

City of Long Beach, California



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

PREPARED BY THE DEPARTMENT OF FINANCIAL MANAGEMENT

CITY OF LONG BEACH, CALIFORNIA

For the Fiscal Year Ended
September 30, 2008

Lori Ann Farrell
Director of Financial Management

David Nakamoto
City Treasurer

Stephen W. Hannah
City Controller

Mary Williams
Accounting Operations Officer

Francine Wiegelman
Accounting Operations Officer

Komla Prosper Ametu
Accounting Operations Officer

Michael Carrigg
Senior Accountant

Cathy Pingol
Senior Accountant

Bart Ramos
Senior Accountant

Angie Tran
Accountant

Jim Sugita
Accountant

Lucy Hong
Accountant

Kim-Hang Nguyen
Accountant

Latrice Cooper
Secretary

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City of Long Beach
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2008

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CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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PATRICK H. WEST
CITY MANAGER

June 30, 2009

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, 2008. 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 of California (State) and local governments within the State. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2008 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, 2008 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 Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative, overview, and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it.

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

The City has seven independent fiscal entities that are considered blended component units and one discretely presented component unit. These entities vary widely in function and provide essential services.

For a more detailed overview of the City's component units see the MD&A and the notes to the basic financial statements.

Profile of the Government

The City of Long Beach, incorporated in 1897, is the 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, a City Prosecutor and a City Attorney to serve four-year terms; however, there are no term limits for these positions. The City Council and Mayor appoint a City Manager who serves at their discretion. The City Council is a policy-setting body that is responsible, 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, waste management, planning and community development, gas, water, airport and towing services. The City operates and maintains a world-class international deep-water harbor, a nationally recognized convention center, beaches and marinas. The City also administers oil extraction operations under a trust agreement with the State 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 2008 budget prior to September 30, 2007 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 appropriations between funds or departments require City Council approval. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Facing the Challenges of the Current Economic Environment

Although there were strong indications of economic weakness and vulnerabilities in specific sectors of the economy in 2007, few would have predicted the collapse of the global economy in the final months of 2008. Often referred to as a financial "tsunami," the current economic crisis is now recognized as the worst in at least a generation and possibly since the Great Depression of the 1930s. Moreover, the interconnected global economy translates into negative impacts being felt internationally, nationally and locally.

In Long Beach, several factors contribute to the challenges currently being addressed. Rapidly falling sales tax and automobile license revenues as well as future property tax revenues mean that the City's economic state is shifting in real time. In addition, the steep decline in oil prices from the unprecedented heights of last year are exacerbating the situation, since high oil prices were once a positive contributor to the City's economic

landscape. Therefore, not only must current fiscal challenges be addressed, but projections of future imbalances must be taken into account in all planning. Other factors for ongoing consideration include the negative impact on the California Public Employees Retirement System (CalPERS) of recent plunging market values, which will subject the City to future increasing liabilities. Likewise, the specter of deflation, that is the insidious combination of decreasing consumer prices intended to increase demand, shrinking property values, and voluntary reductions in wages accepted to insure continued employment will make the resumption of a growth economy especially daunting.

Nevertheless, the news is not uniformly gloomy. City management, including Mayor Bob Foster, the City Council, City Manager Pat West and his senior management team, have successfully faced serious fiscal challenges in the recent past and are confident that with thoughtfully executed strategies and the involvement of all affected players, the City will survive the current crisis and move beyond present challenges.

Prioritizing Services with Limited Resources

In an era of reduced and finite financial resources, it will be incumbent upon City management to carefully prioritize services to ensure that the core responsibilities of government continue to be addressed. Such core priorities include public safety, safe, clean water, infrastructure maintenance and repair, environmental sustainability and the quality of life of the community at large, including families, children and neighborhoods. City management will work to achieve agreement on these priorities with the mutual recognition that while certain services may be desirable, their provision may no longer be possible in the current economic climate.

Neighborhoods and the Community

Long Beach has officially adopted a new motto: “Many Unique Neighborhoods, One Great City.” Like the diversity of its population, the City’s neighborhoods are varied in character and each is physically unique in its own way. The State of California Finance Department’s demographic section estimated the population of Long Beach on January 1, 2008 to be 492,642. This is an increase of 0.5 percent over the previous year’s estimate of 490,193. As the 37th largest city in the United States, Long Beach is larger than Minneapolis, Pittsburgh, Cleveland, Miami or Kansas City. In 2000, *USA Today* named Long Beach “America’s Most Diverse City,” an achievement recognized by City management and the City’s residents. Recent census data provided the following principal racial and groups within the City:

- African-American 15.0%
- Asian 12.0%
- Caucasian/European 33.0%
- Hispanic/Latino 35.3%
- Native American 0.4%
- Hawaiian-Pacific Islander 1.2%
- Other 0.2%
- Identified as 2 or more races 2.9%

In addition, a recent national survey conducted by the Gallup organization for the John S. and James L. Knight Foundation illustrates the high degree of “citizens’ engagement, loyalty

and passion” for their hometown and its neighborhoods. In the survey, Long Beach led a group of five medium-sized cities with 36 percent of the population self-identified as being “engaged in the community.” Among the traits cited by residents for their engagement were the City’s physical beauty, its weather, parks and beaches. Long Beach was also described as being “welcoming and inclusive.” As Mayor Bob Foster said earlier this year, the City is “defined not only by its buildings but its character...we are tied together not just geographically but psychologically and spiritually.” Mayor Foster has described Long Beach as “a welcoming and inviting place where people feel free to express themselves, become entrepreneurs and create, to raise families and help one another live healthy and productive lives.” It is in the character of the City and its residents to find the strength to face the future’s uncertainties and make the difficult but necessary decisions required to carry us through this difficult financial period.

Moving Toward A Sustainable City: An Increased Focus

The goals of achieving sustainability and addressing overall environmental issues have assumed increasing importance among the City’s residents, its management and elected officials. The City of Long Beach has created a new Office of Sustainability that works closely with the City Manager and staff throughout the City to achieve the stated goal of developing a “comprehensive approach to land use, mobility, urban design, historic preservation and economic development.” Accurately describing the ambitious goals of the Office of Sustainability, their official motto is “Historic Past - Innovative Present - Sustainable Future.”

Among the recent noteworthy achievements of the City in the area of sustainability are:

- The creation of an 11-member Sustainable City Commission responsible for advising the City Council on issues related to sustainability and developing and overseeing the implementation of a Sustainable City Plan.
- The establishment of the City Bike Share Program, which allows City employees to check out bicycles during the workday, thus cutting down car trips and emissions and encouraging exercise.
- Continuing the acquisition of alternative fuel vehicles for the City’s fleet. Such vehicles now number over 250 and include CNG, electric, hybrid, biodiesel and propane-powered vehicles.
- The retrofitting of gasoline-powered buses with particulate traps to further reduce emissions. Long Beach Transit’s also replacing older diesel buses with hybrid technology “E-Power” buses that will be the first such vehicles introduced into regular transit service in the world.
- The completion of phase one of the Long Beach Water Department’s patented desalination technology which demonstrated that their Dual-Stage Nanofiltration methodology was 30 percent more energy efficient than current reverse osmosis technology.

The Port of Long Beach (the Port) is also making significant progress in achieving the five guiding principles of the Green Port Policy that was originally established in 2005:

1. Protect the community from harmful environmental impacts of port operations.
2. Distinguish the Port as a leader in environmental stewardship and compliance.
3. Promote sustainability.
4. Employ the best available technology to avoid or reduce environmental impacts.
5. Engage and educate the community.

Among the widely publicized recent achievements of the Port in working toward their sustainability goals are:

- The Port initialized the process of building only Leadership in Energy and Environmental Design (LEED) buildings for Port operations.
- The Port completed an \$8 million project to provide six megawatts of electrical power for ships docking at the designated berth. This provision of power, also known as cold-ironing, results in a 100 percent reduction of air pollution as compared to past practice.
- The Port implemented the Clean Trucks Program in 2008, which will ban trucks built before 1989 from port terminals. By 2012, pollution will be reduced by over 80 percent from 2008 levels.
- As part of its Green Flag Program, the Port will offer incentives to encourage ships to slow down within 40 miles of the harbor. Slower ships use less fuel and pollute less.

While some skeptics may view progress toward sustainability as an “issue of the moment,” the Office of Sustainability Website eloquently describes the rationale behind the movement: “Sustainability saves money, resources, makes healthier and happier communities, and just makes sense. It is our responsibility to change the traditionally accepted ways of thinking and acting and begin to reduce our consumption, produce less waste and pollution, and not compromise our environment. Sustainability is essential to Long Beach’s future.”

The Port of Long Beach

The Port has been described as “one of America’s premier seaports and a trailblazer in goods movement and environmental stewardship.” While the Port and its adjacent neighbor, the Port of Los Angeles, continue to fuel the local, state and national economies, even those reliable engines of commerce cannot help but be affected by the global financial crisis. The ports of Long Beach and Los Angeles combined represent the world’s fifth busiest port complex after Singapore, Shanghai, Hong Kong and Shenzhen (China). However, with the ongoing reduction in consumer spending, fewer goods are being shipped to and from overseas ports.

From January 2008 to January 2009, there has been a 23.3 percent reduction in Loaded Inbound Containers and a 27.3 percent reduction in Loaded Outbound Containers. These statistics illustrate in stark terms both the impact of the recession and the inertia that must be overcome for the resumption of growth.

The Long Beach Airport

Despite the economic slowdown that accelerated at the conclusion of 2008, traffic at the Long Beach Airport continued to grow and provided a bright spot in the City's financial outlook. In 2008, there were 15,521 airline landings at the facility, a 9.4 percent increase in landings over 2007. Passenger traffic for 2008 totaled 2,913,926, an increase of 0.3 percent. As the airport moves beyond its 85th anniversary it remains a popular component of both economic health and convenient service for Long Beach residents and visitors alike. City management remains firmly committed to maintaining the limit of 41 allocated flight slots, while also bringing airport facilities up to 21st century standards. Planning for parking and terminal improvements continues with the input of both the public and elected officials.

Financial Planning and Performance Management

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 involves five steps:

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

Budgeting: funding 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 market value of the City's pooled investments at September 30, 2008 was \$1,663,004,000. The City's investment pool earned an annual average return of 3.19 percent, reflecting a 1.47 basis point decrease over the prior year. For the prior fiscal year,

the market value of City's pooled investments was \$1,567,095,000 and the investment pool earned an annual average return of 4.66 percent.

Despite the dramatic downturn in the economy, the rate of return demonstrates that the City maintained a reasonable and safe return on its investments during fiscal year 2008, 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.

The City's investment pool continues to be rated as AAA by the Standard and Poor's rating agency.

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 15 to the Basic Financial Statements in the accompanying Financial Section of this report.

Debt Administration

During fiscal year 2008, the City and its agencies issued approximately \$936.4 million in debt as follows:

Fund / Agency	Amount (millions)	Purpose
General Fund	\$ 49.0	Tax Revenue Anticipation Notes
Long Beach Bond Financing Authority	887.4	Prepaid Natural Gas Purchase and Sale Agreement
	<u>\$ 936.4</u>	

Tax Revenue Anticipation Notes were issued in October 2007 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.

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 annually by CalPERS. The City's funding policy is to make contributions as determined by CalPERS.

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 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, 2008, there were 635 participants in this program. Consistent with Governmental Accounting Standards Board (GASB) No. 45 requirements, the City 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 as part of implementing GASB No. 45 during fiscal year 2008.

Additional information on the pension arrangements and post-employment health-care benefits can be found in Notes 13 and 14, 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, 2008. The Independent Auditors' report has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Long Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This was the first time since 1996 that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily

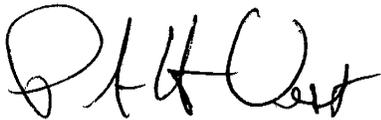
readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Directory of City Officials
As of year ended September 30, 2008

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
Councilmember
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

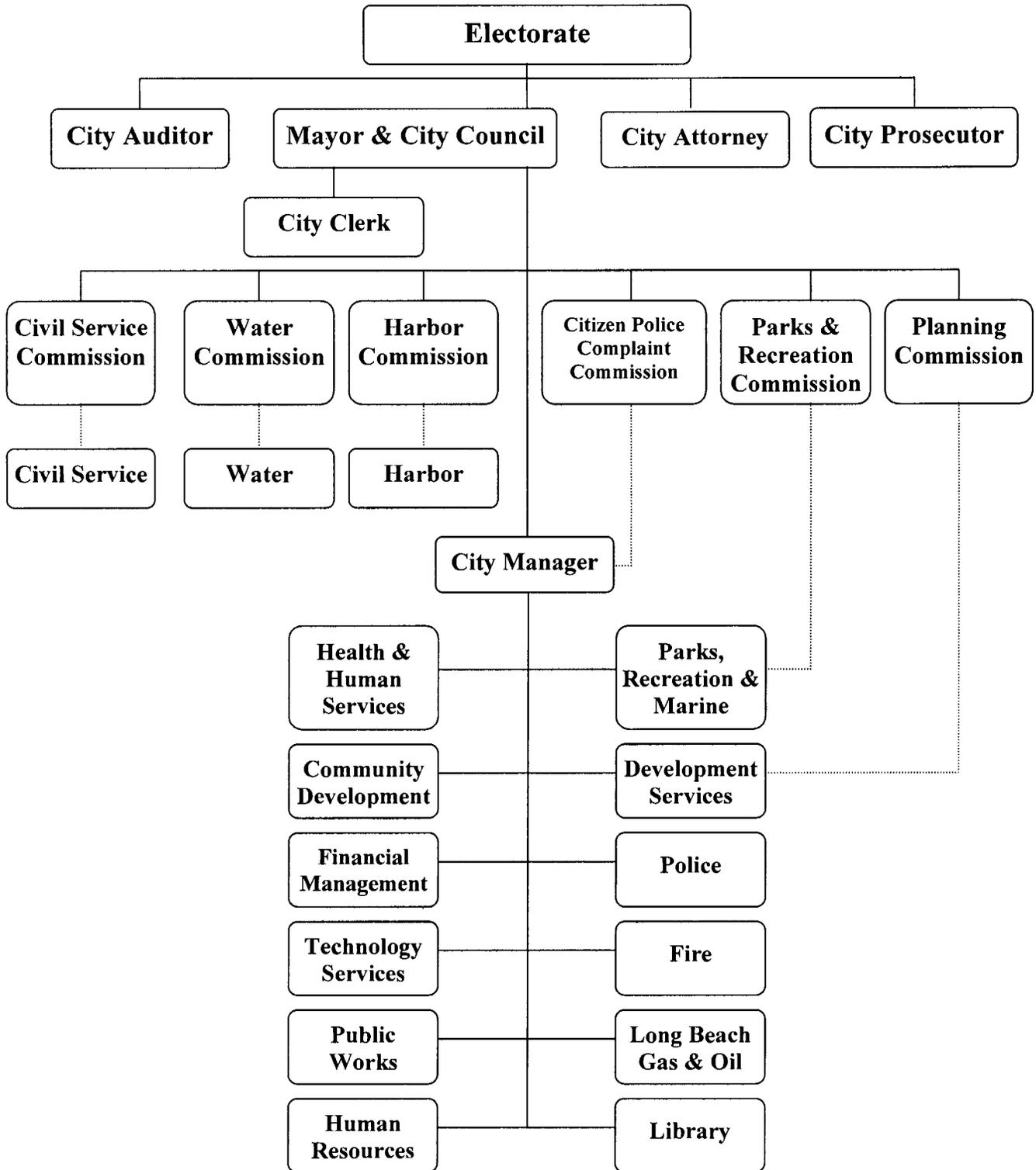
Deputy City Manager
Reginald I. Harrison

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

LONG BEACH CITY GOVERNMENT ORGANIZATIONAL CHART

As of September 30, 2008



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Long Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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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, 2008, 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 auditors 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of September 30, 2008, and the respective changes in financial positions and, where applicable, cash flows thereof and the respective budgetary comparisons for General Fund, the Housing and 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 30, 2009, on our consideration of the City's internal control over financial reporting and 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 read in conjunction with this report in assessing the results of our audit.

As discussed in note 2 to the financial statements, the City of Long Beach adopted Government Accounting Standards Board (GABS) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and Statement No. 50, *Pension Disclosures*. Applications of these statements are effective for the City's fiscal year ended September 30, 2008.

The information in the Management's Discussion and Analysis on pages 3 through 26 and the schedule of the City's pension plan funding progress on pages 141 and 142 are not a required part of the financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion 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 are 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 audit 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 auditor, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory sections and the statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

June 30, 2009

Management's Discussion and Analysis (Unaudited)

As the management team for the City of Long Beach (the City), we present to the readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. 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, 2008 by \$3.9 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 \$200.8 million, reflecting a \$179.4 million increase in net assets for business-type activities and a \$21.4 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 \$704.8 million or 28.1 percent during the fiscal year. During fiscal year 2008, the City issued one new bond, issued commercial paper, received two note draws, and entered into a capital lease. In addition, governmental activities accrued self-insured claims increased by a net \$9.6 million, composed of an increase in general liability claims of \$9.9 million, offset by a decrease in workers compensation claims of \$310 thousand. Retired health insurance increased \$6.1 million, due in part to the recognition of the implicit rate subsidy due to the blending of retirees' premiums with active employees. 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 \$20.2 million, \$29.2 million and \$1.0 million, respectively.

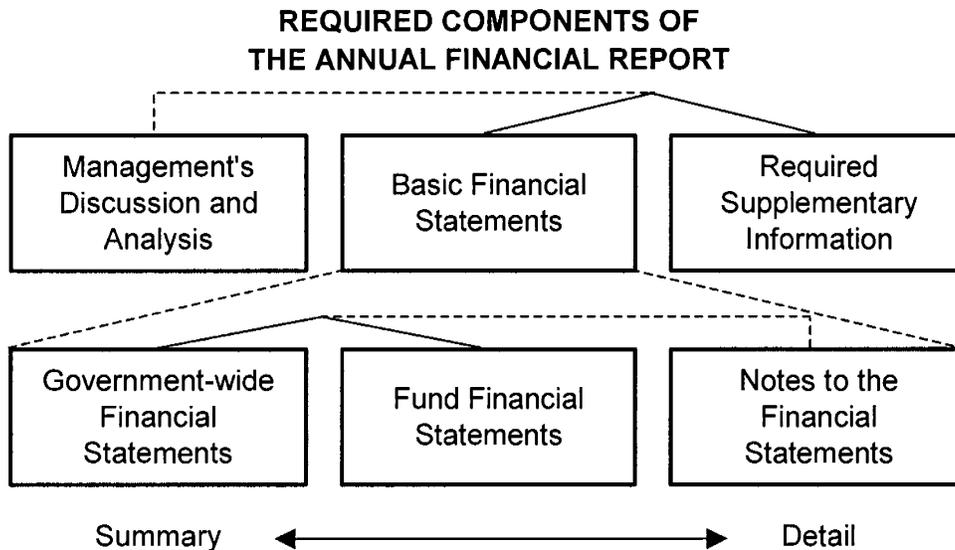
Fund Basis:

- As of September 30, 2008, unreserved fund balance for the General Fund was \$46.0 million, or 12.0 percent of total General Fund expenditures. Designated General Fund reserves of \$37.6 million, coupled with a \$2.5 million general-purpose reserve, allowed by the City Charter and listed under undesignated, comprise the Emergency Reserve. Unreserved designated for subsequent appropriation includes a reduction for long-term advance of \$7.1 million from the Subsidence Fund allowed under State legislation.
- As of September 30, 2008, the City's governmental funds reported an unreserved fund balance of \$11.5 million. The governmental funds, excluding the General Fund, reported combined unreserved deficit fund balances of \$34.6 million. This consists of a \$136.9 million deficit in the Redevelopment Capital Projects Fund primarily resulting from the required reserved fund balances for land held for resale, debt service, future capital projects, and noncurrent receivables of \$297.8 million as compared to

the total fund balance for the Redevelopment Capital Projects Fund of \$160.9 million. A \$102.3 million in fund balances designated for subsequent years' appropriations offsets the Redevelopment Capital Projects Fund deficit fund balance.

Overview of the Financial Statements

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



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

The *statement of net 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 cultural, public works and City oil operations. Business-type activities include those related to gas, water and sewer utilities, airport and solid waste management operations, towing, tidelands, marina and Rainbow Harbor area operations, as well as tidelands oil revenue operations and the Port of Long Beach.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate transportation company for which the City is the sole 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. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in GASB Statement No. 34. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

The City adopts an annual appropriated budget for its funds. A budgetary comparison is provided for each of the City's governmental funds to demonstrate compliance with their budgets. The budgetary comparison statements for the General Fund and Major Special Revenue Funds are located in the basic financial statements, while the statements for the major capital projects funds and non-major governmental funds 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 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, 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 fiduciary fund financial statements are presented on the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund financial statements can be found in the Basic Financial Statements section of this report.

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

Other Supplementary Information. In addition to the Basic Financial Statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The combining statements referred to above in connection with non-major governmental funds and internal service funds are presented in the Additional Financial Information section, along with information regarding capital assets.

Government-Wide Financial Analysis

Analysis of Net Assets. Net assets may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, the City reported positive net assets balances for both governmental and business-type activities, with total assets exceeding liabilities by \$3.9 billion.

Below are the three components of net assets and their respective fiscal year-end balances:

- **Invested in capital assets net of related debt** represents 53.9 percent, or \$2.1 billion, of the City's total net assets for fiscal year 2007-08 compared to 51.6 percent, or \$1.9 billion, for fiscal year 2006-07. The component consists of capital assets (land and easements, structures and improvements, infrastructure, and equipment) net of accumulated depreciation reduced by debt attributable to the acquisition, construction, or improvement of the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- **Restricted net assets** account for 16.6 percent, or \$645.3 million, of the City's total net assets for fiscal year 2007-08 compared to 17.8 percent, or \$657.5 million, for fiscal year 2006-07. This component of net assets represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** account for 29.5 percent, or \$1.1 billion, of the City's total net assets for fiscal year 2007-08 compared to 30.6 percent, or \$1.1 billion, for fiscal year 2006-07. This component of the City's total net assets may be used to meet the City's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2007-08, \$182.0 million is from governmental activities and \$964.3 million is for business-type activities compared to \$157.9 million for governmental activities and \$969.6 million for business-type activities for the prior year.

