable solely from transient occupancy taxes levied in the Downtown Redevelopment Project area. The repayment to the Port is subordinated to a pledge to fund payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 bond issue in the event that the Aquarium revenues do not cover debt service payments. This advance is reported in the Redevelopment Capital Projects Fund and the corresponding receivable is reported in the Harbor Fund.

At September 30, 2007, the Redevelopment Capital Projects Fund advanced \$18,807,000 to the Tidelands Fund. Such monies arose from Downtown Redevelopment area transient occupancy taxes transferred in the amount of \$4,070,000 for fiscal year 2007 and \$14,390,000 for fiscal years 2002 through 2006. The Redevelopment Agency shall be reimbursed for any such advance together with interest, at a rate of interest equal to the rate earned on the City Treasurer's Investment Pool, as monies are available. Interest in the amount of \$145,600 was accrued in fiscal year 2007 and \$201,000 from fiscal years 2002 through 2006. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed.

Community redevelopment law in the State of California requires that 20 percent of annual net property tax increment revenues be set aside for low- and moderate-income housing. The law allowed a deferral of such set aside under certain circumstances. In December 1995, the Agency adopted a Downtown Project Area Housing Fund Deficit Reduction Plan that called for an analysis of available tax increment and existing obligations beginning in 2010 and every two years thereafter until reduction of the deferred debt is found feasible. The resulting interfund receivable and offsetting non-current receivable reserved fund balance aggregating \$16,362,000 have been recorded as advances to/from other funds in the Housing Development Fund and the Redevelopment Capital Projects Fund, respectively for the Downtown Project Area. For the fiscal year 2007 all seven of the Agency's redevelopment project areas paid their full allocation of the year's required 20 percent housing set aside.

In fiscal year 2001, the Housing Development Company (accounted for in the Housing Development Fund) entered into a \$4,000,000 zero interest loan agreement with the City for the acquisition of twenty-six parcels of land, each containing a four-plex apartment building for affordable rental housing for low and very low-income residents. The Company is required to make the principal payments to the City using 25 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. As of September 30, 2007 the Community Development Grants Fund advanced the Company \$3,819,000 which has been recorded as advances to/from other funds, respectively.

In November 1993, the City issued \$13,490,000 in Gas Utility Bonds (1993 Bonds) with interest rates ranging from 2.6 percent to 5.125 percent to construct an energy plant adjacent to the Long Beach Convention and Entertainment Center. This debt was refunded by the Long Beach Bond Finance Authority 2006 Revenue Bonds with interest rates ranging from 2 percent to 3.125 percent. This debt is funded by an annual payment from the Tidelands Fund in an amount necessary to cover the debt service requirements with respect to the Gas Utility Bonds. The long-term amount due to the Gas Fund at September 30,

**CITY OF LONG BEACH
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2007 is \$4,213,000. The current amount due to the Gas Fund, at September 30, 2007 is \$733,000.

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

The General Fund advanced the Health Special Revenue Fund \$2 million to cover initial costs associated with the Fund's inception. This debt has no anticipated repayment date.

The Subsidence non-major business-type fund advanced interest earning on reserves to the General fund of \$4,054,000 and \$4,060,000 in fiscal year 2005 and 2006, respectively. 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 \$500,000 per year at zero percent interest. The balance outstanding as of September 2007 is \$7,614,000.

Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2007 interfund transfers are as follows (in thousands):

		Transfers To:								
		General	Housing Develop- ment	Community Develop- ment Grants	General Capital Projects	Redevelop- ment Capital Projects	Nonmajor Govern- mental Funds	Tidelands	Internal Service Funds	Total Transfers Out
Transfers Out of:										
General	\$ -	\$ -	\$ 180	\$ 7,843	\$ -	\$ 2,978	\$ -	\$ -	\$ -	\$ 11,001
Housing Development	-	-	170	-	9,860	-	-	-	-	10,030
Community Development Grants	525	-	-	619	462	129	-	-	-	1,735
General Capital Projects	300	-	-	-	-	196	-	-	-	496
Redevelopment Capital Projects	-	13,681	-	1,333	-	2,700	529	-	-	18,243
Nonmajor Governmental	14,303	-	-	1,636	-	-	-	116	-	16,055
Gas	11,402	-	-	-	-	-	-	-	-	11,402
Solid Waste Management	3,174	-	-	-	-	-	-	-	-	3,174
Tidelands	-	-	-	-	14,737	-	-	-	-	14,737
Tideland Oil Revenue	-	-	-	-	-	-	10,851	-	-	10,851
Harbor	-	-	-	-	-	-	15,400	-	-	15,400
Internal Service Funds	5,739	-	-	-	-	-	159	-	-	5,898
Total Transfers In	\$ 35,443	\$ 13,681	\$ 350	\$ 11,431	\$ 25,059	\$ 6,003	\$ 26,939	\$ 116	\$ 119,022	

The significant transfers include:

The General Fund transferred \$7,843,000 to the General Capital Projects Fund for ongoing projects such as City street and sidewalk construction, and City building improvements, maintenance and repairs. The Upland Oil Properties Fund and Park Development Fund, included as non-major governmental funds, transferred \$636,000 and \$1,000,000, respectively, to the General Capital Projects Fund for ongoing City park projects and other capital projects.

The General Fund transferred \$180,000 to the Community Development Grants Fund to provide a City-match to the Workforce Investment Act grant.

**CITY OF LONG BEACH
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The General Fund transferred \$283,000 to the General Grants Fund, included as a non-major governmental fund, as a City match for various federal and county grants.

The General Fund transferred \$1,608,000 and \$1,087,000 to the Health Fund and Development Services Fund, respectively, included as non-major governmental funds, to cover indirect cost allocation charges incurred. The Development Services fund was newly created in fiscal year 2007 to segregate long range planning and property use and development services from the general fund and give visibility of the City's planning, building, and inspection fees and the associated cost the City incurs to provide these services.

The Upland Oil Properties Fund, included as a non-major governmental fund, transferred \$14,303,000 to the General Fund for royalties due the City.

The Community Development Grants Fund transferred \$619,000 to the General Capital Projects Fund for ongoing Americans with Disabilities Act modifications and projects.

The Community Development Grants Fund transferred \$129,000 to the Business Assistance Fund, included as a non-major governmental fund, to provide a City-match to the Economic Development Administration (EDA) grant.

The Community Development Grants Fund transferred \$462,000 to the Redevelopment Capital Projects Fund to cover one third of medium improvement project costs in the North Long Beach area.

The Housing Development Fund transferred a total of \$9,860,000 to the Redevelopment Capital Projects Fund, \$6,517,000 for the purchase of several properties in Central Long Beach for rehabilitation and subsequent sale or rental to low-income households; and \$3,343,000 for payment of bond principal and interest payments related to Redevelopment Agency Housing Bonds.

In 2005, the Redevelopment Agency of the City of Long Beach (Agency) sold tax allocation bonds secured by the Agency's twenty percent set-aside for low- and moderate-income housing. As the Long Beach Housing Development Company (LBHDC) expends funds on 2005 bond-eligible projects, the Agency draws down the proceeds from the fiscal agent and transfers those funds to Long Beach Housing Development Fund. In 2007, the transfer of bond proceeds from the Agency to LBHDC totaled \$13,681,000.

The Redevelopment Capital Projects Fund transferred \$529,000 to the Tidelands Fund to partially fund the Convention Center energy plant.

The Redevelopment Capital Projects Fund transferred \$1,333,000 to the General Capital Projects Fund for Central and North development projects.

The Redevelopment Capital Projects transferred \$2,700,000 to the Business Assistance Fund, a non-major governmental fund, to support administrative and operating expenses of the funds' loans programs.

The Gas Fund transferred \$11,402,000 to the General Fund as allowed by City charter.

**CITY OF LONG BEACH
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The Solid Waste Management Fund transferred \$2,457,000 to the General Fund, the fair market value of the public service yard in exchange for the conveyance of the parcel to the Solid Waste Fund.

The Solid Waste Management Fund transferred \$717,000 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.

The transfer of \$14,737,000 from Tidelands Fund to Redevelopment Capital Projects Fund eliminates the capitalization of other assets and deferred revenue, respectively, that offset Downtown Redevelopments loan of transient occupancy tax to Tidelands to partially fund the Aquarium of the Pacific debt.

The Harbor Fund accrued an operating transfer of \$15,400,000 due to the Tidelands Fund as allowed by the City charter.

The Tidelands Oil Revenue Fund shares revenue from the tidelands oil operation under an optimized water flood program. In fiscal year 2007, \$10,851,000 was transferred to the Tidelands Fund from the Tidelands Oil Revenue Fund under this program.

Internal Service Fund transfers reflect cable franchise fee revenue from the General Services Internal Service Fund to the General Fund in the amount of \$2,440,000 and excess discretionary reserves of \$2,499,000 from the Employee Benefits Internal Service Fund.

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

Capital asset activity for the year ended September 30, 2007 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2006	Increase	Decrease	Balance at September 30, 2007
Capital Assets not being Depreciated:				
Land	\$ 115,922	\$ 8,794	\$ -	\$ 124,716
Rights-of-way	81,311	-	-	81,311
Construction In Progress	96,824	36,541	(32,602)	100,763
Total Capital Assets not being Depreciated	294,057	45,335	(32,602)	306,790
Capital Assets being Depreciated:				
Buildings	241,640	16,857	(327)	258,170
Improvements Other than Buildings	57,951	270	(39)	58,182
Infrastructure	351,274	7,172	(537)	357,909
Machinery and Equipment	66,535	6,283	(6,549)	66,269
Automotive	83,374	11,733	(5,076)	90,031
Other Assets	30,719	-	-	30,719
Total Capital Assets being Depreciated	831,493	42,315	(12,528)	861,280
Less Accumulated Depreciation for:				
Buildings	(73,212)	(7,390)	238	(80,364)
Improvements Other than Buildings	(22,043)	(2,596)	38	(24,601)
Infrastructure	(188,506)	(10,717)	537	(198,686)
Machinery and Equipment	(48,730)	(6,445)	6,927	(48,248)
Automotive	(45,032)	(7,977)	4,777	(48,232)
Other Assets	(26,460)	(1,420)	-	(27,880)
Total Accumulated Depreciation	(403,983)	(36,545)	12,517	(428,011)
Total Capital Assets being Depreciated, Net	427,510	5,770	(11)	433,269
Governmental Activities Capital Assets, Net	\$ 721,567	\$ 51,105	\$ (32,613)	\$ 740,059

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

Legislative and Legal	\$ 405
General Government	111
Public Safety	5,145
Public Health	618
Community and Cultural	5,361
Public Works	11,579
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	13,326
Total governmental activities depreciation	\$ 36,545

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Capital asset activity for business-type activities for the year ended September 30, 2007 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2006	Increase	Decrease	Balance at September 30, 2007
Capital Assets not being Depreciated:				
Land	\$ 910,632	\$ 1,800	\$ -	\$ 912,432
Rights-of-way	209,671	73	-	209,744
Construction In Progress	218,724	232,143	(152,524)	298,343
Total Capital Assets not being Depreciated	1,339,027	234,016	(152,524)	1,420,519
Capital Assets being Depreciated:				
Buildings	1,963,337	53,861	(12,367)	2,004,831
Improvements Other than Buildings	299,729	39,302	-	339,031
Infrastructure	950,986	18,419	(2,074)	967,331
Machinery and Equipment	23,089	1,912	(182)	24,819
Automotive	24,863	1,116	(401)	25,578
Patents	-	815	-	815
Total Capital Assets being Depreciated	3,262,004	115,425	(15,024)	3,362,405
Less Accumulated Depreciation for:				
Buildings	(837,439)	(93,769)	12,365	(918,843)
Improvements Other than Buildings	(140,001)	(7,244)	-	(147,245)
Infrastructure	(525,435)	(12,738)	1,645	(536,528)
Machinery and Equipment	(17,114)	(636)	49	(17,701)
Automotive	(19,338)	(1,876)	401	(20,813)
Patents	-	(44)	-	(44)
Total Accumulated Depreciation	(1,539,327)	(116,307)	14,460	(1,641,174)
Total Capital Assets being Depreciated, Net	1,722,677	(882)	(564)	1,721,231
Business-type Activities Capital Assets, Net	\$ 3,061,704	\$ 233,134	\$ (153,088)	\$ 3,141,750

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

Gas	\$ 3,098
Water	10,972
Solid Waste Management	4,473
Tidelands	14,926
Harbor	77,333
Non-major business-type funds	
Sewer	1,246
Airport	4,250
Towing	9
Total business-type activities depreciation	\$ 116,307

Capitalized Interest

There was no capitalized interest in fiscal years 2007 and 2006.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Component Unit

Capital asset activity of the LBT for the year ended June 30, 2007 was as follows (in thousands):

	Balance at July 1, 2006	Increases	Decreases	Balance at June 30, 2007
Capital Assets not being Depreciated:				
Land	\$ 5,525	\$ -	\$ -	\$ 5,525
Construction in Progress	1,442	2,134	(1,210)	2,366
Total Capital Assets not being Depreciated	<u>6,967</u>	<u>2,134</u>	<u>(1,210)</u>	<u>7,891</u>
Capital Assets being Depreciated:				
Buildings and Improvements	31,871	2,419	(4)	34,286
Fleet	95,180	3,297	(3,297)	95,180
Communications Systems	6,578	5	-	6,583
Fare Collection System	5,054	262	(11)	5,305
Office, Shop and Garage Equipment	15,383	768	(2,245)	13,906
Passenger Facilities	6,269	201	(459)	6,011
Total Capital Assets being Depreciated:	<u>160,335</u>	<u>6,952</u>	<u>(6,016)</u>	<u>161,271</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(17,457)	(1,673)	7	(19,123)
Fleet	(44,720)	(10,480)	3,298	(51,902)
Communications Systems	(4,118)	(1,646)	-	(5,764)
Fare Collection System	(849)	(598)	12	(1,435)
Office, Shop and Garage Equipment	(13,398)	(1,019)	2,253	(12,164)
Passenger Facilities	(3,172)	(1,297)	457	(4,012)
Total Accumulated Depreciation	<u>(83,714)</u>	<u>(16,713)</u>	<u>6,027</u>	<u>(94,400)</u>
Total Capital Assets being Depreciated, Net	<u>76,621</u>	<u>(9,761)</u>	<u>11</u>	<u>66,871</u>
Total LBT Capital Assets, Net	<u>\$ 83,588</u>	<u>\$ (7,627)</u>	<u>\$ (1,199)</u>	<u>\$ 74,762</u>

NOTE 8 – SHORT-TERM NOTE PAYABLE

On October 11, 2006 the City of Long Beach issued Tax Revenue Anticipation Notes (TRAN) for \$54,000,000. The short-term notes carried a 4.50% coupon rate. The notes are a general obligation of the City payable from taxes, income, revenue, and other moneys attributable to its 2006-2007 Fiscal Year. Note proceeds may be used for General Fund expenditures, including current and capital expenditures. The entire balance and interest payable are payable on October 10, 2007. The short-term note and interest payable are reflected in both the Governmental funds financial statements and governmental-wide financial statements as a current liability.

**CITY OF LONG BEACH
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NOTE 9 – CHANGE IN LONG – TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2007, was as follows (in thousands):

	Balance at October 1, 2006	Additions	Reductions	Balance at September 30, 2007	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 231,470	\$ 24,320	\$ (9,290)	\$ 246,500	\$ 9,965
Tax Allocation Bonds	348,626	-	(7,812)	340,814	8,251
Plus (less) deferred amounts:					
Premium	10,390	-	(475)	9,915	-
Discount	(2,581)	(122)	130	(2,573)	-
Refunding	(11,318)	-	1,788	(9,530)	-
Issuance costs	(11,435)	(537)	578	(11,394)	-
Total Bonds Payable	565,152	23,661	(15,081)	573,732	18,216
Notes Payable	11,146	367	(779)	10,734	799
Capital Leases	35,131	12,355	(8,005)	39,481	7,359
Police and Fire Annuities	29,896	1,813	(4,277)	27,432	-
Estimated Oil Field Abandonment Costs	5,100	-	-	5,100	-
Accrued Self-Insured Claims	104,790	8,597	(12,637)	100,750	17,100
Employee Benefits	70,556	6,844	(5,503)	71,897	5,600
Governmental Activities Long-Term Liabilities	<u>\$ 821,771</u>	<u>\$ 53,637</u>	<u>\$ (46,282)</u>	<u>\$ 829,126</u>	<u>\$ 49,074</u>
<u>Business-Type Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 1,367,640	\$ -	\$ (55,055)	\$ 1,312,585	\$ 57,440
Plus (less) deferred amounts:					
Premium	52,555	-	(3,366)	49,189	-
Discount	(1,395)	-	107	(1,288)	-
Refunding	(32,560)	-	2,869	(29,691)	-
Issuance Cost	(12,899)	-	946	(11,953)	-
Total Bonds Payable	1,373,341	-	(54,499)	1,318,842	57,440
Certificates of Participation	9,960	-	(785)	9,175	825
Discount	(179)	-	26	(153)	-
Refunding	(566)	-	82	(484)	-
Issuance costs	(180)	-	26	(154)	-
Total Certificates of Participation	9,035	-	(651)	8,384	825
Notes Payable	104,958	16,430	(1,747)	119,641	61,649
Issuance costs	(293)	-	59	(234)	-
Total Notes Payable	104,665	16,430	(1,688)	119,407	61,649
Capital Leases	6,119	-	(2,352)	3,767	2,531
Due to State of California	6,080	214,514	(188,365)	32,229	31,619
Estimated Oil Field Abandonment Costs	343,100	8,600	-	351,700	-
Environmental Remediation	-	47,700	-	47,700	9,600
Site Restoration	-	400	-	400	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,842,340</u>	<u>\$ 287,644</u>	<u>\$ (247,555)</u>	<u>\$ 1,882,429</u>	<u>\$ 163,664</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 10 – BONDS PAYABLE

At September 30, 2007 bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued	Outstanding at September 30, 2007
GOVERNMENTAL ACTIVITIES					
GENERAL CITY BONDS					
Long Beach Museum of Art Project	10/15/99	09/01/09	Variable	\$ 3,060	\$ 3,060
Belmont Shore Parking Meter	06/30/93	06/01/12	5.75%	1,680	870
Skylinks Golf	05/01/03	05/01/29	1.57%-6.3%	6,890	6,205
Parking Plaza Bonds	06/14/01	11/01/27	4.4%-5.375%	11,500	10,460
Public Safety Facility	03/01/02	11/01/31	3.0%-5.25%	40,915	39,270
Towne Center Site Refinancing	11/01/04	11/01/30	Variable	11,595	11,130
Parks and Open Spaces	11/07/06	05/01/31	4.5%-5.0%	24,320	24,320
Total General City Bonds				<u>99,960</u>	<u>95,315</u>
REDEVELOPMENT BONDS					
Tax Allocation Bonds:					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/17	2.9% - 6.0%	81,020	34,310
West Long Beach Industrial	12/01/92	11/01/17	2.9% - 6.0%	36,470	15,450
2005A & B Central	03/02/05	08/01/40	3.52% - 5.34%	56,930	55,575
2005A Los Altos	03/02/05	08/01/20	2.2% - 4.0%	4,685	4,165
2005A & B North Long Beach	03/02/05	08/01/35	3.52% - 5.16%	64,080	61,985
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	54,350
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.0% - 5.5%	21,860	19,545
2002B Downtown	12/05/02	11/01/22	2.25% - 5.5%	25,920	22,615
2002A West Beach	06/25/02	08/01/18	5.15%	8,895	6,862
2002A Downtown Project	06/25/02	08/01/24	5.25% - 7.1%	26,820	16,141
2002A North Long Beach	06/25/02	08/01/31	6.10%	40,290	10,484
2002A Poly High	06/25/02	08/01/12	4.81%	1,710	954
2005C Downtown Project	02/01/06	08/01/24	3.25-5.50%	7,900	7,835
2005C North Long Beach Project	02/01/06	08/01/31	3.70-5.50%	27,145	27,145
Total Redevelopment Bonds				<u>462,788</u>	<u>340,814</u>
INTERNAL SERVICE BONDS					
Civic Center Fund:					
1997 Civic Center Project Series A	12/01/97	10/01/27	4.0% - 5.0%	43,655	35,370
Fleet Services:					
1998 Temple and Willow Facility Series B	05/01/98	10/01/27	4.5%-5.5%	29,565	24,565
2005 Temple and Willow Facility Series A	05/01/05	05/01/28	2.75-4.5%	8,145	7,615
Total Fleet Services				<u>37,710</u>	<u>32,180</u>
Employee Benefits Fund:					
Pension Obligation Refunding Bonds Series 2002	09/01/02	09/01/21	4.73% - 5.18%	87,950	69,845
Pension Obligation Bonds Series 1995	10/01/95	09/01/11	5.9% - 7.24%	108,635	13,790
Total Employee Benefits				<u>196,585</u>	<u>83,635</u>
Total Internal Service Funds				<u>277,950</u>	<u>151,185</u>
Total Governmental Activities Bonds Payable				<u>840,698</u>	<u>587,314</u>
BUSINESS-TYPE ACTIVITIES:					
ENTERPRISE BONDS					
Gas Fund:					
2005 Gas Utility	08/01/05	08/01/13	2.0% - 4.39%	7,675	5,595
Water Fund:					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	33,465
Solid Waste Management Fund:					
2003 SERRF	12/01/03	12/01/18	2.0%-5.375%	120,235	101,155
Tidelands Fund:					
Aquarium of the Pacific	05/03/01	11/01/30	3.875%-5.5%	129,520	126,755
1994 Marina Subordinate Revenue Bond	04/01/94	04/01/09	6.25%	1,310	255
1995 Marina Refunding Revenue Bond	11/01/95	01/15/08	3.85% - 5.25%	31,725	3,165
2006 Rainbow Harbor Refinancing	04/04/06	05/01/24	3.375%-5.0%	50,785	48,715
Total Tidelands Fund				<u>213,340</u>	<u>178,890</u>
Harbor Fund:					
1998 Harbor	02/01/98	05/15/19	5.25%-9.0%	206,330	147,535
2000 Harbor	05/15/01	05/15/25	5%-5.75%	275,000	240,415
2002 Harbor	06/19/02	05/15/25	Variable	300,000	267,115
2004 Harbor	05/15/04	05/15/18	2.5-5.0%	113,410	94,900
2005 Harbor	05/15/05	05/15/25	3.0-5.0%	257,975	243,515
Total Harbor Fund				<u>1,152,715</u>	<u>993,480</u>
Total Business-Type Activities Bonds Payable				<u>1,540,910</u>	<u>1,312,585</u>
Total Primary Government Bonded Indebtedness				<u>\$ 2,381,608</u>	<u>\$ 1,899,899</u>

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

**CITY OF LONG BEACH
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Debt service payments to maturity for governmental activities bonds are as follows (in thousands):

Year-End	Principal Payments - Governmental Activities											Total Annual Debt Service Requirements		
	Belmont Shore Museum of Art Project	Parking Revenue	Skylinks Golf	Parking Plaza	Public Safety Facility	Towne Center Refinance	Parks Open Space	Redevelopment Capital Projects	Civic Center	Fleet	Employee Benefits	Principal	Interest	Total
2008	\$ -	\$ 165	\$ 150	\$ 290	\$ 860	\$ 180	-	\$ 8,251	\$ 1,060	\$ 900	\$ 6,360	\$ 18,216	\$ 30,077	\$ 48,293
2009	3,060	175	160	305	885	190	-	8,672	1,110	945	6,935	22,437	29,035	51,472
2010	-	165	165	320	910	205	-	9,130	1,165	960	7,555	20,625	27,890	48,515
2011	-	195	175	335	945	220	-	9,593	1,225	1,025	8,255	21,968	26,773	48,741
2012	-	150	180	350	980	240	-	10,110	1,290	1,075	4,315	18,690	25,556	44,246
2013 - 2017	-	-	1,070	2,030	5,710	1,460	-	59,863	7,505	6,225	25,075	108,958	112,935	221,893
2018 - 2022	-	-	1,430	2,630	7,365	2,135	7,045	73,034	9,640	7,975	25,130	136,384	82,843	219,227
2023 - 2027	-	-	1,925	3,405	9,495	3,060	8,715	59,920	12,375	12,015	-	110,930	49,278	160,208
2028 - 2032	-	-	950	795	12,120	3,400	8,560	45,875	-	1,040	-	72,740	24,856	97,596
2033 - 2037	-	-	-	-	-	-	-	37,295	-	-	-	37,295	10,055	47,350
2038 - 2042	-	-	-	-	-	-	-	19,071	-	-	-	19,071	28,584	47,655
Totals	\$ 3,060	\$ 870	\$ 6,205	\$ 10,460	\$ 39,270	\$ 11,130	\$ 24,320	\$ 340,814	\$ 35,370	\$ 32,180	\$ 83,635	\$ 567,314	\$ 447,882	\$ 1,035,196

The Long Beach Museum of Art Project principal of \$3,060,000 is due September 1, 2009. Interest is payable monthly at variable interest rates. Rates for fiscal year 2007 ranged from 3.22 percent to 4.07 percent. For purposes of illustration a fixed rate of 4.07 percent has been used in the table above.

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

In November 2004 the City issued \$11,595,000 in Long Beach Towne Center Site Refinancing Project Taxable Variable Rate Demand Revenue Bonds, 2004 Series A. The bonds were issued to prepay a note issued by the U.S. Department of the Navy, the proceeds of which were used to acquire a parcel of real property located in the City of Long Beach, which, with two adjacent parcels, was developed by the City into a retail/entertainment complex known as the Long Beach Towne Center, and to pay certain costs of issuance of the bonds. Interest rates for fiscal year 2007 ranged from 4.92 percent to 5.58 percent. For the purpose of illustration, a fixed rate of 5.48 percent has been used in the table above.

In March 2005, the City issued \$192,433,000 in Long Beach Bond Finance Authority Bonds 2005 Series A Revenue Bonds and Series B Taxable Revenue Bonds. The bonds were issued to provide funds to finance certain redevelopment projects of the Redevelopment Agency (Agency), to finance certain housing projects of the Housing Authority, refinance certain indebtedness of the Agency, and to fund reserve accounts and pay costs of issuance of the Series 2005 Bonds. The interest rates range from 2.0 percent to 5.44 percent. Current refunding and defeasement of the refunded 1993 Gas Utility Bonds was included in this issue. The Series 2005 bonds for the Gas Utility Refunding in the amount of \$7,675,000 are payable through August 1, 2013 with a total debt service of \$8,678,000 with interest rates ranging from 2.0 percent to 3.125 percent. The refunding issue resulted in an accounting gain of approximately \$50,000, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$908,000, thereby resulting in an economic gain of approximately \$474,000.

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In December 2005, the City remarketed the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A and Series 2002B. The Series 2002A Bonds in the aggregate principal amount of \$38,300,000 and the Series 2002B Bonds in the aggregate principal amount of \$38,250,000 were remarketed on December 30, 2006 in connection with the conversion of such Series 2002A Bonds and Series 2002B Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity. Additionally, on December 30, 2006, \$1,200,000 aggregate principal amount of the Series 2002A Bonds and \$1,200,000 aggregate principal amount of the Series 2002B Bonds (which were not being remarketed) were redeemed by the City. The interest rates range from 4.73 percent to 5.18 percent.

In November 2006, the City issued \$24,320,000 in Long Beach Bond Finance Authority Leases Revenue Bonds. The bonds were issued 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 \$1,086,000 to \$2,488,000.

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

Year-End	Principal Payments by Fund – Business-Type Activities					Total Annual Debt Service Requirements		
	Gas	Water	Solid Waste Management	Tidelands	Harbor	Principal	Interest	Total
2008	\$ 925	\$ 1,265	\$ 6,690	\$ 8,390	\$ 40,170	\$ 57,440	\$ 58,147	\$ 115,587
2009	940	1,330	6,860	5,445	42,215	56,790	55,685	112,475
2010	970	1,405	7,050	5,515	44,410	59,350	53,123	112,473
2011	990	1,480	7,305	5,740	46,750	62,265	50,311	112,576
2012	1,020	1,550	7,635	5,970	49,285	65,460	47,198	112,658
2013 - 2017	750	9,130	44,400	34,250	289,790	378,320	182,097	560,417
2018 - 2022	-	11,740	21,215	40,820	272,090	345,865	86,956	432,821
2023 - 2027	-	5,565	-	39,900	208,770	254,235	25,947	280,182
2028 - 2032	-	-	-	32,860	-	32,860	3,561	36,421
Totals	\$5,595	\$33,465	\$ 101,155	\$ 178,890	\$ 993,480	\$ 1,312,585	\$ 563,025	\$ 1,875,610

The Harbor 2002 Series A Bonds interest rate through May 14, 2004 was 4 percent. At the end of the initial long-term interest rate period the Series A bonds converted to a variable rate. The initial variable rate was 1.15 percent and the average variable rate was 3.58 percent through September 30, 2007. In fiscal year 2004, the Harbor 2002 Series B Bonds were remarketed from a variable interest rates to fixed with coupon rates of 3 percent to 5.5 percent.

Advance Refundings

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

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rates range from 2.0 percent to 5.5 percent for the West Long Beach Industrial Project and 2.25 percent to 5.5 percent for Downtown Project.

In February 2006, the Redevelopment Agency (Agency) of the City of Long Beach issued \$35,045,000 in Long Beach Bond Finance Authority Tax Allocation Revenue Bonds Downtown and North Long Beach Redevelopment Project Areas 2005 Series C bonds (Series C bonds). These 2005 Series C bonds were issued to purchase a portion of the outstanding Redevelopment Agency of the City of Long Beach 2002 Subordinate Tax Allocation Bonds (Downtown Redevelopment Project) and 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 redevelopment 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 \$8,145,000 in Lease Revenue Bonds 2005 Series A (Temple and Willow Facility Refinancing Project) to refinance the cost of a new fleet services, towing and lien sales operations and integrated resource operations facility, purchase a reserve surety bond and pay costs of issuance on the bonds. The 2005 Series A bonds are payable through May 1, 2028 with a total debt service in the amount of \$12,959,000. The interest rates range from 2.75 percent to 4.50 percent. The refunding resulted in an accounting loss of \$598,000, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$316,000, thereby resulting in an economic gain of \$333,000.

Southeast Resource Recovery Facility Authority Bond Issue

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

Tidelands Rainbow Harbor Refunding Bonds

In April 2006, the Long Beach Bond Finance Authority issued \$50,785,000 in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (2006 Series A) to refinance costs of improvements in the Rainbow Harbor area of the City of Long Beach including the refunding of the Long Beach Bond Finance Authority Lease Revenue Bonds (Rainbow Harbor Refinancing Project) 1999 Series A, to refinance the costs of a portion of the 1,471 parking garage at 200 Shoreline Drive including the refunding of the 1997 Certificates of Participation (Queensway Bay Parking Facility), and to fund a reserve fund and 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 \$73,235,000. The interest rates range

**CITY OF LONG BEACH
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from 3.375 percent to 5.0 percent. The refunding resulted in an accounting loss of \$3,514,000, which will be recognized over the life of the bonds. Aggregate debt service decreased by \$2,184,000, thereby resulting in an economic gain of \$1,497,000.

Harbor Revenue Refunding Bonds

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

In May 2005, the City issued the City of Long Beach Harbor Revenue Refunding Bonds Series 2005A & B (the 2006 Bonds), amounting to \$257,975,000 to current refund and to defease all of the City's Harbor Revenue Bonds Series 1995, to pay the premium for the Bond Insurance Policies, to fund a reserve for the Series 2005 Bonds, and to finance the costs of issuance of the Series 2005 Bonds. The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of \$4,214,000, which will be recognized over the life of the bonds. The aggregate debt service decreased by \$84,664,000 thereby resulting in an economic gain of approximately \$24,178,000.

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

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

As of September 30, 2007, the total amount of the defeased debt outstanding and removed from the City's funds and account groups aggregated \$130,048,000.

**CITY OF LONG BEACH
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Special Assessment Debt

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

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

At September 30, 2007, aggregate special assessment debt issued through the City consisted of seven issues, summarized as follows:

- Dates Issued: 8/16/93 – 7/10/07
- Final Maturities: 10/01/13 – 9/1/37
- Range of Interest Rates: 2.625% – 9.75%
- Amounts Authorized and Issued: \$3,000,000 – \$43,000,000
- Range of Amounts Outstanding: \$184,726 – \$41,555,000
- Aggregate Outstanding at September 30, 2007: \$89,223,960

Pike Public Improvements

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

Earthquake Assessment

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

**CITY OF LONG BEACH
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City is required to commence judicial foreclosure proceedings upon delinquent assessments and to diligently pursue such foreclosure proceedings to completion. To date, the City has fulfilled its responsibility and will continue such action to ultimate resolution.

To structure a remedy for the default, the City formed the Long Beach Bond Financing Authority (LBBFA). The LBBFA divided District properties into performing and delinquent pools. The assessment revenue from each pool was then used as collateral for new LBBFA bonds sold in July 1997. Series A bonds (Series A) and Series B bonds (Series B) represent the performing pool and the delinquent pool, respectively. A breakdown of these pools is as follows:

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

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

In July 2005, the District sold \$2,100,000 in Series 2006A Bonds and \$1,249,000 Series B bonds. Series A was sold on the open market to private investors, the City purchased Series B bonds. The proceeds from the sale were used to fund an escrow to defease the 1997 Bonds.

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

Conduit Debt

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

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

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

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

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

At September 30, 2007, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2007
Multi Family Mortgage Bonds			
Housing Authority	2028	\$ 12,500	\$ 12,500
Industrial Development			
Refunding Bonds	2023	11,620	9,740
Carnival Bonds	2022	32,100	29,635
Grisham Housing Bonds Series A	2035	2,340	2,326
Jamboree West Gate Home			
Mortgage Revenue Bonds	2037	11,000	9,129
Decro Multifamily Housing			
Revenue Bonds 2006A	2009	6,000	6,000
Total Conduit Debt		\$ 75,560	\$ 69,330

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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**NOTE 11 – NOTES, CERTIFICATES OF PARTICIPATION, COMMERCIAL PAPER
NOTES AND OTHER LONG-TERM OBLIGATIONS**

At September 30, 2007, the City had several notes and installments payable, certificates of participation, commercial paper notes and other long-term obligations, which consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2007
GOVERNMENTAL ACTIVITIES					
NOTES PAYABLE:					
Health Fund					
Health Facility	04/22/05	04/22/19	Variable	\$ 3,586	\$ 3,098
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	1,016	1,015
California Housing Finance Agency	10/06/99	10/06/09	3%	1,200	738
California Housing Finance Agency	04/17/00	04/17/10	3%	800	543
California Housing Finance Agency	02/05/02	02/05/12	3%	600	375
California Housing Finance Agency	03/13/03	03/13/13	3%	1,300	1,006
Total Housing Development Fund				4,916	3,677
Redevelopment Capital Projects Fund:					
Los Angeles County	01/21/92	N/A	3.75%	2,509	2,509
West Broadway, LLC	06/03/04	06/18/09	6.0-8.0%	1,450	1,450
Total Redevelopment Capital Projects Fund				3,959	3,959
ANNUITY OBLIGATION:					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	27,432
Governmental Activities Notes and Annuity Obligation				\$ 50,061	\$ 38,166
BUSINESS-TYPE ACTIVITIES:					
NOTES PAYABLE:					
Gas Fund					
Commercial Paper Notes	07/01/05	N/A	3.01-3.76%	15,255	15,255
Water Fund:					
Commercial Paper Notes	01/08/03	N/A	0.95 - 3.4%	\$ 6,000	\$ 6,000
State Resources	06/30/88	06/30/08	4.0128%	2,000	87
Total Water Fund				8,000	6,087
Tidelands Fund:					
State of Calif DBAW/Seawalls	Var 1997	08/01/24	4.5%	1,151	933
State of Calif DBAW/Downtown Marina	08/09/81	08/01/11	4.5%	3,900	1,093
State of Calif DBAW/Downtown Marina	03/29/82	08/01/12	4.5%	3,500	1,319
State of Calif DBAW/Downtown Marina	11/08/02	08/01/12	4.5%	600	220
State of Calif DBAW/Shoreline Marina	10/22/80	08/01/10	4.5%	1,300	243
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/32	4.5%	31,648	30,223
State of Calif DBAW/Los Cerritos Channel	11/02/78	08/01/08	4.5%	1,238	82
State of Calif DBAW/Basin 8	02/20/98	08/01/28	4.5%	2,650	2,373
State of Calif DBAW - Lighthouse	06/23/00	08/01/30	4.5%	700	602
Total Tidelands Fund				46,687	37,088
Harbor Fund:					
Commercial Paper Notes	03/01/94	N/A	3.48 - 3.74%	383,500	60,150
Nassir	09/21/94	09/12/08	6%	579	41
Total Harbor Fund				384,079	60,191
Airport Fund:					
Commercial Paper Notes	07/01/05	N/A	2.65-3.92%	1,020	1,020
CERTIFICATES OF PARTICIPATION:					
Airport Fund:					
1993 Airport Refunding	07/01/93	06/01/16	2.7-5.35%	16,815	9,175
Business-type Activities Notes and Certificates of Participation				\$ 471,856	\$ 128,816

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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Housing Development Fund Loan

The Housing Development Fund loan in the amount of \$1,016,000 at September 30, 2007 is payable at an interest rate of 3 percent to the State of California in January 2022. The Housing Development Fund has authorization to borrow \$3,900,000 from the California Housing Finance Agency at 3 percent interest rate. The Housing Development fund received \$3,878,000 from the California Housing Finance Agency. As of September 30, 2006, \$1,978,000 has been utilized for a revolving loan program for the acquisition and rehabilitation of multiple residential buildings for revitalization. The remaining amount of \$1,900,000 has been utilized for the acquisition and/or rehabilitation of multifamily rental units. As of September 30, 2007, \$591,000 is payable in 2008, and the remaining \$2,070,000 is payable 2009 through 2012.

Tax Increment Obligation

The Redevelopment Agency has an agreement to pay Los Angeles County 49.44 percent of tax increment generated by the Los Altos Area, payable commencing in 2020 at a simple interest rate of 3.75 percent. The tax increment, including interest, due to the County at September 30, 2007 totaled \$2,509,000.

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

Year-end	Principal Payments By Fund			Annual Debt Service Requirements		
	Governmental Activities			Principal	Interest	Total
	Health Fund	Housing Development Fund	Redevelopment Capital Projects Fund			
2008	\$ 207	\$ 591	\$ -	\$ 798	\$ 310	\$ 1,108
2009	217	865	1,450	2,532	260	2,792
2010	228	520	-	748	181	929
2011	239	327	-	566	164	730
2012	251	358	-	609	152	761
2013 - 2017	1,449	-	-	1,449	455	1,904
2018 - 2022	507	1,016	-	1,523	700	2,223
Indeterminant	-	-	2,509	2,509	-	2,509
Totals	<u>\$ 3,098</u>	<u>\$ 3,677</u>	<u>\$ 3,959</u>	<u>\$ 10,734</u>	<u>\$ 2,222</u>	<u>\$ 12,956</u>

No payment dates have been established for the Redevelopment Capital Projects Fund notes payable of \$2,509,000; therefore, no interest has been listed in the above table.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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	Water	Tidelands	Harbor	Airport			
2008	\$ -	\$ 85	\$ 1,373	\$ 60,191	\$ -	\$ 61,649	\$ 1,632	\$ 63,281
2009	-	-	1,279	-	-	1,279	1,638	2,917
2010	-	-	1,337	-	-	1,337	1,580	2,917
2011	-	-	1,310	-	-	1,310	1,519	2,829
2012	-	-	1,062	-	-	1,062	1,463	2,525
2013 - 2017	-	-	4,176	-	-	4,176	6,692	10,868
2018 - 2022	-	-	5,224	-	-	5,224	5,644	10,868
2023 - 2027	-	-	6,287	-	-	6,287	4,342	10,629
2028 - 2032	-	-	6,835	-	-	6,835	2,841	9,676
2033 - 2037	-	-	8,205	-	-	8,205	1,167	9,372
Indeterminant	15,255	6,002	-	-	1,020	22,277	-	22,277
Totals	\$ 15,255	\$ 6,087	\$ 37,088	\$ 60,191	\$ 1,020	\$ 119,641	\$ 28,518	\$ 148,159

In January 1987, the Water Department entered into a low-interest loan contract for \$2,000,000 with the State Water Resources Control Board for the purpose of funding the Reclaimed Water System Extension Project. The loan was funded in fiscal year 1988 and is payable in annual installments ranging from \$70,000 to \$143,000, at an interest rate of 4.0128 percent per year through June 2008. The balance outstanding at September 30, 2007 is \$87,000.

In October 2002, the Water Department authorized the issuance and sale of \$15,000,000 of City of Long Beach Subordinate Water Revenue Commercial Paper Notes Series A. Proceeds from the variable rate debt will be used for interim financing needs to assist with completing reclaimed water system expansion projects that are partially funded with Federal and State grants, and for ocean desalination research and development. On January 8, 2003, notes in the amount of \$6,000,000 were issued. Interest rates ranged from 0.95 percent to 3.40 percent. The Water Department intends to extend the notes to periods greater than one year; therefore, the outstanding amount has been classified as long-term obligations.

The Tidelands Fund entered into various loan agreements from August 1981 through September 2007 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 \$46,687,000 as of September 30, 2007. The amount outstanding at September 30, 2007 is \$37,088,000. Annual principal payments in the amount of \$1,524,000 are currently in effect at an interest rate of 4.5 percent.

The Harbor Department authorized the issuance of up to \$383,500,000 in Commercial Paper notes. In 1994 the Harbor Department issued \$148,000,000 of Series A Commercial Paper Notes to pay for acquisition costs of property, facilities and oil rights in the North Harbor District. The Harbor Department redeemed \$12,850,000 of notes in 1997, and another \$75,000,000 in 2002. The amount outstanding at September 30, 2007 is \$60,150,000, with interest rates ranging from 3.48 percent to 3.74 percent. The Harbor

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Department also has other notes outstanding for \$41,000 at September 30, 2007. The Harbor Department has the ability to and intends to keep on extending the notes to periods longer than a year; accordingly, the outstanding amount has been classified as a long-term obligation.

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 \$35,000,000. 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 year 2006 and 2007 commercial paper issuance were \$7,755,000 and \$7,500,000, respectively, for a balance outstanding of \$15,255,000 as of September 30, 2007 with interest rates ranging from 3.01 percent to 3.76 percent since its 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 percent per annum and (b) the maximum rate of interest permitted by law. The Gas Department has the ability to and intends to keep on extending the notes to periods longer than a year; accordingly, the outstanding amount has been classified as a long-term obligation.

Airport Commercial Paper

On October 19, 2004, the City Council authorized the City's Public Works Department, Airport Bureau, to issue, on an as needed basis, up to \$15,000,000 of variable-rate, Airport Projects Commercial Paper Notes for short-term financing of qualified Airport capital projects. When issued, the net proceeds from the sale of the notes will be used to pay for projects that will be funded by Passenger Facility Charges (PFC) and FAA entitlement grants. As of September 30, 2007, \$1,020,000 in commercial paper notes had been issued with interest rates in fiscal year 2007 ranging from 3.55 percent to 3.92 percent. The Airport has the ability to and intends to keep on extending the notes to periods longer than a year; accordingly, the outstanding amount has been classified as a long-term obligation.

Certificates of Participation

The remaining debt service requirements for Certificates of Participation payable from the Airport Fund are as follows (in thousands):

Year-end	Annual Debt Service Requirements		
	Principal	Interest	Total
2008	\$ 825	\$ 464	\$ 1,289
2009	870	421	1,291
2010	920	374	1,294
2011	965	328	1,293
2012	1,010	280	1,290
2013 - 2017	4,585	587	5,172
Totals	<u>\$ 9,175</u>	<u>\$ 2,454</u>	<u>\$ 11,629</u>

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007**

Police and Fire Annuity Obligation Program

The City administers a Police and Fire Annuity Program (Program) under the City Charter Section 187, prior to the programs termination in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2007, there were 81 participants in this program.

Total expenditures to this closed group of individuals amounted to \$4,277,000 for the fiscal year ended September 30, 2007. The City's accrued Program liability was \$27,432,000 at September 30, 2007. 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, 2006	\$ 29,896
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(4,277)
Estimated Change in Annualized Value of Benefits	1,813
Accrued Program Liability at September 30, 2007	<u>\$ 27,432</u>

The number of Program participants diminishes each year. Since 1997, the number of program participants has been reduced by 124 individuals. The following table presents additional information for the Program (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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 12 – LEASING ARRANGEMENTS

Hyatt Long Beach Corporation Lease

In 1981, the City entered into a 50-year non-cancelable ground lease with a renewable term of 25 years, with a developer on certain Tideland properties held in trust by the City. The developer constructed a hotel and adjacent public facilities including a parking structure. In January 1995, the City renegotiated the agreements with the developer. Under the terms of the revised lease, the City will receive annual minimum ground lease rent of \$293,000, increased 10 percent every 5 years, plus 2.5 percent of the hotel's gross operating profit. Payment of these amounts is due 90 days after the close of the calendar year. The City accounts for the ground lease as an operating lease in the Tidelands Fund.

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

The City has accounted for the lease and the sublease of the parking structure and public facilities as a capital lease payable and long-term lease receivable, respectively, in the Tidelands Fund using an interest rate of approximately 10 percent. At September 30, 2007, the outstanding capital lease payable and long-term lease receivables are \$3,158,000 and \$527,000, respectively.

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

<u>Fiscal Year-end</u>	<u>Debt Service Payments</u>			<u>Minimum Rentals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 2,509	\$ 346	\$ 2,855	\$ 477
2009	649	65	714	119
Totals	\$ <u>3,158</u>	\$ <u>411</u>	\$ <u>3,569</u>	\$ <u>596</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Other Leases:

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

<u>Description</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Range of Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding at September 30, 2007</u>
GOVERNMENTAL ACTIVITIES					
General Fund:					
Emergency Communications Center (a)	06/21/02	06/21/09	3.94%	9,125	2,866
Helicopter (b)	02/03/03	02/03/10	2.91%	2,785	992
Mobile Data Terminals (c)	11/10/05	08/10/09	3.37%	2,902	1,396
City Light and Power (d)	05/01/96	10/03/19	8.73%	18,500	14,987
Ambulances (e)	10/02/03	10/02/09	2.97%	993	351
Parking Citation Device (f)	01/22/07	12/22/10	3.99%	200	165
Voting Equipment (g)	03/15/07	03/15/12	3.93%	900	818
Ambulance Bill (h)	09/05/07	09/05/12	3.93%	158	158
Pitney Bowes Mailer (i)	09/05/07	09/05/12	3.82%	170	170
Total General Fund				<u>35,733</u>	<u>21,903</u>
Internal Service Funds:					
Fleet Services Fund:					
Fire Equipment Lease (j)	10/01/05	09/30/15	3.50%	5,279	4,366
Ambulance & Boats (k)	10/27/06	10/27/13	3.76%	2,191	1,935
Sweeper (l)	09/05/07	09/05/11	3.91%	4,336	4,336
Total Fleet Services Fund				<u>11,806</u>	<u>10,637</u>
General Services Fund:					
Personal Computers (m)	08/15/06	08/15/10	3.99%	2,137	1,592
Personal Computers (m)	08/18/04	08/18/08	2.71%	997	238
IBM Mainline (n)	06/29/05	06/29/09	3.02%	2,183	987
Software (o)	03/15/07	03/15/14	3.93%	4,400	4,124
Total General Services Fund				<u>9,717</u>	<u>6,941</u>
Total Governmental Activities Leases				<u>\$ 57,256</u>	<u>\$ 39,481</u>
BUSINESS-TYPE ACTIVITIES:					
Tidelands Fund:					
Convention Center (p)	10/01/05	10/01/26	4.99%	<u>\$ 649</u>	<u>\$ 609</u>

- (a) The City entered into capital lease agreements to purchase equipment for the Emergency Communications and Operations Center. The annual payment, including principal and interest, are \$1,504,000 paid annually through fiscal year 2009.
- (b) The City entered into a capital lease agreement to purchase a helicopter for use by the Police Department for safety enforcement. The lease is payable monthly in the amount of \$37,000 at 2.91 percent interest, or \$440,000 per year through February 2010.
- (c) The City entered into a capital lease agreement to purchase mobile data terminals for use by the Police Department. The lease is payable monthly in the amount of \$65,000 at 3.37 percent interest through August 2009.
- (d) The City entered into a capital lease agreement in May 1996 to improve and replace the street lighting infrastructure in the City. The lease is payable monthly; the amount varies by year, with the initial year at \$57,000 per month and the maximum amount for the sixth through twenty-fifth years at \$169,000 per month.
- (e) The City entered into a capital lease agreement in October 2003 to finance the replacement of ten advanced life-support ambulances. The lease is payable in monthly installments of \$15,000 through 2009.

**CITY OF LONG BEACH
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- (f) The City entered into a capital leases agreement in January of 2007 to purchases hand held parking citation devices. The lease is payable in monthly installments of \$5,000 through December 2010.
- (g) The City financed voting equipment, hardware and software, in March 2007. The lease is payable in monthly installments of \$17,000 through March 2012.
- (h) The City entered into a capital lease agreement to finance an ambulance billing system. The lease is payable in monthly installments of \$3,000 through September 2012.
- (i) The City financed the acquisition of a mailing machine though a capital lease agreement in September 2007. The lease is payable in monthly installments of \$3,000 though fiscal year 2012.
- (j) 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 \$52,000 through September 2015.
- (k) The City entered into a capital lease agreement in October 2006 for the purchase of paramedic vehicles and fire rescue boats. Monthly installment of \$30,000 are payable through October 2013.
- (l) The City entered into a capital lease agreement September 2007 for the procurement of street sweepers. The lease is payable in monthly installments of \$98,000 through September 2011.
- (m) The City entered into several capital lease agreements to finance the acquisition of personal computers. The lease is payable in monthly installments through 2010, and the aggregate monthly payments are \$70,000.
- (n) The City entered into a capital lease to finance the purchase of IBM processors and related equipment. The lease is payable in monthly installments of \$48,000 through June 2009.
- (o) 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 \$60,000 through March 2014.
- (p) The City entered into a capital lease to finance the installation of a surface membrane to the Convention Center roof. The lease is payable in annual installments of \$52,000 through October 2026.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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

Year-end	Principal Payments By Fund - Governmental Activities			Annual Debt Service Requirements		
	General	Fleet Services	General Services	Principal	Interest	Total
2008	\$ 3,679	\$ 1,791	\$ 1,889	\$ 7,359	\$ 2,089	\$ 9,448
2009	3,772	1,911	1,567	7,250	3,766	11,016
2010	1,297	1,931	1,134	4,362	1,509	5,871
2011	1,191	2,006	639	3,836	1,309	5,145
2012	1,110	889	665	2,664	1,141	3,805
2013 - 2017	6,600	2,109	1,047	9,756	3,533	13,289
2018 - 2022	4,254	-	-	4,254	436	4,690
Totals	<u>\$ 21,903</u>	<u>\$ 10,637</u>	<u>\$ 6,941</u>	<u>\$ 39,481</u>	<u>\$ 13,783</u>	<u>\$ 53,264</u>

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

Year-end	Tidelands Fund		
	Principal	Interest	Total
2008	22	30	52
2009	23	29	52
2010	24	28	52
2011	25	27	52
2012	26	26	52
2013 - 2017	153	108	261
2018 - 2022	195	66	261
2023 - 2027	141	15	156
Totals	<u>\$ 609</u>	<u>\$ 329</u>	<u>\$ 938</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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):

<u>Year-end</u>	
2008	\$ 230,746
2009	219,931
2010	205,537
2011	202,932
2012	205,124
2013-2017	927,981
2018-2022	866,647
2023-2027	597,177
2028-2032	49,849
2033-2037	38,112
2038-2042	35,256
2043-2047	34,483
2048-2052	26,170
2053-2057	5,328
2058-2062	3,780
2063-2067	3,780
2068-2072	3,780
2073-2077	3,780
2078-2082	3,780
2083-2087	1,355
Total	<u><u>\$ 3,665,528</u></u>

NOTE 13 – RETIREMENT PROGRAMS

Plan Description

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

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

**CITY OF LONG BEACH
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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 for the first tier, and for the second tier effective in fiscal year 2004. The City created tier III for non-safety employees hired after October 1, 2006. Vested tier III 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.