Net Assets
September 30, 2008 and 2007
(In Thousands)

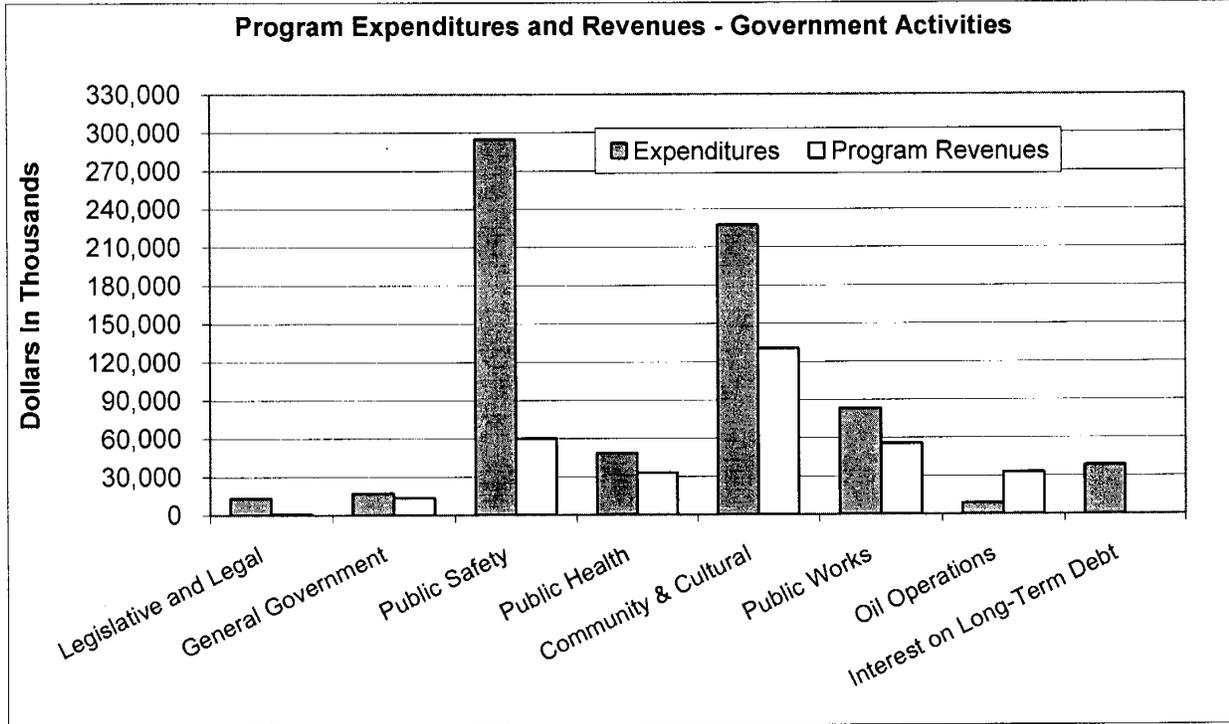
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and Other Assets	\$ 908,406	\$ 926,263	\$ 2,901,925	\$ 1,932,226	\$ 3,810,331	\$ 2,858,489
Capital Assets	729,742	740,059	3,154,350	3,141,750	3,884,092	3,881,809
Total Assets	1,638,148	1,666,322	6,056,275	5,073,976	7,694,423	6,740,298
Liabilities:						
Current Liabilities	187,988	219,052	403,394	323,810	591,382	542,862
Noncurrent Liabilities, Net	764,350	782,835	2,453,273	1,729,994	3,217,623	2,512,829
Total Liabilities	952,338	1,001,887	2,856,667	2,053,804	3,809,005	3,055,691
Net Assets:						
Invested in Capital Assets, Net of Related Debt	217,866	215,097	1,875,911	1,684,580	2,093,777	1,899,677
Restricted	285,937	291,468	359,364	366,018	645,301	657,486
Unrestricted	182,007	157,870	964,333	969,574	1,146,340	1,127,444
Total Net Assets	\$ 685,810	\$ 664,435	\$ 3,199,608	\$ 3,020,172	\$ 3,885,418	\$ 3,684,607

Change in Current Assets and Noncurrent Liabilities. The changes in business-type activities Current and Other Assets of \$969.7 million and in Noncurrent Liabilities of \$723.3 million primarily resulted from the issuance of the 2007 Gas Prepay Bonds. At September 30, 2008, the bonds, issued in the amount of \$887.4 million, resulted in a prepaid asset valued at \$865.2 million as well as a long-term liability of \$887.4 million. Additional details concerning the 2007 Gas Prepay bond issuance can be found in note 10.

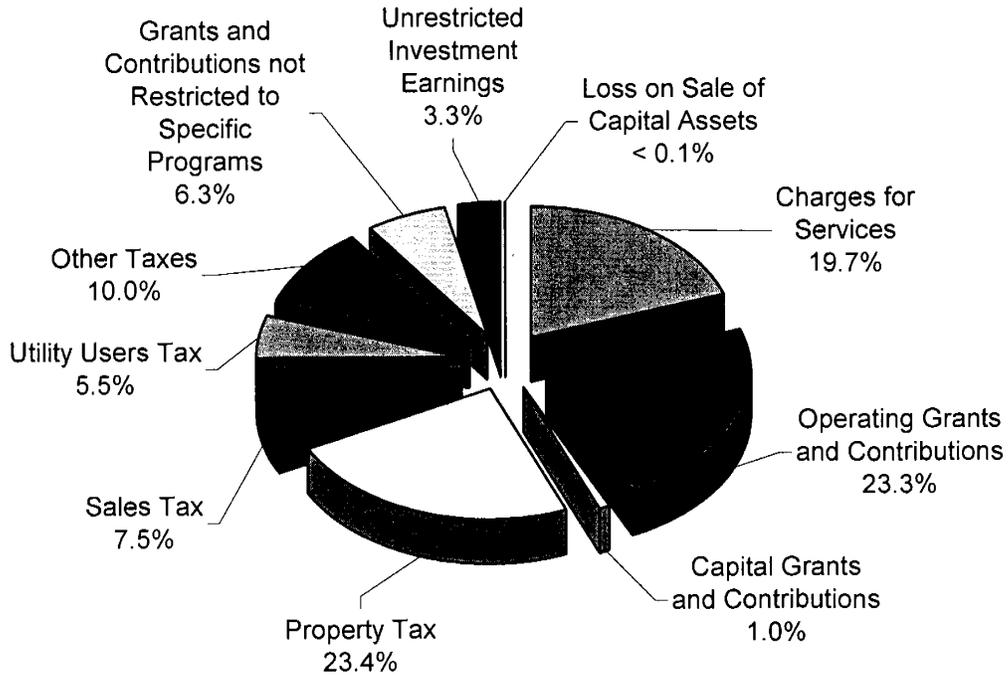
The following table provides information from the Statement of Activities of the City for the fiscal year 2007-08, as compared to the prior year:

Changes in Net Assets						
September 30, 2008 and 2007						
(In Thousands)						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 146,208	\$ 127,415	\$ 1,324,832	\$ 978,076	\$ 1,471,040	\$ 1,105,491
Operating Grants and Contributions	172,478	169,190	1,241	2,116	173,719	171,306
Capital Grants and Contributions	7,424	16,908	14,984	24,580	22,408	41,488
General Revenues:						
Taxes:						
Property	173,184	162,342	-	-	173,184	162,342
Sales	55,261	55,848	-	-	55,261	55,848
Utility Users	41,028	41,694	-	-	41,028	41,694
Other	73,715	65,206	-	-	73,715	65,206
Grants and Contributions Not						
Restricted to Specific Programs	46,330	44,086	-	-	46,330	44,086
Unrestricted Investment Earnings	24,357	23,374	47,512	62,329	71,869	85,703
Gain (Loss) on Sale of Capital Assets	(49)	649	-	-	(49)	649
Total Revenues	739,936	706,712	1,388,569	1,067,101	2,128,505	1,773,813
Expenses:						
Legislative and Legal	13,210	12,911	-	-	13,210	12,911
General Government	16,871	14,876	-	-	16,871	14,876
Public Safety	294,916	276,391	-	-	294,916	276,391
Public Health	48,330	47,189	-	-	48,330	47,189
Community & Cultural	227,274	206,066	-	-	227,274	206,066
Public Works	83,232	67,794	-	-	83,232	67,794
Oil Operations	8,630	8,175	-	-	8,630	8,175
Interest on Long-Term Debt	38,418	36,187	-	-	38,418	36,187
Gas	-	-	137,263	94,057	137,263	94,057
Water	-	-	70,571	68,704	70,571	68,704
Sewer	-	-	11,989	11,486	11,989	11,486
Airport	-	-	31,698	27,994	31,698	27,994
Solid Waste Management	-	-	82,590	78,305	82,590	78,305
Towing	-	-	9,863	8,838	9,863	8,838
Tidelands	-	-	123,258	111,156	123,258	111,156
Tideland Oil Revenue	-	-	486,759	199,542	486,759	199,542
Harbor	-	-	242,822	247,860	242,822	247,860
Total Expenses	730,881	669,589	1,196,813	847,942	1,927,694	1,517,531
Increase (Decrease) in Net Assets						
before Transfers	9,055	37,123	191,756	219,159	200,811	256,282
Capital Assets Transfers	(1,142)	(257)	1,142	257	-	-
Transfers	13,462	28,625	(13,462)	(28,625)	-	-
Change in Net Assets	21,375	65,491	179,436	190,791	200,811	256,282
Net Assets - October 1	664,435	598,944	3,020,172	2,829,381	3,684,607	3,428,325
Net Assets - September 30	\$ 685,810	\$ 664,435	\$ 3,199,608	\$ 3,020,172	\$ 3,885,418	\$ 3,684,607

Governmental Activities Year Ended September 30, 2008



Revenues By Source - Governmental Activities



Analysis of Changes in Net Assets. The City's total net assets increased by 5.5 percent, or \$200.8 million, during fiscal year 2007-08 compared to the prior year's increase of 7.5 percent, or \$256.3 million. The increase is the result of governmental activities of \$21.4 million and business-type activities of \$179.4 million (which includes Harbor activities of \$160.8 million). For the prior year, \$65.5 million of the increase in net assets was from governmental activities and \$190.8 million from business-type activities. The change in net assets consists of program revenues and general revenues of \$1.7 billion and \$461.3 million, respectively, reduced by program expenses of \$1.9 billion. Specific factors related to the change in net assets for governmental and business-type activities are found on pages 11 through 16.

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 40.4 percent of total governmental expense, followed by Community and Cultural at 31.1 percent, Public Works at 11.4 percent and Public Health at 6.6 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 23.3 percent, charges for services 19.7 percent and property tax 23.4 percent of governmental revenue.

Governmental activities increased the City's net assets by \$21.4 million, a decrease of \$44.1 million from fiscal year 2007 net asset increase of \$65.5 million. The City's general revenues and program revenues increased \$20.6 million and \$12.6 million, respectively, offset by greater governmental activities expense of \$61.3 million and a decrease in net transfers of \$16.0 million.

- Property tax, including redevelopment property tax increment, increased \$10.8 million, or 6.7 percent, significantly down from fiscal year 2007 increase of \$21.0 million, or 14.9 percent, as the City's mortgage foreclosures continue to follow Los Angeles County trends. Current year percentages were uniform in the General, Redevelopment and Housing Development Funds with increases of \$4.7 million, \$4.4 million and \$1.1 million, respectively. The City expects minimum growth of 3.4 percent in fiscal year 2009 as result of a decline in the housing market.
- Sales tax revenue remained relatively flat with a modest decrease of \$587 thousand, or 1.1 percent, as business sales activity decreased due to economic slowdown.
- For the first time in three years, Utility Users' tax declined with a slight decrease of \$666 thousand, or 1.6 percent. Southern California Edison's rate shifts from different classes of customers had a neutral fiscal impact on electricity usage collection. Gas and water pass through rate increases were offset by lower usage. The decline in water volume was the result of successful water conservation efforts. Telephone utility users' tax collection continues to be affected by price competition in the industry and the reduction of landlines.

- Other tax revenue increased \$8.5 million, or 13.1 percent, and is primarily composed of pipeline fees, transient occupancy taxes, business license taxes and real estate property transfer tax revenue. Pipeline franchise fees increased \$5.4 million demonstrating increases in the volume and cost of gas transferred to electric plants over the previous year. In May of 2007, voters approved Proposition H that increased fees to companies that pump oil in Long Beach and restricted the proceeds to public safety. Revenue from the oil production tax increased \$2.7 million as the fees were in effect for the entire fiscal year.

- Overall charges for services increased \$18.8 million, or 14.7 percent, reflecting the following:
 - Legislative and Legal charges for services increased \$682 thousand, or 573.1 percent, due to Long Beach Unified School District's and Long Beach Community College's reimbursements for elections related expenses. Elections are normally held every two years.

 - Public safety charges for services increased \$2.1 million, primarily consisting of an increase in police and fire charges of \$1.4 million and \$700 thousand, respectively. Police revenue growth is attributed to asset forfeiture and parking citation and Fire's is due to emergency ambulance, fire inspection and plan check fees.

 - Public works charges for services increased 1.6 million, or 9.4 percent, as a result of pipeline safety and transportation impact fees.

 - Oil operations revenue in the City's Uplands oil extraction area increased \$10.3 million, a 45.8 percentage increase over the prior year due to greater volume and cost. The average price per was \$97.22 per barrel in fiscal year 2008 compared to an average of \$55.97 per barrel in fiscal year 2007.

- Operating grants and contributions increased by \$3.3 million, or 1.9 percent reflecting:
 - Legislative and legal operating grants and contributions increased \$482 thousand from fiscal year 2007 reimbursement of state mandated costs for absentee ballots. The City did not receive this reimbursement in fiscal year 2008.

 - Public safety operating grants and contributions decreased \$2.9 million, or 14.7 percent. Federal funding for Homeland Security activity and equipment decreased \$3.4 million. In addition, the Cops Universal Hiring Grant, designed to put more officers on the street, ended decreasing revenue by \$1.6 million. This was offset by a \$2.7 million increase in state mandated cost reimbursement for Fire task forces responding to California wild fires and deployed to assist Texas and Louisiana for Hurricanes Gustav and Ike.

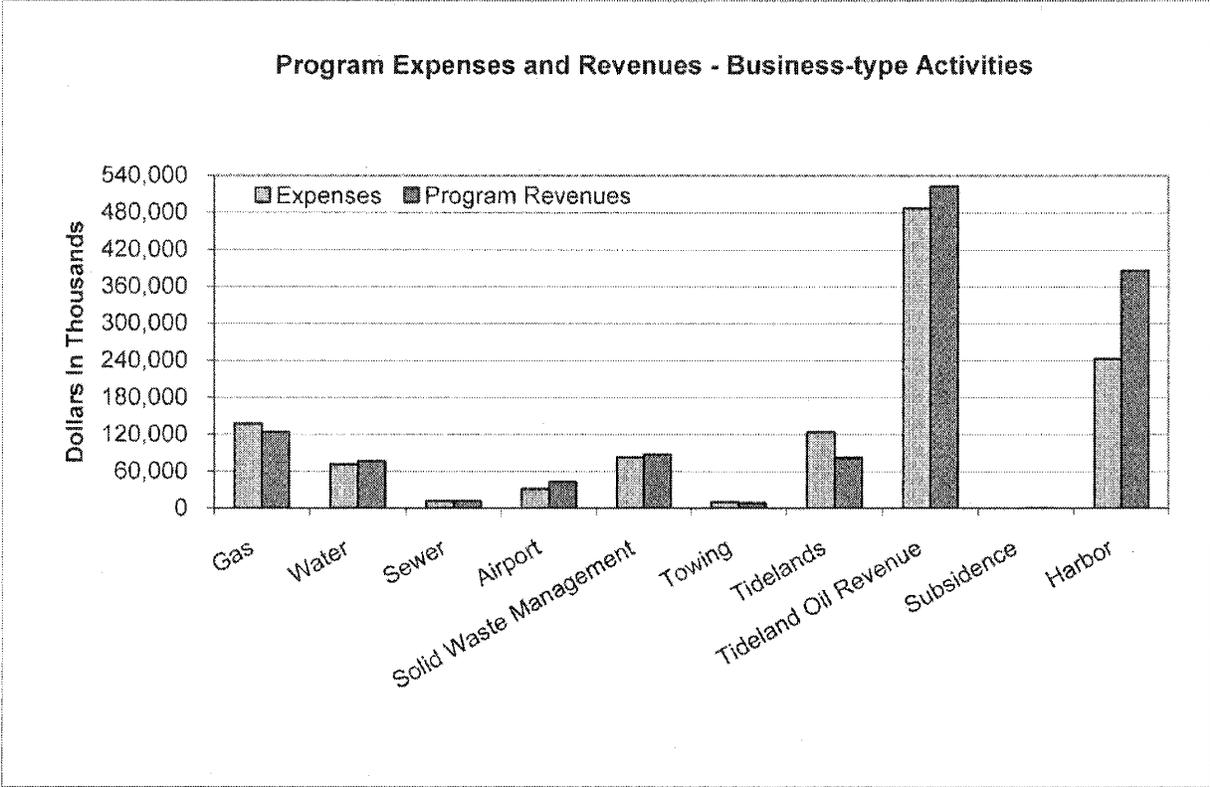
 - Community and cultural operating grants increased by \$1.7 million, or 1.8 percent, primarily due to reinforced effort in training workers and promoting employment within the City.

- Public Works' operating grants and contributions increased \$4.9 million, or 17.5 percent. In fiscal year 2008, the City recognized revenue for the first time from Proposition 1B for citywide residential street improvements. This \$5.6 million revenue recognition was offset by a reduction in repair and maintenance projects funded by Gasoline tax. The City received a \$3.6 million Assembly Bill 2928 "payback" for fiscal years 2004 and 2005 in August of 2006 resulting in inflated fiscal year 2007 infrastructure projects supported by gasoline tax.
- Capital grants and contributions decreased by \$9.5 million, or 56.1, percent primarily due to the completion of the Mark Twain library in central Long Beach and fiscal year 2007 acquisition costs of former industrial and abandoned railroad property for the development of a park along the lower Los Angeles River.

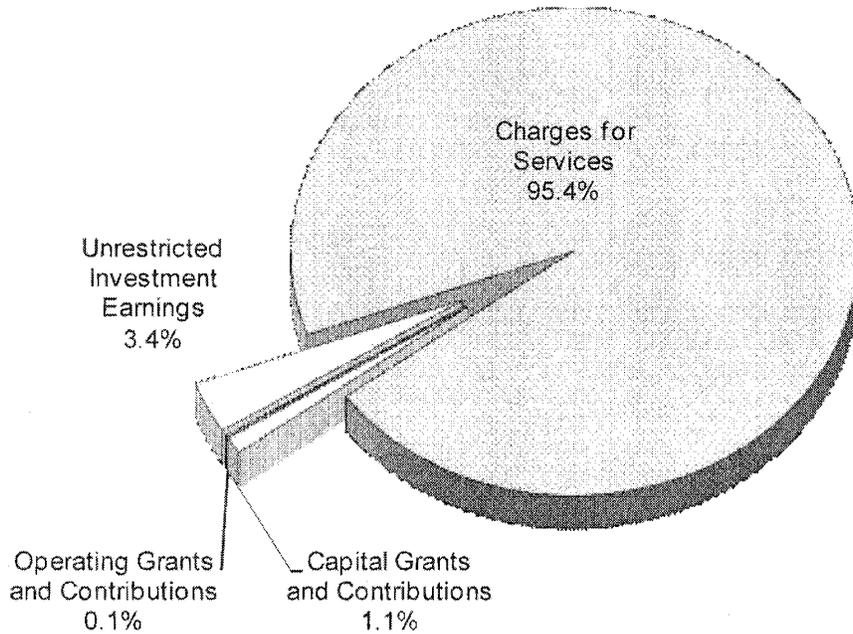
Governmental activities expenses increased \$61.3 million, or 9.2 percent, in fiscal year 2008. Details include:

- General government expenses increased \$2.0 million or 13.4% in fiscal year 2008 primarily due to allocations of internal service costs resulting from a change in estimate of general liability loss and recognition of additional expenses for retired health insurance coupled with wage and fringe benefit adjustments.
- Public safety expenses increased \$18.5 million, or 6.7 percent, as a result of increases in police and fire staffing coupled by negotiated salary adjustments including skills pay enhancements. These increases are further augmented by greater allocations of internal service costs.
- Public health expenses increased by \$1.1 million, or 2.4 percent, and are almost entirely comprised of internal service cost allocations.
- Community and cultural expenses increased by \$21.2 million, or 10.3 percent, and is composed of community development, library, and parks and recreation increases of \$17.4 million, \$2.7 million, and \$1.0 million, respectively. The increase in community development is mainly due to improvement, construction, administration and acquisition costs for projects designed to relieve urban blight areas in the redevelopment areas and expansion of home assistance programs. The bulk of the increase in library services marks the first full year of operation since the restoration of library hours in April 2007. Parks and recreation increase is a result of greater depreciation expense due to capitalization of park improvements.
- Public Works' expense increased \$15.5 million, or 22.8 percent, and is attributed to large repair and maintenance projects for streets and sidewalks to preserve the City's core infrastructure and assets coupled with greater depreciation expense for capitalized assets.
- The increase of \$2.2 million in interest on debt is attributed to normal debt service payments.

**Business-Type Activities
Year Ended September 30, 2008**



Revenue by Source - Business-type Activities



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 (the Port) 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'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 \$179.4 million, accounting for 89.4 percent of the total growth in net assets. The fiscal year 2008 increase in business-type net assets is \$11.4 million less than the 2007 fiscal year increase of \$190.8 million. Key elements of the increase in fiscal year 2008 are:

- The Port's net assets, which are included in the City's Harbor Fund, increased by \$160.8 million. This increase was due to net income from operations, capital grant revenue and net non-operating revenue of \$163.7 million, \$3.7 million and \$9.5 million, respectively, offset by of a transfer out of \$16.1 million to the Tidelands Fund. The net non-operating revenue was mainly the result of \$31.2 million income from oil operations, \$4.4 million of income from a joint venture and \$33.3 million in interest income offset by \$46.4 million of interest expense, and \$13.9 million of Clean Air Action Plan expense. The Port's operating income decreased \$27.1 million, or 14.2 percent from last year, and is attributed to a 3.1 percent decrease in operating revenue together with an increase of operating expense of 8.7 percent. Operating expenses increased from higher maintenance cost on the Gerald Desmond Bridge, increased levels of service by the Long Beach Police and Fire Departments, revamping and modernization of the Port's Security Division, and additional costs to patrol and secure water areas around the Port complex. In addition, upgrades and maintenance of access roads, sanitation systems, and far reaching efforts to promote community awareness were also factors contributing to the increases of expense.
- Tidelands Fund net assets increased by \$11.4 million, the net result of operating transfers in of \$47.3 million and capital grants and contributions of \$1.1 million offset by a combined operating and non-operating loss of \$37.0 million. Tidelands operating revenue decreased \$1.3 million primarily due to a decrease of \$2.7 million in fees, concessions and rental offset by an increase of \$1.3 million in charges for services. In fiscal year 2007, the City recognized lease revenue of \$5.8 million (including prior year revenue) for the Queen Mary and surrounding adjacent areas as part of a bankruptcy settlement. This did not recur in fiscal year 2008. This decrease was offset by an increase in slip fees of \$2.0 million and other rental and concessions revenue of \$782 thousand. Charges for services increased due to revenue from the Port of Long Beach for police and fire services and a slight increase of aquarium revenue of \$196 thousand.
- Tideland Oil Revenue Fund net assets increased \$5.6 million due to net operating and non-operating income of \$36.3 million reduced by a \$30.7 million operating transfer to the Tidelands Fund under a revenue sharing agreement for the optimized water flood program.
- Water Fund net assets increased \$6.8 million due to net operating income and capital grants and contributions of \$3.7 million and \$3.8 million, respectively, offset by \$661

thousand in net non-operating expense. Operating revenue increased \$1.3 million from fiscal year 2007 and is attributed to a 5.5 percent rate increase in daily service charges offset by a decrease in metered potable and reclaimed water sales as a result of conservation campaigns and programs provided by the Water Department.

- The Solid Waste Management Fund increased net assets by \$6.2 million, consisting of net operating and net non-operating income of \$7.1 million, and \$1.4 million, respectively, less operating transfers of \$2.3 million. Operating revenue decreased \$2.2 million, or 2.7 percent, from the prior year and consists of \$1.8 million decrease in refuse charges and \$388 thousand in Southeast Resource Recovery Facility (SERRF- a Refuse to Energy Facility) revenue. This increase was offset by additional operating expense of \$3.1 million primarily due to an increase in maintenance and non-personal other operating costs.
- Gas Utility Fund net assets decreased \$24.2 million, comprised of a \$30.6 million net operating income decreased by \$43.1 million in net non-operating expense and \$11.7 million in operating transfers to the General Fund. The bulk of the non-operating expense is due to the Gas Prepay Bonds issued in October 2007. New in fiscal year 2008, the Gas Utility Fund is a consolidated fund that includes both gas operations, the Long Beach Finance Authority Fund, and the Gas Prepay Fund, which accounts for the Gas Prepay Bonds and the corresponding Gas Prepaid commodity. Operating revenue increased by just under \$23.5 million from the prior year with a \$9.5 million increase in customers' sales due to rate increases, supplemented by \$14.0 million of net revenue from gas remediation sales as a result of the Gas Prepay Bonds.
- The \$16.9 million increase in non-major business-type activities net assets includes the Airport and Subsidence Fund net assets increase of \$12.1 million and \$5.6 million, respectively. Airports net assets increase is primarily due to federal administration grant reimbursement for runway enhancements and passenger facility fees included in other non-operating income. In addition, the Airport operating revenue increased \$3.2 million and is primarily attributed to an increase in rates and fees counter balanced by a comparable increase in city services for airport security. Airports net assets increase is primarily due to federal administration grant reimbursement for runway enhancements and passenger facility fees included in other non-operating income. 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, 2008, the City's governmental funds reported a combined ending fund balance of \$516.6 million, a net decrease of \$492 thousand over the prior year. This change is primarily the result of decreases in the fund balances of the Community Development Grants Fund and Redevelopment Capital Projects Fund offset by increases in the General Fund, Housing Development Fund and General Capital Projects Fund. Governmental funds assets increased by \$5.5 million, less than one percent from fiscal year 2007 with growth in land held for resale of \$20.6 million offset by decreases in pooled cash and cash equivalents and other asset categories. Governmental funds liabilities increased \$6.0 million with greater accounts payable and due to other fund balances well offsetting a decrease of tax anticipation notes payable of \$54 million. The City paid this short-term note prior to the close of fiscal year 2008.

Of the total fund balance, the net unreserved fund balance is \$11.5 million, down approximately \$1.8 million from the previous fiscal year's net unreserved fund balance of \$13.3 million. The unreserved General Fund ending fund balance at September 30, 2008 totaled a net \$46.0 million representing Emergency Reserves of \$37.6 million and a designation for subsequent years' appropriations of \$5.9 million. Undesignated fund balance of \$2.5 million represents a general-purpose reserve allowed under the City Charter. With the exception of the Redevelopment Capital Projects Fund, all other governmental funds reported positive unreserved fund balance aggregating \$102.3 million. The Redevelopment Capital Projects Fund reports a net unreserved fund balance deficit of \$136.9 million. This deficit fund balance results from the required reserved fund balances of \$297.8 million as compared to the total fund balance for the Redevelopment Capital Projects Fund of \$160.9 million.

The *reserved* fund balance classification indicates funds committed for: (a) non-current receivables including long-term advances to other funds (\$166.8 million) that are not available to spend; (b) reserves for land held for resale (\$180.8 million) that are not available to spend; (c) asset seizure funds restricted by law (\$2.7 million); (d) commitments for contracts and purchase orders (\$12.3 million); (e) City Charter requirements to maintain a \$1.5 million cash balance reserve; (f) future capital projects and special programs (\$70.9 million); (g) required bond reserves to pay debt service (\$66.6 million); and (h) other restricted purposes including a reserve for estimated oil field abandonment (\$3.3 million).

Long-term advances due from other funds are 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 \$105.0 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 \$46.0 million, including emergency reserves of \$37.6 million, represents 12 percent of total General Fund expenditures of \$382.8 million.

The General Fund's fund balance increased \$16.9 million during fiscal year 2008, \$20.1 million greater than 2007 fiscal year decrease of \$3.2 million. Revenue increases of \$20.5 million outpaced total expense growth of \$6.8 million. This was further augmented by an increase in other financing sources of \$6.4 million.

General Fund Revenues and Other Financing Sources

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

**General Fund Revenues and Other Financing Sources
September 30, 2008 and 2007
(In Thousands)**

Revenues and Other Financing Sources	Fiscal Year 2007-08	Percent of Total	Fiscal Year 2006-07	Percent of Total
Taxes	\$ 224,430	55.7%	\$ 215,422	56.1%
Licenses and Permits	13,388	3.3%	12,716	3.3%
Fines and Forfeitures	18,509	4.6%	17,644	4.6%
Use of Money and Property	22,856	5.7%	21,949	5.7%
From Other Agencies	48,534	12.0%	44,587	11.6%
Charges for services	24,760	6.1%	23,468	6.1%
Other Revenue	11,070	2.8%	7,212	1.9%
Other Financing Sources	39,426	9.8%	40,904	10.7%
	\$ 402,973	100%	\$ 383,902	100%

- Tax revenue increased \$9.0 million, with an increase in property tax of \$4.7 million, due to an increase in assessed values, and other taxes of \$5.5 million, due to an increase pipeline franchise receipts. These increases were offset by a decrease of sales tax and utility users tax of \$513 thousand and \$666 thousand, respectively.
- Use of money and property increase of \$907 thousand is attributed to accrued interest in long term advances to other funds. Lower interest earnings due to lower cash balances and a decrease in the interest rate offset this increase. In addition, the City's investment pool held Lehman commercial paper with a par of \$20 million, which was not paid when it matured on September 30, 2008. The loss was distributed to all funds in proportion to equity in the pool. The General Fund's share of this loss was \$178 thousand.
- Revenue from other agencies increased by a net \$3.9 million primarily due to an increase in Property Tax in-lieu-of Vehicle License Fee revenue and reimbursements for state mandated cost for public safety.
- Charges for services increased \$1.3 million due to higher pipeline safety fees and charges for special services such as security and commercial financial services.
- Other revenue increased \$3.9 million. The general fund received a \$6.0 million one-time lump sum settlement as a result of a class action suit for the year 2000 and 2001 spike in natural gas transmissions cost. Licenses and permits, included in other revenue, increased \$672 thousand or 5.3 percent primarily due to greater recovery of plan check, safety service and health fees of \$398 thousand, \$502 thousand and 24

thousand, respectively, offset by decreases in building permits and other licenses and permits. These were offset by a decrease in property sales.

- Other financing sources decreased by \$1.5 million primarily due to transfers in from and out to other funds.

General Fund Expenditures

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

**General Fund Expenditures and Other Financing Uses
September 30, 2008 and 2007
(In Thousands)**

Expenditures and Other Financing Uses	Fiscal Year 2007-08	Percent of Total	Fiscal Year 2006-07	Percent of Total
Legislative and Legal	\$ 12,481	3.2%	\$ 13,602	3.5%
General Government	11,221	2.9%	10,813	2.8%
Public Safety	263,216	68.3%	255,161	65.9%
Public Health	4,812	1.2%	4,833	1.2%
Community and Cultural	48,957	12.7%	48,143	12.4%
Public Works	28,758	7.4%	28,466	7.4%
Debt Service	13,386	3.5%	14,984	3.9%
Other Financing Uses	3,226	0.8%	11,123	2.9%
	<u>\$ 386,057</u>	<u>100%</u>	<u>\$ 387,125</u>	<u>100%</u>

- Current expenditures increased \$8.4 million, or 2.3 percent, from the prior year with a \$7.4 million, or 11.4 percent, increase in fire expenditures, included in public safety, primarily as a result of negotiated salary changes and an increase in staffing. Other categories had minimal changes with the exception of legislation and legal which had a \$1.1 million decrease due to the purchase of voting equipment and software that occurred in fiscal year 2007.

Other Major Governmental Funds

Other notable changes in major governmental funds include the following:

- The Housing Development Fund's fund balance increase of \$2.0 million, a \$20.8 million reduction from fiscal year 2007 net asset increase of \$22.8 million, is primarily from the start of construction of several affordable rental, housing developments and second mortgage assistance loans to low and moderate-income first-time homebuyers of condominiums in two new for sale developments.

- The General Capital Projects Fund's fund balance increased \$3.6 million, a \$18.6 million decrease from fiscal year 2007 and is attributed to transportation impact fees and special assessment bond proceeds for traffic mitigation programs and infrastructure improvements, respectively.
- Redevelopment Capital Project Fund's decrease in fund balance of \$20.2 million, a \$21.6 million decrease from fiscal year 2007 consists of increased incremental property tax revenue offset by an increase of current expenses in all categories of \$9.0 million. In addition, Redevelopment had a greater loss on land held for resale and greater net transfers out to the Housing Development Fund.

Proprietary Funds Financial Analysis

Enterprise Funds. The enterprise funds' total net assets at September 30, 2008 totaled \$3.2 billion. Total unrestricted net assets amounted to \$1.0 billion, before the internal service fund activities allocation. The total growth in net assets was \$179.4 million after the internal service fund activities allocation to enterprise funds. Other factors affecting the finances of these funds are addressed in the discussion of the City's business-type activities.

The Tidelands, Tideland Oil Revenue and Harbor Funds reported unrestricted net assets of \$36.7 million, \$52.1 million and \$821.7 million, respectively. The Water and Solid Waste Management Funds reported unrestricted net assets of \$11.4 million and \$65.6 million, respectively. The Gas Fund reported a deficit unrestricted net assets of \$21.0 million. The Solid Waste Management Fund reported a deficit in Investment in Capital Assets net of Related Debt due to the extension of the original repayment terms resulting from the issuance of the 1995 refunding bond. Other business-type funds reported unrestricted net assets of \$14.8 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 \$145.2 million at September 30, 2008. This deficit is in the Insurance and Employee Benefit Internal Service Funds, which have always billed City departments 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, workers' compensation, and general liability claims and operating costs.

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 \$896 thousand and \$134 thousand respectively, at September 30, 2008.

General Fund 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.

The General Fund's final budgets for revenues and expenditure appropriations reflected a net increase from the original adopted appropriations of \$4.6 million covered by an increase in adopted budgeted revenue of \$2.7 million. The bulk of these increases were for retroactive negotiated salary increases for firefighters, which increased the Fire Department's appropriation by \$5.7 million and increased budgeted revenue for partial recoupment of fire services. A portion of this increase was also offset by decreases in appropriation in other City departments.

The General Fund reflects a net positive ending fund balance variance of \$18.1 million on a budgetary basis, which consists of favorable variances in revenue, expenditures and other financing sources of \$2.8 million, \$5.1 million and \$10.2 million, respectively. Transfers in had a favorable variance of \$10.5 million primarily attributable to the transfer from the Upland Oil Properties Fund. Budget was based on \$45 per barrel well below the \$95.74 average price per barrel for Wilmington crude oil in fiscal year 2008.

General Fund actual revenues were above budget due to favorable variances in other revenue, other taxes and use of money and property of \$5.6 million, \$1.9 million and \$1.5 million, respectively offset by unfavorable variances in utility user tax of \$2.0 million, fines and forfeitures of \$2.5 million and revenue from other agencies of \$3.0 million. The variance in other revenue is attributable to a one-time lump sum settlement as a result of a class action suit for the year 2000 and 2001 spike in natural gas transmissions cost. Other tax favorable variance is due to greater than expected franchise pipeline fees as a result of greater price of natural gas sold in and transported through the City. The variance in use of money and property is primarily due to the accrual of interest on advances the General Fund made to the Redevelopment Capital Projects Fund. Utility users Taxes had a variance of \$2.0 million due to electric, water (due to successful conservation efforts), and telephone (due to price competition in industry and a decrease in landlines) trending below budget offset by natural gas trending above budget with price increases buffeting volume decreases. Parking citations, included in fines and forfeiture were below budgeted amounts due to the delay in the placement of additional citation officers and the deployment of officers to other public safety duties. The unfavorable variance in revenue from other agencies is primarily due to motor vehicle license fees, in lieu of local property tax, and advertising revenue resulting from the slow economy.

Actual expenditures were above 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 Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$3.9 billion, net of accumulated depreciation, representing relatively flat growth for the City overall and is comprised of a decrease of \$10.3 million in governmental activities offset by an increase in business-type activities of \$12.6 million.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Capital Assets, Net of Depreciation September 30, 2008 and 2007 (In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 138,952	\$ 124,716	\$ 920,542	\$ 912,432	\$ 1,059,494	\$ 1,037,148
Rights-of-way	81,334	81,311	209,689	209,744	291,023	291,055
Construction In Progress	55,222	100,763	237,616	298,343	292,838	399,106
Buildings	180,942	177,806	1,150,943	1,085,988	1,331,885	1,263,794
Improvements Other than Buildings	37,004	33,581	214,986	191,786	251,990	225,367
Infrastructure	181,338	159,223	407,644	430,803	588,982	590,026
Machinery and Equipment	14,996	18,021	7,963	6,452	22,959	24,473
Automotive	38,535	41,799	4,234	5,431	42,769	47,230
Other Tangible Assets	1,419	2,839	-	-	1,419	2,839
Patents	-	-	733	771	733	771
Total Net Capital Assets (net)	\$ 729,742	\$ 740,059	\$ 3,154,350	\$ 3,141,750	\$ 3,884,092	\$ 3,881,809

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

- Gas Utility Fund capital assets increased by \$8.7 million due to the rehabilitation of gas main pipelines.
- The Harbor Fund capital assets decreased \$1.7 million as increases in capital assets and construction in progress were offset by depreciation and the closing of large repair and maintenance projects to operating expense.
- The Airport Fund increased \$16.3 million predominately due to construction in progress for the ongoing rehabilitation of taxiways and runways as well as other airport terminal development and modification projects.
- The Water Fund capital assets increased \$6.2 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 remained relatively constant as ongoing sewer main replacement and improvements programs were offset by depreciation.

- Governmental activities land increased \$14.2 million primarily due to Redevelopment Capital Projects Fund transfers to the City for additional land to develop a greenbelt connecting the Cesar E. Chavez and Drake Park and a bike path in the Central Long Beach area and the expansion of the Admiral Kidd Park and Davenport Park in North Long Beach. In addition Redevelopment Capital Projects Fund transferred land with a book value of \$2.7 million for the new state-of-the-art Mark Twain library.
- Governmental activities buildings, land improvements and infrastructure, net of depreciation, increased \$3.1 million, \$3.4 million and \$22.1 million, respectively, primarily as a result of asset additions for parks and recreation pool enhancements, parking lot, playground and bike path improvements and sidewalk improvements.
- Governmental activities construction in progress decreased \$45.5 million as a result of a completed project being put into use and the expensing of large repair and maintenance projects.
- 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.

Long-Term Indebtedness. At the end of fiscal year 2007-08, the City had total net long-term obligations outstanding of \$3.5 billion. Of this amount, \$2.8 billion relates to notes, bonds certificates of participation and capital leases. The remaining balance relates to accrued oil field adornment cost, environmental remediation, self-insurance, employee benefit obligations and payments to the State of California.

The table below provides summarized information (including comparative amounts from the preceding year) for the City's outstanding long-term debt obligations at September 30, 2008.

**Outstanding Debt Obligations
September 30, 2008 and 2007
(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Notes Payable	\$ 8,888	\$ 10,734	\$ 132,188	\$ 119,407	\$ 141,076	\$ 130,141
Bonds Payable	557,538	573,732	2,027,671	1,318,842	2,585,209	1,892,574
Certificates of Participation	-	-	7,690	8,384	7,690	8,384
Capital Leases	32,992	39,481	1,237	3,767	34,229	43,248
Total Outstanding	\$ 599,418	\$ 623,947	\$ 2,168,786	\$ 1,450,400	\$ 2,768,204	\$ 2,074,347

Major changes in debt service obligations during the year included:

- In June 2008, certain bondholders exercised their put-options related to the 2002A variable interest rates Harbor Revenue Bonds. The Harbor Fund, included in business-type activities, paid the remaining balance in full due to higher financing cost. This was an additional \$130.0 million principal payment over the normal debt service.
- Business-type activities obligations payable increased \$887.4 million for the new issuance of gas prepay bonds to secure the City's ability to purchase gas at the contract applicable index rate less \$0.83 per British thermal unit ("MMBtui").
- The Gas Utility, Water and the Airport Funds issued additional commercial paper of \$2.0 million, \$2.0 million and \$7.0 million, respectively to fund infrastructure projects.
- Tidelands Fund received \$3.4 million of additional funding from the Department of Boating and Waterways to continue the downtown Marina refurbishment project.
- Other changes in long term debt were the result of scheduled debt service payments.

Additional information on the City'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

At September 30, 2008, the unemployment rate, not seasonally adjusted, for the City of Long Beach was 9.1 percent and reflects a increase from a rate of 5.8 percent a year ago. This compares to the State of California and national unemployment rates of 7.6 percent and 6.2 percent, respectively.

Fiscal year 2009 represents the second year after the completion of the initial Financial Strategic Plan (Plan), which was used to eliminate the projected structural deficits in the City's General Fund in fiscal years 2004 through 2007. The structural deficit was the amount by which the City's spending exceeded it's revenues. The Plan has now evolved into an ongoing long-term fiscal planning tool with rolling three-year revenue and expense projections. Highlights of the fiscal year 2009 budget are as follows:

In compliance with City Council's Financial Policy to achieve and maintain a structurally balanced budget, the proposed fiscal year 2009 General Fund budget is without a structural deficit for the third year in a row. This accomplishment, which is dependent on departments operating within their approved spending limits, continues to be a challenge for the City. The fiscal year 2009 adopted General Fund revenue budget of \$405.1 million, of which \$9.7 million is one-time in nature, reflects a projected net increase of \$12.5 million, or 3.2 percent, from the final fiscal year 2008 budget. The four largest structural revenue sources for fiscal year 2009 - property tax, sales and use tax, motor vehicle in lieu and utility users' tax - comprise 50.2 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 \$67.6 million, an increase of \$100 thousand from the final fiscal year 2008 budget, reflects the stabilization of the county's growth rate in Long Beach less refunds and administrative fees. The City expects the growth rate to be flat or shrink slightly in fiscal year 2010.

- Sales and use tax revenue of \$52.7 million, a \$300 thousand increase from final 2008 budget, is indicative of the anticipated slower growth in discretionary spending.
- Vehicle license fee revenue of \$40.4 million, a decrease of \$400 thousand in budgeted revenue, reflects a slowdown in new vehicle purchases.
- Utility users' tax revenue of \$42.5 million remains relatively flat with a modest decline of \$600 thousand.

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 2009 adopted General Fund operating budget of \$404.0 million supports over 170 programs spanning several key areas of services delivery. Contingent upon receipt of one-time General Fund resources becoming available, \$9.8 million in investments are proposed in the fiscal year 2009 budget, including \$3.0 million for the Museum of Art bond payment, \$2.7 million for underground storage tank compliance activities, \$800 thousand for November and January elections, \$800 thousand for the implementation of a new permitting system, \$800 thousand for the Infrastructure/Maintenance Reserve, and \$762 thousand for the automation of the CityPlace Garage. \$394.2 million of the fiscal year 2009 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 2009 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 \$700 thousand increase for Multi-Family Moderate-Income Rehabilitation Loans.
- A \$5 million increase for Rental Developer Assistance.
- A \$2.5 million increase for the Westside pump station project and the storm drainage maintenance program.
- A \$1.5 million increase to fund West Gateway public improvements.
- A \$500 thousand increase for Houghton Park improvements.
- A \$5 million increase to fund street and streetscape improvements in North Long Beach.
- \$7 million to fund the construction of Fire Station 12.
- \$1 million to fund the North Library construction.
- A \$2.7 million increase for underground storage tank compliance activities.
- A \$800 thousand increase for the implementation of a new permitting system.
- A \$150 thousand increase for an Animal Control Officer at Dog Beach and for seasonal sea mammal beaching.

- A \$250 thousand increase for Neighborhood Beautification and Sustainability, and Neighborhood Cleanup Assistance programs.
- A \$500 thousand increase to fund two more pothole trucks.

As part of the fiscal year 2009 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 \$35.5 million annually, including FFA and IAM salary increases, potential POA negotiated increases, post-retirement healthcare liabilities, PERS cost growth, workers' compensation and general liability payments.
- 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 2009 marked the fourth 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'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.