The City amended its safety and miscellaneous retirement plans to create second tiers in fiscal year 1990 and a third tier for miscellaneous employees in fiscal year 1996. During fiscal year 2002 the third tier was eliminated and plan participants were absorbed into the second tier. A third tier was set up effective for fiscal year 2007. Retirees under the first tier are eligible to receive a maximum annual 5 percent cost-of-living increase in their retirement benefit, while those under the second and third tier are eligible to receive a maximum annual 2 percent cost-of-living increase.

Funding Policy

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

Contribution requirements of plan members and the City are established and may be amended by CalPERS. The City contribution payments to CalPERS for fiscal year 2007 for both Safety and Miscellaneous Plans was 16.563 percent and 12.012 percent respectively. The employee rate for Safety is 9 percent and miscellaneous is 8 percent. Safety employees paid 1 percent of the 9 percent employee rate and the City paid 8 percent through March 31, 2007. Beginning April 2007 safety employees pay 2 percent towards the 9 percent employee rate. Miscellaneous employees pay 2 percent of the 8 percent and the City pays 6 percent. Management employees and certain employee groups who serve in sensitive, confidential capacities went from 1 percent to 2 percent contribution of the 8 percent to CalPERS in fiscal year 2007.

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The funded normal cost rates are as follows:

Contribution Rates for Fiscal Year 2008

<u>Employees Covered</u>	<u>Normal Cost</u>	<u>Amortization of Unfunded Liability</u>	<u>Total Employer Rate</u>	<u>Employee Rate *</u>
Safety	17.858 %	(2.172) %	15.686 %	9%
Miscellaneous	9.942 %	1.924 %	11.866 %	8%

Contribution Rates for Fiscal Year 2007

<u>Employees Covered</u>	<u>Normal Cost</u>	<u>Amortization of Unfunded Liability</u>	<u>Total Employer Rate</u>	<u>Employee Rate *</u>
Safety	17.912 %	(1.349) %	16.563 %	9%
Miscellaneous	10.121 %	1.891 %	12.012 %	8%

* Miscellaneous employee rate increased to 8% from 7 % effective August 24, 2004.

(1) Tier three effective October 1, 2006.

Annual Pension Cost

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2007 for miscellaneous and safety employees is shown below.

	<u>Assumptions</u>
Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007**

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6 percent of unamortized gains and losses each year. In the event that a plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

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

Three-Year Trend Information for CalPERS – Net Pension Obligation

(Unaudited)
(In thousands)

September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$48,147	100%	--
2006	58,763	100%	--
2007	64,437	100%	--

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 6.2 percent of earnings (Contractors Special Status) and 3.0 percent of earnings (Seasonal and Temporary Employees). All employees enter the Plan upon hire and all benefits are vested after 5 years of service (Contractors Special Status) or immediately (Seasonal and Temporary Employees) and employees are always vested in their employee contributions. It is assumed that upon termination, employees will choose to receive an actuarially equivalent lump sum (based on the actuarial assumptions described below).

The City's funding policy is to make the contribution as determined by the Plan's actuary as of September 30, 2007. The following information describes the calculation methodology:

- The Plan's annual pension cost (APC) for the fiscal year ended September 30, 2007 is based on the period from October 1, 2006 to September 30, 2007. The APC for this period was \$92,546, the same amount contributed for this period.

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007**

- The actuarial liabilities and assets are valued as of September 30, 2007.
- The actuarial funding method used is the projected-unit-credit-method. Under this method the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

In determining the Plan's actuarial accrued liability, the projected benefit of each participant must be allocated between 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 (over an average 9 year period in the 2007 actuarial valuation used to determine fiscal year 2009 Annual Pension Cost) to determine the unfunded actuarial liability rate. The actuarial value of plan assets is based on a five year smoothing of gain/loss starting with fiscal year 2007.

The following is a summary of September 30, 2007 actuarial assumptions:

Interest Rate: 5.75% (4.5% used in June 30, 2006 valuation)
 Mortality: 1983 Group Annuity Mortality Table
 Turnover: Sample rates are:

<u>Age</u>	<u>Turnover</u>	<u>Age</u>	<u>Turnover</u>
25	15%	45	10%
30	15%	50	10%
35	15%	55	5%
40	15%	60	5%

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

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

Salary Scale: 5.0%
 Retirement Age: Age 65 or attained age, if older.
 Form of Benefit: Participants are assumed to receive a lump sum upon termination.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The interest rate was changed for the 2007 valuation from 4.5 percent to 5.75 percent. The net impact of this assumption change decreased the actuarial accrued liability by approximately \$78,000.

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

<u>Fiscal Year</u>	<u>Annual Pension</u>	<u>Actual</u>	<u>Percentage</u>	<u>Net Pension</u>
1995 (June 30)	\$ 42,215	\$ 42,215	100%	\$ -
1997	\$ 181,910	\$ 181,910	100%	-
1998	170,014	170,014	100%	-
1999	196,853	196,853	100%	-
2000	188,924	188,924	100%	-
2001	102,749	102,749	100%	-
2002	74,497	74,497	100%	-
2003	75,338	75,338	100%	-
2004	19,471	19,471	100%	-
2005	-	-	100%	-
2006	30,179	30,179	100%	-
2007	92,546	92,546	100%	-

NOTE 14 – POST RETIREMENT HEALTH CARE BENEFITS

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

At September 30, 2007, there were 693 participants in the City’s Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$17,617,000. Total premiums paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2007, were \$5,503,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The City has recorded a liability in the Employee Benefits Internal Service Fund of \$71,897,000, based on an actuarial study of current and future retiree accumulated sick leave as of September 30, 2005 and updated as of September 30, 2007. A full valuation of Retired Employee Health Insurance Program will be performed as of June 30, 2008 in conjunction with the implementation of GASB number 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, in fiscal year 2008.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The fiscal year 2007 liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes an investment return of 5.0 percent; wage increases of 3.5 percent per year for miscellaneous and 4.5 percent per year for safety employees, and insurance premium increases of 4.5 percent. The estimated current portion of such obligation of \$5,600,000, recorded in current accrued wages and benefits, has been fully funded; the long-term portion of the liability of \$66,297,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

NOTE 15 – SELF – INSURANCE PROGRAMS

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. At September 30, 2007, the City accrued nondiscounted estimates totaling \$100,750,000 for workers' compensation and general liability claims. This represents estimates of amounts to be paid for actual, and incurred but not reported claims based upon past experience, modified for current trends and developments. The City has no outstanding annuities payable. The City has recorded a current liability of \$17,100,000 and a long-term liability of \$83,650,000 in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2007 is dependent on future developments. Based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual adequately represents such losses.

A summary of the City's claims activity for the fiscal year ended September 30, 2007 and 2006 is as follows (in thousands):

	Worker's Compensation Claims	General Liability Claims	Total
Balance at October 1, 2005	\$ 105,812	\$ 28,300	\$ 134,112
Additions (Reductions)	(1,837)	9,679	7,842
Payments	(13,685)	(23,479)	(37,164)
Balance at September 30, 2006	90,290	14,500	104,790
Additions (Reductions)	13,225	(4,628)	8,597
Payments	(11,165)	(1,472)	(12,637)
Balance at September 30, 2007	<u>\$ 92,350</u>	<u>\$ 8,400</u>	<u>\$ 100,750</u>

**CITY OF LONG BEACH
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Component Unit

Under its insurance program, the LBT retains the risk for each occurrence of worker's compensation and public liability and property damage claimed up to \$3,000,000 and \$1,000,000, respectively. Claims in excess of \$3,000,000 for worker's compensation and \$1,000,000 for public liability and property damage are covered under policies in force with an independent insurer up to \$25,000,000 for workers compensation and \$10,000,000 for public liability and property damage. The amount of settlements for both worker's compensation and public liability and property damage did not exceed the insurance coverage limits in fiscal year 2007 and 2006.

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

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

	Worker's Compensation	Public Liability and Property Damage	Total
Balance at July 1, 2005	\$ 2,214	\$ 793	\$ 3,007
Reserves:			
New claims	746	849	1,595
Adjustments to existing claims	52	1,895	1,947
Payments	(716)	(2,542)	(3,258)
Balance at June 30, 2006	2,296	995	3,291
Reserves:			
New claims	444	561	1,005
Adjustments to existing claims	2,141	421	2,562
Payments	(2,341)	(851)	(3,192)
Balance at June 30, 2007	<u>\$ 2,540</u>	<u>\$ 1,126</u>	<u>\$ 3,666</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 16 – GOVERNMENTAL ACTIVITIES FUND BALANCE

The composition of the reserved portion of the governmental activities fund balance at September 30, 2007 is as follows (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Totals
Reserved for:				
Other Noncurrent Receivables (a)	\$ 103,001	\$ 49,772	\$ -	\$ 152,773
Asset Seizure Money (b)	2,186	-	-	2,186
Encumbrances	1,248	4,102	3,578	8,928
Future Advances to Other Funds - restricted by City Charter	1,486	-	-	1,486
Transportation Projects (c)	-	-	5,296	5,296
Housing Development - restricted by State law	-	196	-	196
Future Projects	-	79,299	25,504	104,803
Land Held For Resale	-	160,283	-	160,283
Estimated Oil Field Abandonment Costs	-	-	3,051	3,051
Debt Service Covenants	6,333	58,237	200	64,770
Totals	<u>\$ 114,254</u>	<u>\$ 351,889</u>	<u>\$ 37,629</u>	<u>\$ 503,772</u>

- (a) The reserve for noncurrent receivables represents long-term loan receivables and long-term advances to other funds not available to finance current expenditures because receipt is not anticipated in the near future since there is no specified repayment dates for these advances. The General Fund reserve for noncurrent receivables funds mainly consists of \$101,001,000 due from the Redevelopment Capital Projects Fund, based on a cooperative agreement in which the City agreed to advance funds to use on redevelopment projects. Debt service payments to the General Fund are expected as future property tax increment funds become available. At this time there is no repayment schedule. In addition, \$2,000,000 is due from the Health Fund for advances to cover cash flow. There is no repayment date for the Health Fund advance.

Other major governmental fund advances to other funds consist of \$20,927,000 due to the Housing Development Special Revenue Fund from the Redevelopment Capital Projects Fund, \$3,819,000 due to the Community Development Grants Fund from the Housing Development Special Revenue Fund and \$1,471,000 due to the General Capital Projects Fund from the Redevelopment Capital Projects Fund. Repayments depend on available future tax revenue increments. The Housing Assistance nonmajor governmental fund advance from the Community Development Grants Fund in the amount of \$2,900,000 is due to a loan for the purpose of meeting voucher obligations of the Authority under the HUD Section 8 Program. Repayment is dependent on HUD funding and no annual payments are required by the Authority to repay the loan.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The balance of \$1,848,000 mainly represents long-term notes receivable for the Redevelopment Agency, which does not provide current available resources.

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

Fund Deficits

The Internal Service Funds include accumulated deficits in the Insurance and Employee Benefits Internal Service Funds, which aggregate \$82,938,000 and \$52,385,000, respectively. The City's Management believes the cash position is sufficient to cover the current costs related to retired health insurance, worker's compensation, general liability claims and current operating costs in the Insurance and Employee Benefits Internal Service funds. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

**NOTE 17 – RECONCILIATION OF ACTUAL REVENUES AND EXPENDITURES TO THE
NON-GAAP BUDGETARY BASIS**

The following reconciles actual revenues and expenditures for general fund and major special revenue funds to the non-GAAP budgetary basis for the fiscal year ended September 30, 2007 (in thousands):

	General Fund	Housing Development Fund	Community Development Fund
Beginning Fund Balance- Actual (GAAP Basis)	\$ 147,437	\$ 45,415	\$ 11,414
Cumulative Effect of Capitalization of Land Held For Resale at October 1, 2006	-	-	(1,332)
Beginning Fund Balance - Budgetary Basis	<u>147,437</u>	<u>45,415</u>	<u>10,082</u>
Revenues on the Budgetary Basis	<u>342,998</u>	<u>21,340</u>	<u>27,563</u>
Actual (GAAP-Basis) Expenditures	376,002	9,381	26,460
Basis Adjustments:			
Encumbrances Outstanding at September 30, 2007	<u>1,248</u>	<u>325</u>	<u>182</u>
Expenditures - Budgetary Basis	<u>377,250</u>	<u>9,706</u>	<u>26,642</u>
Excess of Revenues Over (Under) Expenditures - Budgetary Basis	(34,252)	11,634	921
Other Financing Sources (Uses) (GAAP-Basis)	<u>29,781</u>	<u>10,870</u>	<u>(1,385)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis	<u>(4,471)</u>	<u>22,504</u>	<u>(464)</u>
Ending Fund Balance - Budgetary Basis	<u>\$ 142,966</u>	<u>\$ 67,919</u>	<u>\$ 9,618</u>

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

NOTE 18 – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES FUNDS

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

The Aquarium of the Pacific 2001 Revenue Bonds, issued in the amount of \$129,520,000, are accounted for in the Tideland Operating segment. The Tideland Operating segment is used to account for the business-type operations of the Long Beach Convention and Entertainment Center, as well as beach maintenance and beach/water

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

safety programs directly related to the tidelands area, including lifeguards and patrol boats. Beginning with the 1997 fiscal year, leases for areas adjacent to the Queen Mary were also included in the Tideland Operating segment. The Tideland Operating segment had purchase of goods and services and construction project commitments of \$1,082,000.

The 1994 Marina Subordinate Revenue Bonds, issued in the amount of \$1,310,000 and the 1995 Marina Refunding Revenue bond issued in the amount of \$31,725,000 are accounted for in the Marina segment. The Marina segment is used to account for the enterprise operations of the City's Alamitos Bay and Downtown Marinas. The Marina segment had commitments of \$4,552,000 for the purchase of goods, services and construction.

The 1999 Rainbow Harbor Financing Project Revenue Bonds, issued in the amount of \$47,970,000, were accounted for in the Rainbow Harbor Area segment. In March 2006, the Long Beach Bond Finance Authority issued \$50,785,000 in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (2006 Series A) which included debt in the amount of \$46,635,000 to refund the Long Beach Bond Finance Authority Lease Revenue Bonds (Rainbow Harbor Refinancing Project) 1999 Series A. The Rainbow Harbor Area segment is used to account for the Rainbow Harbor Area administration, the Rainbow Harbor financing and the Aquarium of the Pacific Parking Structure operations. The Rainbow Harbor Area segment had commitments of \$7,000 for the purchase of goods, services and construction.

The Parking Authority issued \$5,855,000 in Certificates of Participation to partially fund the Aquarium of the Pacific Parking Structure. In March 2006, the Long Beach Bond Finance Authority issued \$50,785,000 in Lease Revenue Bonds 2006 Series A (Rainbow Harbor Refinancing Project) (2007 Series A) which included debt in the amount of \$4,150,000 to refund the 1997 Certificates of Participation (Queensway Bay Parking Facility). Money from the parking structure built in the Rainbow Harbor Area segment is pledged for the debt service payment.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Summary financial information for each segment is presented below (in thousands) as of September 30, 2007:

**City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Net Assets
September 30, 2007
(In Thousands)**

	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 18,776	\$ (1,727)	\$ 2,396
Receivables:			
Accounts Receivable	8,528	151	17
Due from Other Governments	340	494	-
Due from Other Funds	17,572	-	-
Capital Leases Receivable-Current	419	-	-
Allowance for Receivables	(7)	(179)	-
Inventory	-	110	-
Total Current Assets	<u>45,628</u>	<u>(1,151)</u>	<u>2,413</u>
Restricted Assets:			
Pooled Cash and Cash Equivalents	7,748	3,546	1,258
Non-Pooled Cash and Cash Equivalents	15,915	-	4,639
Interest Receivable	247	-	-
Total Restricted Assets	<u>23,910</u>	<u>3,546</u>	<u>5,897</u>
Noncurrent Assets:			
Noncurrent Receivables:			
Capital Lease Receivable	108	-	-
Capital Assets:			
Land and Other Capital Assets not being Depreciated	33,827	5,729	11,110
Capital Assets net of Accumulated Depreciation	<u>183,052</u>	<u>57,549</u>	<u>72,209</u>
Total Noncurrent Assets	<u>216,987</u>	<u>63,278</u>	<u>83,319</u>
Total Assets	<u>286,525</u>	<u>65,673</u>	<u>91,629</u>

(continued)

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

**City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Net Assets
September 30, 2007
(In Thousands)
(continued)**

	Tideland Operating	Marina	Rainbow Harbor Area
LIABILITIES			
Current Liabilities Payable from Current Assets:			
Accounts Payable	\$ 1,078	\$ 310	\$ 1,696
Accrued Wages	315	176	26
Accrued Interest Payable	7	302	
Due to Other Funds	889	87	13
Deferred Revenues	2,993	2,282	25
Collections Held in Trust	35	52	1
Obligations Under Capital Leases-Current	2,531		
Bonds Payable Due Within One Year	2,870	3,285	2,235
Other Long-Term Obligations-Current	38	1,320	15
Total Current Liabilities	10,756	7,814	4,011
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	2,688		848
Noncurrent Liabilities:			
Advances from Other Funds	23,020		
Obligations Under Capital Leases	1,237		
Other Long-Term Obligations	895	34,233	587
Bonds Payable	123,885	135	46,480
Unamortized Discount/Deferred Costs	(11,791)	(49)	(3,300)
Total Noncurrent Liabilities	137,246	34,319	43,767
Total Liabilities	150,690	42,133	48,626
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	97,214	24,354	37,302
Restricted for:			
Debt Service	14,384	3,546	4,167
Capital Projects			882
Aquarium Operations and Maintenance Reserve	6,592		
Unrestricted	17,645	(4,360)	652
Total Net Assets	\$ 135,835	\$ 23,540	\$ 43,003

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

City of Long Beach
 Business-Type Activities
 Tidelands Fund Segments
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Fiscal Year Ended September 30, 2007
 (In Thousands)

	Tideland Operating	Marina	Rainbow Harbor Area
Operating Revenues:			
Licenses and Permits	\$ 399	\$ 10	\$ 26
Fees, Concessions and Rentals	13,257	18,270	7,203
From Other Agencies	643	155	-
Charges for Services	42,364	116	1
Total Revenues	<u>56,663</u>	<u>18,551</u>	<u>7,230</u>
Operating Expenses:			
Personal Services	21,987	8,228	978
Maintenance and Other Operations	38,383	5,125	9,327
Amortization	829	58	-
Depreciation	9,732	1,498	3,446
Total Operating Expenses	<u>70,931</u>	<u>14,909</u>	<u>13,751</u>
Operating Income (Loss)	<u>(14,268)</u>	<u>3,642</u>	<u>(6,521)</u>
Non-Operating Income (Expense):			
Interest Income	4,661	105	451
Interest Expense	(7,252)	(1,818)	(2,114)
Gain on Disposition of Fixed Assets	(68)	22	-
Operating Grants	-	489	-
Other Income	139	144	14
Total Non-Operating Expense	<u>(2,520)</u>	<u>(1,058)</u>	<u>(1,649)</u>
Income (Loss) Before Contributions and Transfers	<u>(16,788)</u>	<u>2,584</u>	<u>(8,170)</u>
Capital Grants and Contributions	142	(142)	-
Transfers:			
Transfers In	27,997	86	6,915
Transfers Out	(21,652)	-	(1,144)
Change in Net Assets	<u>(10,301)</u>	<u>2,528</u>	<u>(2,399)</u>
Net Assets - October 1	146,136	21,012	45,402
Net Assets - September 30	<u>\$ 135,835</u>	<u>\$ 23,540</u>	<u>\$ 43,003</u>

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

City of Long Beach
 Business-Type Activities
 Tidelands Major Segments
 Statement of Cash Flows
 For the Fiscal Year Ended September 30, 2007
 (In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 52,499	\$ 18,561	\$ 7,216
Receipts from Other Governments	582	155	-
Payments for Employee Salaries	(21,960)	(8,227)	(943)
Payments for Goods and Services	(38,443)	(6,989)	(10,752)
Other Income (Expense)	141	(239)	13
Net Cash Provided by (Used for) Operating Activities	<u>(7,181)</u>	<u>3,261</u>	<u>(4,466)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers In	26,381	86	6,915
Transfers Out	(21,652)	-	(1,144)
Net Cash Provided by Non-Capital Financing Activities	<u>4,729</u>	<u>86</u>	<u>5,771</u>
Cash Flows from Capital and Related Financing Activities:			
Receipt of Capital Grants	-	489	-
Proceeds from the Sale of Capital Assets	-	22	-
Proceeds from Issuance Of Long-Term Obligations	-	9,069	-
Principal Received on Capital Leases	386	-	-
Principal Received on Capital Leases from Other Funds	-	-	-
Payments for Capital Acquisitions	(2,328)	(9,290)	(5)
Payments of Principal on Bonds Payable	(2,765)	(3,230)	(2,070)
Payments of Principal on Other Long-Term Obligations	15,734	(1,650)	(15)
Payments of Interest	(7,330)	(1,512)	(1,634)
Net Cash (Used for) Capital and Related Financing Activities	<u>3,697</u>	<u>(6,102)</u>	<u>(3,724)</u>
Cash Flows from Investing Activities:			
Receipts of Interest	4,659	103	451
Net Cash Provided by Investing Activities	<u>4,659</u>	<u>103</u>	<u>451</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,904	(2,652)	(1,968)
Cash and Cash Equivalents - October 1	36,535	4,471	10,261
Cash and Cash Equivalents - September 30	<u>\$ 42,439</u>	<u>\$ 1,819</u>	<u>\$ 8,293</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Operating Income (Loss)	\$ (14,268)	\$ 3,642	\$ (6,521)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization Expense	10,561	1,556	3,446
Other Income (Loss)	141	(239)	13
Increase in Accounts Receivable, Net	(5,681)	(37)	(15)
Increase in Amounts Due from Other Governments	(60)	-	-
Decrease in Accounts Payable	(61)	(1,864)	(1,389)
Increase in Accrued Wages Payable	27	-	36
Decrease in Amounts Due to Other Funds	-	-	(36)
Increase in Deferred Revenues	2,160	201	-
Increase in Collections Held in Trust	-	2	-
Total Adjustments	<u>7,087</u>	<u>(381)</u>	<u>2,055</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (7,181)</u>	<u>\$ 3,261</u>	<u>\$ (4,466)</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

The City also conducts Business-type services that provide natural gas water, airport, refuse collection, sewer and towing services. Segment information for the Business-type activities funds at September 30, 2007, and for the fiscal year then ended, are as follows (in thousands):

<u>Business-Type Activities Major Activities</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>	<u>Harbor</u>	<u>Total Major Funds</u>
Operating Revenues	\$ 99,648	\$ 70,259	\$ 81,412	\$ 82,788	\$ 214,152	\$ 370,832	\$ 919,091
Depreciation Expense	3,098	10,972	4,473	14,926	-	77,333	110,802
Operating Income (Loss)	6,364	3,322	7,957	(17,430)	14,523	190,801	205,537
Non-Operating Income (Expense)	5,797	(1,395)	1,884	(5,227)	690	(24,827)	(23,078)
Transfers Net	(11,402)	-	(3,174)	12,202	(10,851)	(15,400)	(28,625)
Change in Net Assets	759	4,471	6,667	(10,455)	4,362	160,594	166,398
Current Capital Contributions (net)	-	-	(3)	-	-	-	(3)
Capital Assets:							
Additions	(11,554)	(17,339)	451	(11,204)	-	(104,546)	(144,192)
Deletions	(441)	66	-	(46)	-	-	(421)
Net Working Capital	4,322	6,824	64,146	24,508	46,514	516,679	662,993
Total Assets	93,496	276,242	135,427	455,207	434,284	3,387,731	4,782,387
Bonds and Other Long-Term Liabilities Payable from							
Operating Revenues	19,834	35,336	101,660	215,332	333,510	1,032,894	1,738,566
Total Net Assets	<u>\$ 64,470</u>	<u>\$ 230,022</u>	<u>\$ 18,046</u>	<u>\$ 213,733</u>	<u>\$ 46,514</u>	<u>\$ 2,142,740</u>	<u>\$ 2,715,525</u>

Included in non-operating income for the Solid Waste Management Enterprise Fund are operating grants totaling \$942,000 received for the recycling program during fiscal year September 30, 2007.