City of Long Beach
Statement of Net Assets
September 30, 2008
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Long Beach Public Transportation Company
ASSETS				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 56,696	\$ 224,022	\$ 280,718	\$ -
Pooled Investments	124,348	491,342	615,690	43,762
Non Performing Investments	796	3,139	3,935	-
Interest Receivable	436	848	1,284	-
Property Tax Receivable, Net	2,191	-	2,191	-
Accounts and Loans Receivables, Net	17,453	147,759	165,212	9,923
Due from Other Governments	58,402	4,558	62,960	-
Internal Balances	7,482	(7,482)	-	-
Inventory	1,777	4,575	6,352	837
Other Assets	5,591	29,858	35,449	390
Land Held for Resale	180,833	-	180,833	-
Noncurrent Assets:				
Noncurrent Pooled Investments	160,272	633,287	793,559	-
Noncurrent Non-Pooled Investments	121,404	110,568	231,972	-
Other Noncurrent Receivables	110,768	12,900	123,668	-
Land and Other Capital Assets not being Depreciated	275,508	1,367,847	1,643,355	8,184
Capital Assets, net of Accumulated Depreciation	454,234	1,786,503	2,240,737	64,331
Other Assets	59,957	1,246,551	1,306,508	-
Total Assets	1,638,148	6,056,275	7,694,423	127,427
LIABILITIES				
Current Liabilities:				
Accounts Payable	42,174	103,263	145,437	2,808
Accrued Wages and Benefits Payable	52,378	10,198	62,576	2,869
Accrued Interest Payable	10,902	36,802	47,704	-
Deferred Revenue, Credits and Other Payables	29,262	36,094	65,356	17,551
Employee Benefits and Accrued Long-Term Obligations	23,171	60,412	83,583	6,791
Bonds, Loans, Capital Leases and Other Long-Term Obligations	30,101	156,625	186,726	-
Noncurrent Liabilities:				
Deferred Revenue, Credits and Other Payables	-	10,586	10,586	20,379
Employee Benefits and Accrued Long-Term Obligations	195,033	389,758	584,791	909
Bonds, Loans, Capital Leases and Other Long-Term Obligations	569,317	2,052,929	2,622,246	-
Total Liabilities	952,338	2,856,667	3,809,005	51,307
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	217,866	1,875,911	2,093,777	72,515
Restricted for:				
Asset Seizure Money	2,721	-	2,721	-
Debt Service	55,634	136,819	192,453	-
Capital Projects	86,468	53,268	139,736	260
Public Safety	1,180	-	1,180	-
Public Health	1,966	-	1,966	-
Community and Cultural	121,636	-	121,636	-
Health Care Insurance	11,171	-	11,171	-
Other Purposes	5,161	169,277	174,438	-
Unrestricted	182,007	964,333	1,146,340	3,345
Total Net Assets	\$ 685,810	\$ 3,199,608	\$3,885,418	\$ 76,120

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, 2008
(In Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative and Legal	\$ 13,210	\$ 801	\$ -	\$ -
General Government	16,871	14,049	(506)	-
Public Safety	294,916	42,516	17,377	115
Public Health	48,330	7,599	25,369	-
Community and Cultural	227,274	28,905	96,963	4,492
Public Works	83,232	19,382	33,275	2,817
Oil Operations	8,630	32,956	-	-
Interest on Long-Term Debt	38,418	-	-	-
Total Governmental Activities	730,881	146,208	172,478	7,424
Business-Type Activities:				
Gas	137,263	123,580	-	-
Water	70,571	72,527	-	3,746
Sewer	11,989	11,785	-	-
Airport	31,698	35,080	288	7,496
Solid Waste Management	82,590	85,958	953	-
Towing	9,863	8,816	-	-
Tidelands	123,258	81,511	-	-
Tideland Oil Revenue	486,759	522,956	-	-
Subsidence	-	500	-	-
Harbor	242,822	382,119	-	3,742
Total Business-Type Activities	1,196,813	1,324,832	1,241	14,984
Total Primary Government	\$ 1,927,694	\$ 1,471,040	\$ 173,719	\$ 22,408
Component Unit:				
Long Beach Public Transportation Company	\$ 86,926	\$ 15,772	\$ 52,151	\$ 15,195
Taxes:				
Property				
Sales				
Utility Users				
Other				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Loss on Sale of Capital Assets				
Capital Asset Transfers				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				

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 Transportation Company
\$ (12,409)	\$ -	\$ (12,409)	\$ -
(3,328)	-	(3,328)	-
(234,908)	-	(234,908)	-
(15,362)	-	(15,362)	-
(96,914)	-	(96,914)	-
(27,758)	-	(27,758)	-
24,326	-	24,326	-
<u>(38,418)</u>	<u>-</u>	<u>(38,418)</u>	<u>-</u>
<u>(404,771)</u>	<u>-</u>	<u>(404,771)</u>	<u>-</u>
-	(13,683)	(13,683)	-
-	5,702	5,702	-
-	(204)	(204)	-
-	11,166	11,166	-
-	4,321	4,321	-
-	(1,047)	(1,047)	-
-	(41,747)	(41,747)	-
-	36,197	36,197	-
-	500	500	-
-	143,039	143,039	-
<u>-</u>	<u>144,244</u>	<u>144,244</u>	<u>-</u>
<u>(404,771)</u>	<u>144,244</u>	<u>(260,527)</u>	<u>-</u>
-	-	-	(3,808)
173,184	-	173,184	-
55,261	-	55,261	-
41,028	-	41,028	-
73,715	-	73,715	-
46,330	-	46,330	-
24,357	47,512	71,869	1,561
(49)	-	(49)	-
(1,142)	1,142	-	-
13,462	(13,462)	-	-
<u>426,146</u>	<u>35,192</u>	<u>461,338</u>	<u>1,561</u>
21,375	179,436	200,811	(2,247)
664,435	3,020,172	3,684,607	78,367
<u>\$ 685,810</u>	<u>\$ 3,199,608</u>	<u>\$ 3,885,418</u>	<u>\$ 76,120</u>

City of Long Beach
Governmental Funds
Balance Sheet
September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

	General	Housing Development	Community Development Grants
ASSETS			
Pooled Cash and Cash Equivalents	\$ 46,125	\$ 37,275	\$ 1,826
Non-Pooled Cash and Cash Equivalents	6,544	14	14
Non Performing Investments	178	85	-
Non-Pooled Investments	-	-	-
Receivables:			
Interest Receivable	21	-	-
Property Taxes	5,919	-	-
Accounts Receivable	25,063	4	56
Notes and Loans Receivable	2,166	-	-
Due from Other Governments	20,656	-	11,049
Due from Other Funds	9,692	8,431	-
Allowance for Receivables	(20,834)	-	-
Other Assets	881	15	301
Advances to Other Funds	104,957	21,088	6,719
Land Held for Resale	-	17,566	1,332
Other Noncurrent Receivables	-	62,373	36,695
Total Assets	<u>201,368</u>	<u>146,851</u>	<u>57,992</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	5,961	9,302	1,279
Accrued Wages Payable	10,141	86	319
Accrued Interest Payable	13	-	-
Tax and Revenue Anticipation Notes Payable	-	-	-
Due to Other Funds	4,555	40	10,251
Deferred Revenues	8,697	63,274	37,211
Deposits and Collections Held in Trust	3,757	33	32
Advances from Other Funds	7,114	3,819	-
Total Liabilities	<u>40,238</u>	<u>76,554</u>	<u>49,092</u>
Fund Balances (Deficit):			
Reserved for:			
Other Noncurrent Receivables	104,957	21,088	6,719
Asset Seizure Money	2,721	-	-
Encumbrances	741	127	2
Future Advances to Other Funds	1,486	-	-
Future Capital Projects and Special Programs	-	-	-
Housing Development	-	276	-
Land Held for Resale	-	17,567	1,332
Estimated Oil Field Abandonment Costs	-	-	-
Debt Service	5,183	-	-
Unreserved, Designated for:			
Subsequent Years' Appropriations			
General Fund	5,920	-	-
Special Revenue Funds	-	31,239	847
Capital Projects Funds	-	-	-
Emergency			
General Fund	37,622	-	-
Unreserved, Undesignated, Reported in:			
General Fund	2,500	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Total Fund Balance	<u>161,130</u>	<u>70,297</u>	<u>8,900</u>
Total Liabilities and Fund Balances	<u>\$ 201,368</u>	<u>\$ 146,851</u>	<u>\$ 57,992</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, 2008	September 30, 2007
\$ 22,097	\$ 47,577	\$ 82,072	\$ 236,972	\$ 283,397
18,694	79,368	106	104,740	136,461
51	111	129	554	-
-	10,000	-	10,000	10,000
-	415	-	436	1,962
-	-	-	5,919	4,821
61	515	4,827	30,526	24,902
-	-	-	2,166	2,218
6,913	63	19,364	58,045	43,522
213	-	-	18,336	12,453
-	-	(745)	(21,579)	(17,860)
-	4,166	16	5,379	9,048
9,418	22,822	-	165,004	150,925
-	161,935	-	180,833	160,283
-	1,600	1,476	102,144	71,824
<u>57,447</u>	<u>328,572</u>	<u>107,245</u>	<u>899,475</u>	<u>893,956</u>
1,848	3,737	15,288	37,415	29,395
149	418	1,406	12,519	9,680
-	-	-	13	2,436
-	-	-	-	54,000
69	75	8,594	23,584	16,678
796	1,977	12,165	124,120	90,672
1	546	4,108	8,477	6,820
-	160,898	4,900	176,731	167,167
<u>2,863</u>	<u>167,651</u>	<u>46,461</u>	<u>382,859</u>	<u>376,848</u>
9,418	24,603	-	166,785	152,773
-	-	-	2,721	2,186
4,242	1,125	6,111	12,348	8,928
-	-	-	1,486	1,486
(5,238)	48,968	27,125	70,855	110,099
-	-	-	276	196
-	161,935	-	180,834	160,283
-	-	3,268	3,268	3,051
-	61,193	200	66,576	64,770
-	-	-	5,920	983
-	-	24,248	56,334	64,693
46,162	-	-	46,162	76,236
-	-	-	37,622	34,091
-	-	-	2,500	(5,114)
-	-	(168)	(168)	(6,719)
-	(136,903)	-	(136,903)	(150,834)
<u>54,584</u>	<u>160,921</u>	<u>60,784</u>	<u>516,616</u>	<u>517,108</u>
<u>\$ 57,447</u>	<u>\$ 328,572</u>	<u>\$ 107,245</u>	<u>\$ 899,475</u>	<u>\$ 893,956</u>

City Of Long Beach
 Reconciliation of Governmental Fund Balances to Net Assets
 of Governmental Activities in the Statement of Net Assets
 September 30, 2008
 (in Thousands)

Total governmental fund balances	\$ 516,616
Amounts reported for governmental activities in the statement of net assets are different because:	
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.	600,573
Certain property taxes receivable are not available to pay current-period expenditures and, therefore, are deferred in the funds.	2,191
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.	101,896
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)	(487,870)
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.	<u>(47,596)</u>
Net assets of governmental activities	<u>\$ 685,810</u>

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, 2008
With Summarized Financial Information for 2007
(In Thousands)

	<u>General</u>	<u>Housing Development</u>	<u>Community Development Grants</u>
Revenues:			
Taxes:			
Property	\$ 75,916	\$ 19,365	\$ -
Sales	52,792	-	-
Utility Users	41,028	-	-
Other Taxes	54,694	-	-
Licenses and Permits	13,388	145	4
Fines and Forfeitures	18,509	-	-
Use of Money and Property	22,856	1,747	354
From Other Agencies	48,534	2,660	28,927
Charges for Services	24,760	-	-
Other	11,070	2,593	1,263
Total Revenues	363,547	26,510	30,548
Expenditures:			
Current:			
Legislative and Legal	12,481	-	-
General Government	11,221	333	811
Public Safety	263,216	-	-
Public Health	4,812	-	-
Community and Cultural	48,957	42,047	22,018
Public Works	28,758	-	-
Oil Operations	-	-	-
Total Current Expenditures	369,445	42,380	22,829
Capital Improvements	-	-	-
Loss on Disposition of Land Held for Resale	-	-	-
Debt Service:			
Principal	5,191	551	-
Interest	8,107	121	-
Debt Administration Fees	88	-	-
Total Expenditures	382,831	43,052	22,829
Excess of Revenues Over (Under) Expenditures	(19,284)	(16,542)	7,719
Other Financing Sources (Uses):			
Other Deferred Payments	-	-	-
Debt Issuance	-	-	-
Discount on Debt Issuance	-	-	-
Reconveyance of Land	-	(750)	-
Transfers In	39,426	24,353	207
Transfers Out	(3,226)	(5,008)	(10,158)
Total Other Financing Sources (Uses)	36,200	18,595	(9,951)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	16,916	2,053	(2,232)
Fund Balances - October 1	144,214	68,244	11,132
Fund Balances - September 30	\$ 161,130	\$ 70,297	\$ 8,900

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, 2008	September 30, 2007
\$ -	\$ 77,460	\$ -	\$ 172,741	\$ 162,449
-	-	2,469	55,261	55,848
-	-	-	41,028	41,694
-	4,064	14,957	73,715	65,205
1,057	156	19,149	33,899	32,240
-	-	-	18,509	17,644
1,746	8,783	36,100	71,586	59,516
6,028	409	141,869	228,427	230,838
-	-	2,849	27,609	26,168
13	1,222	1,426	17,587	13,711
<u>8,844</u>	<u>92,094</u>	<u>218,819</u>	<u>740,362</u>	<u>705,313</u>
-	-	-	12,481	13,602
-	370	3,346	16,081	15,765
-	-	22,150	285,366	279,382
-	-	42,571	47,383	47,409
-	53,382	87,028	253,432	209,946
-	-	21,463	50,221	42,586
-	-	8,625	8,625	8,171
-	53,752	185,183	673,589	616,861
11,526	-	13,802	25,328	40,790
-	4,459	-	4,459	9,184
-	9,701	376	15,819	15,451
-	22,070	179	30,477	27,349
-	304	5	397	81
<u>11,526</u>	<u>90,286</u>	<u>199,545</u>	<u>750,069</u>	<u>709,716</u>
<u>(2,682)</u>	<u>1,808</u>	<u>19,274</u>	<u>(9,707)</u>	<u>(4,403)</u>
-	-	-	-	291
-	280	-	280	25,748
-	-	-	-	(122)
-	(12,546)	-	(13,296)	-
9,614	7,944	2,809	84,353	91,967
<u>(3,322)</u>	<u>(17,709)</u>	<u>(22,699)</u>	<u>(62,122)</u>	<u>(57,560)</u>
<u>6,292</u>	<u>(22,031)</u>	<u>(19,890)</u>	<u>9,215</u>	<u>60,324</u>
3,610	(20,223)	(616)	(492)	55,921
<u>50,974</u>	<u>181,144</u>	<u>61,400</u>	<u>517,108</u>	<u>461,187</u>
<u>\$ 54,584</u>	<u>\$ 160,921</u>	<u>\$ 60,784</u>	<u>\$ 516,616</u>	<u>\$ 517,108</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, 2008
 (in Thousands)

Excess of revenue and other sources over expenditures and other uses - total governmental funds \$ (492)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost 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) (15,037)

Net effect of miscellaneous transactions involving capital assets (for example, sales, trade-ins and donations) is a decrease to net assets. 13,247

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 444

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. 30,229

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) 19,469

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) (1,397)

Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of certain activities of internal service funds is reported as governmental activities. (Note 3) (25,088)

Change in net assets of governmental activities \$ 21,375

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, 2008
(In Thousands)

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 75,577	\$ 75,577	\$ 75,916	\$ 339
Sales Taxes	52,441	52,441	52,792	351
Utility Users Taxes	43,055	43,055	41,028	(2,027)
Other Taxes	52,812	52,812	54,694	1,882
Licenses and Permits	13,688	13,688	13,388	(300)
Fines and Forfeitures	21,058	21,058	18,509	(2,549)
Use of Money and Property	21,284	21,323	22,856	1,533
From Other Agencies	48,234	51,499	48,534	(2,965)
Charges for Services	23,901	23,769	24,760	991
Other	5,928	5,501	11,070	5,569
Total Revenues	357,978	360,723	363,547	2,824
Expenditures:				
Current:				
Legislative and Legal				
Mayor and City Council	5,651	5,524	5,285	239
City Attorney	3,820	3,820	3,628	192
City Clerk	4,670	4,670	3,679	991
General Government				
City Auditor	2,742	2,742	2,591	151
City Manager	3,787	3,637	3,435	202
Civil Service	2,411	2,411	2,395	16
Financial Management	10,496	10,932	10,821	111
Human Resources	202	202	200	2
Planning and Building	650	650	698	(48)
Non Departmental	(11,551)	(10,604)	(8,703)	(1,901)
Public Safety				
Police	181,576	180,774	179,435	1,339
Fire	67,117	72,840	72,235	605
City Prosecutor	5,304	5,304	5,386	(82)
Planning and Building-Code Enforcement	2,869	2,469	2,305	164
Police and Fire Annuity	4,100	4,100	3,930	170
Public Health	5,404	5,404	4,817	587
Community and Cultural				
Community Development	6,016	5,460	4,896	564
Library	17,010	17,010	16,602	408
Planning and Building-Community Planning	365	365	282	83
Parks and Recreation	27,491	27,491	27,467	24
Public Works	30,147	29,697	28,802	895
Total Current Expenditures	370,277	374,898	370,186	4,712
Debt Service:				
Principal	5,585	5,585	5,191	394
Interest	8,075	8,075	8,107	(32)
Debt Administration Fees	90	90	88	2
Total Expenditures	384,027	388,648	383,572	5,076
Excess of Revenues Over (Under) Expenditures				
	(26,049)	(27,925)	(20,025)	7,900
Other Financing Sources (Uses):				
Debt Issuance	700	700	-	(700)
Transfers In	33,950	28,950	39,426	10,476
Transfers Out	(9,170)	(3,607)	(3,226)	381
Total Other Financing Sources	25,480	26,043	36,200	10,157
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	(569)	(1,882)	16,175	18,057
Fund Balances - October 1, Budgetary Basis	142,966	142,966	142,966	-
Encumbrances, Beginning of the Year	1,248	1,248	1,248	-
Fund Balances - September 30, Budgetary Basis	\$ 143,645	\$ 142,332	\$ 160,389	\$ 18,057

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, 2008
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$17,000	\$ 19,800	\$ 19,365	\$ (435)
Licenses and Permits	24	647	145	(502)
Use of Money and Property From Other Agencies	1,093	1,868	1,747	(121)
Other	4,497	5,407	2,660	(2,747)
	151	2,942	2,593	(349)
Total Revenues	<u>22,765</u>	<u>30,664</u>	<u>26,510</u>	<u>(4,154)</u>
Expenditures:				
General Government				
Financial Management	290	290	333	(43)
Community and Cultural Community Development	105,162	123,813	42,174	81,639
Total Current Expenditures	<u>105,452</u>	<u>124,103</u>	<u>42,507</u>	<u>81,596</u>
Debt Service:				
Principal	592	56	551	(495)
Interest	80	(4)	121	(125)
Debt Administration Fees	14	14	-	14
Total Expenditures	<u>106,138</u>	<u>124,169</u>	<u>43,179</u>	<u>80,990</u>
Excess of Revenues Over (Under) Expenditures	<u>(83,373)</u>	<u>(93,505)</u>	<u>(16,669)</u>	<u>76,836</u>
Other Financing Sources (Uses):				
Debt Issuance	-	1,676	-	(1,676)
Reconveyance of Land	-	-	(750)	(750)
Transfers In	79,673	93,236	24,353	(68,883)
Transfers Out	<u>(3,521)</u>	<u>(1,650)</u>	<u>(5,008)</u>	<u>(3,358)</u>
Total Other Financing Sources (Uses)	<u>76,152</u>	<u>93,262</u>	<u>18,595</u>	<u>(74,667)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(7,221)</u>	<u>(243)</u>	<u>1,926</u>	<u>2,169</u>
Fund Balances -				
October 1, Budgetary Basis	67,919	67,919	67,919	-
Encumbrances - Beginning of the Year	<u>325</u>	<u>325</u>	<u>325</u>	<u>-</u>
Fund Balances -				
September 30, Budgetary Basis	<u>\$61,023</u>	<u>\$ 68,001</u>	<u>\$ 70,170</u>	<u>\$ 2,169</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, 2008
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ -	\$ -	\$ 4	\$ 4
Use of Money and Property	333	333	354	21
From Other Agencies	74,488	69,380	28,927	(40,453)
Other	1,744	1,789	1,263	(526)
Total Revenues	<u>76,565</u>	<u>71,502</u>	<u>30,548</u>	<u>(40,954)</u>
Expenditures:				
General Government				
Financial Management	1,029	1,029	811	218
Community and Cultural				
Community Development	<u>74,150</u>	<u>68,480</u>	<u>22,020</u>	<u>46,460</u>
Total Current Expenditures	<u>75,179</u>	<u>69,509</u>	<u>22,831</u>	<u>46,678</u>
Total Expenditures	<u>75,179</u>	<u>69,509</u>	<u>22,831</u>	<u>46,678</u>
Excess of Revenues Over (Under) Expenditures	<u>1,386</u>	<u>1,993</u>	<u>7,717</u>	<u>5,724</u>
Other Financing Sources (Uses):				
Transfers In	-	156	207	51
Transfers Out	<u>(117)</u>	<u>(880)</u>	<u>(10,158)</u>	<u>(9,278)</u>
Total Other Financing Sources (Uses)	<u>(117)</u>	<u>(724)</u>	<u>(9,951)</u>	<u>(9,227)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,269	1,269	(2,234)	(3,503)
Fund Balances -				
October 1, Budgetary Basis	9,618	9,618	9,618	-
Encumbrances - Beginning of the Year	<u>182</u>	<u>182</u>	<u>182</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$11,069</u>	<u>\$11,069</u>	<u>\$ 7,566</u>	<u>\$ (3,503)</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, 2008
With Summarized Financial Information for 2007
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Gas Utility</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 2,814	\$ 10,540	\$ 67,815	\$ 60,287	\$ 63,531
Non-Pooled Cash and Cash Equivalents	124	20	3	20,131	3
Non Performing Investments	104	26	61	288	-
Non-Pooled Investments	17,789	3,599	12,696	-	-
Receivables:					
Interest Receivable	-	-	-	250	-
Accounts Receivable	6,213	5,248	9,573	2,182	72,809
Due from Other Governments	-	-	281	272	-
Due from Other Funds	768	-	-	20,103	-
Capital Leases Receivable-Current	-	-	-	108	-
Other Receivables	-	-	-	-	-
Allowance for Receivables	(667)	(244)	(311)	(206)	-
Deposits					
Inventory	1,534	2,129	-	110	-
Prepaid Gas-Current	29,812	-	-	-	-
Other Assets-Current	46	-	-	-	-
Total Current Asset	58,537	21,318	90,118	103,525	136,343
Noncurrent Assets:					
Noncurrent Receivables:					
Capital Lease Receivable	-	-	-	-	-
Other Noncurrent Receivables (net)	-	-	4,635	-	-
Advances to Other Funds	3,445	-	-	-	-
Capital Assets:					
Land and Other Capital Assets not being Depreciated	9,309	41,676	7,347	47,890	-
Capital Assets net of Accumulated Depreciation	72,728	218,822	35,073	310,548	-
Prepaid gas-Long Term	835,428	-	-	-	-
Other Assets-Long-Term	-	1,543	-	-	352,000
Total Noncurrent Assets	920,910	262,041	47,055	358,438	352,000
Total Assets	979,447	283,359	137,173	461,963	488,343

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2008	September 30, 2007
		September 30, 2008	September 30, 2007		
\$ 958,183	\$ 185,481	\$ 1,348,651	\$ 1,293,876	\$ 104,344	\$ 89,993
21,509	83	41,873	42,651	6,664	10,882
2,229	431	3,139		243	-
32,228	2,383	68,695	51,255	-	-
581	17	848	809	-	-
51,888	3,202	151,115	123,849	2,787	7,028
2,268	1,737	4,558	9,743	357	357
-	-	20,871	18,305	8,203	6,793
-	-	108	419	-	-
-	69	69	66	-	-
(1,797)	(308)	(3,533)	(3,340)	(175)	(176)
742	60	4,575	4,289	1,777	1,725
-	-	29,812	-	-	-
-	-	46	-	52	1,420
<u>1,067,831</u>	<u>193,155</u>	<u>1,670,827</u>	<u>1,541,922</u>	<u>124,709</u>	<u>128,311</u>
-	-	-	108	-	-
7,903	362	12,900	13,635	8,624	9,713
27,435	7,114	37,994	39,262	-	-
1,231,173	30,452	1,367,847	1,420,519	12,429	14,624
1,012,443	136,889	1,786,503	1,721,231	116,740	123,071
-	-	835,428	-	-	-
57,581	-	411,124	393,503	59,660	65,818
<u>2,336,535</u>	<u>174,817</u>	<u>4,451,796</u>	<u>3,588,258</u>	<u>197,453</u>	<u>213,226</u>
<u>3,404,366</u>	<u>367,972</u>	<u>6,122,623</u>	<u>5,130,180</u>	<u>322,162</u>	<u>341,537</u>

(continued)

City of Long Beach
Proprietary Funds
Statement of Net Assets (Deficit)
September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)
(continued)