<u>Business-Type Activities Non-major Activities</u>	<u>Sewer</u>	<u>Airport</u>	<u>Towing</u>	<u>Subsidence</u>	<u>Total Nonmajor Activities</u>	<u>Total Business-Type Activities</u>
Operating Revenues	\$ 10,812	\$ 26,838	\$ 8,021	\$ -	\$ 45,671	\$ 964,762
Depreciation Expense	1,246	4,250	9	-	5,505	116,307
Operating Income (Loss)	(728)	(609)	(859)	-	(2,196)	203,341
Non-Operating Income (Expense)	353	4,471	208	7,603	12,635	(10,443)
Transfers Net	-	-	-	-	-	(28,625)
Change in Net Assets	(375)	16,136	(651)	7,603	22,713	189,111
Current Capital Contributions (net)	-	12,470	-	-	12,470	12,467
Capital Assets:						
Additions	(5,447)	(21,297)	-	-	(26,744)	(170,936)
Deletions	-	-	-	-	-	(421)
Net Working Capital	5,234	13,999	1,092	(7,614)	12,711	675,704
Total Assets	52,415	128,927	1,371	165,080	347,793	5,130,180
Bonds and Other Long-Term Liabilities Payable from						
Operating Revenues	-	14,448	-	-	14,448	1,753,014
Total Net Assets	<u>\$ 51,872</u>	<u>\$ 107,077</u>	<u>\$ 1,230</u>	<u>\$ 157,466</u>	<u>\$ 317,645</u>	<u>\$ 3,033,170</u>
Total Business Activities Net Assets						\$ 3,033,170
Internal Service Funds Consolidation						(12,998)
Net Assets of Business-Type Activities						<u>\$ 3,020,172</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 19 – SOUTHEAST RESOURCE RECOVERY FACILITY

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

A final settlement to the contractor litigation provided that the City would receive \$6 million in cash and approximately \$10 million over a 20 year period in monthly installments which began in 1999. Additionally, a \$6 million payment from the present operator for future improvements has been accounted for as contributed capital. The long-term portion of future payments receivable from the former contractor of approximately \$10 million has been accounted for as receivable and deferred revenue. The long-term receivable at September 30, 2007 is \$5,136,000 with the current portion recognized as revenue during the fiscal year aggregating \$501,000.

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

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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Net Assets (Deficit)
September 30, 2007
(In Thousands)

	Solid Waste Management Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub-Total			
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 23,404	\$ 41,480	\$ 64,884	\$ -	\$ -	\$ 64,884
Receivables:						
Accounts Receivable	2,342	4,142	6,484	-	-	6,484
Due from Other Governments	58	476	534	-	-	534
Capital Leases Receivable-Current	-	-	-	6,690	(6,690)	-
Allowance for Receivables	(240)	(7)	(247)	-	-	(247)
Total Current Assets	<u>25,564</u>	<u>46,091</u>	<u>71,655</u>	<u>6,690</u>	<u>(6,690)</u>	<u>71,655</u>
Restricted Assets:						
Pooled Cash and Cash Equivalents	-	-	-	415	-	415
Non-Pooled Investments	-	-	-	12,018	-	12,018
Accounts Receivable	-	-	-	1,522	(1,522)	-
Total Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,955</u>	<u>(1,522)</u>	<u>12,433</u>
Noncurrent Assets:						
Noncurrent Receivables:						
Capital Lease Receivable	-	-	-	94,465	(94,465)	-
Other Noncurrent Receivables	-	5,136	5,136	-	-	5,136
Capital Assets:						
Land and Other Capital Assets not being Depreciated	112	6,555	6,667	-	-	6,667
Capital Assets net of Accumulated Depreciation	66	39,469	39,535	-	-	39,535
Other Assets-Long-Term	-	1,567	1,567	894	(2,460)	1
Total Noncurrent Assets	<u>178</u>	<u>52,727</u>	<u>52,905</u>	<u>95,359</u>	<u>(96,925)</u>	<u>51,339</u>
Total Assets	<u>25,742</u>	<u>98,818</u>	<u>124,560</u>	<u>116,004</u>	<u>(105,137)</u>	<u>135,427</u>
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	1,673	6,442	8,115	-	1,522	6,593
Accrued Wages	252	8	260	-	-	260
Accrued Interest Payable	7	-	7	-	-	7
Due to Other Funds	124	4	128	-	-	128
Collections Held in Trust	497	24	521	-	-	521
Other Long-Term Obligations-Current	-	6,690	6,690	-	6,690	-
Total Current Liabilities	<u>2,553</u>	<u>13,168</u>	<u>15,721</u>	<u>-</u>	<u>8,212</u>	<u>7,509</u>
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	1,522	-	1,522
Bonds Payable Due Within One Year	-	-	-	6,690	-	6,690
Total Liabilities Payable from Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,212</u>	<u>-</u>	<u>8,212</u>
Noncurrent Liabilities:						
Deferred Revenues	-	5,136	5,136	-	-	5,136
Deferred Credits and Other Deferred Liabilities	-	893	893	1,567	2,460	-
Obligations Under Capital Leases	-	94,465	94,465	-	94,465	-
Bonds Payable	-	-	-	94,465	-	94,465
Unamortized Discount/Deferred cost	-	-	-	2,059	-	2,059
Total Noncurrent Liabilities	<u>-</u>	<u>100,494</u>	<u>100,494</u>	<u>98,091</u>	<u>96,925</u>	<u>101,660</u>
Total Liabilities	<u>2,553</u>	<u>113,662</u>	<u>116,215</u>	<u>106,303</u>	<u>105,137</u>	<u>117,381</u>
NET ASSETS (DEFICIT)						
Investment in Capital Assets, Net of Related Debt	178	(54,457)	(54,279)	-	2,732	(57,011)
Restricted for:						
Debt Service	-	-	-	12,018	-	12,018
Capital Projects	-	-	-	406	-	406
Unrestricted	<u>23,011</u>	<u>39,613</u>	<u>62,624</u>	<u>(2,723)</u>	<u>(2,732)</u>	<u>62,633</u>
Total Net Assets (Deficit)	<u>\$ 23,189</u>	<u>\$ (14,844)</u>	<u>\$ 8,345</u>	<u>\$ 9,701</u>	<u>\$ -</u>	<u>\$ 18,046</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Revenues, Expenses and
Changes in Fund Net Assets (Deficit)
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	Solid Waste Management Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub- Total			
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ -	\$ -	\$ 5,199	\$ 5,199	\$ -
Charges for Services	34,761	46,651	81,412	-	-	81,412
Total Operating Revenues	34,761	46,651	81,412	5,199	5,199	81,412
Operating Expenses:						
Personal Services	10,968	435	11,403	-	-	11,403
Maintenance and Other Operations	23,818	33,502	57,320	-	-	57,320
Rental Expense	-	5,199	5,199	-	(5,199)	-
Bad Debt	259	-	259	-	-	259
Depreciation	55	4,418	4,473	-	-	4,473
Total Operating Expenses	35,100	43,554	78,654	-	(5,199)	73,455
Operating Income (Loss)	(339)	3,097	2,758	5,199	-	7,957
Non-Operating Income (Expenses):						
Interest Income	1,099	1,641	2,740	612	-	3,352
Interest Expense	-	-	-	(4,863)	-	(4,863)
Operating Grants	942	-	942	-	-	942
Other Income (Expenses)	2,212	502	2,714	(261)	-	2,453
Total Non-Operating Income (Expenses)	4,253	2,143	6,396	(4,512)	-	1,884
Income Before Contributions and Transfers	3,914	5,240	9,154	687	-	9,841
Transfers:						
Transfers Out	(2,457)	(717)	(3,174)	-	-	(3,174)
Change in Net Assets	1,457	4,523	5,980	687	-	6,667
Net Assets (Deficit) - October 1	21,732	(19,367)	2,365	9,014	-	11,379
Net Assets (Deficit) - September 30	\$ 23,189	\$ (14,844)	\$ 8,345	\$ 9,701	\$ -	\$ 18,046

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

**City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
(In Thousands)**

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Solid Waste Management Fund</u>			<u>SERRF Authority</u>	<u>Eliminations Increase (Decrease)</u>	<u>Consolidated Solid Waste Management Fund</u>
	<u>Refuse</u>	<u>SERRF</u>	<u>Sub- Total</u>			
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 34,322	\$ 49,846	\$ 84,168	\$ -	\$ -	\$ 84,168
Receipts from Capital Lease	-	-	-	4,349	(4,349)	-
Payments for Employee Salaries	(10,941)	(436)	(11,377)	-	-	(11,377)
Payments for Goods and Services	(23,822)	(35,436)	(59,258)	-	4,349	(54,909)
Other Income (Expense)	2,214	503	2,717	(262)	-	2,455
Net Cash Provided by Operating Activities	1,773	14,477	16,250	4,087	-	20,337
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	1,383	-	1,383	-	-	1,383
Transfers Out	(2,457)	(717)	(3,174)	-	-	(3,174)
Net Cash Used for Non-Capital Financing Activities	(1,074)	(717)	(1,791)	-	-	(1,791)
Cash Flows from Capital and Related Financing Activities:						
Receipts/(Payment) of Contributed Capital	(3)	-	(3)	-	-	(3)
Payments for Capital Acquisitions	(112)	563	451	-	-	451
Payments of Principal on Bonds Payable	-	-	-	(6,540)	-	(6,540)
Payments of Principal on Other Long- Term Obligations	-	(6,540)	(6,540)	-	6,540	-
Payments of Interest	-	-	-	(4,635)	-	(4,635)
Net Cash Used for Capital and Related Financing Activities	(115)	(5,977)	(6,092)	(11,175)	6,540	(10,727)
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	(235)	-	(235)
Principal Received under Capital Lease	-	-	-	6,540	(6,540)	-
Payment for Investment	-	-	-	(65)	-	(65)
Receipts of Interest	1,098	1,639	2,737	613	-	3,350
Net Cash Provided by Investing Activities	1,098	1,639	2,737	6,853	(6,540)	3,050
Net Increase (Decrease) in Cash and Cash Equivalents	1,682	9,422	11,104	(235)	-	10,869
Cash and Cash Equivalents - October 1	21,722	32,058	53,780	650	-	54,430
Cash and Cash Equivalents - September 30	\$ 23,404	\$ 41,480	\$ 64,884	\$ 415	\$ -	\$ 65,299

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

City of Long Beach
Solid Waste Management Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Solid Waste Management Fund			SERRF Authority	Eliminations Increase (Decrease)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub- Total			
Operating Income (Loss)	\$ (339)	\$ 3,097	\$ 2,758	\$ 5,199	\$ -	\$ 7,957
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	55	4,418	4,473	-	-	4,473
Other Income (Expense)	2,214	503	2,717	(262)	-	2,455
(Increase) Decrease in Accounts Receivable, Net	(175)	3,300	3,125	45	(45)	3,125
Increase in Amounts Due from Other Governments	-	(105)	(105)	-	-	(105)
Decrease (Increase) in Deferred Charges	-	895	895	-	(895)	-
Increase (Decrease) in Accounts Payable	(3)	2,450	2,447	-	45	2,492
Increase (Decrease) in Accrued Wages Payable	18	(1)	17	-	-	17
Increase in Amounts Due to Other Funds	9	-	9	-	-	9
Increase (Decrease) in Deferred Credits	-	(80)	(80)	(895)	895	(80)
Decrease in Collections Held in Trust	(6)	-	(6)	-	-	(6)
Total Adjustments	2,112	11,380	13,492	(1,112)	-	12,380
Net Cash Provided by Operating Activities	\$ 1,773	\$ 14,477	\$ 16,250	\$ 4,087	\$ -	\$ 20,337

NOTE 20 – OIL ABANDONMENT LIABILITY

As mentioned in Note 1, the City is required to administer certain tideland properties in trust for the State of California. Significant enterprise operations are conducted in 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 tideland portion of the Wilmington Oil Field. Oil revenues (net of administrative and operating expenses, a \$1,000,000 fixed annual retention by the City, and the City's participation in the Optimized Waterflood Program Agreement as authorized by Chapter 941 of the State of California special legislative session of 1991) are remitted to the State of California. 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.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Annually, the City estimates the State's share in the costs of future abandonment and site clearance of the oil properties. At September 30, 2007, the State's total abandonment cost liability is \$332,900,000 increasing \$8,100,000 from fiscal year 2006. 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. Prior to August 2005, the City withheld, on a monthly basis, the State's share in the abandonment liability and deposited the money in the City's Abandonment Reserve Fund. On August 31, 2005, the 2005-06 regular session of the California legislature passed Assembly Bill (AB) 137 which establishes the Oil Trust Fund in the State treasury and appropriates money in the fund to the State Lands Commission for specified costs associated with removal of oil and gas facilities. On March 1, 2006, as provided by AB 137, the City paid to the State Lands Commission all money, including both principal and interest, in the Abandonment Reserve Fund. This amounted to \$98.7 million and was deposited in the State's Oil Trust Fund. At September 30, 2007, the State's Oil Trust Fund abandonment reserve is \$146,651,000.

The City's proprietary ownership interests in the Wilmington Oil Field bear a proportionate share of oil field abandonment costs. Such share is presently estimated at \$5,100,000 of which \$3,051,000 has been funded as of September 30, 2007 in the Upland Oil Properties Special Revenue Fund.

Subsidence

In accordance with State legislation, the City established a Reserve for Subsidence Contingencies to indemnify the City, State and Contractors for claims or costs arising from subsidence alleged to have resulted from oil operations. A maximum of \$40,000,000, plus accrued interest, was originally set-aside for this purpose. Under provisions of State law that allowed the State's contractors to substantially increase oil production, and for a period of eight years that ended December 31, 1999, the City's Tidelands Fund received 50 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, 2007, the reserve balance within the Subsidence Fund is \$157,466,000. 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 \$500,000 for up to 20 years. This action was taken to assist the City in making \$5 million contributions to the State in fiscal years 2005 and 2006. At September 30, 2007, total loan to the City's General Fund amounts to \$7,614,000.

Harbor Operations

The City operates the Port of Long Beach. Leasing activities comprise a large portion of the Port's revenues. A provision for costs related to the abandonment and site clearance of oil properties purchased in March 1994 approximates \$18,800,000 as of September 30, 2007. A provision for the long-term abandonment costs in the amount of \$18,800,000 and \$18,300,000 has been recorded as of September 30, 2007 and 2006, respectively, as a long-term obligation. Estimates of abandonment costs are reviewed annually, and adjusted to reflect modifications in abandonment practices, number and life of productive wells,

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

varying abandonment expenses, general changes in the life of the oil field and changes in oil price levels.

NOTE 21 – INVESTMENT IN JOINT VENTURES

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (Venturers) have entered into a joint venture agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) to finance and construct a facility to transfer cargo containers between trucks and railroad cars. The facility is leased to Southern Pacific Transportation Company, now merged with Union Pacific Railroad (tenant). The facility has been fully developed by the tenant who has assumed operational responsibility for the facility. The Venturers share net income and equity distributions from ICTF equally. A condensed, audited balance sheet as of June 30, 2007 and 2006, and statement of income and Venturer's equity for the year then ended is as follows:

ICTF		
Condensed Balance Sheet		
June 30, 2007 and 2006		
(In Thousands)		
	2007	2006
Current Assets	\$ 20,145	\$ 14,364
Property and Equipment	3,167	3,275
Total Assets	\$ 23,312	\$ 17,639
Current Liabilities	\$ 8,042	\$ 3,524
Venturers' Equity:		
Port of Long Beach Harbor Department	7,807	7,327
Port of Los Angeles	7,463	6,788
Total Venturer's Equity	15,270	14,115
Total Liabilities and Venturers' Equity	\$ 23,312	\$ 17,639

Condensed Statement of Income and Venturers' Equity
for the Years Ended June 30, 2007 and 2006
(In Thousands)

	2007	2006
Operating Revenues	\$ 8,894	\$ 8,717
Operating Expenses	(108)	(108)
Operating Income	8,786	8,609
Interest Income	368	189
Net Income	9,154	8,798
Venturers' Equity, July 1	14,116	12,317
Cash Disbursement to Venturers	(8,000)	(7,000)
Venturers' Equity, June 30	\$ 15,270	\$ 14,115

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007**

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

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

NOTE 22 – DEFERRED COMPENSATION

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

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

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

NOTE 23 – COMMITMENTS AND CONTINGENCIES

Commitments

At September 30, 2007, business-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

Gas	\$ 524
Water	4,091
Solid Waste Management	80
Tidelands	5,641
Harbor	130,327
Non-major business-type funds	
Sewer	2,294
Airport	11,926
Towing	37
Total	<u>\$154,920</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

At September 30, 2007, the City's commitments for governmental and Internal Service Funds activity construction projects and for the purchase of goods and services aggregated \$8,928,000 and \$2,282,000, respectively.

The component unit, Long Beach Transportation Company has \$9,595,000 in commitments at June 30, 2007, mainly for the purchase of new buses and an advanced communication system.

Health Insurance

The City contracts with an insurance company to provide group health insurance to City employees. In an effort to maintain rates at acceptable levels, the City deposited with a trustee certain securities valued at approximately \$5,000,000 to cover terminal liability claims. The securities are included in the City's pooled cash and investments and all interest earned on the securities accrues to the City. In the event 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 14, the City is self-insured for its workers' compensation and liability claims. As claims are made against the City, they are routinely evaluated and appropriate accrued liabilities are recorded. Certain of these claims may ultimately reach the trial level and could result in judgments against the City. While the ultimate adverse effect, if any, of claims and judgments against the City cannot be estimated with certainty, it is the opinion of management, based upon consultation with the City Attorney and outside legal counsel as applicable, that such judgments against the City will not have a material adverse effect on the City's financial position beyond that already accrued for in the basic financial statements.

Environmental Remediation

The City's Harbor Department purchased 725 acres of property in the Harbor District in 1994. The property contains soil requiring remediation of environmentally hazardous materials. The remediation is required only on the portion of the land that the Harbor Department chooses to develop. To the extent that such remediation is necessary, the Harbor Department's liability is mitigated by provisions in the purchase agreement that make Union Pacific Resource Company (UPRC), the seller, responsible for a portion of the remediation costs. Anadarko Petroleum Co. (APC) who assumed this liability in accordance with the original purchase agreement acquired UPRC. APC's responsibility is limited to a period not to exceed fifteen years and a maximum amount of \$112,500,000 according to the following table:

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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

Currently, the Harbor Department has developed 131 acres and plans to develop 160 additional acres. The Harbor Department anticipates remediation costs to exceed the first allocation listed above and has recognized \$47,700,000 of environmental expense and the corresponding liability in fiscal year 2007.

In September 1995, the City assumed responsibility for approximately 100 acres of land from the City's Water Department, which includes potential future costs related to remediation of hazardous materials on the properties. An estimated remediation cost is not currently available, as the design for the project identified for this land has not been completed.

Alameda Corridor Development Project

In December 1994, the City's Harbor Department and the Harbor Department of the City of Los Angeles (collectively the Ports) executed the purchase of the rights-of-way needed for the development of the Alameda Corridor Project (the Project), which is a rail transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost on a 50/50 basis, from the three railroad companies then serving the Ports: Union Pacific Railroad Company, Southern Pacific Railroad Company, and Atchison, Topeka and Santa Fe Railroad Companies. After the purchase, Southern Pacific merged into Union Pacific and Atchison, Topeka, and Santa Fe merged with Burlington Northern to form the Burlington Northern Santa Fe.

The total purchase is comprised of the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right-of-way to access local businesses along the Project. As of September 30, 2007 and 2006, total costs to the department related to the rights-of-way purchase amounted to \$207,823,000 for both years.

Construction of the Project began in 1997 and it was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from the issuance of debt. Some of the benefits derived from the project are the consolidation of the railroad services onto a single set of rail lines, the improvement of the rail transportation condition around the Ports, the securing of efficient and competitive service to and from the Ports, and the increase in public safety along the route on which

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Port related traffic occurs. These benefits will extend to other governmental entities by allowing them to also utilize the right-of way.

Repayment to the Ports for their investments in the right-of-way and for any advances provided to the Project will occur after the Project has generated revenues sufficient to retire all debt and to fund a maintenance reserve.

Potential Obligations related to the Alameda Corridor Transportation Authority

The Alameda Corridor Use and Operating Agreement was executed by the City's Harbor Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), the Alameda Corridor Transportation Authority (ACTA), and the Burlington Northern Santa Fe and Union Pacific Railroads. This Agreement provides for a payment of funds, known as a "Shortfall Advance," to be made, under certain circumstances, to ACTA by the City's Harbor Department and the Port of Los Angeles. Revenues generated by Use Fees and Container Charges, paid by the railroads, will be used to pay debt service on ACTA financing, to establish and maintain a 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 City's Harbor Department and the Port of Los Angeles have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the Corridor project and is limited to a total of 40 percent of the total annual required amount, with the Harbor Department and the Port of Los Angeles are 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 Harbor Department on March 27, 2007. It is anticipated that there will be differences between estimates and actual results; the differences may be material. The projected shortfall for fiscal year 2008, based on the Notice submitted by ACTA is zero. Any shortfall advance made by the Harbor Department and the Port of Los Angeles is reimbursable, by ACTA. Reimbursement could begin as soon as 2018. The balance of the reserve, as of September 30, 2007 and 2006, is \$84,040,000 and \$82,402,000, respectively.

Environmental Mitigation Costs

The City's Harbor Department disbursed \$39,400,000 in fiscal year 1997 to secure environmental mitigation credits. An agreement between the City's Harbor Department, the Harbor Department of the City of Los Angeles, and several federal and state regulatory agencies provided for the City's Harbor 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 Harbor Department acquired an additional \$11,400,000 of available environmental mitigation credits.

The cost incurred in the acquisition of the land has been classified as a non-current asset. As of September 30, 2007, the Harbor Department has completed landfills that required the utilization of \$6,522,000 of the available credits. No environmental mitigation credits were utilized in fiscal year 2007. The balance of environmental mitigation costs will

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

be adjusted in the future as landfill credits are used for port development. The balance of the Environmental Mitigation Credits is \$44,278,000 at September 30, 2007 and 2006.

Site Restoration Cost

In fiscal year 2007, the Water Department completed construction and began fully operating a 300,000 gallon-per-day prototype desalination research and development facility. The facility is located on land leased by the Los Angeles Department of Water and Power. The Lease requires restoration of the site to its original condition at the beginning of the lease's term when the lease agreement terminates in fiscal year 2010.

Gerald Desmond Bridge Matching Contribution

The City's Harbor Department is actively pursuing the replacement of the Gerald Desmond Bridge. The total cost to replace the bridge is estimated at \$850,000,000. The Harbor Department anticipates that funding of this project will come primarily from federal and State sources, some of which has already been committed. To receive this funding, the Harbor Department is required to provide a matching amount.

In anticipation of the matching requirements related to future expected funding to cover the total estimated cost of the bridge, the Harbor Department has set aside and earmarked funds totaling \$86,206,043 and \$80,200,914 as of September 30, 2007 and 2006, respectively, to provide the expected 10 percent local match related to future grants.

Green Port Infrastructure Commitment

In January 2006, the City's Harbor Department adopted a wide-ranging Green Port Policy that greatly expanded its commitment to sustain the environment by establishing new guidelines for current Port 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 shore-side electric substations. Although the cost of adding electrical infrastructure is substantial, the Harbor Department has successfully negotiated with several tenants to modify their berthing arrangements and has set aside funds to help fund the infrastructural changes. The Green Port Infrastructure Reserve balance, as of September 30, 2007 and 2006, is \$108,915,000 and \$104,026,000, respectively. This balance consists of the \$100,000,000 initial contribution plus interest earnings.

Clean Air Action Plan (CAAP)

In November 2006, the governing boards of the ports of Long Beach and Los Angeles approved the landmark San Pedro Bay Ports Clean Air Act. This plan commits the ports to an aggressive plan to reduce pollution by at least 45 percent in the next five years. The \$2 billion plan addresses all port related emission sources – ships, trains, terminal equipment, and watercrafts – to significantly reduce health risks posed by air pollution. At the end of the fiscal year, the Port of Long Beach has committed \$217,300,000 to fund investments aimed to improve air quality, to foster the use of ship-to-shore electricity at the ports, and to use pollution-based impact fees to improve air quality and public health.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Pike Public Improvements

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

NOTE 24 – SUBSEQUENT EVENTS

Natural Gas Purchases Revenue Bonds

In October 2007, the Long Beach Bond Finance Authority (“Issuer”) issued fixed and variable rate conduit debt of \$635,665,000 and \$251,695,000, respectively. \$892,641 million of the proceeds will be used to prepay the costs of the acquisition of a specified supply of natural gas to be delivered over approximately 30 years under a Prepaid Natural Gas Purchase and Sale Agreement, between Merrill Lynch Commodities, Inc. (the “Seller”) and the Issuer. The City has projected that the daily contract quantity to be delivered in any month represents approximately 80-90 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”).

The 2007 Series A bonds have fixed interest rates ranging from 4.2 percent to 5.5 percent with an average of 4.7 percent. Series B are indexed at 67.0 percent of the three-month London Interbank Offered rate (LIBOR), plus a spread between 1.41 percent to 1.55 percent.