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Gas Utility</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
LIABILITIES					
Current Liabilities Payable from Current Assets:					
Accounts Payable	1,966	5,513	6,478	2,378	38,284
Accrued Wages	513	465	331	667	154
Accrued Interest Payable	14,075	739	1,470	3,749	-
Due to Other Funds	238	310	154	1,077	3,899
Deferred Revenues	400	-	276	5,577	-
Collections Held in Trust	-	-	2,901	88	1,170
Customers Deposits	2,144	692	-	25	-
Advances from Developers	-	261	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-	-
Environmental Remediation - Current	-	-	-	-	-
Due to State of California	-	-	-	-	40,768
Obligations Under Capital Leases-Current	-	-	-	672	-
Bonds Payable Due Within One Year	1,050	1,330	6,860	5,445	-
Other Long-Term Obligations-Current	-	-	-	1,335	-
Total Current Liabilities	<u>20,386</u>	<u>9,310</u>	<u>18,470</u>	<u>21,013</u>	<u>84,275</u>
Noncurrent Liabilities:					
Advances from Other Funds	-	-	-	26,267	-
Deferred Revenues	-	-	4,635	-	-
Deferred Credits and Other Deferred Liabilities	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims	-	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	-	352,000
Environmental Remediation	-	-	-	-	-
Site Restoration	-	1,400	-	-	-
Due to State of California	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	565	-
Other Long-Term Obligations	17,259	8,000	-	37,619	-
Unamortized Discount/Deferred cost	-	-	-	-	-
Bonds Payable	890,980	30,870	87,605	165,055	-
Unamortized Discount/Deferred cost	10,590	(3,065)	2,252	(13,705)	-
Total Noncurrent Liabilities	<u>918,829</u>	<u>37,205</u>	<u>94,492</u>	<u>215,801</u>	<u>352,000</u>
Total Liabilities	<u>939,215</u>	<u>46,515</u>	<u>112,962</u>	<u>236,814</u>	<u>436,275</u>
NET ASSETS (DEFICIT)					
Investment in Capital Assets, Net of Related Debt	60,184	221,224	(54,298)	161,452	-
Restricted for:					
Debt Service	783	4,178	12,696	15,821	-
Capital Projects	243	-	196	4,931	-
Health Care Insurance	-	-	-	-	-
Aquarium	-	-	-	6,205	-
Gas Prepay	-	-	-	-	-
Subsidence	-	-	-	-	-
Unrestricted	(20,978)	11,442	65,617	36,740	52,068
Total Net Assets (Deficit)	<u>\$ 40,232</u>	<u>\$ 236,844</u>	<u>\$ 24,211</u>	<u>\$ 225,149</u>	<u>\$ 52,068</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, 2008	September 30, 2007
		September 30, 2008	September 30, 2007		
45,489	3,155	103,263	90,318	4,759	4,934
7,615	453	10,198	8,995	39,859	36,348
16,629	140	36,802	23,731	4,046	4,484
17,142	215	23,035	20,186	791	687
14,587	7,577	28,417	29,723	-	-
-	341	4,500	4,538	753	555
-	-	2,861	2,583	-	-
-	55	316	258	-	-
-	-	-	-	5,850	5,600
-	-	-	-	17,321	17,100
60,412	-	60,412	9,600	-	-
-	-	40,768	31,619	-	-
-	-	672	2,531	3,662	3,680
38,145	-	52,830	57,440	8,990	8,320
60,150	870	62,355	62,474	-	-
<u>260,169</u>	<u>12,806</u>	<u>426,429</u>	<u>343,996</u>	<u>86,031</u>	<u>81,708</u>
-	-	26,267	23,020	-	-
-	5,952	10,587	11,229	-	-
-	-	-	-	-	-
-	-	-	-	72,150	66,297
-	-	-	-	93,008	83,650
19,900	-	371,900	351,700	-	-
16,458	-	16,458	38,100	-	-
-	-	1,400	400	-	-
-	-	-	610	-	-
-	-	565	1,236	11,139	13,898
-	15,512	78,390	66,342	-	-
-	(867)	(867)	(1,025)	-	-
785,205	-	1,959,715	1,255,145	133,875	142,865
19,054	-	15,126	6,257	(9,400)	(11,375)
<u>840,617</u>	<u>20,597</u>	<u>2,479,541</u>	<u>1,753,014</u>	<u>300,772</u>	<u>295,335</u>
<u>1,100,786</u>	<u>33,403</u>	<u>2,905,970</u>	<u>2,097,010</u>	<u>386,803</u>	<u>377,043</u>
1,335,522	151,827	1,875,911	1,684,580	63,460	74,121
102,046	1,295	136,819	144,171	5,902	5,848
44,278	3,620	53,268	57,789	-	-
-	-	-	-	11,171	15,615
-	-	6,205	6,592	-	-
-	-	-	-	-	-
-	163,072	163,072	157,466	-	-
821,734	14,755	981,378	982,572	(145,174)	(131,090)
<u>\$ 2,303,580</u>	<u>\$ 334,569</u>	<u>3,216,653</u>	<u>3,033,170</u>	<u>\$ (64,641)</u>	<u>\$ (35,506)</u>
		(17,045)	(12,998)		
		<u>\$ 3,199,608</u>	<u>\$ 3,020,172</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, 2008
With Summarized Financial Information for 2007
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Gas Utility</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
Operating Revenues:					
Licenses and Permits	\$ -	\$ -	\$ -	\$ 193	\$ -
Fines and Forfeitures	-	-	-	211	-
Fees, Concessions and Rentals	-	-	-	36,334	516,207
From Other Agencies	-	-	-	949	-
Charges for Services	109,134	71,604	83,628	43,802	6,665
Other	13,951	-	-	2	-
Total Operating Revenues	123,085	71,604	83,628	81,491	522,872
Operating Expenses:					
Personal Services	13,817	14,974	11,964	33,607	5,037
Purchases of Gas and Water	64,164	18,036	-	-	-
Maintenance and Other Operations	10,631	24,009	59,785	58,571	6,734
Insurance Premiums	-	-	-	-	-
Self-Insured Losses	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Payments to Other Entities	-	-	-	-	474,907
Bad Debt	503	220	353	-	-
Amortization	101	-	-	800	-
Depreciation	3,297	10,628	4,462	18,175	-
Total Operating Expenses	92,513	67,867	76,564	111,153	486,678
Operating Income (Loss)	30,572	3,737	7,064	(29,662)	36,194
Non-Operating Income (Expenses):					
Interest Income	634	602	3,059	3,885	-
Interest Expense	(44,092)	(2,078)	(4,935)	(11,306)	-
Gain on Disposition of Capital Assets	(136)	(108)	-	30	-
Operating Grants	-	-	953	-	-
Other Income (Expenses)	495	923	2,330	20	84
Total Non-Operating Income (Expenses)	(43,099)	(661)	1,407	(7,371)	84
Income (Loss) Before Contributions and Transfers	(12,527)	3,076	8,471	(37,033)	36,278
Capital Grants and Contributions	-	3,746	-	1,142	-
Transfers:					
Transfers In	-	-	-	47,307	-
Transfers Out	(11,711)	-	(2,306)	-	(30,724)
Change in Net Assets	(24,238)	6,822	6,165	11,416	5,554
Net Assets (Deficit) - October 1	64,470	230,022	18,046	213,733	46,514
Net Assets (Deficit)- September 30	\$ 40,232	\$ 236,844	\$ 24,211	\$ 225,149	\$ 52,068

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, 2008	September 30, 2007
		September 30, 2008	September 30, 2007		
\$ -	\$ -	\$ 193	\$ 435	\$ -	\$ -
-	-	211	-	-	-
355,021	30,053	937,615	640,979	-	-
-	-	949	798	-	-
-	20,566	335,399	318,240	296,809	290,120
4,324	-	18,277	4,310	5,736	5,414
<u>359,345</u>	<u>50,619</u>	<u>1,292,644</u>	<u>964,762</u>	<u>302,545</u>	<u>295,534</u>
38,598	13,750	131,747	118,616	33,909	31,841
-	-	82,200	81,879	-	-
77,568	32,516	269,814	243,849	45,201	40,757
-	-	-	-	2,392	2,763
-	-	-	-	24,987	8,597
-	-	-	-	47,144	44,502
-	-	-	-	139,250	138,166
-	-	474,907	188,365	-	-
-	24	1,100	749	-	-
-	122	1,023	6,621	8,032	7,398
79,497	6,111	122,170	116,307	14,047	13,326
<u>195,663</u>	<u>52,523</u>	<u>1,082,961</u>	<u>756,386</u>	<u>314,962</u>	<u>287,350</u>
<u>163,682</u>	<u>(1,904)</u>	<u>209,683</u>	<u>208,376</u>	<u>(12,417)</u>	<u>8,184</u>
33,347	5,985	47,512	62,329	1,182	2,405
(46,391)	(535)	(109,337)	(72,646)	(8,207)	(8,630)
(255)	-	(469)	(421)	94	(23)
-	288	1,241	2,116	-	-
22,774	5,562	32,188	(6,856)	(234)	4,447
<u>9,475</u>	<u>11,300</u>	<u>(28,865)</u>	<u>(15,478)</u>	<u>(7,165)</u>	<u>(1,801)</u>
173,157	9,396	180,818	192,898	(19,582)	6,383
3,742	7,496	16,126	24,838	(783)	(3,582)
-	32	47,339	26,939	-	116
(16,059)	-	(60,800)	(55,564)	(8,770)	(5,898)
160,840	16,924	183,483	189,111	(29,135)	(2,981)
<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>
<u>\$ 2,303,580</u>	<u>\$ 334,569</u>	<u>\$ 3,216,653</u>	<u>\$ 3,033,170</u>	<u>\$ (64,641)</u>	<u>\$ (35,506)</u>
		183,483	189,111		
		(4,047)	1,680		
		<u>\$ 179,436</u>	<u>\$ 190,791</u>		

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

<u>Business-Type Activities - Enterprise Funds</u>				
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Gas Utility</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 107,381	\$ 71,549	\$ 83,112	\$ 87,551
Receipts from Oil Companies	-	-	-	-
Receipts from Other Governments	-	-	-	1,512
Receipts from Other Funds	-	-	-	-
Payments for Employee Salaries	(13,474)	(14,847)	(11,867)	(33,457)
Payments for Goods and Services	(39,305)	(37,552)	(59,999)	(58,264)
Payments for Compensated Absences	-	-	-	-
Payments for Employee Benefits	-	-	-	-
Payments for Liability Claims	-	-	-	-
Payments to Other Entities	-	-	-	-
Payments in Lieu of Taxes	-	(5,107)	-	-
Other Income (Expense)	13,240	878	2,353	21
Net Cash Provided by (Used for)				
Operating Activities	<u>67,842</u>	<u>14,921</u>	<u>13,599</u>	<u>(2,637)</u>
Cash Flows from Non-Capital Financing Activities:				
Other Income	(113)	-	-	-
Operating Grants Received from Other Governments	-	-	999	-
Transfers In	-	-	-	47,801
Proceeds from Issuance of Bonds	897,963	-	-	-
Receipts for Oil Well Abandonment Reserve	-	-	-	-
Clean Air Action Plan	-	-	-	-
Prepay gas supply expenditures	(904,660)	-	-	-
Payments of Interest	(29,544)	-	-	-
Transfers Out	(11,711)	-	(2,306)	-
Net Cash Provided by (Used for)				
Non-Capital Financing Activities	<u>(48,065)</u>	<u>-</u>	<u>(1,307)</u>	<u>47,801</u>
Cash Flows from Capital and Related Financing Activities:				
Receipt of Capital Grants	-	4,326	-	-
Proceeds from the Sale of Capital Assets	-	116	-	30
Proceeds from Issuance of Long-Term Obligations	2,004	2,000	-	3,359
Proceeds from Issuance of Bonds	-	-	-	-
Receipts of Contributed Capital	-	-	-	-
Proceeds Received on Payment of Capital Leases	-	-	-	419
Proceeds from Capital Leases Receivable from Other Funds	733	-	-	-
Principal Received on Other Long term Receivable	-	-	-	-
Payments for Capital Acquisitions	(12,181)	(16,733)	(679)	(1,918)
Payments of Principal on Bonds Payable	(925)	(1,265)	(6,690)	(8,391)
Payments of Principal on Other Long-Term Obligations	-	(85)	-	(4,725)
Payments of Interest	(522)	(1,902)	(4,722)	(10,770)
Net Cash Used for Capital and Related Financing Activities	<u>(10,891)</u>	<u>(13,543)</u>	<u>(12,091)</u>	<u>(21,996)</u>
Cash Flows from Investing Activities:				
Proceeds from the Sale of Investments	-	-	(179)	-
Payment for Investments	(17,139)	-	(499)	-
Payments from Other Government Entities	-	-	-	-
Harbor Oil Operations Providing Cash	-	-	-	-
Receipts of Interest	530	576	2,996	3,593
Net Cash Provided by Investing Activities	<u>(16,609)</u>	<u>576</u>	<u>2,318</u>	<u>3,593</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,723)	1,954	2,519	26,761
Cash and Cash Equivalents - October 1	10,661	8,606	65,299	53,657
Cash and Cash Equivalents - September 30	<u>\$ 2,938</u>	<u>\$ 10,560</u>	<u>\$ 67,818</u>	<u>\$ 80,418</u>

Tideland Oil Revenue	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2008	September 30, 2007
			September 30, 2008	September 30, 2007		
\$ -	\$ 359,341	\$ 51,126	\$ 760,060	\$ 744,382	\$ 5,698	\$ 6,085
495,338	-	-	495,338	213,242	-	-
-	-	-	1,512	737	-	-
-	-	-	-	-	299,677	291,109
(5,011)	(32,680)	(13,651)	(124,987)	(114,677)	(33,166)	(31,714)
16,618	(51,260)	(21,138)	(250,900)	(309,253)	(47,816)	(41,961)
-	-	-	-	-	(58,186)	(53,742)
-	-	-	-	-	(120,799)	(141,292)
-	-	-	-	-	(2,446)	(1,472)
(466,368)	-	-	(466,368)	(162,215)	-	-
-	-	(13,944)	(19,051)	(17,868)	-	-
85	-	81	16,658	2,680	(235)	4,784
<u>40,662</u>	<u>275,401</u>	<u>2,474</u>	<u>412,262</u>	<u>357,028</u>	<u>42,727</u>	<u>31,797</u>
-	-	-	(113)	774	-	-
-	-	288	1,287	2,068	-	-
-	-	32	47,833	25,324	-	116
-	-	-	897,963	-	-	-
-	-	-	-	-	-	-
-	(1,148)	-	(1,148)	-	-	-
-	-	-	(904,660)	-	-	-
-	-	-	(29,544)	-	-	-
(30,724)	(15,400)	-	(60,141)	(54,386)	(8,770)	(5,897)
<u>(30,724)</u>	<u>(16,548)</u>	<u>320</u>	<u>(48,523)</u>	<u>(26,220)</u>	<u>(8,770)</u>	<u>(5,781)</u>
-	7,047	4,737	16,110	10,838	-	-
-	945	-	1,091	142	645	276
-	-	7,012	14,375	16,569	1,300	1,727
-	-	-	-	-	-	-
-	-	8,202	8,202	12,467	188	181
-	-	-	419	386	-	-
-	-	-	733	698	-	-
-	-	62	62	-	-	-
-	(97,517)	(24,518)	(153,546)	(170,936)	(5,955)	(20,737)
-	(170,130)	-	(187,401)	(55,840)	-	-
-	(41)	(825)	(5,676)	13,885	(12,398)	(9,642)
-	(50,788)	(550)	(69,254)	(73,242)	(8,545)	(8,657)
<u>-</u>	<u>(310,484)</u>	<u>(5,880)</u>	<u>(374,885)</u>	<u>(245,033)</u>	<u>(24,765)</u>	<u>(36,852)</u>
-	8,000	470	8,291	266	-	-
-	-	-	(17,638)	(65)	-	-
-	-	500	500	500	-	-
-	29,727	-	29,727	11,123	-	-
-	31,072	5,495	44,262	62,280	941	2,405
<u>-</u>	<u>68,799</u>	<u>6,465</u>	<u>65,142</u>	<u>74,104</u>	<u>941</u>	<u>2,405</u>
9,938	17,168	3,379	53,996	159,879	10,133	(8,431)
53,596	962,524	182,185	1,336,528	1,176,649	100,875	109,306
<u>\$ 63,534</u>	<u>\$ 979,692</u>	<u>\$ 185,564</u>	<u>\$ 1,390,524</u>	<u>\$ 1,336,528</u>	<u>\$ 111,008</u>	<u>\$ 100,875</u>

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)
(Continued)

Business-Type Activities - Enterprise Funds

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Gas Utility</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>
Operating Income (Loss)	\$ 30,572	\$ 3,737	\$ 7,064	\$ (29,662)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization Expense	3,398	10,628	4,462	18,975
Other Income (Expense)	(196)	1,136	2,332	20
(Increase) Decrease in Accounts Receivable, Net	(2,725)	(42)	(3,025)	6,733
(Increase) Decrease in Amounts Due from Other Governments	-	-	207	562
(Increase) Decrease in Amounts Due from Other Funds	807	905	-	-
(Increase) Decrease in Inventory	(408)	126	-	-
(Increase) in Other Assets	39,374	-	-	-
Increase in Other Non-Operating Assets	-	-	-	-
Increase in Environmental Liabilities	-	-	-	-
Increase (Decrease) in Accounts Payable	(3,274)	(1,683)	(114)	(704)
Increase in Accrued Wages Payable	105	128	71	150
Increase (Decrease) in Amounts Due to Other Funds	37	-	26	1,012
(Decrease) in Accrued Claims Payable	-	-	-	-
Increase (Decrease) in Deferred Revenues	(140)	-	276	277
Decrease in Deferred Credits	-	-	(80)	-
Increase (Decrease) in Collections Held in Trust	292	(14)	2,380	-
Total Adjustments	<u>37,270</u>	<u>11,184</u>	<u>6,535</u>	<u>27,025</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 67,842</u>	<u>\$ 14,921</u>	<u>\$ 13,599</u>	<u>\$ (2,637)</u>

Tideland Oil Revenue	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2008	September 30, 2007
			September 30, 2008	September 30, 2007		
<u>\$ 36,194</u>	<u>\$ 163,682</u>	<u>\$ (1,904)</u>	<u>\$ 209,683</u>	<u>\$ 208,376</u>	<u>\$ (12,417)</u>	<u>\$ 8,184</u>
-	79,497	6,233	123,193	122,966	22,079	20,724
84	27	105	3,508	2,761	854	1,716
(25,021)	587	440	(23,053)	(9,195)	4,237	1,917
8,539	-	-	9,308	25,665	2	345
-	-	-	1,712	926	(1,397)	(312)
-	(8)	1	(289)	(574)	(104)	11
-	-	-	39,374	-	1,420	(1,420)
-	-	-	-	-	-	-
-	24,460	-	24,460	-	-	-
21,540	7,940	(2,728)	20,977	701	(173)	1,536
26	-	91	571	887	18,357	3,010
1,813	9	168	3,065	306	92	59
-	-	-	-	-	9,579	(4,039)
-	(793)	(26)	(406)	1,642	-	-
-	-	-	(80)	(80)	-	-
(2,513)	-	94	239	2,647	198	66
<u>4,468</u>	<u>111,719</u>	<u>4,378</u>	<u>202,579</u>	<u>148,652</u>	<u>55,144</u>	<u>23,613</u>
<u>\$ 40,662</u>	<u>\$ 275,401</u>	<u>\$ 2,474</u>	<u>\$ 412,262</u>	<u>\$ 357,028</u>	<u>\$ 42,727</u>	<u>\$ 31,797</u>

City of Long Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008
(In Thousands)

	Private Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Pooled Cash and Cash Equivalents	\$ 1,028	\$ 12,570
Non-Pooled Cash and Cash Equivalents	-	17,278
Non Performing Investments	2	25
Restricted Pooled Cash and Cash Equivalents		
Accounts Receivable	-	25
Land	-	11,000
Total Assets	<u>\$ 1,030</u>	<u>\$ 40,898</u>
LIABILITIES:		
Accounts Payable	-	151
Due to Special Assessment Bondholders	-	13,423
Collections Held in Trust	-	27,324
Total Liabilities	<u>-</u>	<u>40,898</u>
NET ASSETS:		
Held in Trust for Private Purpose Trust Funds	<u>\$ 1,030</u>	<u>\$ -</u>

City of Long Beach
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
September 30, 2008
(In Thousands)

	Private Purpose Trust
	<u> </u>
ADDITIONS:	
Interest Income	\$ 33
Contributions from Citizens	29
Total Additions	<u>62</u>
DEDUCTIONS:	
Community and Cultural	<u>24</u>
Change in Net Assets	38
Net Assets, October 1	<u>992</u>
Net Assets, September 30	<u>\$ 1,030</u>

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, 2008**

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 11 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.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 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 Authority (SERRF) 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 20).

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008**

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. 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 Utility 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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

as ex-officio Board members but do not have voting authority. LBT's mission is "to provide public transit services that enhance and improve the quality of life for the people in our community."

LBT's governing body does not share common membership with that of the City and its service area overlaps other communities. The financial operations of the LBT are reported as a separate column in the basic financial statements to emphasize that it is legally and operationally separate from the City. Separate financial statements can be obtained from the Senior Vice President and CFO, Long Beach Transit, P.O. Box 731, Long Beach, 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, 2007, 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, 2008**

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 2008-2009 are included in the City fiscal year 2008-2009 budget and financial statements as the tax proceeds are received by the City in December 2008 and April 2009, and have not been recorded in the accompanying financial statements for fiscal year 2007-2008.

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, 2008**

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

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's Agency funds include Los Cerritos Wetlands Authority, which holds land and cash for the protection and restoration of the Los Cerritos Wetlands area, and Special Assessment Districts that issue various debts for the benefit of Long Beach area property owners.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by generally accepted accounting principles, the City has not elected to apply those Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989 that may apply to the accounting and reporting practices of the City's enterprise and business-type activities, except those that may conflict with GASB pronouncements. 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, 2008 (see Note 4).

Receivables and Payables

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

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

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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 thousand 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, as a policy, are amortized using the effective interest rate method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding.

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

Revenue Recognition for Utility Funds

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

Employee Benefits and Compensated Absences

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

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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 14).

Budgetary Principles

The City Council adopted the fiscal year 2008 budget prior to September 30, 2007 for all funds except for agency funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Budget information is presented in the accompanying basic financial statements for the General Fund, 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.

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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 implemented Government Accounting Standards Board (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*. The 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. Application of this statement is effective for the City's 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*. The statement 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 Postemployment 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 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. Application of this statement is effective for the

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City's fiscal year ended September 30, 2008. The additional disclosure required by the implementation of GASB 45 is available in Note 14.

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*. The 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. Application of this statement is effective for the City's fiscal year ended September 30, 2008. The additional disclosure required by the implementation of GASB 48 is available in Note 10.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. The statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as Required Supplementary Information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Application of this statement is effective for the City's fiscal year ended September 30, 2008. The additional disclosure required by the implementation of GASB 50 is available in Note 13.

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

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The statement focuses on the current or potential detrimental effects of existing pollution through the participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and 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 application of this statement is effective for the City's fiscal year ending September 30, 2009.

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In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Application of this statement is effective for the City's fiscal year ending September 30, 2010.

In November of 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement more appropriately reports the resources available in endowments and more closely aligns financial reporting with the objectives of endowments. It results in property held for similar purposes by comparable entities being reported in the same manner. Reporting land and other real estate held as investments at fair value enhances users' ability to meaningfully evaluate an entity's investment decisions and performance. Application of this statement is effective for the City's fiscal year ending September 30, 2009.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. Application of this statement is effective for the City's fiscal year ending September 30, 2010.

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 immaterial amounts reported in fiscal year 2007 have been reclassified to conform to the fiscal year 2008 presentation. Such reclassifications had no effect on the previously reported change in net assets.

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

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

The governmental funds balance sheet includes 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 10)	\$ 426,232
Less: Deferred charge on refunding (to be amortized as interest expense)	(2,233)
Plus: issuance premium (to be amortized as a reduction of interest expense)	9,439
Less: issuance discount (to be amortized as an increase of interest expense)	(810)
Notes payable and other long-term obligations	38,763
Capital lease payable	18,191
Accrued interest payable	6,843
Less: deferred charge for issuance costs (to be amortized over life of debt)	<u>(8,555)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 487,870</u></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	\$ 11,493
Contributed Asset	(171)
Depreciation expense	<u>(26,359)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (15,037)</u></u>

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

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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 notes, certificates of participation, commercial paper and other long-term obligations	\$ (280)
Principal repayments:	
Revenue bond debt	9,896
Notes, certificates of participation, commercial paper and other long-term obligations	2,212
Police and fire annuities paid (closed plan)	3,930
Capital leases	<u>3,711</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 19,469</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	\$ (1,273)
Accrued interest	(76)
Amortization of premium	476
Amortization of discount	(32)
Amortization of issuance cost	(389)
Amortization of deferred charge on refunding	<u>(103)</u>
Net difference	<u>\$ (1,397)</u>

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	\$ (29,135)
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>4,047</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (25,088)</u>

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NOTE 4 – CASH AND INVESTMENTS

Cash and Investments as of September 30, 2008 are classified in the accompanying financial statements as follows (in thousands):

Statement of net assets:	
Cash and investments in City pool	\$1,703,565
Non-performing short term investment	3,962
Cash and investments held by bond trustee	<u>249,250</u>
Total cash and investments	<u><u>\$1,956,777</u></u>

Cash and Investments as of September 30, 2008 consist of the following:	
Cash and deposits	\$ 60,313
Outstanding Checks	(19,752)
Investments	<u>1,916,216</u>
Total cash and investments	<u><u>\$1,956,777</u></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, 2008 is as follows (in thousands):

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Pooled Cash and Cash Equivalents	\$ 56,696	\$ 224,022	\$ 13,598	\$ 294,316	\$ -
Pooled Investments	124,348	491,342	-	615,690	43,762
Non Performing Investments	796	3,139	27	3,962	-
Noncurrent Pooled Investments	160,272	633,287	-	793,559	-
Noncurrent Non-Pooled Investments	121,404	110,568	17,278	249,250	-
Total Deposits and Investments	<u>\$ 463,516</u>	<u>\$ 1,462,358</u>	<u>\$ 30,903</u>	<u>\$ 1,956,777</u>	<u>\$ 43,762</u>

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

The table below identifies the investment types that are authorized by the City's investment policy. 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.

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

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

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

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The following schedule indicates the interest rate risk of the City's investments as of September 30, 2008 (in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Cash and Investments in City Pool		
Inter-Department Loan (Health Savrs)	\$ 2,892	10.60
U.S. Treasury Notes	55,816	0.41
Federal agency securities	1,289,369	1.96
Medium-Term Notes	84,148	0.99
Local Agency Investment Fund (LAIF)	160,848	0.09
Government Managed Rate Account	69,931	
Subtotal City Pool	<u>1,663,004</u>	
Cash and Deposits	60,313	
Outstanding Checks	(19,752)	
Total City Pool	<u>\$ 1,703,565</u>	
Non Performing Investment - Short Term	<u>\$ 3,962</u>	-
Cash and Investments Held by bond Trustee		
Guaranteed Investment Contracts	\$ 144,563	-
Money Market Funds	92,304	-
Time Certificates of Deposit	10,000	1.00
City Bonds	2,383	-
Total held by Bond Trustees	<u>\$ 249,250</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, 2008. 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):

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Investment Type	Legal Rating	Rating as of Year End						
			Not Required To Be Rated	A-1+	A-1	AAA	AA-	Unrated
Cash and Investments in City Pool								
Inter-Department Loan (Health Savrs)	N/A	\$ 2,892	\$ 2,892	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	N/A	55,816	55,816	-	-	-	-	-
Federal agency securities	N/A	1,289,369	-	-	-	1,289,369	-	-
Medium-Term Notes	A	84,148	-	-	-	84,148	-	-
Local Agency Investment Fund (LAIF)	N/A	160,848	160,848	-	-	-	-	-
Government Managed Rate account	N/A	69,931	69,931	-	-	-	-	-
Subtotal City Pool		1,663,004	289,487	-	-	1,373,517	-	-
Cash and Deposits		60,313	-	-	-	-	-	60,313
Outstanding Checks		(19,752)	-	-	-	-	-	(19,752)
Total City Pool		\$ 1,703,565	\$ 289,487	\$ -	\$ -	\$ 1,373,517	\$ -	\$ 40,561
Non Performing Investment - Short Term	N/A	\$ 3,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,962
Cash and Investments Held by bond Trustee								
Guaranteed Investment Contracts	N/A	144,563	144,563	-	-	-	-	-
Money Market Funds	N/A	92,304	92,304	-	-	-	-	-
Time Certificates of Deposit	N/A	10,000	-	-	-	-	-	10,000
City Bonds	N/A	2,383	-	-	-	-	-	2,383
Total held by Bond Trustees		\$ 249,250	\$ 236,867	\$ -	\$ -	\$ -	\$ -	\$ 12,383

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	\$ 93,000
Federal Home Loan Bank	Federal Agency Securities	477,695
Federal Home Loan Mortgage Association	Federal Agency Securities	359,571
Federal National Mortgage Association	Federal Agency Securities	359,103
Local Agency Investment Fund (LAIF)	Local Agency Investment Fund (LAIF)	160,848

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

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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, 2008, the City reports deposits of \$60,313,000 less \$19,752,000 for checks outstanding.

Investment in State Investment Pool

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

Securities Lending

The City did not engage in any securities lending programs for the fiscal year ended September 30, 2008. 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, 2008. The LBT elected to have all but \$5 thousand of its investments with LAIF. The remaining \$5 thousand was invested in an overnight repurchase agreement.

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

Component Unit Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of 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 212 days.

Information about the sensitivity of fair values of the LBT's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2008 (in thousands):

LBT also has cash on hand and deposits with financial institutions totaling \$3,266,000 which do not have interest rate risk.

		<u>Maturity Date</u>
Local Agency Investment Fund (LAIF)	\$39,996	212 days average maturity
Repurchase Agreement (Overnight Sweep Account)	<u>500</u>	July 1, 2008
Total	<u>\$40,496</u>	

Component Unit Credit Risk

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

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 five percent or more of total LBT investments.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

NOTE 5 – RECEIVABLES

Receivables at September 30, 2008 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands). All receivables are expected to be collected within one year, except for delinquent property taxes.

	<u>General</u>	<u>Housing Development</u>	<u>Community Development Grants</u>	<u>General Capital Projects</u>	<u>Redevelopment Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Governmental Activities:								
Receivables:								
Interest	\$ 21	\$ -	\$ -	\$ -	\$ 415	\$ -	\$ -	\$ 436
Taxes	5,919	-	-	-	-	-	-	5,919
Accounts, Unrestricted	25,063	4	56	61	515	4,827	2,787	33,313
Notes and Loans	2,166	-	-	-	-	-	-	2,166
Due from Other								
Governments	20,656	-	11,049	6,913	63	19,364	357	58,402
Total Receivables	53,825	4	11,105	6,974	993	24,191	3,144	100,236
Less Allowance for Receivables	(20,834)	-	-	-	-	(745)	(175)	(21,754)
Net Receivables	<u>\$32,991</u>	<u>\$ 4</u>	<u>\$ 11,105</u>	<u>\$ 6,974</u>	<u>\$ 993</u>	<u>\$ 23,446</u>	<u>\$ 2,969</u>	<u>\$ 78,482</u>
	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>	<u>Harbor</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
Business-Type Activities:								
Receivables:								
Interest, Unrestricted	\$ -	\$ -	\$ -	\$ 250	\$ -	\$ 581	\$ 17	\$ 848
Accounts, Unrestricted	6,213	5,248	9,573	2,182	72,809	51,888	3,202	151,115
Capital Lease-current	-	-	-	108	-	-	-	108
Other Receivables	-	-	-	-	-	-	69	69
Due from Other								
Governments	-	-	281	272	-	2,268	1,737	4,558
Total Receivables	6,213	5,248	9,854	2,812	72,809	54,737	5,025	156,698
Less Allowance for Receivables	(667)	(244)	(311)	(206)	-	(1,797)	(308)	(3,533)
Net Receivables	<u>\$ 5,546</u>	<u>\$ 5,004</u>	<u>\$ 9,543</u>	<u>\$ 2,606</u>	<u>\$ 72,809</u>	<u>\$ 52,940</u>	<u>\$ 4,717</u>	<u>\$153,165</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2008 is as follows (in thousands):

<u>Due to / from Other Funds:</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Development Grants	\$ 1,459
	Nonmajor Governmental Funds	7,941
	Internal Service Funds	292
Subtotal General Fund		9,692
Housing Development	Community Development Grants	8,431
General Capital Projects	Community Development Grants	213
Gas Utility	Tidelands	768
Tidelands	Tideland Oil Revenue	3,828
	Harbor	16,275
Subtotal Tidelands		20,103
Internal Service Funds	General	4,555
	Housing Development	40
	Community Development Grants	148
	General Capital Projects	69
	Redevelopment Capital Projects	75
	Nonmajor Governmental Funds	653
	Gas	238
	Water	310
	Solid Waste Management	154
	Tidelands	309
	Tideland Oil Revenue	71
	Harbor	867
	Nonmajor Business-type Funds	215
	Internal Service Funds	499
Subtotal Internal Service Funds		8,203
Total Due to / from Other Funds		47,410
 <u>Advances from / to Other Funds:</u>		
General	Redevelopment Capital Projects	102,957
	Nonmajor Governmental Funds	2,000
Subtotal - General Fund		104,957
Housing Development	Redevelopment Capital Projects	21,088
Community Development Grants	Housing Development	3,819
	Nonmajor Governmental Funds	2,900
Subtotal - Community Development Grants		6,719
General Capital Projects	Redevelopment Capital Projects	9,418
Redevelopment Capital Projects	Tidelands	22,822
Gas Utility	Tidelands	3,445
Harbor	Redevelopment Capital Projects	27,435
Nonmajor Business-type Funds	General Fund	7,114
Total Advances from / to Other Funds		202,998
Total Interfund Balances Entity-Wide		250,408
Less Amounts Eliminated in the Entity-Wide Basis Financial Statements		(257,890)
Entity-Wide Basis Financial Statement Internal Balances		\$ (7,482)

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

The General Fund has advanced \$1,459,000 to the Community Development Grants Fund to cover operating expenses prior to receipt of grant funds from the Home Investment Partnership Act, Community Development Block Grant and Workforce Investment Act. In addition, the General Fund advanced the General Grants Fund and Health Fund, nonmajor governmental funds, \$4,583,000 and \$3,358,000, respectively, providing temporary cash flow to cover expenses for the Urban Area Security Initiative Grant and various health grants including the Homeless Supportive Housing Grant.

Community Development Grant Funds owes the Housing Development Fund \$8,431,000 for expenditures incurred in advance of Housing and Urban Development (HUD) draw downs for the Century Village in Cabrillo development of affordable permanent and long term transitory housing for the homeless.

Under the 1992 Optimized Waterflood Program Agreement the Tidelands Fund receives 8.5 percent of the incremental oil revenue generated by the injection of water into the oil fields in the Tidelands area. As of September 30, 2008 \$3,828,000 is payable from the Tidelands Oil Revenue Fund to the Tidelands Fund.

The City, under authority of the City Charter Chapter XII, Section 1209(c)(4), and with the approval of the Board of Harbor Commissioners adopted a resolution to transfer 10 percent, or 16,059,000, of the Harbor Fund net income for fiscal year 2007 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 2009. In addition, the Harbor Fund recorded \$216,000 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, 2008 are payable from various funds to the Employee Benefits Internal Service Fund in the amount of \$8,203,000 at September 30, 2008.

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 2008, the City provided the Redevelopment Agency (the Agency) with certain federal grant monies for use on redevelopment projects. At September 30, 2008, the outstanding balances of these advances totaled \$102,957,000 and \$4,726,000 in the General Fund and Housing Development Fund, respectively. General Capital Projects Fund's advance to the Redevelopment Agency consists of prior funding of \$1,303,000 for land acquisition and planning and engineering services provided by the City and current year advances of \$7,959,000 from the City's 2006 Open Space Bonds proceeds. Interest on this advance totaled \$156,000 for a total balance due as of September 30, 2008 of \$9,418,000. The bond proceeds helped fund acquisition and design cost for the Pacific Electric Right-of-Way, Craftsman Park, Drake Park and Seaside Park in the downtown and north Redevelopment project areas. The Agency makes discretionary payments to the City annually, which in fiscal year 2008 amounted to approximately \$1,710,000. Interest on the

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

advances is set at 0.05 percent above the City interest rate payments on the City's Tax Anticipation Note. 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.

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 2008, all seven of the Agency's redevelopment project areas paid their full allocation of the year's required 20 percent housing set aside.

The Agency has entered into a financing agreement with the Port of Long Beach (Harbor Fund), under which the Agency was advanced \$30,000,000 for the expansion of the Long Beach Convention and Entertainment Center. A payment of \$1,765,000 was made on the note by the Agency in November 1998. An amendment deferred payments to be made in quarterly installments of \$441,000 over 16 years, beginning in 2002. At September 30, 2008 and 2007, 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, 2008, the Redevelopment Capital Projects Fund advanced \$22,822,000 to the Tidelands Fund. Such monies arose from Downtown Redevelopment area Transient Occupancy Taxes (TOT) transferred in the amount of \$3,937,000 for fiscal year 2008 and \$18,460,000 for fiscal years 2002 through 2007 and interest earnings on the TOT in the amount of \$78,000 in fiscal year 2008 and \$347,000 from fiscal years 2002 through 2007. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed. The Redevelopment Agency shall be reimbursed for any such advance together with interest, at a rate equal to the rate earned on the City Treasurer's Investment Pool, as monies are available.

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 26 parcels of land, each containing a four-plex apartment building for affordable rental housing for low and very low-income residents. The Company is required to make the principal payments to the City using 25 percent of the proceeds from

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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, 2008, 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 2.0 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, 2008 is \$3,445,000. The current amount due to the Gas Fund, at September 30, 2008 is \$768,000.

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 in the amount 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 30, 2008 is \$7,114,000.

**CITY OF LONG BEACH
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Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2008 interfund transfers are as follows (in thousands):

	Transfers To:					Total Major Governmental Funds
	General	Housing Development	Community Development Grants	General Capital Projects	Redevelop- ment Capital Projects	
Transfers Out of:						
General	\$ -	\$ -	\$ 161	\$ 2,012	\$ -	\$ 2,173
Housing Development	-	-	46	-	4,962	5,008
Community Development Grants	600	9,013	-	545	-	10,158
General Capital Projects	-	-	-	-	2,982	2,982
Redevelopment Capital Projects	407	15,340	-	22	-	15,769
Nonmajor Governmental	21,767	-	-	900	-	22,667
Gas	11,711	-	-	-	-	11,711
Solid Waste Management	2,306	-	-	-	-	2,306
Internal Service Funds	2,635	-	-	6,135	-	8,770
Total Transfers In	\$ 39,426	\$ 24,353	\$ 207	\$ 9,614	\$ 7,944	\$ 81,544

	Transfers To:					Total Transfers Out
	Nonmajor Governmental Funds	Tidelands	Nonmajor Enterprise Funds	Internal Service Funds	Total Other Funds Transfers Out	
Transfers Out of:						
General	\$ 1,053	\$ -	\$ -	\$ -	\$ 1,053	\$ 3,226
Housing Development	-	-	-	-	-	5,008
Community Development Grants	-	-	-	-	-	10,158
General Capital Projects	340	-	-	-	340	3,322
Redevelopment Capital Projects	1,416	524	-	-	1,940	17,709
Nonmajor Governmental	-	-	32	-	32	22,699
Gas	-	-	-	-	-	11,711
Solid Waste Management	-	-	-	-	-	2,306
Tidelands	-	-	-	-	-	-
Tideland Oil Revenue	-	30,724	-	-	30,724	30,724
Harbor	-	16,059	-	-	16,059	16,059
Internal Service Funds	-	-	-	-	-	8,770
Total Transfers In	\$ 2,809	\$ 47,307	\$ 32	\$ -	\$ 50,148	\$ 131,692

The significant transfers include:

The General Fund transferred \$2,011,000 to the General Capital Projects Fund for ongoing projects such as City street and sidewalk construction, and City building improvements, maintenance and repairs.

The Community Development Grants Fund transferred \$545,000 to the General Capital Projects Fund for ongoing Americans with Disabilities Act modifications and projects.

The Park Development Fund, included as non-major governmental funds, transferred \$900,000 to the General Capital Projects Fund for ongoing City park projects and other capital projects.

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The General Fund transferred \$161,000 to the Community Development Grants Fund to provide a City-match to the Workforce Investment Act Grant.

The General Fund transferred \$46,000 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 \$684,000, \$257,000 and \$112,000 to the Health Fund Development Services Fund and the Certified Unified Program Agency Fund, respectively, included as non-major governmental funds, to assist coverage of indirect cost allocation charges.

The Upland Oil Properties Fund, included as a non-major governmental fund, transferred \$21,525,000 to the General Fund for royalties due the City.

The Housing Development Fund transferred a total of \$4,962,000 to the Redevelopment Capital Projects Fund, \$1,651,000 to support the construction of a 66 unit senior housing project, and \$3,311,000 for payment of bond principal and interest payments related to Redevelopment Agency Housing Bonds.

The Community Development Grants Fund transferred \$600,000 to the General Fund for a portion of interest payments due on the 2006 Open Space Bonds.

The Community Development Grants Fund transferred \$9,013,000 to the Housing Development Fund pursuant to an agreement between the City and the Long Beach Housing Development Company (LBHDC). Under the agreement HUD has designated the City as a participating jurisdiction to receive allocations of funds to facilitate the development of affordable rental housing and homeownership affordability through the acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing and to provide mortgage assistance.

In 2005, the Redevelopment Agency of the City of Long Beach (Agency) sold tax allocation bonds secured by the Agency's 26 set-aside for low- and moderate-income housing. As the 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 2008, the transfer of bond proceeds from the Agency to LBHDC totaled \$14,300,000. In addition, the Redevelopment Agency transferred \$1,040,000 the Long Beach Development Fund in exchange for land held for resale with a book value of \$750,000. The Agency with LBHDC involvement was planning to do a mixed-income residential project on the property bounded by Broadway, Long Beach Boulevard and Waite Court, which included the LBHDC-owned property at 248 E. Broadway. Due to the crisis in the residential markets, the proposed use for a smaller site, including the LBHDC-owned property, changed to hotel. Since low- and moderate-income housing funds may not be used to support the development of such, the land was transferred to the Agency.

The General Capital Projects Fund transferred \$2,982,000 to the Redevelopment Agency in exchange for land for the development of wetlands and passive and active open space for a greenbelt connecting the Cesar E. Chavez and Drake Park and a bike path in the Central Long Beach area.

The Redevelopment Capital Projects Fund transferred \$524,000 to the Tidelands Fund to partially fund the Convention Center energy plant.

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The Redevelopment Capital Projects Fund transferred \$1,200,000 to the Business Assistance Fund, a portion of the \$1,416,000 transfer to non-major governmental fund, to support administrative and operating expenses of the funds' loans programs.

The Gas Utility Fund transferred \$11,711,000 to the General Fund as allowed by City charter.

The Solid Waste Management Fund transferred \$2,306,000 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 Harbor Fund accrued an operating transfer of \$16,059,000 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 2008, \$30,724,000 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 \$2,600,000. An additional \$35,000 was also transferred to cover debt service payments for the ambulance billing system capital lease.

The Civic Service Internal Service fund returned \$6,135,000, of unspent funding from the Emergency Operations Center project to the General Capital Projects Fund.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2007	Increase	Decrease	Balance at September 30, 2008
Capital Assets not being Depreciated:				
Land	\$ 124,716	\$ 14,269	\$ (33)	\$ 138,952
Rights-of-way	81,311	23	-	81,334
Construction In Progress	100,763	6,923	(52,464)	55,222
Total Capital Assets not being Depreciated	306,790	21,215	(52,497)	275,508
Capital Assets being Depreciated:				
Buildings	258,170	11,465	-	269,635
Improvements Other than Buildings	58,182	6,150	(20)	64,312
Infrastructure	357,909	34,664	(887)	391,686
Machinery and Equipment	66,269	3,678	(2,284)	67,663
Automotive	90,031	5,982	(6,497)	89,516
Other Assets	30,719	-	-	30,719
Total Capital Assets being Depreciated	861,280	61,939	(9,688)	913,531
Less Accumulated Depreciation for:				
Buildings	(80,364)	(8,329)	-	(88,693)
Improvements Other than Buildings	(24,601)	(2,727)	20	(27,308)
Infrastructure	(198,686)	(12,552)	890	(210,348)
Machinery and Equipment	(48,248)	(6,671)	2,252	(52,667)
Automotive	(48,232)	(8,707)	5,958	(50,981)
Other Assets	(27,880)	(1,420)	-	(29,300)
Total Accumulated Depreciation	(428,011)	(40,406)	9,120	(459,297)
Total Capital Assets being Depreciated, Net	433,269	21,533	(568)	454,234
Governmental Activities Capital Assets, Net	\$ 740,059	\$ 42,748	\$ (53,065)	\$ 729,742

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

Legislative and Legal	\$ 260
General Government	191
Public Safety	5,243
Public Health	499
Community and Cultural	6,014
Public Works	14,152
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	14,047
Total governmental activities depreciation	\$ 40,406

**CITY OF LONG BEACH
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Capital asset activity for business-type activities for the year ended September 30, 2008 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2007	Increase	Decrease	Balance at September 30, 2008
Capital Assets not being Depreciated:				
Land	912,432	8,110	-	920,542
Rights-of-way	209,744	-	(55)	209,689
Construction In Progress	298,343	135,614	(196,341)	237,616
Total Capital Assets not being Depreciated	1,420,519	143,724	(196,396)	1,367,847
Capital Assets being Depreciated:				
Buildings	2,004,831	115,918	(8)	2,120,741
Improvements Other than Buildings	339,031	40,403	-	379,434
Infrastructure	967,331	28,785	(1,470)	994,646
Machinery and Equipment	24,819	1,540	(116)	26,243
Automotive	25,578	1,028	(345)	26,261
Patents	815	-	-	815
Total Capital Assets being Depreciated	3,362,405	187,674	(1,939)	3,548,140
Less Accumulated Depreciation for:				
Buildings	(918,843)	(50,963)	8	(969,798)
Improvements Other than Buildings	(147,245)	(17,203)	-	(164,448)
Infrastructure	(536,528)	(51,420)	946	(587,002)
Machinery and Equipment	(18,367)	(149)	236	(18,280)
Automotive	(20,147)	(2,397)	517	(22,027)
Patents	(44)	(38)	-	(82)
Total Accumulated Depreciation	(1,641,174)	(122,170)	1,707	(1,761,637)
Total Capital Assets being Depreciated, Net	1,721,231	65,504	(232)	1,786,503
Business-type Activities Capital Assets, Net	3,141,750	209,228	(196,628)	3,154,350

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

Gas	\$ 3,297
Water	10,628
Solid Waste Management	4,462
Tidelands	18,175
Harbor	79,497
Non-major business-type funds	
Sewer	1,173
Airport	4,929
Towing	9
Total business-type activities depreciation	\$ 122,170

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Capitalized Interest

There was no capitalized interest in fiscal years 2008 and 2007.