Bond market changes

In fiscal year 2008, downgrades by Standard and Poor’s and Moody’s Investor Service to MBIA, Ambac Assurance Corporation and AIG Match Funding Corporation, to AA/A2, AA/Aa3 and AA-/Aa3, respectively, has impacted the debt rating of bonds issued by the Long Beach Bond Finance authority and related entities and, in addition, debt issued by the City of Long Beach Port facility. The guarantees or “wrapped” provided by these entities reflect only the credit worthiness of the insurers and not the City of Long Beach or the Port Facility. These rating changes were brought about by the uncertainty related to their exposure to mortgage related products in the current environment

2002A Harbor Revenue Bonds

In June 2008, certain bond holders exercised their put-options related to the 2002A Harbor Revenue Bonds and the City’s Harbor Department paid off approximately the \$90 million of related bonds. The remaining \$34 million of 2002A Harbor Revenue Bonds still outstanding as of June 25, 2008 are subject to future put-options held by the bond holders.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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

<u>June 30 Actuarial Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Excess Funded (Deficit/ Unfunded) Assets</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Excess Funded (Deficit/ Unfunded) Assets as a % of Covered Payroll</u>
<u>Miscellaneous Employees</u>						
2004	1,310,060	1,256,773	(53,287)	95.9%	191,222	(27.9)%
2005	1,382,539	1,319,615	(62,924)	95.4%	186,580	(33.7)%
2006	1,467,655	1,394,797	(72,868)	95.0%	193,944	(37.6)%
<u>Safety Employees</u>						
2004	1,266,688	1,295,136	28,448	102.2%	102,845	27.7%
2005	1,314,223	1,353,870	39,647	103.0%	103,583	38.3%
2006	1,388,324	1,424,542	36,218	102.6%	110,146	32.9%

See accompanying independent auditors' report.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

City of Long Beach
Required Supplementary Information

Public Agency Retirement System
Analysis of Funding Progress
(Unaudited)

Actuarial Valuation Date (1)	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liabilities</u>	Funded (Excess <u>assets</u>)	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Rate of Funded Liability to Annual <u>Covered</u> <u>Payroll</u>
1998	\$ 628,037	\$ 493,178	\$ 134,859	127%	\$14,636,213	0.92 %
1999	844,349	644,922	199,427	131%	16,239,480	1.23 %
2000	1,071,241	575,446	495,795	186%	15,124,582	3.28 %
2001	1,317,055	410,609	906,446	321%	10,697,767	8.47 %
2002	1,526,586	475,029	1,051,557	321%	8,472,945	12.41 %
2003	1,703,852	517,234	1,186,618	329%	8,504,901	13.95 %
2004	1,536,647	545,083	991,564	282%	8,265,983	12.00 %
2005	1,388,268	675,055	713,213	206%	7,697,497	9.27 %
2006	1,307,680	789,799	517,881	166%	7,927,910	6.53 %
2007	1,421,066	860,013	561,053	165%	8,460,717	6.63 %

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

See accompanying independent auditors' report.

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CAPITAL PROJECTS FUNDS

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

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

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

City of Long Beach
General Capital Projects
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ 1,400	\$ 1,400	\$ 744	\$ (656)
Use of Money and Property	1,381	2,955	1,747	(1,208)
From Other Agencies	33,362	39,381	13,941	(25,440)
Other	-	-	67	67
Total Revenues	<u>36,143</u>	<u>43,736</u>	<u>16,499</u>	<u>(27,237)</u>
Expenditures:				
Capital Improvements	<u>68,618</u>	<u>80,753</u>	<u>32,310</u>	<u>48,443</u>
Total Expenditures	<u>68,618</u>	<u>80,753</u>	<u>32,310</u>	<u>48,443</u>
Excess of Revenues Over (Under) Expenditures	<u>(32,475)</u>	<u>(37,017)</u>	<u>(15,811)</u>	<u>21,206</u>
Other Financing Sources (Uses):				
Debt Issuance	-	23,664	23,664	-
Transfers In	11,265	13,198	11,431	(1,767)
Transfers Out	<u>(361)</u>	<u>(24,931)</u>	<u>(496)</u>	<u>24,435</u>
Total Other Financing Sources	<u>10,904</u>	<u>11,931</u>	<u>34,599</u>	<u>22,668</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(21,571)</u>	<u>(25,086)</u>	<u>18,788</u>	<u>43,874</u>
Fund Balances - October 1, Budgetary Basis	19,178	19,178	19,178	-
Encumbrances - Beginning of the Year	<u>9,595</u>	<u>9,595</u>	<u>9,595</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 7,202</u>	<u>\$ 3,687</u>	<u>\$ 47,561</u>	<u>\$ 43,874</u>

See accompanying independent auditors' report.

City of Long Beach
Redevelopment Capital Projects
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		Actual On Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 61,077	\$ 61,077	\$ 73,011	\$ 11,934
Other Taxes	4,451	4,451	4,033	(418)
Licenses and Permits	-	-	425	425
Use of Money and Property	5,377	5,377	7,687	2,310
From Other Agencies	806	806	873	67
Other - Land Sales and Contributions	(2,392)	(2,392)	4,966	7,358
Other	(2,420)	(2,420)	(598)	1,822
Total Revenues	<u>66,899</u>	<u>66,899</u>	<u>90,397</u>	<u>23,498</u>
Expenditures:				
General Government				
Financial Management	369	369	321	48
Community and Cultural				
Community Development	149,616	188,526	92,762	95,764
Total Current Expenditures	<u>149,985</u>	<u>188,895</u>	<u>93,083</u>	<u>95,812</u>
Debt Service:				
Principal	9,738	9,738	9,227	511
Interest	19,962	19,962	18,803	1,159
Fiscal Agent Fees	199	199	69	130
Total Expenditures	<u>179,884</u>	<u>218,794</u>	<u>121,182</u>	<u>97,612</u>
Excess of Revenues Over (Under) Expenditures	<u>(112,985)</u>	<u>(151,895)</u>	<u>(30,785)</u>	<u>121,110</u>
Other Financing Sources (Uses):				
Other Deferred Payments	-	-	291	291
Debt Issuance	3,611	33,611	-	(33,611)
Transfers In	6,802	7,264	25,059	17,795
Transfers Out	(28,373)	(29,573)	(18,243)	11,330
Total Other Financing Sources (Uses)	<u>(17,960)</u>	<u>11,302</u>	<u>7,107</u>	<u>(4,195)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(130,945)</u>	<u>(140,593)</u>	<u>(23,678)</u>	<u>116,915</u>
Fund Balances - October 1, Budgetary Basis	211,283	211,283	211,283	-
Encumbrances - Beginning of the Year	<u>732</u>	<u>732</u>	<u>732</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 81,070</u>	<u>\$ 71,422</u>	<u>\$ 188,337</u>	<u>\$ 116,915</u>

See accompanying independent auditors' report.

NONMAJOR SPECIAL REVENUE FUNDS

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

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

The Police and Fire Public Safety Oil production Act Fund accounts for impact fee assessed on oil producers barrel production in Long Beach 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 Health Fund was established to separately account for Federal/State and other revenues related to health care programs which the City operates in lieu of the County.

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

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

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

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

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

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

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

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

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

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

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

City of Long Beach
 Nonmajor Governmental Funds-Special Revenue Funds
 Combining Balance Sheet
 September 30, 2007
 With Summarized Financial Information for 2006
 (In Thousands)

	General Grants	Police & Fire Public safety Oil Production Act	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties
ASSETS							
Pooled Cash and Cash Equivalents	\$ 4,751	\$ 893	\$ 616	\$ 155	\$ 635	\$ 1,944	\$ 3,871
Non-Pooled Cash and Cash Equivalents	-	-	1	-	-	-	-
Receivables:							
Accounts Receivable	191	11	382	58	107	879	2,049
Due from Other Governments	3,615	-	7,395	8	-	-	-
Allowance for Receivables	-	-	(236)	(73)	(48)	(172)	-
Other Assets-Current	-	-	1	-	-	-	-
Other Noncurrent Receivables	-	-	-	-	-	-	-
Total Assets	<u>\$ 8,557</u>	<u>\$ 904</u>	<u>\$ 8,159</u>	<u>\$ 148</u>	<u>\$ 694</u>	<u>\$ 2,651</u>	<u>\$ 5,920</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 517	\$ -	\$ 683	\$ 18	\$ 186	\$ 30	\$ 460
Accrued Wages	58	-	684	21	-	13	-
Due to Other Funds	4,312	-	3,017	10	-	6	-
Deferred Revenues	2,599	-	1,398	11	-	-	-
Deposits and Collections Held in Trust	1,048	-	258	35	-	20	85
Advances from Other Funds	-	-	2,000	-	-	-	-
Total Liabilities	<u>8,534</u>	<u>-</u>	<u>8,040</u>	<u>95</u>	<u>186</u>	<u>69</u>	<u>545</u>
Fund Balances:							
Reserved for:							
Encumbrances	-	-	26	-	-	55	-
Future Capital Projects/Transportation	-	-	-	-	-	-	-
Estimated Oil Field Abandonment Costs	-	-	-	-	-	-	3,051
Debt Service	-	-	-	-	-	-	-
Unreserved, Designated for:							
Subsequent Years' Appropriations							
Special Revenue Funds	23	904	93	53	508	2,527	2,324
Unreserved, Undesignated							
Special Revenue Funds	-	-	-	-	-	-	-
Total Fund Balance	<u>23</u>	<u>904</u>	<u>119</u>	<u>53</u>	<u>508</u>	<u>2,582</u>	<u>5,375</u>
Total Liabilities and Fund balance	<u>\$ 8,557</u>	<u>\$ 904</u>	<u>\$ 8,159</u>	<u>\$ 148</u>	<u>\$ 694</u>	<u>\$ 2,651</u>	<u>\$ 5,920</u>

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Development Services	Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
							September 30, 2007	September 30, 2006
\$ 596	\$ 1,894	\$ 1,300	\$ 18,939	\$ 462	\$ 10,127	\$ 33,099	\$ 79,282	\$ 65,040
32	-	-	353	-	-	-	386	157
-	555	-	105	-	-	1	4,338	3,794
-	-	-	242	-	1,466	150	12,876	14,665
-	(18)	-	(86)	-	-	-	(633)	(782)
-	-	2	8	-	-	-	11	10
-	-	1,732	-	-	-	-	1,732	1,365
<u>\$ 628</u>	<u>\$ 2,431</u>	<u>\$ 3,034</u>	<u>\$ 19,561</u>	<u>\$ 462</u>	<u>\$ 11,593</u>	<u>\$ 33,250</u>	<u>\$ 97,992</u>	<u>\$ 84,249</u>
\$ 52	366	\$ 58	\$ 262	\$ -	\$ 1,738	\$ 6,653	\$ 11,023	\$ 10,680
-	245	19	84	1	-	10	1,135	847
-	121	10	42	1	-	5	7,524	7,332
-	974	1,732	12	-	2,150	-	8,876	9,977
-	185	2	1,485	-	16	-	3,134	2,112
-	-	-	2,900	-	-	-	4,900	4,900
<u>52</u>	<u>1,891</u>	<u>1,821</u>	<u>4,785</u>	<u>2</u>	<u>3,904</u>	<u>6,668</u>	<u>36,592</u>	<u>35,848</u>
-	22	2	2	-	2,393	1,078	3,578	4,915
-	-	-	-	-	5,296	25,504	30,800	25,764
-	-	-	-	-	-	-	3,051	3,495
200	-	-	-	-	-	-	200	200
376	518	1,211	17,674	460	-	-	26,671	16,927
-	-	-	(2,900)	-	-	-	(2,900)	(2,900)
<u>576</u>	<u>540</u>	<u>1,213</u>	<u>14,776</u>	<u>460</u>	<u>7,689</u>	<u>26,582</u>	<u>61,400</u>	<u>48,401</u>
<u>\$ 628</u>	<u>2,431</u>	<u>\$ 3,034</u>	<u>\$ 19,561</u>	<u>\$ 462</u>	<u>\$ 11,593</u>	<u>\$ 33,250</u>	<u>\$ 97,992</u>	<u>\$ 84,249</u>

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	General Grants	Police & Fire Public safety Oil Production Act	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties
Revenues:							
Taxes:							
Sales	\$ -	\$ -	\$ 2,543	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	903	-	-	5,909	5,122	-
Licenses and Permits	-	-	3,611	850	-	1,148	-
Use of Money and Property	43	1	1	23	19	67	22,613
From Other Agencies	20,633	-	31,294	-	-	-	-
Charges for Services	19	-	1,752	-	-	-	-
Other	1,937	-	493	12	-	190	-
Total Revenues	22,632	904	39,694	885	5,928	6,527	22,613
Expenditures:							
Current:							
General Government	-	-	-	-	-	-	-
Public Safety	17,723	-	-	-	-	-	-
Public Health	279	-	41,312	985	-	-	-
Community and Cultural	4,884	-	-	-	5,839	6,235	-
Public Works	17	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	8,171
Total Current Expenditures	22,903	-	41,312	985	5,839	6,235	8,171
Capital Improvements	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	199	-	-	-	-
Interest	-	-	145	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	5
Total Expenditures	22,903	-	41,656	985	5,839	6,235	8,176
Excess of Revenues Over (Under) Expenditures	(271)	904	(1,962)	(100)	89	292	14,437
Other Financing Sources (Uses):							
Transfers In	283	-	1,804	-	-	-	-
Transfers Out	-	-	-	-	-	-	(14,939)
Total Other Financing Sources (Uses)	283	-	1,804	-	-	-	(14,939)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12	904	(158)	(100)	89	292	(502)
Fund Balances (Deficit) - October 1	11	-	277	153	419	2,290	5,877
Fund Balances - September 30	\$ 23	\$ 904	\$ 119	\$ 53	\$ 508	\$ 2,582	\$ 5,375

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Development Services	Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
							September 30, 2007	September 30, 2006
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,543	\$ 2,458
-	-	-	-	-	-	-	11,934	10,085
-	11,698	12	-	768	-	-	18,087	5,110
530	26	94	666	21	324	1,378	25,806	23,775
-	-	145	66,523	-	13,053	14,879	146,527	145,112
-	929	-	-	-	-	-	2,700	2,091
-	305	334	453	-	-	161	3,885	897
<u>530</u>	<u>12,958</u>	<u>585</u>	<u>67,642</u>	<u>789</u>	<u>13,377</u>	<u>16,418</u>	<u>211,482</u>	<u>189,528</u>
-	3,773	-	-	-	-	-	3,773	-
-	6,498	-	-	-	-	-	24,221	18,955
-	-	-	-	-	-	-	42,576	40,402
383	3,233	2,231	60,233	76	-	-	83,114	74,001
-	-	-	-	-	-	14,103	14,120	16,241
-	-	-	-	-	-	-	8,171	7,089
<u>383</u>	<u>13,504</u>	<u>2,231</u>	<u>60,233</u>	<u>76</u>	<u>-</u>	<u>14,103</u>	<u>175,975</u>	<u>156,688</u>
-	-	-	-	-	11,893	-	11,893	11,726
155	-	-	-	-	-	-	354	349
59	-	-	-	-	-	-	204	188
-	-	-	-	-	-	-	5	3
<u>597</u>	<u>13,504</u>	<u>2,231</u>	<u>60,233</u>	<u>76</u>	<u>11,893</u>	<u>14,103</u>	<u>188,431</u>	<u>168,954</u>
<u>(67)</u>	<u>(546)</u>	<u>(1,646)</u>	<u>7,409</u>	<u>713</u>	<u>1,484</u>	<u>2,315</u>	<u>23,051</u>	<u>20,574</u>
-	1,086	2,830	-	-	-	-	6,003	2,452
-	-	-	-	(1,000)	-	(116)	(16,055)	(16,492)
-	1,086	2,830	-	(1,000)	-	(116)	(10,052)	(14,040)
(67)	540	1,184	7,409	(287)	1,484	2,199	12,999	6,534
<u>643</u>	<u>-</u>	<u>29</u>	<u>7,367</u>	<u>747</u>	<u>6,205</u>	<u>24,383</u>	<u>48,401</u>	<u>41,867</u>
<u>\$ 576</u>	<u>\$ 540</u>	<u>\$ 1,213</u>	<u>\$ 14,776</u>	<u>\$ 460</u>	<u>\$ 7,689</u>	<u>\$ 26,582</u>	<u>\$ 61,400</u>	<u>\$ 48,401</u>

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	General Grants				Police and Fire Public Safety Oil Production Act			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tax	-	-	-	-	-	-	903	903
Licenses and Permits	-	-	-	-	-	-	-	-
Use of Money and Property	-	41	43	2	-	-	1	1
From Other Agencies	21,044	28,107	20,633	(7,474)	-	-	-	-
Charges for Services	63	63	19	(44)	-	-	-	-
Other	-	1,925	1,937	12	-	-	-	-
Total Revenues	21,107	30,136	22,632	(7,504)	-	-	904	904
Expenditures:								
General Government								
Planning & Building-Genrl Govmmt	-	-	-	-	-	-	-	-
Public Safety								
Police	9,656	13,395	9,628	3,767	-	-	-	-
Fire	9,359	8,827	7,998	829	-	-	-	-
City Prosecutor	103	111	97	14	-	-	-	-
Public Health	-	298	279	19	-	-	-	-
Community and Cultural								
Community Development	-	-	-	-	-	-	-	-
Library	392	967	704	263	-	-	-	-
Planning and Building-Community Planning	30	1,529	1,500	29	-	-	-	-
Parks and Recreation	2,101	5,585	2,680	2,905	-	-	-	-
Public Works	294	256	17	239	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	21,935	30,968	22,903	8,065	-	-	-	-
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	21,935	30,968	22,903	8,065	-	-	-	-
Excess of Revenue Over (Under) Expenditures	(828)	(832)	(271)	561	-	-	904	904
Other Financing Sources (Uses):								
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-
Transfers In	825	830	283	(547)	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	825	830	283	(547)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3)	(2)	12	14	-	-	904	904
Fund Balances - October 1, Budgetary Basis	11	11	11	-	-	-	-	-
Encumbrances - Beginning of the Year	-	-	-	-	-	-	-	-
Fund Balances - September 30, Budgetary Basis	\$ 8	\$ 9	\$ 23	\$ 14	\$ -	\$ -	\$ 904	\$ 904

See accompanying independent auditors' report.

Health				Certified Unified Program Agency Fund				Parking and Business Area Improvement			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final		
\$ 2,474	\$ 2,474	\$ 2,543	\$ 69	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	6,210	6,590	5,909	(681)
3,991	3,991	3,611	(380)	935	935	850	(85)	-	-	-	-
1	1	1	-	21	21	23	2	9	9	19	10
69,261	72,005	31,294	(40,711)	-	-	-	-	-	-	-	-
2,640	2,640	1,752	(888)	-	-	-	-	-	-	-	-
245	245	493	248	-	-	12	12	-	-	-	-
<u>78,612</u>	<u>81,356</u>	<u>39,694</u>	<u>(41,662)</u>	<u>956</u>	<u>956</u>	<u>885</u>	<u>(71)</u>	<u>6,219</u>	<u>6,599</u>	<u>5,928</u>	<u>(671)</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
81,112	83,857	41,338	42,519	1,182	1,182	985	197	-	-	-	-
-	-	-	-	-	-	-	-	5,952	6,932	5,839	1,093
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
81,112	83,857	41,338	42,519	1,182	1,182	985	197	5,952	6,932	5,839	1,093
-	-	-	-	-	-	-	-	-	-	-	-
200	200	199	1	-	-	-	-	-	-	-	-
148	148	145	3	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
81,460	84,205	41,682	42,523	1,182	1,182	985	197	5,952	6,932	5,839	1,093
(2,848)	(2,849)	(1,988)	861	(226)	(226)	(100)	126	267	(333)	89	422
-	-	-	-	-	-	-	-	-	-	-	-
2,169	2,169	1,804	(365)	-	-	-	-	-	-	-	-
(115)	(115)	-	115	-	-	-	-	-	-	-	-
2,054	2,054	1,804	(250)	-	-	-	-	-	-	-	-
(794)	(795)	(184)	611	(226)	(226)	(100)	126	267	(333)	89	422
255	255	255	-	153	153	153	-	419	419	419	-
22	22	22	-	-	-	-	-	-	-	-	-
<u>\$ (517)</u>	<u>\$ (518)</u>	<u>\$ 93</u>	<u>\$ 611</u>	<u>\$ (73)</u>	<u>\$ (73)</u>	<u>\$ 53</u>	<u>\$ 126</u>	<u>\$ 686</u>	<u>\$ 86</u>	<u>\$ 508</u>	<u>\$ 422</u>

(continued)

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)
(continued)

	Special Advertising and Promotion				Upland Oil Properties			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tax	4,770	4,770	5,122	352	-	-	-	-
Licenses and Permits	638	1,027	1,148	121	-	-	-	-
Use of Money and Property	25	25	67	42	20,898	24,738	22,613	(2,125)
From Other Agencies	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Other	208	208	190	(18)	-	-	-	-
Total Revenues	<u>5,641</u>	<u>6,030</u>	<u>6,527</u>	<u>497</u>	<u>20,898</u>	<u>24,738</u>	<u>22,613</u>	<u>(2,125)</u>
Expenditures:								
General Government								
Planning & Building-Genrl Gc	-	-	-	-	-	-	-	-
Public Safety								
Police	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-
City Prosecutor	-	-	-	-	-	-	-	-
Public Health								
Community and Cultural								
Community Development	5,904	6,293	6,290	3	-	-	-	-
Library	-	-	-	-	-	-	-	-
Planning and Building-Communit	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Public Works								
Oil Operations	-	-	-	-	7,575	8,545	8,171	374
Total Current Expenditures	<u>5,904</u>	<u>6,293</u>	<u>6,290</u>	<u>3</u>	<u>7,575</u>	<u>8,545</u>	<u>8,171</u>	<u>374</u>
Capital Improvements								
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	5	(5)	(5)
Total Expenditures	<u>5,904</u>	<u>6,293</u>	<u>6,290</u>	<u>3</u>	<u>7,575</u>	<u>8,545</u>	<u>8,176</u>	<u>369</u>
Excess of Revenue Over (Under) Expenditures	<u>(263)</u>	<u>(263)</u>	<u>237</u>	<u>500</u>	<u>13,323</u>	<u>16,193</u>	<u>14,437</u>	<u>(1,756)</u>
Other Financing Sources (Uses):								
Payment to Refunded Bond Escrow A	-	-	-	-	-	-	-	-
Transfers In	100	100	-	(100)	-	-	-	-
Transfers Out	-	-	-	-	(13,144)	(16,639)	(14,939)	1,700
Total Other Financing Sources (Uses)	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>	<u>(13,144)</u>	<u>(16,639)</u>	<u>(14,939)</u>	<u>1,700</u>
Excess of Revenues and Other	<u>(163)</u>	<u>(163)</u>	<u>237</u>	<u>400</u>	<u>179</u>	<u>(446)</u>	<u>(502)</u>	<u>(56)</u>
Fund Balances - October 1, Budgetary E	2,236	2,236	2,236	-	5,877	5,877	5,877	-
Encumbrances - Beginning of the Year	54	54	54	-	-	-	-	-
Fund Balances - September 30, Budget	<u>\$ 2,127</u>	<u>\$ 2,127</u>	<u>\$ 2,527</u>	<u>\$ 400</u>	<u>\$ 6,056</u>	<u>\$ 5,431</u>	<u>\$ 5,375</u>	<u>\$ (56)</u>

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue				Development Services				Business Assistance			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,698	11,698	-	-	12	12
456	456	530	74	14,210	14,210	26	(14,184)	17	17	94	77
-	-	-	-	-	-	-	-	-	1,331	145	(1,186)
-	-	-	-	456	456	929	473	-	-	-	-
-	-	-	-	90	90	305	215	65	65	334	269
456	456	530	74	14,756	14,756	12,958	(1,798)	82	1,413	585	(828)
-	-	-	-	8,272	8,272	3,773	4,499	-	-	-	-
-	-	-	-	3,242	3,242	6,506	(3,264)	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
431	431	383	48	2,983	2,983	3,247	(264)	1,927	3,257	2,233	1,024
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
431	431	383	48	14,497	14,497	13,526	971	1,927	3,257	2,233	1,024
-	-	-	-	-	-	-	-	-	-	-	-
145	145	155	(10)	-	-	-	-	-	-	-	-
67	67	59	8	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
643	643	597	46	14,497	14,497	13,526	971	1,927	3,257	2,233	1,024
(187)	(187)	(67)	120	259	259	(568)	(827)	(1,845)	(1,844)	(1,648)	196
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	487	1,386	1,086	(300)	1,800	1,800	2,830	1,030
-	-	-	-	(200)	(200)	-	200	-	-	-	-
-	-	-	-	287	1,186	1,086	(100)	1,800	1,800	2,830	1,030
(187)	(187)	(67)	120	546	1,445	518	(927)	(45)	(44)	1,182	1,226
636	636	636	-	-	-	-	-	24	24	24	-
7	7	7	-	-	-	-	-	5	5	5	-
\$ 456	\$ 456	\$ 576	\$ 120	\$ 546	\$ 1,445	\$ 518	\$ (927)	\$ (16)	\$ (15)	\$ 1,211	\$ 1,226

(continued)

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2007
(In Thousands)
(continued)

	Housing Assistance				Park Development			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	1,000	1,000	768	(232)
Use of Money and Property	70	70	666	596	20	20	21	1
From Other Agencies	66,632	66,632	66,523	(109)	-	-	-	-
Charges for Services	836	836	-	(836)	-	-	-	-
Other	-	-	453	453	-	-	-	-
Total Revenues	67,538	67,538	67,642	104	1,020	1,020	789	(231)
Expenditures:								
General Government								
Planning & Building-Genrl Govmmt	-	-	-	-	-	-	-	-
Public Safety								
Police	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-
City Prosecutor	-	-	-	-	-	-	-	-
Public Health	-	-	-	-	-	-	-	-
Community and Cultural								
Community Development	67,964	67,964	60,235	7,729	-	-	-	-
Library	-	-	-	-	-	-	-	-
Planning and Building-Community Planning	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	54	54	76	(22)
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	67,964	67,964	60,235	7,729	54	54	76	(22)
Capital Improvements								
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	67,964	67,964	60,235	7,729	54	54	76	(22)
Excess of Revenue Over (Under) Expenditures	(426)	(426)	7,407	7,833	966	966	713	(253)
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	(1,000)	(1,000)	(1,000)	-
Total Other Financing Sources (Uses)	-	-	-	-	(1,000)	(1,000)	(1,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(426)	(426)	7,407	7,833	(34)	(34)	(287)	(253)
Fund Balances - October 1, Budgetary Basis	7,364	7,364	7,364	-	747	747	747	-
Encumbrances - Beginning of the Year	3	3	3	-	-	-	-	-
Fund Balances - September 30, Budgetary Basis	\$ 6,941	\$ 6,941	\$ 14,774	\$ 7,833	\$ 713	\$ 713	\$ 460	\$ (253)

See accompanying independent auditors' report.