Component Unit

Capital asset activity of the LBT for the year ended June 30, 2008 was as follows (in thousands):

	Balance at July 1, 2007	Increases	Decreases	Balance at June 30, 2008
Capital Assets not being Depreciated:				
Land	\$ 5,525	\$ -	\$ -	\$ 5,525
Construction in Progress	2,366	2,315	(2,022)	2,659
Total Capital Assets not being Depreciated	7,891	2,315	(2,022)	8,184
Capital Assets being Depreciated:				
Buildings and Improvements	34,287	676	(116)	34,847
Fleet	95,180	12,739	(7,316)	100,603
Communications Systems	6,583	2	-	6,585
Fare Collection System	5,304	49	-	5,353
Office, Shop and Garage Equipment	13,906	1,208	(398)	14,716
Passenger Facilities	6,011	289	(997)	5,303
Total Capital Assets being Depreciated:	161,271	14,963	(8,827)	167,407
Less Accumulated Depreciation for:				
Buildings and Improvements	(19,124)	(1,958)	59	(21,023)
Fleet	(51,902)	(12,067)	7,316	(56,653)
Communications Systems	(5,764)	(521)	-	(6,285)
Fare Collection System	(1,435)	(603)	-	(2,038)
Office, Shop and Garage Equipment	(12,164)	(996)	398	(12,762)
Passenger Facilities	(4,012)	(1,300)	997	(4,315)
Total Accumulated Depreciation	(94,401)	(17,445)	8,770	(103,076)
Total Capital Assets being Depreciated, Net	66,870	(2,482)	(57)	64,331
Total LBT Capital Assets, Net	\$ 74,761	\$ (167)	\$ (2,079)	\$ 72,515

NOTE 8 – SHORT-TERM NOTE PAYABLE

On October of 2007, the City of Long Beach issued Tax Revenue Anticipation Notes for \$56,500,000. The short-term notes carried a 4 percent coupon rate. The notes are a general obligation of the City payable from taxes, income, revenue, and other moneys attributable to its 2007-2008 fiscal year. Note proceeds may be used for General Fund expenditures, including current and capital expenditures. The entire balance and interest were due and paid in September 2008.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 9 – CHANGE IN LONG – TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2008, was as follows (in thousands):

	Balance at October 1 2007	Additions	Reductions	Balance at September 30, 2008	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 246,500	\$ -	\$ (9,965)	\$ 236,535	\$ 13,765
Tax Allocation Bonds	340,814	-	(8,252)	332,562	8,672
Plus (less) deferred amounts:					
Premium	9,915	-	(476)	9,439	-
Discount	(2,573)	-	131	(2,442)	-
Refunding	(9,530)	-	1,788	(7,742)	-
Issuance costs	(11,394)	-	580	(10,814)	-
Total Bonds Payable	<u>573,732</u>	<u>-</u>	<u>(16,194)</u>	<u>557,538</u>	<u>22,437</u>
Notes Payable	10,734	366	(2,212)	8,888	233
Capital Leases	39,481	1,300	(7,789)	32,992	7,431
Police and Fire Annuities	27,432	1,273	(3,930)	24,775	-
Estimated Oil Field Abandonment Costs	5,100	-	-	5,100	-
Accrued Self-Insured Claims	100,750	24,987	(15,408)	110,329	17,321
Employee Benefits	<u>71,897</u>	<u>12,971</u>	<u>(6,868)</u>	<u>78,000</u>	<u>5,850</u>
Governmental Activities Long-Term Liabilities	<u>\$ 829,126</u>	<u>\$ 40,897</u>	<u>\$ (52,401)</u>	<u>\$ 817,622</u>	<u>\$ 53,272</u>
<u>Business-Type Activities:</u>					
Bonds Payable					
Revenue Bonds	\$ 1,312,585	\$ 887,360	\$ (187,400)	\$ 2,012,545	\$ 52,830
Plus (less) deferred amounts:					
Premium	49,189	16,387	(6,679)	58,897	-
Discount	(1,288)	-	102	(1,186)	-
Refunding	(29,691)	-	2,762	(26,929)	-
Issuance Cost	(11,953)	(5,784)	2,081	(15,656)	-
Total Bonds Payable	<u>1,318,842</u>	<u>897,963</u>	<u>(189,134)</u>	<u>2,027,671</u>	<u>52,830</u>
Certificates of Participation	9,175	-	(825)	8,350	870
Discount	(153)	-	25	(128)	-
Refunding	(484)	-	80	(404)	-
Issuance costs	(154)	-	26	(128)	-
Total Certificates of Participation	<u>8,384</u>	<u>-</u>	<u>(694)</u>	<u>7,690</u>	<u>870</u>
Notes Payable	119,641	14,375	(1,621)	132,395	61,485
Issuance costs	(234)	-	27	(207)	-
Total Notes Payable	<u>119,407</u>	<u>14,375</u>	<u>(1,594)</u>	<u>132,188</u>	<u>61,485</u>
Capital Leases	3,767	-	(2,530)	1,237	672
Due to State of California	32,229	483,446	(474,907)	40,768	40,768
Estimated Oil Field Abandonment Costs	351,700	20,200	-	371,900	-
Environmental Remediation	47,700	52,394	(23,224)	76,870	60,412
Site Restoration	<u>400</u>	<u>1,000</u>	<u>-</u>	<u>1,400</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,882,429</u>	<u>\$ 1,469,378</u>	<u>\$ (692,083)</u>	<u>\$ 2,659,724</u>	<u>\$ 217,037</u>

**CITY OF LONG BEACH
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SEPTEMBER 30, 2008**

NOTE 10 – BONDS PAYABLE

At September 30, 2008 bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued for Outstanding Bonds	Outstanding at September 30, 2008
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	705
Skylinks Golf	05/01/03	05/01/29	1.57%-6.3%	6,890	6,055
Parking Plaza Bonds	06/14/01	11/01/27	4.4%-5.375%	11,500	10,170
Public Safety Facility	03/01/02	11/01/31	3.0%-5.25%	40,915	38,410
Towne Center Site Refinancing	11/01/04	11/01/30	Variable	11,595	10,950
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>93,670</u>
REDEVELOPMENT BONDS					
Tax Allocation Bonds:					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/17	2.9% - 6.0%	81,020	32,020
West Long Beach Industrial	12/01/92	11/01/17	2.9% - 6.0%	36,470	14,420
2005A & B Central	03/02/05	08/01/40	3.52% - 5.34%	56,930	54,860
2005A Los Altos	03/02/05	08/01/20	2.2% - 4.0%	4,685	3,895
2005A & B North Long Beach	03/02/05	08/01/35	3.52% - 5.16%	64,080	60,875
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	53,655
2002B West Long Beach Industrial Project	12/05/02	11/01/24	2.0% - 5.5%	21,860	19,420
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	6,385
2002A Downtown Project	06/25/02	08/01/24	5.25% - 7.1%	26,820	15,545
2002A North Long Beach	06/25/02	08/01/31	6.10%	40,290	9,760
2002A Poly High	06/25/02	08/01/12	4.81%	1,710	780
2005C Downtown Project	02/01/06	08/01/24	3.25-5.50%	7,900	7,790
2005C North Long Beach Project	02/01/06	08/01/31	3.70-5.50%	27,145	27,144
Total Redevelopment Bonds				<u>462,788</u>	<u>332,562</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	34,310
Fleet Services:					
1998 Temple and Willow Facility Series B	05/01/98	10/01/27	4.5%-5.5%	29,565	23,885
2005 Temple and Willow Facility Series A	05/01/05	05/01/28	2.75-4.5%	8,145	7,395
Total Fleet Services				<u>37,710</u>	<u>31,280</u>
Employee Benefits Fund:					
2002 Pension Obligation Refunding Bonds	09/01/02	09/01/21	4.73% - 5.18%	87,950	66,280
1995 Pension Obligation Bonds Series	10/01/95	09/01/11	5.9% - 7.24%	108,635	10,995
Total Employee Benefits				<u>196,585</u>	<u>77,275</u>
Total Internal Service Funds				<u>277,950</u>	<u>142,865</u>
Total Governmental Activities Bonds Payable				<u>840,698</u>	<u>569,097</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued for Outstanding Bonds	Outstanding at September 30, 2008
BUSINESS-TYPE ACTIVITIES:					
ENTERPRISE BONDS					
Gas Utility Fund:					
2005 Gas Utility	08/01/05	08/01/13	2.0% - 4.39%	7,675	4,670
2007A Natural Gas Purchase	10/18/07	11/15/37	4.25% - 5.5%	635,665	635,665
2007B Natural Gas Purchase	10/18/07	11/15/33	4.9% - 5.07%	251,695	251,695
Total Gas Utility Fund				<u>895,035</u>	<u>892,030</u>
Water Fund:					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	32,200
Solid Waste Management Fund:					
2003 SERRF	12/01/03	12/01/18	2.0%-5.375%	120,235	94,465
Tidelands Fund:					
Aquarium of the Pacific	05/03/01	11/01/30	3.875%-5.5%	129,520	123,885
1994 Marina Subordinate Revenue Bond	04/01/94	04/01/09	6.25%	1,310	135
2006 Rainbow Harbor Refinancing	04/04/06	05/01/24	3.375%-5.0%	50,785	46,480
Total Tidelands Fund				<u>181,615</u>	<u>170,500</u>
Harbor Fund:					
1998 Harbor	02/01/98	05/15/19	5.25%-9.0%	206,330	138,755
2000 Harbor	05/15/01	05/15/25	5.0%-5.75%	275,000	232,320
2002B Harbor	06/19/02	05/15/27	3.0% - 5.5%	150,000	129,355
2004 Harbor	05/15/04	05/15/18	2.5% -5.0%	113,410	88,080
2005 Harbor	05/15/05	05/15/25	3.0% -5.0%	257,975	234,840
Total Harbor Fund				<u>1,002,715</u>	<u>823,350</u>
Total Business-Type Activities Bonds Payable				<u>2,246,545</u>	<u>2,012,545</u>
Total Primary Government Bonded Indebtedness				<u>\$ 3,087,243</u>	<u>\$ 2,581,642</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.

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

Principal Payments - Governmental Activities							
Year-End	Museum of Art Project	Belmont Shore Parking Revenue	Skylinks Golf	Parking Plaza	Public Safety Facility	Towne Center Refinance	Parks Open Space
2009	\$ 3,060	\$ 175	\$ 160	\$ 305	\$ 885	\$ 190	-
2010	-	185	165	320	910	205	-
2011	-	195	175	335	945	220	-
2012	-	150	180	350	980	240	-
2013	-	-	190	365	1,030	255	-
2014 - 2018	-	-	1,135	2,140	6,005	1,590	1,300
2019 - 2023	-	-	1,515	2,765	7,755	2,300	7,330
2024 - 2028	-	-	2,045	3,590	9,975	3,305	9,130
2029 - 2033	-	-	490	-	9,925	2,645	6,560
2034 - 2038	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-
Totals	<u>\$ 3,060</u>	<u>\$ 705</u>	<u>\$ 6,055</u>	<u>\$ 10,170</u>	<u>\$ 38,410</u>	<u>\$ 10,950</u>	<u>\$ 24,320</u>

continued

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Year-End	Principal Payments - Governmental Activities				Total Annual Debt Service Requirements		
	Redevelopment Capital Projects	Civic Center	Fleet	Employee Benefits	Principal	Interest	Total
2009	\$ 8,672	\$ 1,110	\$ 945	\$ 6,935	\$ 22,437	\$ 28,833	\$ 51,270
2010	9,130	1,165	980	7,565	20,625	27,672	48,297
2011	9,593	1,225	1,025	8,255	21,968	26,561	48,529
2012	10,110	1,290	1,075	4,315	18,690	25,350	44,040
2013	10,842	1,355	1,125	4,530	19,692	24,485	44,177
2014 - 2018	62,868	7,890	6,545	26,360	115,833	106,503	222,336
2019 - 2023	75,488	10,135	8,360	19,315	134,963	75,358	210,321
2024 - 2028	52,375	10,140	11,225	-	101,785	43,264	145,049
2029 - 2033	45,389	-	-	-	65,009	21,309	86,318
2034 - 2038	35,060	-	-	-	35,060	8,402	43,462
2039 - 2043	13,035	-	-	-	13,035	1,030	14,065
Totals	\$ 332,562	\$ 34,310	\$ 31,280	\$ 77,275	\$ 569,097	\$ 388,767	\$ 957,864

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 2008 ranged from 1.31 percent to 3.58 percent. For purposes of illustration a fixed rate of 1.70 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 2008 ranged from 2.38 percent to 5.10 percent. For the purpose of illustration, a fixed rate of 3.30 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

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

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 four percent to five 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 Utility	Water	Solid Waste Management	Tidelands	Harbor	Principal	Interest	Total
2009	\$ 1,050	\$ 1,330	\$ 6,860	\$ 5,445	\$ 38,145	\$ 52,830	\$ 101,573	\$ 154,403
2010	9,480	1,405	7,050	5,515	40,120	63,570	98,796	162,366
2011	10,400	1,480	7,305	5,740	42,225	67,150	95,536	162,686
2012	10,035	1,550	7,635	5,970	44,515	69,705	91,963	161,668
2013	9,040	1,630	8,005	6,215	46,940	71,830	88,206	160,036
2014 - 2018	38,340	9,625	46,725	35,440	276,010	406,140	378,627	784,767
2019 - 2023	70,870	12,330	10,885	42,790	218,950	355,825	275,611	631,436
2024 - 2028	145,345	2,850	-	38,120	116,445	302,760	192,846	495,606
2029 - 2033	240,200	-	-	25,265	-	265,465	127,544	393,009
2034 - 2038	357,270	-	-	-	-	357,270	49,822	407,092
Totals	\$892,030	\$32,200	\$ 94,465	\$170,500	\$823,350	\$2,012,545	\$1,500,524	\$3,513,069

The Harbor 2002 Series A Bonds interest rate through May 14, 2004 was four percent. At the end of the initial long-term interest rate period the Series A bonds converted to a variable rate. In June 2008, certain bond holders exercised their put-options related to the 2002A Harbor Revenue Bonds. As the credit crisis in fiscal year 2008 spread into other markets, demand for Auction Rate Securities (ARS) halted, resulting in "failed" auctions and leaving municipal issuers to draw on back-up liquidity facilities at taxable rates and sometimes higher. This phenomenon subsequently spilled into the Variable Rate Debt Obligation (VRDO) instruments and caused higher rates on this debt as well. Instead of

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paying this higher financing cost, in fiscal year 2008, the Harbor Department retired Series A in full.

In fiscal year 2004, the Harbor 2002 Series B Bonds were remarketed from a variable interest rates to fixed with coupon rates of 3.0 percent to 5.5 percent.

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 (the "Bonds"). \$892,641 million of the proceeds was used to prepay the costs of the acquisition of a specified supply of natural gas to be delivered over approximately 30 years under a Prepaid Natural Gas Purchase and Sale Agreement, between Merrill Lynch Commodities, Inc., (the "Seller") and the Issuer. The daily quantity of gas to be purchased by the City during this period will vary from month to month, but not from year to year. 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 bonds are special obligations of the Issuer payable solely from, and secured as to the payment of the principal and Redemption Price thereof, and interest thereon, in accordance with their terms and the provisions of the Indenture solely by, the Trust estate. The payment of the principal or Redemption Price of, or interest on, the Bonds does not constitute a debt, liability or obligation of the Issuer, the City, the State or any other public agency (other than the special obligation of the Issuer as provided in the Indenture).

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.

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 Downtown and West Long Beach Industrial Redevelopment Project Areas 2002 Series B Tax Allocation Revenue Bonds (Series B bonds). These 2002 Series B bonds were issued 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 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,

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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 15 years to level overall debt service requirements, thereby resulting in an economic loss of approximately \$6.4 million.

Tidelands Rainbow Harbor Refunding Bonds

In April 2006, the Long Beach Bond Finance Authority issued \$50,785,000 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 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

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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 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.

Additional Advance Refunding Bonds

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, 2008, the total amount of the defeased debt outstanding and removed from the City's funds and financial statements aggregated \$119,488,000.

Pledged Revenue

The City has pledged a portion of future parking meter revenues to repay the 1993 Belmont Shore Parking Meter Revenue Bonds. The bonds were issued to finance the widening of sidewalks on 2nd street in Belmont Shores. Parking meter revenues from the Belmont Shore area are projected to produce 246 percent of the debt service requirements over the life of the bonds. As of September 30, 2008, the total principal and interest requirement for the bonds was \$804,000 (Principal \$705,000, Interest \$99,000), payable semiannually through June 1, 2012. For the current fiscal year, principal and interest paid and tax increment revenues received were \$215,000 and \$548,000, respectively.

The City has pledged a portion of future oil revenues from the Upland Oil Fund to repay the 2004 Towne Centre Site Refinancing Project Bonds, variable rate bonds. The bonds were issued to refund bonds originally issued to finance the acquisition of land and construction of the Long Beach Towne Centre, a retail and entertainment complex. Upland Oil Fund oil revenues are projected to produce 571 percent of the debt service requirements over the life of the bonds. As of September 30, 2008, the total principal and interest requirement for the bonds was \$16,113,000 (Principal \$10,950,000, estimated interest of

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\$5,163,000 at 3.30%), payable semiannually through November 1, 2030. For the current year, principal and interest paid was \$556,000 secured by oil revenues of \$7,464,000.

The Agency has pledged a portion of future tax increment revenues to repay tax allocation bonds issued between 1992 and 2005. The bonds were issued to finance either redevelopment activities within various project areas or to refinance existing debt that was originally issued for the same purpose. The bonds are payable solely from tax increment revenues. Tax increment revenues are projected to produce 419 percent of the debt service requirements over the life of the bonds. As of September 30, 2008, total principal and interest requirement for the bonds is \$591,386,000 (\$332,562,000 for principal and \$258,824,000 for interest), payable semiannually through 2040. For the current year, principal and interest paid and tax increment revenues received were \$25,702,000 and \$77,460,000, respectively.

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, 2008, aggregate special assessment debt issued through the City consisted of seven issues, summarized as follows:

- Dates Issued: 10/01/93 – 7/10/07
- Final Maturities: 10/01/13 – 9/1/37
- Range of Interest Rates: 2.625% – 6.87%
- Amounts Authorized and Issued: \$4,279,234 – \$43,000,000
- Range of Amounts Outstanding: \$3,169,234 – \$40,795,000
- Aggregate Outstanding at September 30, 2008: \$86,954,234

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 25.

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Earthquake Assessment

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

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

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

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

In July 2005, the District sold \$2,100,000 in Series 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

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issues are completely administered by independent trustees. Accordingly, these programs and issues have been excluded from the accompanying basic financial statements.

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

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

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

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

At September 30, 2008, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2008
Multi Family Mortgage Bonds			
Housing Authority	2028	\$ 12,500	\$ 12,500
Industrial Development Refunding Bonds	2023	-	-
Carnival Bonds	2022	32,100	27,690
Grisham Housing Bonds Series A	2035	2,340	2,005
Jamboree West Gate Home Mortgage Revenue Bonds	2037	13,000	12,982
Decro Multifamily Housing Revenue Bonds 2006A	2009	6,000	6,000
Total Conduit Debt		<u>\$ 65,940</u>	<u>\$ 61,177</u>

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

At September 30, 2008, the City had notes and installments payable, certificates of participation, commercial paper and other long-term obligations, which consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2008
<u>GOVERNMENTAL ACTIVITIES</u>					
<u>NOTES PAYABLE:</u>					
Health Fund					
Health Facility	04/22/05	04/22/19	Variable	\$ 3,586	\$ 2,887
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	1,016	1,016
California Housing Finance Agency	10/06/99	10/06/09	3%	1,189	511
California Housing Finance Agency	04/17/00	04/17/10	3%	789	422
California Housing Finance Agency	02/05/02	02/05/12	3%	600	310
California Housing Finance Agency	03/13/03	03/13/13	3%	1,300	867
Total Housing Development Fund				<u>4,894</u>	<u>3,126</u>
Redevelopment Capital Projects Fund:					
Los Angeles County	01/21/92	N/A	3.75%	2,875	2,875
West Broadway, LLC	06/03/04	06/18/09	6.0-8.0%	1,450	-
Total Redevelopment Capital Projects Fund				<u>4,325</u>	<u>2,875</u>
<u>ANNUITY OBLIGATION:</u>					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	37,600	24,775
Governmental Activities Notes and Annuity Obligation				<u>\$ 50,405</u>	<u>\$ 33,663</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<u>NOTES PAYABLE:</u>					
Gas Utility Fund					
Commercial Paper Notes	07/01/05	N/A	1.3-3.6%	\$ 17,259	\$ 17,259
Water Fund:					
Commercial Paper Notes	01/08/03	N/A	0.95-3.4%	8,000	8,000
State Resources	06/30/88	06/30/08	4.0128%	2,000	-
Total Water Fund				<u>10,000</u>	<u>8,000</u>
Tidelands Fund:					
State of Calif DBAW/Seawalls	09/12/94	08/01/24	4.5%	1,151	895
State of Calif DBAW/Downtown Marina	08/09/81	08/01/11	4.5%	3,900	837
State of Calif DBAW/Downtown Marina	03/29/82	08/01/12	4.5%	3,500	1,078
State of Calif DBAW/Downtown Marina	11/08/82	08/01/12	4.5%	600	179
State of Calif DBAW/Shoreline Marina	10/22/80	08/01/10	4.5%	1,300	165
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/37	4.5%	31,718	29,729
State of Calif DBAW/Los Cerritos Channel	11/02/78	08/01/08	4.5%	1,238	-
State of Calif DBAW/Basin 8	02/20/98	08/01/28	4.5%	2,650	2,303
State of Calif DBAW/Basin 4	12/17/07	08/01/37	4.5%	3,289	3,182
State of Calif DBAW - Lighthouse	06/23/00	08/01/30	4.5%	700	586
Total Tidelands Fund				<u>50,046</u>	<u>38,954</u>
Harbor Fund:					
Commercial Paper Notes	03/01/94	N/A	1.23-3.74%	383,500	60,150
Nassir	09/21/94	09/12/08	6%	579	-
Total Harbor Fund				<u>384,079</u>	<u>60,150</u>
Airport Fund:					
Commercial Paper Notes	07/01/05	N/A	1.40-3.92%	8,032	8,032
<u>CERTIFICATES OF PARTICIPATION:</u>					
Airport Fund:					
1993 Airport Refunding	07/01/93	06/01/16	2.7-5.35%	16,815	8,350
Business-type Activities Notes and Certificates of Participation				<u>\$ 486,231</u>	<u>\$ 140,745</u>

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

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Housing Development Fund Loan

The Housing Development Fund has authorization to borrow \$3,900,000 from the California Housing Finance Agency at three percent interest rate. The Housing Development Fund received \$3,878,000 from the California Housing Finance Agency. As of September 30, 2008, \$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, 2008, the outstanding balance of the loans was \$3,126,000.

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, 2008 totaled \$2,875,000.

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			
2009	\$ 233	\$ -	\$ -	\$ 233	\$ 93	\$ 326
2010	241	934	-	1,175	130	1,305
2011	249	-	-	249	77	326
2012	258	310	-	568	97	665
2013	267	867	-	1,134	211	1,345
2014 - 2018	1,477	-	-	1,477	157	1,634
2019 - 2023	162	1,015	-	1,177	882	2,059
Indeterminant	-	-	2,875	2,875	-	2,875
Totals	<u>\$ 2,887</u>	<u>\$ 3,126</u>	<u>\$ 2,875</u>	<u>\$ 8,888</u>	<u>\$ 1,647</u>	<u>\$ 10,535</u>

No payment dates have been established for the Redevelopment Capital Projects Fund notes payable of \$2,875,000; therefore, no interest has been listed in the above table.

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Business-Type Activities

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

Year-end	Principal Payments By Fund					Annual Debt Service Requirements		
	Business-Type Activities					Principal	Interest	Total
	Gas Utility	Water	Tidelands	Harbor	Airport			
2009	\$ -	\$ -	\$ 1,335	\$ 60,150	\$ -	\$ 61,485	\$ 1,787	\$ 63,272
2010	-	-	1,396	-	-	1,396	1,726	3,122
2011	-	-	1,371	-	-	1,371	1,663	3,034
2012	-	-	1,125	-	-	1,125	1,604	2,729
2013	-	-	830	-	-	830	1,549	2,379
2014 - 2018	-	-	4,751	-	-	4,751	7,143	11,894
2019 - 2023	-	-	5,945	-	-	5,945	5,949	11,894
2024 - 2028	-	-	7,096	-	-	7,096	4,479	11,575
2029 - 2033	-	-	7,687	-	-	7,687	2,796	10,483
2034 - 2038	-	-	7,418	-	-	7,418	871	8,289
Indeterminant	17,259	8,000	-	-	8,032	33,291	-	33,291
Totals	\$ 17,259	\$ 8,000	\$ 38,954	\$ 60,150	\$ 8,032	\$ 132,395	\$ 29,567	\$ 161,962

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. This loan was paid in full in June 2008.