Gasoline Tax				Transportation				Total			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,474	\$ 2,474	\$ 2,543	\$ 69
-	-	-	-	-	-	-	-	10,980	11,360	11,934	574
-	-	-	-	-	-	-	-	6,564	6,953	18,087	11,134
100	296	324	28	819	819	1,378	559	36,646	40,723	25,806	(14,917)
25,227	24,877	13,053	(11,824)	11,493	11,493	14,879	3,386	193,657	204,445	146,527	(57,918)
-	-	-	-	-	-	-	-	3,995	3,995	2,700	(1,295)
-	-	-	-	1	1	161	160	609	2,534	3,885	1,351
<u>25,327</u>	<u>25,173</u>	<u>13,377</u>	<u>(11,796)</u>	<u>12,313</u>	<u>12,313</u>	<u>16,418</u>	<u>4,105</u>	<u>254,925</u>	<u>272,484</u>	<u>211,482</u>	<u>(61,002)</u>
-	-	-	-	-	-	-	-	8,272	8,272	3,773	4,499
-	-	-	-	-	-	-	-	12,898	16,637	16,134	503
-	-	-	-	-	-	-	-	9,359	8,827	7,998	829
-	-	-	-	-	-	-	-	103	111	97	14
-	-	-	-	-	-	-	-	82,294	85,337	42,602	42,735
-	-	-	-	-	-	-	-	85,161	87,860	78,227	9,633
-	-	-	-	-	-	-	-	392	967	704	263
-	-	-	-	-	-	-	-	30	1,529	1,500	29
-	-	-	-	-	-	-	-	2,155	5,639	2,756	2,883
-	-	-	-	32,395	32,670	15,181	17,489	32,689	32,926	15,198	17,728
-	-	-	-	-	-	-	-	7,575	8,545	8,171	374
-	-	-	-	32,395	32,670	15,181	17,489	240,928	256,650	177,160	79,490
24,902	24,747	14,286	10,461	-	-	-	-	24,902	24,747	14,286	10,461
-	-	-	-	-	-	-	-	345	345	354	(9)
-	-	-	-	-	-	-	-	215	215	204	11
-	-	-	-	-	-	-	-	-	-	5	(5)
<u>24,902</u>	<u>24,747</u>	<u>14,286</u>	<u>10,461</u>	<u>32,395</u>	<u>32,670</u>	<u>15,181</u>	<u>17,489</u>	<u>266,390</u>	<u>281,957</u>	<u>192,009</u>	<u>89,948</u>
425	426	(909)	(1,335)	(20,082)	(20,357)	1,237	21,594	(11,465)	(9,473)	19,473	28,946
-	-	-	-	-	-	-	-	5,381	6,285	6,003	(282)
(6,309)	(6,309)	-	6,309	(600)	(116)	(116)	-	(21,368)	(24,379)	(16,055)	8,324
(6,309)	(6,309)	-	6,309	(600)	(116)	(116)	-	(15,987)	(18,094)	(10,052)	8,042
(5,884)	(5,883)	(909)	4,974	(20,682)	(20,473)	1,121	21,594	(27,452)	(27,567)	9,421	36,988
4,976	4,976	4,976	-	20,788	20,788	20,788	-	43,486	43,486	43,486	-
1,229	1,229	1,229	-	3,595	3,595	3,595	-	4,915	4,915	4,915	-
<u>\$ 321</u>	<u>\$ 322</u>	<u>\$ 5,286</u>	<u>\$ 4,974</u>	<u>\$ 3,701</u>	<u>\$ 3,910</u>	<u>\$ 25,504</u>	<u>\$ 21,594</u>	<u>\$ 20,949</u>	<u>\$ 20,834</u>	<u>\$ 57,822</u>	<u>\$ 36,988</u>

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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Net Assets
September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2007	September 30, 2006
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 5,287	\$ 15,551	\$ 1,027	\$ -	\$ 21,865	\$ 25,390
Receivables:						
Accounts Receivable	460	1,876	484	-	2,820	2,428
Due from Other Governments	-	2,444	-	-	2,444	2,640
Other Receivables	-	66	-	-	66	64
Allowance for Receivables	(31)	(25)	(278)	-	(334)	(311)
Inventory	61	-	-	-	61	66
Total Current Assets	5,777	19,912	1,233	-	26,922	30,277
Restricted Assets:						
Pooled Cash and Cash Equivalents	-	5,333	-	154,679	160,012	150,712
Non-Pooled Cash and Cash Equivalents	-	308	-	-	308	1,043
Non-Pooled Investments	-	-	-	2,760	2,760	3,169
Interest Receivable	-	-	-	27	27	35
Accounts Receivable	-	606	-	-	606	291
Total Restricted Assets	-	6,247	-	157,466	163,713	155,250
Noncurrent Assets:						
Other Noncurrent Receivables	-	427	-	-	427	487
Advances to Other Funds	-	-	-	7,614	7,614	8,114
Capital Assets:						
Land and Other Capital Assets not Being Depreciated	8,719	30,141	-	-	38,860	15,102
Capital Assets net of Accumulated Depreciation	37,919	72,200	138	-	110,257	112,959
Total Noncurrent Assets	46,638	102,768	138	7,614	157,158	136,662
Total Assets	52,415	128,927	1,371	165,080	347,793	322,189
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	336	4,024	40	-	4,400	1,775
Accrued Wages	111	191	68	-	370	345
Accrued Interest Payable	-	155	-	-	155	168
Due to Other Funds	58	124	33	-	215	244
Deferred Revenues	-	348	-	7,614	7,962	8,422
Collections Held in Trust	-	246	-	-	246	158
Advances from Developers	38	-	-	-	38	32
Other Long-Term Obligations-Current	-	825	-	-	825	785
Total Current Liabilities	543	5,913	141	7,614	14,211	11,929
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	-	1,489	-	-	1,489	65
Noncurrent Liabilities:						
Deferred Revenues	-	6,093	-	-	6,093	6,235
Other Long-Term Obligations	-	9,370	-	-	9,370	10,195
Unamortized Discount/Deferred cost	-	(1,015)	-	-	(1,015)	(1,167)
Total Noncurrent Liabilities	-	14,448	-	-	14,448	15,263
Total Liabilities	543	21,850	141	7,614	30,148	27,257
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	46,638	93,161	138	-	139,937	118,248
Restricted for:						
Debt Service	-	1,020	-	-	1,020	1,098
Capital Projects	-	3,738	-	-	3,738	4,224
Subsidence	-	-	-	157,466	157,466	149,863
Unrestricted	5,234	9,158	1,092	-	15,484	21,499
Total Net Assets	\$ 51,872	\$ 107,077	\$ 1,230	\$ 157,466	\$ 317,645	\$ 294,932

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2007	September 30, 2006
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ 26,837	\$ -	\$ -	\$ 26,837	\$ 24,796
Charges for Services	10,812	1	8,021	-	18,834	17,017
Total Operating Revenues	10,812	26,838	8,021	-	45,671	41,813
Operating Expenses:						
Personal Services	2,900	7,654	2,712	-	13,266	12,189
Maintenance and Other Operations	7,379	15,543	6,159	-	29,081	23,696
Bad Debt	15	-	-	-	15	-
Depreciation	1,246	4,250	9	-	5,505	4,979
Total Operating Expenses	11,540	27,447	8,880	-	47,867	40,864
Operating Income (Loss)	(728)	(609)	(859)	-	(2,196)	949
Non-Operating Income (Expenses):						
Interest Income	360	1,005	103	7,103	8,571	6,505
Interest Expense	-	(681)	-	-	(681)	(724)
Loss on Disposition of Capital Assets	-	-	-	-	-	(12)
Operating Grants	-	-	-	-	-	58
Other Income (Expenses)	(7)	4,147	105	500	4,745	304
Total Non-Operating Income (Expenses)	353	4,471	208	7,603	12,635	6,131
Income (Loss) Before Contributions	(375)	3,862	(651)	7,603	10,439	7,080
Capital Grants and Contributions	-	12,274	-	-	12,274	4,015
Change in Net Assets	(375)	16,136	(651)	7,603	22,713	11,095
Net Assets - October 1	52,247	90,941	1,881	149,863	294,932	283,837
Net Assets - September 30	\$ 51,872	\$ 107,077	\$ 1,230	\$ 157,466	\$ 317,645	\$ 294,932

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					<u>Totals</u>	
	<u>Sewer</u>	<u>Airport</u>	<u>Towing</u>	<u>Subsidence</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 10,789	\$ 26,219	\$ 8,021	\$ -	\$ 45,029	\$ 45,557
Payments for Employee Salaries	(2,878)	(7,647)	(2,706)	-	(13,231)	(12,127)
Payments for Goods and Services	(3,907)	(4,771)	(3,195)	-	(11,873)	(15,280)
Payments in Lieu of Taxes	(3,754)	(6,324)	(2,944)	-	(13,022)	(8,291)
Income	-	179	105	-	284	510
Net Cash Provided by (Used for) Operating Activities	<u>250</u>	<u>7,656</u>	<u>(719)</u>	<u>-</u>	<u>7,187</u>	<u>10,369</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	-	-	-	-	-	58
Cash Flows from Capital and Related Financing Activities:						
Receipt of Capital Grants	-	3,968	-	-	3,968	3852
Receipts of Contributed Capital	-	12,470	-	-	12,470	2,739
Payments for Capital Acquisitions	(5,447)	(21,297)	-	-	(26,744)	(11,994)
Payments of Principal on Bonds Payable	-	(785)	-	-	(785)	(750)
Payments of Interest	-	(543)	-	-	(543)	(580)
Net Cash Used for Capital and Related Financing Activities	<u>(5,447)</u>	<u>(6,187)</u>	<u>-</u>	<u>-</u>	<u>(11,634)</u>	<u>(6,733)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	501	501	369
Payments to Other Government Entities	-	-	-	500	500	(4,061)
Receipts of Interest	359	1,005	103	7,019	8,486	6,425
Net Cash Provided by Investing Activities	<u>359</u>	<u>1,005</u>	<u>103</u>	<u>8,020</u>	<u>9,487</u>	<u>2,733</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,838)</u>	<u>2,474</u>	<u>(616)</u>	<u>8,020</u>	<u>5,040</u>	<u>6,427</u>
Cash and Cash Equivalents - October 1	<u>10,125</u>	<u>18,718</u>	<u>1,643</u>	<u>146,659</u>	<u>177,145</u>	<u>170,718</u>
Cash and Cash Equivalents - September 30	<u>\$ 5,287</u>	<u>\$ 21,192</u>	<u>\$ 1,027</u>	<u>\$ 154,679</u>	<u>\$ 182,185</u>	<u>\$ 177,145</u>

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

Operating Income (Loss)	\$ (728)	\$ (609)	\$ (859)	\$ -	\$ (2,196)	\$ 949
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	1,246	4,250	9	-	5,505	4,979
Other Income	15	179	105	-	299	518
Increase in Accounts Receivable, Net	(22)	(606)	-	-	(628)	(126)
Decrease in Inventory	6	-	-	-	6	5
Increase (Decrease) in Accounts Payable	(455)	4,485	20	-	4,050	(109)
Increase in Accrued Wages Payable	21	7	4	-	32	61
Increase (Decrease) in Amounts Due to Other Funds	167	(37)	2	-	132	223
Increase (Decrease) in Deferred Revenues	-	(101)	-	-	(101)	3,829
Increase in Collections Held in Trust	-	88	-	-	88	40
Total Adjustments	<u>978</u>	<u>8,265</u>	<u>140</u>	<u>-</u>	<u>9,383</u>	<u>9,420</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 250</u>	<u>\$ 7,656</u>	<u>\$ (719)</u>	<u>\$ -</u>	<u>\$ 7,187</u>	<u>\$ 10,369</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

City of Long Beach
Internal Service Funds
Combining Statement of Net Assets (Deficit)
September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2007	September 30, 2006
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 9,399	\$ 5,556	\$ 10,345	\$ 11,784	\$ 47,524	\$ 84,608	\$ 89,623
Receivables:							
Accounts Receivable	2	1,000	207	5,819	-	7,028	10,096
Due from Other Governments	-	-	298	59	-	357	702
Due from Other Funds	-	-	-	-	6,793	6,793	6,534
Allowance for Receivables	-	-	(176)	-	-	(176)	(329)
Inventory	-	156	1,569	-	-	1,725	1,737
Other Assets-Current	-	-	-	-	1,420	1,420	-
Total Current Assets	9,401	6,712	12,243	17,662	55,737	101,755	108,363
Restricted Assets:							
Pooled Cash and Cash Equivalents	-	-	-	-	5,385	5,385	7,326
Non-Pooled Cash and Cash Equivalents	8,061	-	2,821	-	-	10,882	12,357
Deposits	-	-	-	-	10,289	10,289	6,858
Total Restricted Assets	8,061	-	2,821	-	15,674	26,556	26,541
Noncurrent Assets:							
Other Noncurrent Receivables	-	3,913	4,800	1,000	-	9,713	2,137
Capital Assets:							
Land and Other Capital Assets not Being Depreciated	8,666	3,239	2,719	-	-	14,624	9,662
Capital Assets net of Accumulated Depreciation	57,947	7,912	56,900	312	-	123,071	122,851
Other Assets-Long-Term	-	11	-	-	65,807	65,818	71,420
Total Noncurrent Assets	66,613	15,075	64,419	1,312	65,807	213,226	206,070
Total Assets	84,075	21,787	79,483	18,974	137,218	341,537	340,974
LIABILITIES							
Current Liabilities payable from Current Assets:							
Accounts Payable	539	905	1,164	823	1,503	4,934	3,398
Accrued Wages and Benefits	35	368	173	227	35,545	36,348	33,977
Accrued Interest Payable	89	9	229	-	4,157	4,484	4,691
Due to Other Funds	17	473	85	112	-	687	678
Collections Held in Trust	-	-	-	-	555	555	489
Employee Benefits-Current	-	-	-	-	5,600	5,600	6,200
Accrued Self-Insurance Claims-Current	-	-	-	17,100	-	17,100	19,010
Obligations Under Capital Leases-Current	-	1,889	1,791	-	-	3,680	2,214
Bonds Payable Due Within One Year	1,060	-	900	-	6,360	8,320	7,710
Total Current Liabilities	1,740	3,644	4,342	18,262	53,720	81,708	78,367
Noncurrent Liabilities:							
Employee Benefits	-	-	-	-	66,297	66,297	64,356
Accrued Self-Insurance Claims	-	-	-	83,650	-	83,650	85,780
Obligations Under Capital Lease	-	5,052	8,846	-	-	13,898	7,161
Bonds Payable	34,310	-	31,280	-	77,275	142,865	151,185
Unamortized Discount/Deferred cost	(1,562)	-	(2,124)	-	(7,689)	(11,375)	(13,350)
Total Noncurrent Liabilities	32,748	5,052	38,002	83,650	135,883	295,335	295,132
Total Liabilities	34,488	8,696	42,344	101,912	189,603	377,043	373,499
NET ASSETS (DEFICIT)							
Investment in Capital Assets, Net of Related Debt	37,899	6,347	29,563	312	-	74,121	71,300
Restricted for:							
Debt Service	2,968	-	2,821	-	59	5,848	5,710
Health Care Insurance	-	-	-	-	15,615	15,615	14,125
Unrestricted	8,720	6,744	4,755	(83,250)	(68,059)	(131,090)	(123,660)
Total Net Assets (Deficit)	\$ 49,587	\$ 13,091	\$ 37,139	\$ (82,938)	\$ (52,385)	\$ (35,506)	\$ (32,525)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2007	September 30, 2006
Operating Revenues:							
Billing to Other Departments	\$ 10,095	\$ 28,405	\$ 26,467	\$ 34,001	\$ 191,152	\$ 290,120	\$ 268,338
Other	474	3,095	1,839	6	-	5,414	6,129
Total Operating Revenues	10,569	31,500	28,306	34,007	191,152	295,534	274,467
Operating Expenses:							
Personal Services	1,761	13,717	6,981	7,183	2,199	31,841	30,645
Maintenance and Other Operations	5,227	12,802	14,248	6,082	2,398	40,757	35,726
Insurance Premiums	-	-	-	2,763	-	2,763	2,804
Self-Insured Losses	-	-	-	8,597	-	8,597	7,841
Compensated Absences	-	-	-	1,904	42,598	44,502	43,408
Employee Benefits	-	-	-	-	138,166	138,166	120,906
Amortization	78	-	-	-	7,320	7,398	8,785
Depreciation	2,966	2,140	8,086	134	-	13,326	12,160
Total Operating Expenses	10,032	28,659	29,315	26,663	192,681	287,350	262,275
Operating Income (Loss)	537	2,841	(1,009)	7,344	(1,529)	8,184	12,192
Non-Operating Income (Expenses):							
Interest Income	781	39	188	606	791	2,405	2,394
Interest Expense	(1,812)	(218)	(2,006)	-	(4,594)	(8,630)	(9,947)
Gain (Loss) on Disposition of Capital Assets	-	35	(58)	-	-	(23)	229
Other Income	60	1,327	272	34	2,754	4,447	15,414
Total Non-Operating Income (Expenses)	(971)	1,183	(1,604)	640	(1,049)	(1,801)	8,090
Income (Loss) Before Contributions and Transfers	(434)	4,024	(2,613)	7,984	(2,578)	6,383	20,282
Capital Grants & Contributions	(3,685)	-	103	-	-	(3,582)	176
Transfers:							
Transfers In	-	-	116	-	-	116	484
Transfers Out	(801)	(2,440)	-	-	(2,657)	(5,898)	(2,979)
Change in Net Assets	(4,920)	1,584	(2,394)	7,984	(5,235)	(2,981)	17,963
Net Assets (Deficit) - October 1	54,507	11,507	39,533	(90,922)	(47,150)	(32,525)	(50,488)
Net Assets (Deficit) - September 30	\$ 49,587	\$ 13,091	\$ 37,139	\$ (82,938)	\$ (52,385)	\$ (35,506)	\$ (32,525)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
With Summarized Financial Information for 2006
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	<u>Totals</u>	
						September 30, 2007	September 30, 2006
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 474	\$ 3,095	\$ 2,516	\$ -	\$ -	\$ 6,085	\$ 5,849
Receipts from Other Funds	10,095	28,469	26,516	35,188	190,841	291,109	259,265
Payments for Employee Salaries	(1,767)	(13,682)	(6,982)	(7,190)	(2,093)	(31,714)	(30,836)
Payments for Goods and Services	(5,827)	(12,527)	(13,918)	(8,786)	(903)	(41,961)	(42,372)
Payments for Compensated Absences	-	-	-	(13,069)	(40,673)	(53,742)	(53,787)
Payments for Employee Benefits	-	-	-	-	(141,292)	(141,292)	(123,277)
Payments for Liability Claims	-	-	-	(1,472)	-	(1,472)	(23,479)
Other Income	61	1,665	270	34	2,754	4,784	15,263
Net Cash Provided by Operating Activities	<u>3,036</u>	<u>7,020</u>	<u>8,402</u>	<u>4,705</u>	<u>8,634</u>	<u>31,797</u>	<u>6,626</u>
Cash Flows from Non-Capital Financing Activities:							
Operating Subsidies Received from Other Funds	-	-	116	-	-	116	484
Transfers Out	(800)	(2,440)	-	-	(2,657)	(5,897)	(2,982)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(800)</u>	<u>(2,440)</u>	<u>116</u>	<u>-</u>	<u>(2,657)</u>	<u>(5,781)</u>	<u>(2,498)</u>
Cash Flows from Capital and Related Financing Activities:							
Proceeds from the Sale of Capital Assets	-	36	240	-	-	276	342
Proceeds from Issuance Of Long-Term Obligations	-	-	1,727	-	-	1,727	4,830
Receipts of Contributed Capital	181	-	-	-	-	181	176
Payments for Capital Acquisitions	(5,594)	(3,031)	(12,075)	(37)	-	(20,737)	(13,376)
Payments of Principal on Other Long- Term Obligations	(1,271)	(956)	(1,585)	-	(5,830)	(9,642)	(11,628)
Payments of Interest	(1,818)	(208)	(1,758)	-	(4,873)	(8,657)	(8,710)
Net Cash Used for Capital and Related Financing Activities	<u>(8,502)</u>	<u>(4,159)</u>	<u>(13,451)</u>	<u>(37)</u>	<u>(10,703)</u>	<u>(36,852)</u>	<u>(28,366)</u>
Cash Flows from Investing Activities:							
Receipts of Interest	781	39	188	606	791	2,405	2,393
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(5,485)</u>	<u>460</u>	<u>(4,745)</u>	<u>5,274</u>	<u>(3,935)</u>	<u>(8,431)</u>	<u>(21,845)</u>
Cash and Cash Equivalents - October 1	22,945	5,096	17,911	6,510	56,844	109,306	131,151
Cash and Cash Equivalents - September 30	<u>\$ 17,460</u>	<u>\$ 5,556</u>	<u>\$ 13,166</u>	<u>\$ 11,784</u>	<u>\$ 52,909</u>	<u>\$ 100,875</u>	<u>\$ 109,306</u>

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

Operating Income (Loss)	\$ 537	\$ 2,841	\$ (1,009)	\$ 7,344	\$ (1,529)	\$ 8,184	\$ 12,192
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Depreciation and Amortization Expense	3,044	2,140	8,086	134	7,320	20,724	20,945
Other Income	61	1,326	270	34	25	1,716	11,407
Other Income (Expense)	-	64	672	1,181	-	1,917	(8,884)
Other Income (Expense) Other Governments	-	340	5	-	-	345	265
Increase in Amounts Due from Other Funds	-	-	(1)	-	(311)	(312)	(838)
(Increase) Decrease in Inventory	-	-	11	-	-	11	(219)
Decrease in Other Operating Assets	-	-	-	-	(1,420)	(1,420)	-
Increase (Decrease) in Accounts Payable	(597)	259	320	59	1,495	1,536	(3,644)
Increase (Decrease) in Accrued Wages Payable	(6)	34	(1)	(5)	2,988	3,010	4,770
Increase (Decrease) in Amounts Due to Other Funds	(3)	16	49	(3)	-	59	(23)
Decrease in Accrued Claims Payable	-	-	-	(4,039)	-	(4,039)	(29,321)
Increase (Decrease) in Collections Held in Trust	-	-	-	-	66	66	(24)
Total Adjustments	<u>2,499</u>	<u>4,179</u>	<u>9,411</u>	<u>(2,639)</u>	<u>10,163</u>	<u>23,613</u>	<u>(5,566)</u>
Net Cash Provided by Operating Activities	<u>\$ 3,036</u>	<u>\$ 7,020</u>	<u>\$ 8,402</u>	<u>\$ 4,705</u>	<u>\$ 8,634</u>	<u>\$ 31,797</u>	<u>\$ 6,626</u>

See accompanying independent auditors' report.

FIDUCIARY FUNDS

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

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

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

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

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

City of Long Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2007
(In Thousands)

	Private Purpose Trust	Agency Funds
ASSETS:		
Pooled Cash and Cash Equivalents	\$ -	\$ 18,184
Non-Pooled Cash and Cash Equivalents	-	21,987
Restricted Pooled Cash and Cash Equivalents	991	-
Land	-	11,000
Total Assets	\$ 991	\$ 51,171
LIABILITIES:		
Accounts Payable	-	121
Due to Special Assessment Bondholders	-	18,030
Collections Held in Trust	-	33,020
Total Liabilities	-	51,171
NET ASSETS:		
Held in Trust for Private Purpose Trust Funds	\$ 991	\$ -

City of Long Beach
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
September 30, 2007
(In Thousands)

	Private Purpose Trust
ADDITIONS:	
Interest Income	\$ 45
Contributions from Citizens	29
Total Additions	74
DEDUCTIONS:	
Community and Cultural	26
Change in Net Assets	48
Net Assets, October 1	943
Net Assets, September 30	\$ 991

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

City of Long Beach
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2007
(In Thousands)

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
<u>BELMONT SHORE PARKING</u>				
<u>DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 89	\$ -	\$ -	\$ 89
LIABILITIES				
Accounts Payable	\$ 89	\$ -	\$ -	\$ 89
<u>TAXES - OIL RIGHTS FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,474	\$ 69	\$ -	\$ 1,543
LIABILITIES				
Collections Held in Trust	\$ 1,474	\$ 69	\$ -	\$ 1,543
<u>SPECIAL ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 4,691	\$ 6,747	\$ 8,780	\$ 2,658
Non-Pooled Cash and Cash Equivalents	5,427	21,290	4,764	21,953
Total Assets	\$ 10,118	\$ 28,037	\$ 13,544	\$ 24,611
LIABILITIES				
Accounts Payable	\$ -	\$ 22	\$ -	\$ 22
Due to Special Assessment Bondholders	1,581	18,723	3,535	16,769
Collections Held in Trust	8,537	3,300	4,017	7,820
Total Liabilities	\$ 10,118	\$ 22,045	\$ 7,552	\$ 24,611
<u>INTERMODAL CONTAINER TRANSFER FACILITY</u>				
<u>JOINT POWER AUTHORITY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,469	\$ 8,727	\$ -	\$ 11,196
LIABILITIES				
Collections Held in Trust	\$ 2,469	\$ 8,727	\$ -	\$ 11,196
<u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,015	\$ 1,991	\$ 1,448	\$ 1,558
LIABILITIES				
Due to Special Assessment Bondholders	\$ 723	\$ 1,986	\$ 1,448	\$ 1,261
Collections Held in Trust	292	5	-	297
Total Liabilities	\$ 1,015	\$ 1,991	\$ 1,448	\$ 1,558

(continued)

City of Long Beach
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2007
(In Thousands)
(continued)

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
<u>OTHER AGENCY FUNDS</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,216	\$ 1,487	\$ 1,563	\$ 1,140
Non-Pooled Cash and Cash Equivalents	20	25	11	34
Accounts Receivable	-	19	19	-
Land	11,000	-	-	11,000
Total Assets	<u>\$ 12,236</u>	<u>\$ 1,531</u>	<u>\$ 1,593</u>	<u>\$ 12,174</u>
LIABILITIES				
Accounts Payable	\$ 2	\$ 414	\$ 406	\$ 10
Collections Held in Trust	12,234	1,429	1,499	12,164
Total Liabilities	<u>\$ 12,236</u>	<u>\$ 1,843</u>	<u>\$ 1,905</u>	<u>\$ 12,174</u>
 <u>TOTAL AGENCY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 10,954	\$ 19,021	\$ 11,791	\$ 18,184
Non-Pooled Cash and Cash Equivalents	5,447	21,315	4,775	21,987
Accounts Receivable	-	19	19	-
Land	11,000	-	-	11,000
Total Assets	<u>\$ 27,401</u>	<u>\$ 40,355</u>	<u>\$ 16,585</u>	<u>\$ 51,171</u>
LIABILITIES				
Accounts Payable	\$ 91	\$ 436	\$ 406	\$ 121
Due to Special Assessment Bondholders	2,304	20,709	4,983	18,030
Collections Held in Trust	25,006	13,530	5,516	33,020
Total Liabilities	<u>\$ 27,401</u>	<u>\$ 34,675</u>	<u>\$ 10,905</u>	<u>\$ 51,171</u>

See accompanying independent auditors' report.

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

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

City of Long Beach
 Capital Assets Used in the Operations of Governmental Funds
 Schedule by Source ¹
 September 30, 2007
 (In Thousands)

Governmental Funds Capital Assets:

Land	\$	121,562
Right-a-way		81,311
Construction In Progress		89,293
Building		134,455
Improvements other than Buildings		54,443
Infrastructure		354,761
Machinery and Equipment		34,212
Automotive		10,002
Other Assets		30,719
Less Accumulated Depreciation		<u>(308,394)</u>
Governmental Funds Capital Assets, Net of Accumulated Depreciation	\$	<u><u>602,364</u></u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$	232,303
Special Revenue Funds		219,444
Capital Projects Funds		<u>150,617</u>
	\$	<u><u>602,364</u></u>

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

See accompanying independent auditors' report.

City of Long Beach
 Capital Assets Used in the Operations of Governmental Funds
 Schedule by Function ¹
 September 30, 2007
 (In Thousands)

	Capital Assets not being Depreciated				Capital Assets, net of Depreciation					Total
	Land	Right-a-way	Construction In Progress	Building	Improvements other than Buildings	Infrastructure	Machinery and Equipment	Auto-motive	Other Assets	
Legislative and Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 961	\$ -	\$ -	\$ 961
General Government	58	-	-	-	142	-	194	-	-	394
Public Safety	2,765	-	-	41,657	432	(1)	8,932	634	-	54,419
Public Health	4,595	-	-	6,032	2,523	-	464	-	-	13,614
Community & Cultural	111,408	-	-	42,013	21,720	3,299	483	3	2,840	181,766
Public Works	2,736	81,311	89,293	11,201	6,751	154,365	95	5,458	-	351,210
	<u>\$ 121,562</u>	<u>\$ 81,311</u>	<u>\$ 89,293</u>	<u>\$ 100,903</u>	<u>\$ 31,568</u>	<u>\$ 157,663</u>	<u>\$ 11,129</u>	<u>\$ 6,095</u>	<u>\$ 2,840</u>	<u>\$ 602,364</u>

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

See accompanying independent auditors' report.

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule of Changes by Function ¹
September 30, 2007
(In Thousands)

	Balance at October 1, 2006	Increase (Decrease), net of Depreciation Expense	Decrease, net of Accumulated Depreciation	Balance at September 30, 2007
Legislative and Legal	\$ 48	\$ 513	\$ 400	\$ 961
General Government	282	116	(4)	394
Public Safety	55,714	(1,283)	(12)	54,419
Public Health	13,715	(96)	(5)	13,614
Community & Cultural	173,913	7,854	(1)	181,766
Public Works	345,384	33,438	(27,612)	351,210
	<u>\$ 589,056</u>	<u>\$ 40,542</u>	<u>\$ (27,234)</u>	<u>\$ 602,364</u>

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

See accompanying independent auditors' report.

STATISTICAL SECTION

This part of the City of Long Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Long Beach
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities:						
Invested in capital assets, net of related debt	\$ 197,111	\$ 233,912	\$ 261,014	\$ 99,122	\$ 209,230	\$ 215,097
Restricted	313,119	313,047	286,745	474,313	496,094	300,669
Unrestricted	(56,298)	(85,689)	(78,179)	(118,328)	(106,380)	148,669
Total governmental activities net assets	<u>\$ 453,932</u>	<u>\$ 461,270</u>	<u>\$ 469,580</u>	<u>\$ 455,107</u>	<u>\$ 598,944</u>	<u>\$ 664,435</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 1,399,761	\$ 1,484,399	\$ 1,534,595	\$ 1,564,750	\$ 1,572,117	\$ 1,684,580
Restricted	539,903	453,919	498,341	505,875	523,769	542,996
Unrestricted	321,924	396,157	446,833	586,327	733,495	792,596
Total business-type activities net assets	<u>\$ 2,261,588</u>	<u>\$ 2,334,475</u>	<u>\$ 2,479,769</u>	<u>\$ 2,656,952</u>	<u>\$ 2,829,381</u>	<u>\$ 3,020,172</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 1,596,872	\$ 1,718,311	\$ 1,795,609	\$ 1,663,872	\$ 1,781,347	\$ 1,899,677
Restricted	853,022	766,966	785,086	980,188	1,019,863	843,665
Unrestricted	265,626	310,468	368,654	467,999	627,115	941,265
Total primary government net assets	<u>\$ 2,715,520</u>	<u>\$ 2,795,745</u>	<u>\$ 2,949,349</u>	<u>\$ 3,112,059</u>	<u>\$ 3,428,325</u>	<u>\$ 3,684,607</u>

The City of Long Beach implemented GASB 34 for the fiscal year ended September 30, 2002.
Information prior to the implementation of GASB 34 is not available.

See accompanying independent auditors' report.

City of Long Beach
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses:						
Governmental Activities:						
Legislative and Legal	\$ 10,471	\$ 9,457	\$ 9,721	\$ 10,313	\$ 12,003	\$ 12,911
General Government	28,564	24,635	23,179	25,808	13,988	13,376
Public Safety	228,214	231,514	227,601	280,415	255,188	276,391
Public Health	37,872	39,515	42,184	43,874	44,024	47,189
Community & Cultural	145,376	159,765	164,982	177,210	186,528	207,566
Public Works	54,352	56,545	67,425	58,783	55,009	67,794
Oil Operations	4,672	5,516	6,215	6,367	7,192	8,175
Interest on Long-Term Debt	23,660	24,761	22,652	30,831	34,554	36,187
Total Governmental Activities Expenses	533,181	551,708	563,959	633,601	608,486	669,589
Business-type activities:						
Gas	\$ 55,334	\$ 68,728	\$ 76,408	\$ 89,463	\$ 99,656	\$ 94,057
Water	58,814	55,756	57,849	62,075	62,480	68,704
Sewer	7,858	8,748	7,787	7,337	7,612	11,486
Airport	18,666	18,747	19,476	22,465	24,816	27,994
Solid Waste Management	71,202	71,027	70,658	70,493	73,679	78,305
Towing	5,845	5,427	6,762	6,858	8,520	8,838
Tidelands	81,261	80,880	83,501	94,033	105,671	111,156
Tideland Oil Revenue	36,451	70,376	102,098	188,250	264,355	199,542
Subsidence	3,187	2,401	441	4,054	4,061	-
Harbor	131,500	175,821	198,084	207,689	214,349	247,860
Total Business-Type Activities Expenses	470,118	557,911	623,064	752,717	865,199	847,942
Total Primary Government Expenses	\$ 1,003,299	\$ 1,109,619	\$ 1,187,023	\$ 1,386,318	\$ 1,473,685	\$ 1,517,531
Program Revenues:						
Governmental Activities:						
Charges for services:						
Legislative and Legal	\$ 524	\$ 400	\$ 415	\$ 98	\$ 1,256	\$ 119
General Government	23,572	24,893	26,952	27,289	20,174	13,406
Public Safety	32,742	34,120	36,678	39,768	36,694	40,326
Public Health	6,859	7,041	7,397	7,557	6,565	7,099
Community & Cultural	17,636	17,921	18,292	23,649	23,291	26,131
Public Works	17,035	14,966	15,179	16,878	17,840	17,722
Oil Operations	8,646	11,587	13,274	17,253	21,481	22,612
Operating Grants and Contributions	138,254	135,837	143,818	142,011	166,426	169,190
Capital Grants and Contributions	10,191	14,456	13,285	11,489	13,726	16,908
Total Governmental Activities Program Revenues	\$ 255,459	\$ 261,221	\$ 275,290	\$ 285,992	\$ 307,453	\$ 313,513

(continued)

City of Long Beach
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Business-Type activities:						
Charges for Services:						
Gas	\$ 62,642	\$ 75,610	\$ 88,717	\$ 104,450	\$ 113,053	\$ 105,456
Water	60,453	60,197	64,984	65,813	67,198	70,258
Sewer	8,050	9,056	9,283	9,729	9,245	10,812
Airport	13,357	23,540	27,905	29,121	29,086	30,985
Solid Waste Management	69,500	69,441	71,198	70,128	80,015	83,865
Towing	5,448	5,640	6,770	7,622	7,846	8,126
Tidelands	46,860	50,870	53,887	55,436	73,013	83,085
Tideland Oil Revenue	44,521	85,839	131,035	208,488	266,992	214,157
Subsidence	-	-	-	-	-	500
Harbor	226,459	249,542	280,782	338,167	354,125	370,832
Operating grants and contributions	3,597	886	1,066	2,520	1,184	2,116
Capital grants and contributions	36,691	9,625	23,500	25,787	8,947	24,580
Total Business-Type Activities						
Program Revenues	<u>\$ 577,578</u>	<u>\$ 640,246</u>	<u>\$ 759,127</u>	<u>\$ 917,261</u>	<u>\$ 1,010,704</u>	<u>\$ 1,004,772</u>
Total Primary Government						
Program Revenues	<u>\$ 833,037</u>	<u>\$ 901,467</u>	<u>\$ 1,034,417</u>	<u>\$ 1,203,253</u>	<u>\$ 1,318,157</u>	<u>\$ 1,318,285</u>
Net Revenues (expenses):						
Governmental Activities	\$ (277,722)	\$ (290,487)	\$ (288,669)	\$ (347,609)	\$ (301,033)	\$ (356,076)
Business-Type Activities	107,460	82,335	136,063	164,544	145,505	156,830
Total Net Revenues (expenses)	<u>\$ (170,262)</u>	<u>\$ (208,152)</u>	<u>\$ (152,606)</u>	<u>\$ (183,065)</u>	<u>\$ (155,528)</u>	<u>\$ (199,246)</u>
General revenues and other changes in net assets:						
Governmental Activities:						
Taxes:						
Property	\$ 79,814	\$ 87,285	\$ 107,796	\$ 123,924	\$ 141,335	\$ 162,342
Sales	41,246	44,863	42,383	48,216	51,557	55,848
Utility Users	55,838	50,883	45,339	39,216	40,637	41,694
Other	38,262	42,841	46,616	51,238	58,291	65,206
Grants and Contributions not						
Restricted to Specific Programs	35,621	27,917	28,693	39,205	115,668	44,086
Unrestricted Investment Earnings	17,175	13,369	12,325	16,213	23,520	23,374
Gain (Loss) on Sales of Capital Assets	(42)	977	317	810	806	649
Capital Asset Transfers	7,780	21,790	926	-	-	(257)
Transfers	5,317	-	12,584	14,314	13,056	28,625
Total governmental activities	<u>\$ 281,011</u>	<u>\$ 289,925</u>	<u>\$ 296,979</u>	<u>\$ 333,136</u>	<u>\$ 444,870</u>	<u>\$ 421,567</u>
Business-type activities:						
Unrestricted Investment Earnings	\$ 32,279	\$ 24,378	\$ 25,280	\$ 27,599	\$ 42,021	\$ 62,329
Loss on Sales of Capital Assets	(11,393)	(12,036)	(2,539)	(665)	(2,041)	-
Capital Asset Transfers	-	(21,790)	(926)	19	-	257
Transfers	(5,317)	-	(12,584)	(14,314)	(13,056)	(28,625)
Total business-type activities	<u>\$ 15,569</u>	<u>\$ (9,448)</u>	<u>\$ 9,231</u>	<u>\$ 12,639</u>	<u>\$ 26,924</u>	<u>\$ 33,961</u>
Total primary government	<u>\$ 296,580</u>	<u>\$ 280,477</u>	<u>\$ 306,210</u>	<u>\$ 345,775</u>	<u>\$ 471,794</u>	<u>\$ 455,528</u>
Changes in net assets						
Government activities	\$ 3,289	\$ (562)	\$ 8,310	\$ (14,473)	\$ 143,837	\$ 65,491
Business-type Activities	123,029	72,887	145,294	177,183	172,429	190,791
Total primary government	<u>\$ 126,318</u>	<u>\$ 72,325</u>	<u>\$ 153,604</u>	<u>\$ 162,710</u>	<u>\$ 316,266</u>	<u>\$ 256,282</u>

The City of Long Beach implemented GASB 34 for the fiscal year ended September 30, 2002. Information prior to the implementation of GASB 34 is not available.

See accompanying independent auditors' report.

City of Long Beach
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Fund:						
Reserved	\$ 123,104	\$ 115,644	\$ 114,006	\$ 111,825	\$ 111,959	\$ 114,254
Unreserved	43,562	45,592	47,516	38,404	35,478	29,960
Total General Fund	<u>\$ 166,666</u>	<u>\$ 161,236</u>	<u>\$ 161,522</u>	<u>\$ 150,229</u>	<u>\$ 147,437</u>	<u>\$ 144,214</u>
All Other Governmental Funds:						
Reserved	\$ 222,687	\$ 227,051	\$ 196,602	\$ 377,560	\$ 358,094	\$ 389,518
Unreserved, Reported in:						
Special Revenue Funds	20,446	20,154	18,227	30,346	40,843	57,974
Capital Project Funds	<u>(127,645)</u>	<u>(119,856)</u>	<u>(109,292)</u>	<u>(109,326)</u>	<u>(85,187)</u>	<u>(74,598)</u>
Total All Other Governmental Funds	<u>\$ 115,488</u>	<u>\$ 127,349</u>	<u>\$ 105,537</u>	<u>\$ 298,580</u>	<u>\$ 313,750</u>	<u>\$ 372,894</u>

The City of Long Beach has elected to show only six years of data for this schedule.

See accompanying independent auditors' report.

City of Long Beach
Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues:						
Taxes:						
Property	\$ 80,621	\$ 87,264	\$ 107,825	\$ 124,463	\$ 141,081	\$ 162,449
Sales	41,246	44,863	42,383	48,216	51,557	55,848
Utility Users	55,838	50,883	45,339	39,216	40,637	41,694
Other Taxes	38,263	42,842	46,616	51,237	58,292	65,205
Licenses and Permits	23,401	23,103	22,878	26,269	30,008	32,240
Fines and Forfeitures	11,448	11,017	13,581	14,744	16,387	17,644
Use of Money and Property	36,859	40,135	36,856	48,849	57,964	59,516
From Other Agencies	181,874	178,275	186,426	192,722	219,946	230,838
Charges for Services	41,277	44,282	45,948	46,633	29,071	26,168
Other Land Proceeds	3,448	-	-	-	716	-
Other	9,687	13,922	13,106	15,987	13,892	13,711
Total Revenues	\$ 523,962	\$ 536,586	\$ 560,958	\$ 608,336	\$ 659,551	\$ 705,313
Expenditures:						
Current:						
Legislative and Legal	\$ 10,985	\$ 9,588	\$ 10,359	\$ 10,037	\$ 12,464	\$ 13,602
General Government	30,444	24,655	23,407	25,209	15,123	15,765
Public Safety	230,112	236,341	227,176	257,869	266,057	279,382
Public Health	37,516	38,146	41,927	41,651	44,734	47,409
Community and Cultural	151,593	158,190	177,114	179,859	199,777	209,946
Public Works	43,565	42,751	43,589	42,885	42,647	42,586
Oil Operations	4,672	5,517	5,512	6,164	7,089	8,171
Total Current Expenditures	\$ 508,887	\$ 515,188	\$ 529,084	\$ 563,674	\$ 587,891	\$ 616,861
Capital Improvements	46,605	39,148	55,565	30,106	39,062	40,790
Loss on Disposition of Land						
Held for Resale	198	3,134	12	4,090	-	9,184
Debt Service:						
Principal	13,253	9,169	11,001	11,942	14,822	15,451
Interest	12,556	17,327	16,282	20,806	25,289	27,349
Debt Administration Fees	76	152	247	320	147	81
Total Expenditures	\$ 581,575	\$ 584,118	\$ 612,191	\$ 630,938	\$ 667,211	\$ 709,716
Excess (deficiency) of Revenues						
Over (Under) Expenditures	\$ (57,613)	\$ (47,532)	\$ (51,233)	\$ (22,602)	\$ (7,660)	\$ (4,403)
Other financing sources (uses):						
Other Deferred Payments	513	159	229	221	220	291
Debt Issuance		58,756	17,360	188,344	40,402	25,748
Discount on Debt Issuance	138,501	-	-	-	-	(122)
Payment to Refunded Bond Escrow						
Agent	(23,223)	(38,295)	(10,729)	(3,526)	(36,135)	-
Reconveyance of Land	1,733	-	-	-	-	-
Advances-Capitalized Interest	426	512	13	491	-	-
Transfers In	49,106	74,534	73,563	52,782	55,900	91,967
Transfers Out	(36,513)	(41,703)	(50,729)	(33,960)	(40,349)	(57,560)
Total Other Financing						
Sources (Uses)	\$ 130,543	\$ 53,963	\$ 29,707	\$ 204,352	\$ 20,038	\$ 60,324
Net Change in Fund Balances	\$ 72,930	\$ 6,431	\$ (21,526)	\$ 181,750	\$ 12,378	\$ 55,921
Debt Service as a Percentage of						
Noncapital Expenditures	4.8%	4.9%	4.9%	5.5%	6.4%	6.4%

The City of Long Beach has elected to show only six years of data for this schedule.

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)

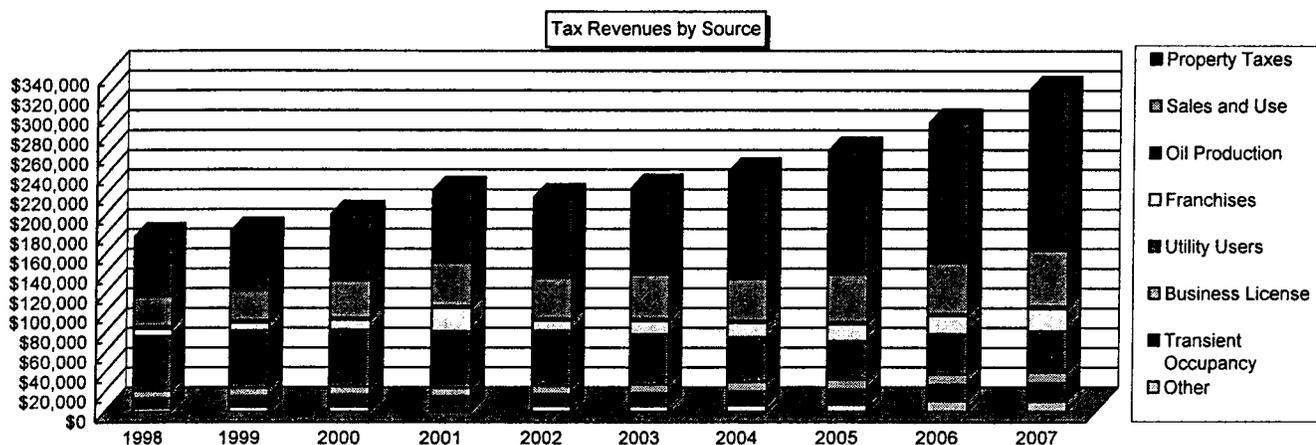
Fiscal Year-end (1)	Property Taxes	Sales and Use	Oil Production	Franchises	Utility Users	Business License	Transient Occupancy	Other (2)	Totals
1998	\$ 60,136	\$30,140	\$2,937	\$7,033	\$55,170	\$7,316	\$10,475	\$3,491	\$176,698
1999	59,499	30,310	2,577	7,463	58,562	7,298	11,479	4,593	181,781
2000	66,635	37,362	2,479	9,695	57,396	7,752	12,788	4,864	198,971
2001	72,737	43,415	2,365	23,706	57,151	8,052	13,336	2,525	223,287
2002	80,621	41,246	2,257	9,976	55,838	8,067	12,447	5,516	215,968
2003	87,264	44,863	2,245	13,363	50,883	8,430	13,134	5,670	225,852
2004	107,825	42,383	2,306	14,460	45,339	9,284	14,089	6,478	242,164
2005	124,463	48,216	2,335	16,670	39,216	9,879	15,527	6,826	263,132
2006	141,081	51,557	2,245	18,501	40,637	10,345	16,548	10,653	291,567
2007	161,786	55,848	3,123	22,340	41,694	10,909	18,309	10,524	324,533

Notes:

(1) Tax revenues by source include all Governmental Fund types (General, Special Revenue, and Capital Projects Funds), including property tax and transient lodging tax for the Long Beach Redevelopment Agency as indicated below in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in fiscal years 1998 through 2007.

Fiscal Year-end	Property Taxes (In Thousands)	Transient Occupancy/ Other (In Thousands)
1998	\$ 15,593	\$ 2,200
1999	11,229	2,337
2000	18,061	2,727
2001	18,917	2,832
2002	25,796	2,604
2003	27,475	2,778
2004	41,718	2,899
2005	50,977	3,261
2006	63,406	3,634
2007	73,011	4,033

(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
1998	\$ 19,898,582	\$ 1,504,460	\$ (720,663)	\$ 20,682,379	1.00%
1999	19,878,940	1,636,665	(718,025)	20,797,580	1.00%
2000	20,219,423	1,613,177	(688,864)	21,143,736	1.00%
2001	22,036,954	1,651,417	(725,200)	22,963,171	1.00%
2002	23,195,257	1,794,736	(608,486)	24,381,507	1.00%
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%

Assessed value and estimated actual value of taxable property for fiscal years 1998 through 2007 include redevelopment taxable property.

Redevelopment Agency

Fiscal Year-end	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
1998	\$ 5,924,592	\$ 383,996	\$ (379,502)	\$ 5,929,086	1.00%
1999	6,497,343	950,643	(392,786)	7,055,200	1.00%
2000	6,726,439	922,313	(487,795)	7,160,957	1.00%
2001	6,958,056	981,866	(514,916)	7,425,006	1.00%
2002	7,363,069	1,034,477	(468,103)	7,929,443	1.00%
2003	7,587,453	1,122,382	(574,849)	8,134,986	1.00%
2004	8,897,464	1,249,847	(627,772)	9,519,539	1.00%
2005	9,818,218	1,346,019	(500,416)	10,663,821	1.00%
2006	11,178,815	1,565,654	(678,515)	12,065,954	1.00%
2007	12,615,001	1,670,149	(694,550)	13,590,600	1.00%

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is 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

Fiscal Year-end	City Direct Rate	Overlapping Rates				Total
		Los Angeles County	Unified Schools	Community College	Special Districts	
1998	\$ 1.000000	\$ 0.001584	\$ -	\$ -	\$ 0.011097	\$ 1.012681
1999	1.000000	0.001451	-	-	0.010853	1.012304
2000	1.000000	0.001422	0.007628	-	0.010665	1.019715
2001	1.000000	0.001314	0.015957	-	0.010352	1.027623
2002	1.000000	0.001128	0.028784	-	0.008773	1.038685
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

Note:

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

See accompanying independent auditors' report.

City of Long Beach
Principal Property Taxpayers
Current Year and Nine Fiscal Years Ago
(In Thousands)

Taxpayer	Fiscal Year 2007		Fiscal Year 1998	
	Assessed Valuation	Percent of Total Net Assessed Valuation	Assessed Valuation	Percent of Total Net Assessed Valuation
The Boeing Company	\$ 344,164	0.95 %	\$ 671,173	3.50 %
AES Alamitos LLC	267,600	0.74	-	-
Camden Realty Inc.	137,302	0.38	-	-
GREIT One World Trade Center LP	118,239	0.33	-	-
Trizechahn Colony Square GP LLC	87,006	0.24	-	-
GRE Shoreline Square LP	84,048	0.23	-	-
City Place Long Beach LLC	73,068	0.20	-	-
1900 Ocean Partners Holdings LLC et.al.	71,887	0.20	-	-
350 Ocean Garage I & II LLC	70,589	0.20	-	-
Hughes Aircraft Company	67,256	0.19	50,148	0.26
EQR Bay Hill LLC/EQR California LLC	64,735	0.18	-	-
Arco Terminal Services Corp	63,639	0.18	50,164	0.26
200 Oceangate LLC	62,400	0.17	-	-
Sunstone Ocean LLC	56,240	0.16	-	-
HEI Long Beach LLC	54,958	0.15	-	-
Alamitos Bay Partnership	53,229	0.15	-	-
Danari Broadway & Ocean LLC	50,474	0.14	-	-
Essex Protfolio LP	50,431	0.14	-	-
ASN City Place LLC	46,402	0.13	-	-
California Drive In Theatres Inc.	45,171	0.13	-	-
Bixby Land Company	-	-	64,682	0.34
Landmark Square Associates LP	-	-	60,460	0.32
Bixby Ranch Company	-	-	50,070	0.26
Pacific Towers Associates	-	-	45,222	0.24
Carlyle Real Estate	-	-	40,923	0.21
Janss Tys Long Beach Associates	-	-	37,530	0.20
Shoreline Square Management, Inc.	-	-	33,344	0.17
	<u>\$ 1,868,838</u>	<u>5.19 %</u>	<u>\$ 1,103,716</u>	<u>5.76 %</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	Delinquent Tax as Percent of Current Levy
1998	\$ 58,522	\$ 56,504	96.6 %	\$ 3,185	\$ 59,689	102.0 %	\$ 3,755	6.4 %
1999	59,378	56,320	94.8	3,636	59,956	101.0	2,857	4.8
2000	66,177	63,892	96.5	2,989	66,881	101.1	2,873	4.3
2001	70,841	69,338	97.9	2,322	71,660	101.2	3,160	4.5
2002	77,731	77,587	99.8	3,682	81,269	104.6	2,536	3.3
2003 (3)	83,222	85,699	103.0	2,245	87,944	105.7	2,401	2.9
2004	100,538	99,745	99.2	8,634	108,379	107.8	2,489	2.5
2005	116,299	113,610	97.7	11,388	124,998	107.5	2,442	2.1
2006	139,172	130,147	93.5	12,093	142,240	102.2	3,217	2.3
2007	155,850	145,113	93.1	17,819	162,932	104.5	4,624	3.0

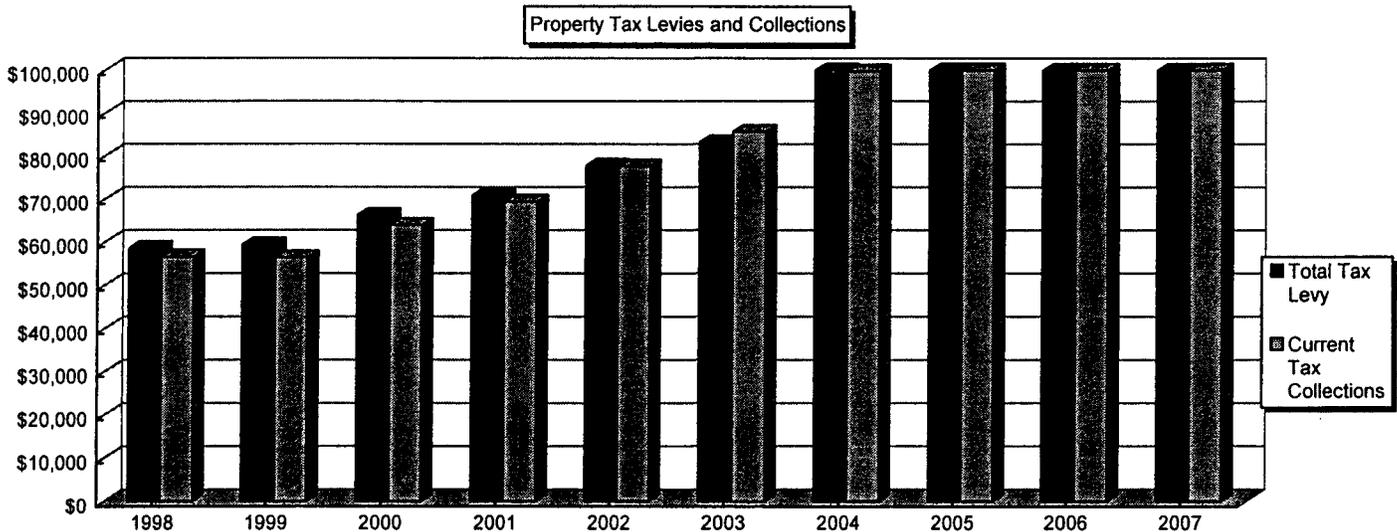
Notes:

(1) Total tax collections for fiscal years 1998 through 2007 include redevelopment tax increment collections, excluding interest and penalties, in accordance with generally accepted accounting principles as follows:

Fiscal Year-end	Collections (In Thousands)
1998	\$ 15,593
1999	11,229
2000	18,061
2001	18,917
2002	25,796
2003	27,475
2004	41,718
2005	50,977
2006	63,406
2007	73,011

(2) Excludes interest, 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.



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

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)

Governmental Activities						
Fiscal Year-end	Revenue Bonds	Tax Allocation Bonds	Notes Payable	Capital Leases	Other	Total Governmental Activities
1998	\$ 189,385	\$ 134,925	\$ 24,480	\$ 36,225	\$ 58,996	\$ 444,011
1999	185,890	132,115	25,397	34,031	58,972	436,405
2000	184,675	129,160	27,375	32,066	57,943	431,219
2001	191,085	121,480	31,160	30,421	55,322	429,468
2002	243,375	174,060	17,609	45,679	52,156	532,879
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

Business-type Activities							Total Primary Government	Percentage of Personal Income (3),(5),(6)	Per Capita (3),(6)
Fiscal Year-end	Revenue Bonds	Certificates of Participation	Notes Payable (2)	Capital Leases	Other (4)	Total Business-type Activities			
1998	\$ 959,960	\$ 20,930	\$ 230,431	\$ 18,855	\$ 57,427	\$ 1,287,603	\$ 1,731,614	2.092 %	\$ -
1999	977,230	20,195	177,257	17,416	32,786	1,224,884	1,661,289	1.920	3,668
2000	941,860	19,425	145,794	15,851	177,373	1,300,303	1,731,522	1.854	3,752
2001	1,308,845	18,620	147,810	14,244	266,100	1,755,619	2,185,087	2.233	4,678
2002	1,582,180	17,785	82,527	12,805	267,613	1,962,910	2,495,789	2.489	5,279
2003	1,542,800	16,905	85,808	11,223	270,376	1,927,112	2,457,492	2.349	5,118
2004	1,491,930	15,985	89,581	9,484	316,100	1,923,080	2,440,013	2.191	5,021
2005	1,409,610	15,025	188,150	7,572	328,700	1,949,057	2,629,076	2.312	5,381
2006	1,367,640	9,960	104,958	6,119	343,100	1,831,777	2,493,146	1.961	5,097
2007	1,312,585	9,175	119,641	3,767	399,800	1,844,968	2,515,028	N/A	5,131

Note:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) In fiscal year 1998 the City issued \$38,065,000 in revenue bonds to advance refund the outstanding Fleet Services Certificates of Participation reported in the governmental activities and to provide additional funding for a new fleet facility.
- (2) Notes payable in fiscal year 2005 included \$97,354,000 abandonment reserve payable to the California State Lands Commission.
- (3) See Schedule of Demographic and Economic statistics for personal income and population data. Restated due to annual revision.
- (4) Fiscal year 1998 to 2006 represent Estimated Oil Field Abandonment Costs. In fiscal year 2007 Environmental Remediation and Site Restoration are included in this category.
- (5) Personal income is not available for 2007.
- (6) Restated prior years due to the data's annual revision.

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),(4)
	Tax Allocation Bonds	Less Debt Service Reserve (1)	Net Bonded Debt (1)		
1998	\$ 134,925	\$ 18,635	\$ 116,290	0.54 %	260.61
1999	132,115	16,756	115,359	0.54	254.71
2000	129,160	17,925	111,235	0.51	241.02
2001	121,480	17,522	103,958	0.44	222.57
2002	174,060	22,016	152,044	0.61	321.58
2003	179,974	20,989	158,985	0.60	331.08
2004	175,292	26,258	149,034	0.50	306.69
2005	355,444	39,059	316,385	0.99	647.55
2006	348,626	36,936	311,690	0.88	637.22
2007	340,813	42,945	297,868	0.75	607.66

(1) Includes Redevelopment bonds issued during fiscal years 1993, 2002, 2003 and 2005.

(2) Assessed Value can be found in the Schedule of Assessed Value and Actual Value of Taxable Property.

(3) Population data can be found in the Schedule of Demographic and Economic Statistics. Restated due to annual revision.

(4) Restated prior years due to the data's annual revision.

See accompanying independent auditors' report.

City of Long Beach
Schedule of Direct and Overlapping Debt
September 30, 2007
(In Thousands)

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds (1)		\$ 268,555	\$ (101,155)	\$ 167,400
Marks-Roos Bonds (2)		32,180	-	32,180
Certificates of Participation		-	-	-
Pension Obligations		83,635	-	83,635
Total Direct Debt		<u>384,370</u>	<u>(101,155)</u>	<u>283,215</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>			
Los Angeles County (3)	0.000	-	-	-
Los Angeles Community College District	0.045	970,820	(970,383)	437
Cerritos Community College District	0.396	60,366	(60,127)	239
Compton Community College District	1.896	37,420	(36,711)	709
Long Beach Community College District	88.068	95,565	(11,403)	84,162
Compton Unified School District	0.024	77,284	(77,265)	19
ABC Unified School District	1.543	53,505	(52,679)	826
Long Beach Unified School District	88.072	241,765	(28,838)	212,927
Los Angeles Unified School District	0.055	7,325,045	(7,321,016)	4,029
Paramount Unified School District	7.641	63,990	(59,101)	4,889
Los Angeles County Flood Control District	3.782	113,560	(109,265)	4,295
Metropolitan Water District	1.888	359,115	(352,335)	6,780
Total Overlapping Tax And Assessment Debt (4)		<u>9,398,435</u>	<u>(9,079,123)</u>	<u>319,312</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	3.778	1,053,150	(1,013,362)	39,788
Los Angeles County Pension Obligations	3.778	546,849	(526,189)	20,660
Los Angeles County Superintendent of Schools Certificates of Participation	3.778	17,861	(17,187)	674
Long Beach Community College District Certificates of Participation	88.068	33,875	(4,042)	29,833
Los Angeles Unified School District Certificates of Participation	0.055	387,266	(387,053)	213
Long Beach Unified School District Certificates of Participation	88.072	54,745	(6,530)	48,215
Compton Unified School District Certificates of Participation	0.024	53,725	(53,712)	13
Paramount Unified School District Certificates of Participation	7.641	28,750	(26,553)	2,197
County Sanitation District No. 1 Certificates of Participation	0.940	25,727	(25,485)	242
County Sanitation District No. 2 Certificates of Participation	0.139	39,725	(39,670)	55
County Sanitation District No. 3 Certificates of Participation	84.149	30,184	(4,784)	25,400
County Sanitation District No. 8 Certificates of Participation	2.247	15,718	(15,365)	353
County Sanitation District No. 19 Certificates of Participation	37.905	7,155	(4,443)	2,712
Total Overlapping General Fund Obligation Debt		<u>2,294,730</u>	<u>(2,124,375)</u>	<u>170,355</u>
Total Gross Overlapping Combined Debt		11,693,165	(11,203,498)	489,667
Less: Los Angeles Unified School District (self-supporting Qualified Zone Academic Bonds)		(4,760)	(4,757)	(3)
Total Net Overlapping Combined Debt		<u>11,688,405</u>	<u>(11,198,741)</u>	<u>489,664</u>
Total Net Direct And Overlapping Combined Debt (4) (5)		<u>\$ 12,072,775</u>	<u>\$ (11,299,896)</u>	<u>\$ 772,879</u>

Notes:

- (1) The lease revenue bonds amount is net of the Civic Center Project 1997 Series A \$1,015,000 principal payment paid to the trustee on September 15, 2007 as required by the bond resolution for principal due to bondholders on October 1, 2007.
- (2) The Marks-Roos Bonds amount is net of the Temple and Willow Facility 1998 Series B Bonds \$650,000 principal payment paid to the trustee on September 15, 2007 as required by the bond resolution for principal due to bondholders on October 1, 2007. Includes Temple and Willow Facility 2005 Series A Bonds.
- (3) Los Angeles County Overlapping Tax and Assessment Debt has expired.
- (4) Excludes 1915 Act and Mello-Roos Act bonds.
- (5) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

See accompanying independent auditors' report.

City of Long Beach
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (In Thousands)

	Fiscal Year				
	1998	1999	2000	2001	2002
Assessed valuation	\$ 21,403,042	\$ 21,515,605	\$ 21,832,600	\$ 23,688,371	\$ 24,989,993
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	5,350,761	5,378,901	5,458,150	5,922,093	6,247,498
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	802,614	806,835	818,723	888,314	937,125
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 802,614</u>	<u>\$ 806,835</u>	<u>\$ 818,723</u>	<u>\$ 888,314</u>	<u>\$ 937,125</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

	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%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. This provision was enacted when assessed valuation was based on 25% of market value. Effective with fiscal year 1982 each parcel is assessed at 100% 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% 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
(In Thousands)

Fiscal Year-end (1)	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1998	\$ 69,511	\$ 49,492	\$ 20,019	\$ 2,251	\$ 22,270	\$ 495	\$ 563	\$ 1,058	21.0
1999	75,654	47,757	27,897	2,004	29,901	510	545	1,055	28.3
2000	70,874	56,478	14,396	1,511	15,907	530	524	1,054	15.1
2001	124,691	118,667	6,024	1,855	7,879	550	502	1,052	7.5
2002	62,301	51,289	11,012	1,004	12,016	575	478	1,053	11.4
2003	75,323	64,331	10,992	738	11,730	600	452	1,052	11.2
2004	83,752	73,059	10,693	5,360	16,053	625	424	1,049	15.3
2005	98,998	84,109	14,889	5,858	20,747	655	394	1,049	19.8
2006	107,481	96,786	10,695	5,807	16,502	885	195	1,080	15.3
2007	99,648	90,186	9,462	6,424	15,886	905	173	1,078	14.7

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

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

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

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

Notes:

(1) Operating expenses exclude depreciation; non-operating income excludes interest expense.

(2) The SERRF Authority issued revenue bonds on December 1, 1985, and August 1 and December 1, 1986. According to the December 1, 1986 bond resolution interest was funded from bond proceeds through August, 1989. These bonds were refunded by the SERRF Authority Lease Revenue refunding Bond Series 1995. Current debt service payments for the previous issues were covered by the 1995 refunding issue proceeds. The 1995 refunding bonds were refunded by the SERRF Authority Lease Revenue Bonds Series 2003 in October 2003.

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

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Coverage
Civic Center Revenue Bond Coverage
Last Ten Fiscal Years (2)
(In Thousands)

Fiscal Year-end	Operating Revenue (2)	Operating Expenses (1) and (2)	Net Operating Income	Non- Operating Income (Loss) (1) and (2)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1998	\$ 10,272	\$ 5,807	\$ 4,465	\$ 6,510	\$ 10,975	\$ 720	\$ 1,808	\$ 2,528	4.3
1999	10,207	5,859	4,348	424	4,772	795	2,091	2,886	1.7
2000	10,178	6,549	3,629	2,047	5,676	875	2,087	2,962	1.9
2001	10,314	5,988	4,326	1,877	6,203	915	2,048	2,963	2.1
2002	11,805	7,509	4,296	1,203	5,499	950	2,008	2,958	1.9
2003	11,749	6,515	5,234	675	5,909	850	1,965	2,815	2.1
2004	11,899	6,893	5,006	378	5,384	885	1,929	2,814	1.9
2005	10,867	6,549	4,318	432	4,750	925	1,891	2,816	1.7
2006	10,080	4,074	6,006	552	6,558	970	1,851	2,821	2.3
2007	10,569	7,066	3,503	841	4,344	1,015	1,807	2,822	1.5

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

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

Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Civic Center Authority was dissolved in December 1997. The Civic Center Project 1997 Bonds were issued in December 1997 to refund the Civic Center Authority Bonds and to provide additional project funds for improvements. The 1998 Non-Operating Income consists of \$4.6 million in miscellaneous revenues as a result of the Civic Center Authority dissolution.

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

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Bond Coverage
Tideland Operating Segment
Revenue Bond Coverage
Last Seven Fiscal Years (2)
(In Thousands)

Fiscal Year-end	Beginning Unreserved Fund Balance (Deficit)	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non - Operating Income (Loss) (1)	Net Amount Available for Debt Service	Debt Service Requirements			Times Coverage
							Principal	Interest	Total	
2001	\$ N/A	\$ 19,240	\$ 20,746	\$ (1,506)	\$ 2,952	\$ 1,446	\$ 905	\$ 84	\$ 989	-
2002	N/A	27,783	37,623	(9,840)	5,724	(4,116)	1,000	2,761	3,761	-
2003	N/A	31,699	37,496	(5,797)	2,088	(3,709)	-	6,558	6,558	-
2004	N/A	32,390	37,600	(5,210)	1,815	(3,395)	-	6,558	6,558	-
2005	N/A	33,593	43,633	(10,040)	1,679	(8,361)	-	6,558	6,558	-
2006	N/A	48,859	57,923	(9,064)	1,679	(7,385)	-	6,558	6,558	-
2007	N/A	56,663	61,199	(4,536)	4,732	196	-	6,504	6,504	-

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

1998	\$ 1,338	\$ 13,975	\$ 11,171	\$ 2,804	\$ (83)	\$ 4,059	\$ 2,240	\$ 1,411	\$ 3,651	1.1
1999	821	13,940	10,617	3,323	358	4,502	2,335	1,316	3,651	1.2
2000	3,310	14,055	11,017	3,038	1,830	8,178	2,435	1,214	3,649	2.2
2001	1,014	14,995	10,727	4,268	(79)	5,203	2,545	1,107	3,652	1.4
2002	974	15,564	10,812	4,752	470	6,196	2,660	991	3,651	1.7
2003	1,412	16,171	10,293	5,878	(370)	6,920	2,785	867	3,652	1.9
2004	1,851	16,223	10,759	5,464	571	7,886	2,915	734	3,649	2.2
2005	1,950	16,008	11,395	4,613	300	6,863	3,060	592	3,652	1.9
2006	(3,399)	16,691	11,972	4,719	377	1,697	3,145	436	3,581	0.5
2007	(3,623)	18,551	13,411	5,140	760	2,277	3,230	268	3,498	0.7

Notes:

- (1) Operating expenses exclude depreciation; non-operating income excludes interest expense.
- (2) The Long Beach Aquarium of the Pacific Lease Revenue Refunding Bonds Series 2001 were issued to (1) refund the Long Beach Aquarium of the Pacific Revenue Bonds 1995 Series A and 1995 Series B, (2) to fund a reserve fund for the Series 2001 Bonds, and (3) to pay certain costs of issuance in connection with the Series 2001 Bonds. Fiscal year 2001 reflects final bond payment of \$1,000,000 for the Parking Authority Refunding bonds.
- (3) The Marina Refunding Revenue Bonds Series 1986 were refunded by the Marina Refunding Revenue Bonds Series 1995. Current debt service payments for the 1986 Bonds were covered by the 1995 refunding issue proceeds.

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 Nine Fiscal Years (2)
(In Thousands)

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

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

1998	\$188,587	\$38,238	\$ 150,349	\$16,635	\$166,984	\$ 18,690	\$ 42,371	\$61,061	2.7
1999	198,483	39,952	158,531	5,220	163,751	22,680	44,637	67,317	2.4
2000	225,504	45,286	180,218	3,436	183,654	26,715	39,806	66,521	2.8
2001	228,079	50,573	177,506	14,080	191,586	28,290	46,165	74,455	2.6
2002	223,999	40,085	183,914	6,386	190,300	17,960	51,239	69,199	2.8
2003	249,542	45,394	204,148	(2,524)	201,624	30,145	60,757	90,902	2.2
2004	280,782	59,755	221,027	12,987	234,014	32,590	60,474	93,064	2.5
2005	329,208	66,737	262,471	26,524	288,995	34,215	58,444	92,659	3.1
2006	353,294	80,328	272,966	27,741	300,707	34,935	54,556	89,491	3.4
2007	370,832	102,698	268,134	28,246	296,380	38,335	51,216	89,551	3.3

Notes:

- (1) Operating expenses exclude depreciation and amortization; non-operating income excludes amortization and 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.

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) & (6)	Personal Income (in millions) (2), (5) & (6)	Per Capita Personal Income (2), (5) & (6)	Public School Enrollment (3) & (6)	Unemployment Rate (4) & (6)
1998	446,227	\$ 8,278	\$ 18,552	85,908	6.2 %
1999	452,905	8,651	19,160	89,214	5.6
2000	461,522	9,337	20,230	91,465	6.0
2001	467,072	9,787	20,954	93,694	6.3
2002	472,809	10,027	21,208	96,488	7.5
2003	480,200	10,463	21,788	97,212	7.7
2004	485,941	11,137	22,919	97,560	7.2
2005	488,591	11,370	23,266	96,319	5.9
2006	489,143	12,712	25,988	93,589	5.2
2007	490,193	N/A	N/A	90,663	5.5

Sources:

- (1) California Department of Finance.
- (2) Bureau of Economic Analysis.
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).
- (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 2000 - 2007 is noted not adjusted, not preliminary.
- (5) Personal income and per capita personal income are not available for 2007.
- (6) 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

	Fiscal Year 2007		Fiscal Year 1998	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
	(1)	(2)	(1)	(2)
Long Beach Unified School District	(3) 13,044	5.61%	11,887	5.67%
The Boeing Co	6,455	2.78%	17,850	8.52%
City of Long Beach	5,763	2.48%	5,814	2.78%
California State University Long Beach	(4) 5,605	2.41%	2,755	1.32%
Long Beach Memorial Medical Center	5,000	2.15%	3,928	1.88%
U.S. Postal Service	1,800	0.77%	910	0.43%
Long Beach City College	(5) 1,636	0.70%	1,518	0.72%
Veterans Affairs Medical Center	2,000	0.86%	2,278	1.09%
Verizon	1,500	0.65%	N/A	N/A
St. Mary Medical Center	1,480	0.64%	1,779	0.85%

Sources:

(1) City of Long Beach Community Development Long Beach Major Employer Directory-current listing.

(2) US Census Bureau Labor Force as of 2005.

(3) Includes 4,418 part-time employees.

(4) Includes 3,327 part-time employees.

(5) All full-time employees.

See accompanying independent auditors' report.

City of Long Beach
City Employees
Last Three Fiscal Years

Function	Fiscal Year		
	2005	2006	2007
Legislative and Legal	139	143	148
General Government	433	447	451
Public Safety	2,125	2,143	2,127
Public Health	414	399	405
Community and Cultural	1,119	1,100	1,194
Public Works	375	373	373
Gas	169	178	181
Water	215	217	229
Airport	85	90	98
Solid Waste Management	134	143	135
Towing	42	38	42
Tideland Oil Revenue	35	34	35
Harbor	327	337	345
	<u>5,612</u>	<u>5,642</u>	<u>5,763</u>

Source: City of Long Beach, Department of Financial Management
as of September 30, 2007.

See accompanying independent auditors' report.

City of Long Beach
Operating Indicators by Function
Current Fiscal Year

Function	Fiscal Year 2007
Public Safety	
Police priority one calls response time in minutes	4.3
Violent crime rate - per 1,000 residents	6.82
Fire on-scene arrival for emergency calls within six minutes	73.9%
Public Health	
Percentage of beach days that are safe for swimming in summer	93%
Daily homeless population ratio vs. total population	0.93%
Community and Cultural	
Public library computer session log-ons	348,982
Parks, recreation programs - youth and teen attendance	646,035
Public Works	
Number of trees trimmed	34,342
Curbs & alleys swept in miles	176,542
Sidewalk repaired in square feet	363,089
Storm drain catch basins cleaned	4,744
Gas	
Gas consumption in sales dollars-total	\$ 92,323,000
Gas consumption in cubic feet	10,924,000
Average daily gas consumption (MCF)	29,928
Gas mains replace/relocated in feet	80,898
Gas mains installed in feet	78,815
Gas meters installed/removed/replaced	7,352
Water	
Water daily demand in thousand gallons	60,969
Water annual demand in thousand gallons	22,253,636
Available supply total in thousand gallons	24,253,546
Sewer	
Sewer mains cleaned in miles	361
Sewer mains & laterals repaired in number of jobs	270
Airport	
Number of commercial passengers enplaned	1,446,120
Number of commercial passengers deplaned	1,434,463
Number of aircraft landings & take offs	399,622
Solid Waste Management	
Number of refuse tons collected	199,995
Number of recycling tons collected	178,773
SERRF tons of refuse received	502,558
SERRF energy sold to So Cal Edison megawatt-hours	241,839
Harbor	
Number of container movements in twenty-foot equivalent units	7,361,881
Cargo in thousands of metric revenue tons	173,037
Number of ship calls	5,653

Sources: City Departments.

See accompanying independent auditors' report.

City of Long Beach
 Capital Asset Statistics by Function
 Current Fiscal Year

Function	Fiscal Year 2007
Public Safety	
Number of police stations	1
Number of police substations (full facility)	3
Number of police storefront stations	4
Number of fire stations	23
Community and Cultural	
Number of Parks	116
Parks and Golf Courses in acres	2,873
Number of Libraries	12
Number of Library holdings (books, videos, tapes)	972,499
Number of Library Circulations	1,458,862
Public Works	
Street in miles	815
Storm drain lines in miles	180
Number of street lights	31,582
Gas	
Gas mains in miles	921.1
Water	
Water mains in miles	905
Number of fire hydrants	6,489
Sewer	
Sanitary sewers in miles	711
Number of manholes	16,055
Sanitary sewer pump stations	28
Storm drain pump stations	23
Solid Waste Management	
Number of waste-to-energy facilities	1

Sources: City Departments.

See accompanying independent auditors' report.