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 seawater 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. In March 2008, additional notes in the amount of \$2,000,000 were issued. The Water Department has the ability and 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 \$50,046,000 as of September 30, 2008. The amount outstanding at September 30, 2008 is \$38,954,000. Principal payments in the amount of \$1,492,000 were paid in fiscal year 2008 at an interest rate of 4.5 percent.

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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. Management may consider paying the obligation in full in fiscal year 2009. The amount outstanding at September 30, 2008 is \$60,150,000 and is classified as a current liability.

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, 2007 and 2008 commercial paper issuances were \$7,755,000, \$7,500,000, and \$2,004,000 respectively, for a balance outstanding of \$17,259,000 as of September 30, 2008, with interest rates ranging from 1.3 percent to 3.6 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 and intends to refinance the commercial paper on a long-term basis by renewal of Commercial Paper Notes and the future issuance of revenue bonds; 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. On May 20, 2008, the City Council authorized for the program to be expanded to up to \$25,000,000.00. 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 fiscal year 2007 and 2008, commercial paper issuances were \$1,020,000 and \$7,012,000, respectively, had been issued with interest rates in fiscal year 2008 ranging from 1.35 percent to 3.80 percent. As of September 30, 2008, the balance outstanding is \$8,032,000. 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.

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Certificates of Participation

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

<u>Year-end</u>	<u>Annual Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 870	\$ 421	\$ 1,291
2010	920	374	1,294
2011	965	328	1,293
2012	1,010	280	1,290
2013	1,065	229	1,294
2014 - 2018	3,520	357	3,877
Totals	<u>\$ 8,350</u>	<u>\$ 1,989</u>	<u>\$ 10,339</u>

Police and Fire Annuity Obligation Program

The City administers a Police and Fire Annuity Program (Program) under the City Charter Section 187, prior to the programs termination in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2008, there were 75 participants in this program.

Total expenditures to this closed group of individuals amounted to \$3,930,000 for the fiscal year ended September 30, 2008. The City's accrued Program liability was \$24,775,000 at September 30, 2008. 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, 2007	\$27,432
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(3,930)
Estimated Change in Annualized Value of Benefits	1,273
Accrued Program Liability at September 30, 2008	<u>\$24,775</u>

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The number of Program participants diminishes each year. Since 1997, the number of program participants has been reduced by 130 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
2008	75	3,930	24,775

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 five 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. 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.

As of December 31, 2008, both the City and the developer have completed their obligation of lease payments. The City has accounted for the remaining lease and the sublease of the parking structure and public facilities as a short-term capital lease payable and lease receivable, respectively, in the Tidelands Fund using an interest rate of approximately 10 percent. At September 30, 2008, the outstanding capital lease payable and long-term lease receivables are \$649,000 and \$108,000, respectively.

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Other Leases:

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

Description	Date Issued	Final Maturity	Range of Interest Rates	Authorized and Issued	Outstanding at September 30, 2008
GOVERNMENTAL ACTIVITIES					
General Fund:					
Emergency Communications Center (a)	06/21/02	06/21/09	3.94%	\$ 9,125	\$ 1,461
Helicopter (b)	02/03/03	02/03/10	2.91%	2,785	575
Mobile Data Terminals (c)	11/10/05	08/10/09	3.37%	2,902	655
City Light and Power (d)	05/01/96	10/03/19	8.73%	18,500	14,321
Ambulances (e)	10/02/03	10/02/09	2.97%	993	178
Parking Citation Device (f)	01/22/07	12/22/10	3.99%	200	116
Voting Equipment (g)	03/15/07	03/15/12	3.93%	900	619
Ambulance Bill (h)	09/05/07	09/05/12	3.93%	158	126
Pitney Bowes Mailer (i)	09/05/07	09/05/12	3.82%	170	140
Total General Fund				<u>35,733</u>	<u>18,191</u>
Internal Service Funds:					
Fleet Services Fund:					
Fire Equipment Lease (j)	10/01/05	09/30/15	3.50%	5,279	3,884
Ambulance & Boats (k)	10/27/06	10/27/13	3.76%	2,191	1,647
Sweepers (l)	09/05/07	09/05/11	3.91%	4,336	3,228
Total Fleet Services Fund				<u>11,806</u>	<u>8,759</u>
General Services Fund:					
Personal Computers (m)	08/15/06	08/15/10	3.99%	2,137	937
Personal Computers (m)	08/18/04	08/18/08	2.71%	997	-
IBM Mainline (n)	06/29/05	06/29/09	3.02%	2,183	430
Software (o)	03/15/07	03/15/14	3.93%	4,400	3,556
Compter equipment (p)	03/07/08	03/07/12	2.68%	1,300	1,119
Total General Services Fund				<u>11,017</u>	<u>6,042</u>
Total Governmental Activities Leases				<u>\$ 58,556</u>	<u>\$ 32,992</u>
BUSINESS-TYPE ACTIVITIES:					
Tidelands Fund:					
Convention Center (q)	10/01/05	10/01/26	4.99%	\$ 649	\$ 588

(a) The City entered into capital lease agreements to purchase equipment for the Emergency Communications and Operations Center. The payment of \$1,504,000, including principal and interest, is paid annually through fiscal year 2009.

(b) The City entered into a capital lease agreement to purchase a helicopter for use by the Police Department for safety enforcement. The lease is payable monthly in the amount of \$37,000 at 2.91 percent interest, or \$440,000 per year through February 2010.

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- (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 25 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.
- (f) The City entered into a capital lease agreement in January of 2007 to purchase 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 through a capital lease agreement in September 2007. The lease is payable in monthly installments of \$3,000 through 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.

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- (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 agreement in March 2008 to finance the purchases of personal computers. The lease is payable in monthly installments of \$29,000 through March 2012.
- (q) 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.

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

Year-end	Principal Payments By Fund - Governmental Activities			Annual Debt Service Requirements		
	General	Services	General Services	Principal	Interest	Total
2009	\$ 3,769	\$ 1,773	\$ 1,889	\$ 7,431	\$ 1,789	\$ 9,220
2010	1,298	1,931	1,326	4,555	1,521	6,076
2011	1,192	2,006	973	4,171	1,316	5,487
2012	1,078	889	807	2,774	1,141	3,915
2012	1,045	921	691	2,657	990	3,647
2013 - 2017	7,267	1,239	356	8,862	2,837	11,699
2018 - 2022	2,542	-	-	2,542	143	2,685
Totals	<u>\$ 18,191</u>	<u>\$ 8,759</u>	<u>\$ 6,042</u>	<u>\$ 32,992</u>	<u>\$ 9,737</u>	<u>\$ 42,729</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
2009	\$ 23	\$ 29	\$ 52
2010	24	28	52
2011	25	27	52
2012	26	26	52
2012	28	24	52
2013 - 2017	160	101	261
2018 - 2022	205	55	260
2023 - 2027	97	8	105
Totals	<u>\$ 588</u>	<u>\$ 298</u>	<u>\$ 886</u>

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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>	
2009	\$ 239,337
2010	224,532
2011	220,291
2012	216,318
2013	226,878
2014-2018	1,031,721
2019-2023	902,218
2024-2028	481,615
2029-2033	47,656
2034-2038	38,955
2039-2043	36,040
2044-2048	34,614
2049-2053	21,533
2054-2058	5,389
2059-2063	4,738
2064-2068	3,888
2069-2073	3,864
2074-2078	3,828
2079-2083	3,829
2084-2088	647
Total	<u>\$ 3,747,891</u>

NOTE 13 – RETIREMENT PROGRAMS

Plan Description – Public Employees’ Retirement System (CalPERS)

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

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

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

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

Funding Policy

For the fiscal year ended September 30, 2008, Safety and Miscellaneous plan participants were required to contribute nine percent and eight percent of their annual covered salary, respectively. For miscellaneous employees the City pays six percent of the participant contributions and the employee pays two percent. For safety employees the City pays seven percent of the participant contributions and the employee pays two percent. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll; the current rates are 11.886 percent for miscellaneous employees and 15.686 percent for safety employees. For fiscal Year 2009, the contribution rates will be 12.198 percent for miscellaneous employees and 15.850 percent for safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2008, the City's annual pension cost of \$67,780,000 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as a part of the June 30, 2006 actuarial valuations.

The City's annual pension cost, the percentage of annual pension cost contributed to the plans, and the net pension obligation for the fiscal years ended September 30, 2006, 2007, and 2008 are as follows (dollars in thousands):

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/06	\$58,763	100%	\$ -
9/30/07	64,437	100%	-
9/30/08	67,780	100%	-

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Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the miscellaneous and safety plans funding status were (dollars in thousands):

Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Excess of Assets over AAL) (b-a)	Funded Ratio Actuarial Value Basis (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Miscellaneous	\$ 1,489,681	\$ 1,558,205	\$ 68,524	95.6%	\$ 204,765	33.5%
Safety	1,514,813	1,479,271	(35,542)	102.4%	119,753	-29.7%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

A summary of principal assumptions and methods used to determine the annual required contribution rate for fiscal year 2008 for miscellaneous and safety employees is shown below:

	Assumptions
Valuation Date	June 30, 2006
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%.

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

Plan Description - Public Agency Retirement System – Defined Benefit Plan

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

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

Funding Policy and Annual Pension Cost

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

- The Plan's annual pension cost (APC) for the fiscal year ended September 30, 2008 is based on the period from October 1, 2007 to September 30, 2008. The APC for this period was \$20,546, the same amount contributed for this period.
- The actuarial liabilities and assets are valued as of September 30, 2008.
- 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.

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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 nine year period in the 2008 actuarial valuation used to determine fiscal year 2010 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 net pension obligation information below is based on periods from October 1 through September 30.

Funded Status and Funding Progress

<u>Fiscal Year</u>	<u>Annual Pension</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>	<u>Net Pension Obligation</u>
2006	30,179	30,179	100%	-
2007	92,546	92,546	100%	-
2008	20,546	20,546	100%	-

As of the most recent actuarial valuation date, September 30, 2007, the plan's funding status were (dollars in thousands):

<u>Plan</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (Excess of Assets over AAL) (b-a)</u>	<u>Funded Ratio Actuarial Value Basis (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
PARS	\$ 1,102	\$ 1,047	\$ (55)	105.3%	\$ 9,178	-0.6%

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Actuarial Methods and Assumptions

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

Interest Rate: 5.25% (5.75% used in September 30, 2007 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	30%
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.

The interest rate was changed for the 2008 valuation from 5.75 percent to 5.25 percent. The net impact of this assumption change increased the actuarial accrued liability by approximately \$33,000.

NOTE 14 – POST RETIREMENT HEALTH CARE BENEFITS

Plan Description

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

Under the provisions of the City's Personnel Ordinance, upon retirement, the City allows retirees, their spouses and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental and long-term care insurance premiums. Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested. The City has provided two one-time early retirement incentive programs. The first had a maximum value of \$25,000 for employees, based on age, who retired during calendar year 1996 and the second incentive offered a 16 hour increase in sick leave per year of service to management employees who retired by June 30, 2004. In all cases, once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying the premiums at the retiree's expense.

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At September 30, 2008, there were 635 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 \$16,369,000. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2008, were \$6,868,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

Termination Benefits

As of September, 30, 2008, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$72,751,000 based on an actuarial study of current and future retiree accumulated sick leave in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting for Compensated Absences*, (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, 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 \$5,850,000 has been fully funded and the long-term portion of the liability of \$66,901,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

Other Postemployment Benefits

As of September, 30, 2008, the City has also recorded a liability in the Employee Benefits Internal Service Fund of \$5,249,000 based on an actuarial study of the "implicit subsidy" as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (GASB 45). While the City does not directly contribute any funding towards the cost of premiums for retirees, the ability to obtain coverage at any active employees rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City's health care benefit plans increases the overall health plan rates. The economic benefit is defined as an "implicit subsidy" under GASB 45.

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

This plan does not issue a separate financial report.

Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2008, the City has not prefunded the plan.

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Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 8,102
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	8,102
Contribution made	<u>(2,853)</u>
Increase in net OPEB obligation	5,249
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u>\$ 5,249</u>

The ARC was determined as part of the January 2006 actuarial valuation. For the year ended September 30, 2008, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$ 8,102	35.2%	\$ 5,249

Funded Status and Funding Progress

The funded status of the plan as of September 30, 2008 was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 86,868
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 86,868</u>
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll	\$ 284,484
UAAL as a percentage of covered payroll	30.5%
ARC as a percentage of covered payroll	2.8%

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

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

In the January 1, 2006, actuarial valuation the entry age normal cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 12 percent for HMO plans and nine percent for PPO plans that grades down to four and one half percent for all plans by September 30, 2017, and an inflation assumption of three percent. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The actuarial value of plan assets was zero. The plans unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on and open basis over 30 years.

NOTE 15 – SELF – INSURANCE PROGRAMS

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. At September 30, 2008, the City accrued nondiscounted estimates totaling \$110,329,000 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 \$17,321,000 and a long-term liability of \$93,008,000 in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2008 is dependent on future developments. Based upon actuary evaluation, City's management believes that the aggregate accrual adequately represents such losses.

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A summary of the City's claims activity for the fiscal year ended September 30, 2008 and 2007 is as follows (in thousands):

	Worker's Compensation Claims	General Liability Claims	Total
Balance at October 1, 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	92,350	8,400	100,750
Additions (Reductions)	12,652	12,335	24,987
Payments	(12,962)	(2,446)	(15,408)
Balance at September 30, 2008	<u>\$ 92,040</u>	<u>\$ 18,289</u>	<u>\$ 110,329</u>

Component Unit

Under its insurance program, the LBT retains the risk for each occurrence of workers' compensation and public liability and property damage claimed up to \$1,500,000 and \$1,000,000, respectively. Claims in excess of \$1,500,000 for workers' 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 workers' compensation and public liability and property damage did not exceed the insurance coverage limits in fiscal year 2008 and 2007.

The level of risk retention is dictated by the insurance market and the rates available to the LBT. LBT weights the increased premium costs against the risk level attempting to minimize overall program expenses. Risk retention levels for public liability and property damage did not change during fiscal year 2008. However, the risk retention limit for workers' compensation declined to \$1,500,000 for claims incurred in 2008 from the \$3,000,000 retention limit maintained during fiscal year 2007.

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.

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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, 2006	\$ 2,296	\$ 995	\$ 3,291
Reserves:			
New claims	445	561	1,006
Adjustments to existing claims	2,141	421	2,562
Payments	<u>(2,342)</u>	<u>(851)</u>	<u>(3,193)</u>
Balance at June 30, 2007	2,540	1,126	3,666
Reserves:			
New claims	515	1,310	1,825
Adjustments to existing claims	3,596	1,020	4,616
Payments	<u>(1,625)</u>	<u>(1,691)</u>	<u>(3,316)</u>
Balance at June 30, 2008	<u>\$ 5,026</u>	<u>\$ 1,765</u>	<u>\$ 6,791</u>

An actuarial and claim review for open workers' compensation cases was performed during 2008, and it was determined that reserves for older claims were likely insufficient to meet projected future medical costs. LBT increased reserves to levels recommended by the third party administrator.

NOTE 16 – GOVERNMENTAL ACTIVITIES FUND BALANCE

The composition of the reserved portion of the governmental activities fund balance at September 30, 2008 is as follows (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Totals
Reserved for:				
Other Noncurrent Receivables (a)	\$104,957	\$ 61,828	\$ -	\$166,785
Asset Seizure Money (b)	2,721	-	-	2,721
Encumbrances	741	5,496	6,111	12,348
Future Advances to Other Funds - restricted by City Charter	1,486	-	-	1,486
Transportation Projects (c)	-	-	5,821	5,821
Housing Development - restricted by State law	-	276	-	276
Future Projects	-	43,730	21,304	65,034
Land Held For Resale	-	180,834	-	180,834
Estimated Oil Field Abandonment Costs	-	-	3,268	3,268
Debt Service Covenants	5,183	61,193	200	66,576
Totals	<u>\$115,088</u>	<u>\$ 353,357</u>	<u>\$ 36,704</u>	<u>\$505,149</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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- (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 \$102,957,000 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 \$21,087,000 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 \$9,418,000 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.

The balance of \$24,604,000 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 \$91,754,000 and \$60,461,000, respectively. The City's Management believes the cash position is sufficient to cover the current costs related to retired health insurance, workers' compensation, general liability claims and current operating costs in the Insurance and Employee Benefits Internal Service funds. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained. In addition, the Health Fund, a nonmajor governmental fund, had an accumulated deficit of \$158,000.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

**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, 2008 (in thousands):

	General Fund	Housing Development Fund	Community Development Fund
Beginning Fund Balance- Actual (GAAP Basis)	\$144,214	\$ 68,244	\$ 11,132
Cumulative Effect of Capitalization of Land Held For Resale at October 1, 2007	-	-	(1,332)
Beginning Fund Balance - Budgetary Basis	<u>144,214</u>	<u>68,244</u>	<u>9,800</u>
Revenues on the Budgetary Basis	<u>363,547</u>	<u>26,510</u>	<u>30,548</u>
Actual (GAAP-Basis) Expenditures	382,831	43,052	22,829
Basis Adjustments:			
Encumbrances Outstanding at September 30, 2008	<u>741</u>	<u>127</u>	<u>2</u>
Expenditures - Budgetary Basis	<u>383,572</u>	<u>43,179</u>	<u>22,831</u>
Excess of Revenues Over (Under) Expenditures - Budgetary Basis	(20,025)	(16,669)	7,717
Other Financing Sources (Uses) (GAAP-Basis)	<u>36,200</u>	<u>18,595</u>	<u>(9,951)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis	<u>16,175</u>	<u>1,926</u>	<u>(2,234)</u>
Ending Fund Balance - Budgetary Basis	<u><u>\$160,389</u></u>	<u><u>\$ 70,170</u></u>	<u><u>\$ 7,566</u></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.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 18 – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES FUNDS

The City's nonmajor enterprise funds includes the Sewer Fund for the maintenance and replacement of the City's sewer pipelines and facilities, the Airport Fund which operates the Long Beach Municipal Airport, the Towing Fund for the removal of abandoned or illegally parked vehicles and the Subsidence Fund that accounts to the accumulation of resources to remediate land sinkage from oil operations. Segment information for the nonmajor business-type activities funds at September 30, 2008, and for the fiscal year then ended, are as follows (in thousands):

City of Long Beach
Nonmajor Proprietary Funds
Condensed Combining Statement of Net Assets
September 30, 2008
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Total Nonmajor Activities
Current Assets	\$ 3,775	\$ 25,908	\$ 400	\$ 163,072	\$ 193,155
Noncurrent Assets:					
Other Noncurrent Receivables	-	362	-	-	362
Advances to Other Funds	-	-	-	7,114	7,114
Capital Assets	48,540	118,672	129	-	167,341
Total Noncurrent Assets	48,540	119,034	129	7,114	174,817
Total Assets	<u>\$ 52,315</u>	<u>\$ 144,942</u>	<u>\$ 529</u>	<u>\$ 170,186</u>	<u>\$ 367,972</u>
Current Liabilities:					
Other Current Liabilities	\$ 320	\$ 5,023	\$ 134	\$ 7,114	\$ 12,591
Due to Other Funds	65	109	41	-	215
Total Current Liabilities	<u>385</u>	<u>5,132</u>	<u>175</u>	<u>7,114</u>	<u>12,806</u>
Noncurrent Liabilities:					
Deferred Revenues	-	5,952	-	-	5,952
Other Long-Term Obligations	-	14,645	-	-	14,645
Total Noncurrent Liabilities	<u>-</u>	<u>20,597</u>	<u>-</u>	<u>-</u>	<u>20,597</u>
Total Liabilities	<u>\$ 385</u>	<u>\$ 25,729</u>	<u>\$ 175</u>	<u>\$ 7,114</u>	<u>\$ 33,403</u>
Net Assets					
Investment in Capital Assets, Net of Related Debt	\$ 48,541	\$ 103,157	\$ 129	\$ -	\$ 151,827
Restricted for:					
Debt Service	-	1,295	-	-	1,295
Capital Projects	-	3,620	-	-	3,620
Subsidence	-	-	-	163,072	163,072
Unrestricted	3,389	11,141	225	-	14,755
Total Net Assets	<u>\$ 51,930</u>	<u>\$ 119,213</u>	<u>\$ 354</u>	<u>\$ 163,072</u>	<u>\$ 334,569</u>

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Long Beach
Nonmajor Proprietary Funds
Condensed Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
September 30, 2008
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Total Nonmajor Activities
Operating Revenues:					
Licenses and Permits	\$ -	\$ 30,053	\$ -	\$ -	\$ 30,053
Fees, Concessions and Rentals	11,783	-	8,783	-	20,566
Total Operating Revenues	11,783	30,053	8,783	-	50,619
Operating Expenses:					
Operating Expense	10,726	25,832	9,732	-	46,290
Amortization	-	122	-	-	122
Depreciation	1,173	4,929	9	-	6,111
Total Operating Expenses	11,899	30,883	9,741	-	52,523
Operating Income (Loss)	(116)	(830)	(958)	-	(1,904)
Non-Operating Income (Expenses):					
Interest Income	172	658	49	5,106	5,985
Interest Expense	-	(535)	-	-	(535)
Operating Grants	-	288	-	-	288
Other Income (Expenses)	2	5,027	33	500	5,562
Total Non-Operating Income (Expenses)	174	5,438	82	5,606	11,300
Income (Loss) Before Contributions	58	4,608	(876)	5,606	9,396
Capital Grants and Contributions	-	7,496	-	-	7,496
Net Operating Transfers in/(out)	-	32	-	-	32
Change in Net Assets	58	12,136	(876)	5,606	16,924
Net Assets - October 1	51,872	107,077	1,230	157,466	317,645
Net Assets - September 30	\$ 51,930	\$ 119,213	\$ 354	\$ 163,072	\$ 334,569

City of Long Beach
Nonmajor Proprietary Funds
Condensed Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2008
(In Thousands)

<u>(DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Sewer	Airport	Towing	Subsidence	Total Nonmajor Activities
Net Cash Provided by (Used for) Operating Activities	\$ 1,021	\$ 2,334	\$ (881)	\$ -	\$ 2,474
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	320	-	-	320
Net Cash Used for Capital and Related Financing Activities	(3,258)	(2,622)	-	-	(5,880)
Net Cash Provided by Investing Activities	165	632	48	5,620	6,465
Net Increase (Decrease) in Cash and Cash Equivalents	(2,072)	664	(833)	5,620	3,379
Cash and Cash Equivalents - October 1	5,287	21,192	1,027	154,679	182,185
Cash and Cash Equivalents - September 30	\$ 3,215	\$ 21,856	\$ 194	\$ 160,299	\$ 185,564

**CITY OF LONG BEACH
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008**

NOTE 19 – GAS PREPAY FUND

The Long Beach Bond Financing Authority (LBBFA) Gas Prepay Fund was formed to account for the 2007 A and B Natural Gas bonds that were issued in October 2007, for the purchase of gas at a predetermined price. There is an interest rate swap on Series B and a commodity swap on the purchases of natural gas.

2007 Prepaid Natural Gas Purchase and Sale Agreement

In conjunction with the issuance of the 2007 Long Beach Bond Financing Authority (LBBFA) Natural Gas Revenue Bonds (see Note 10), the LBBFA paid \$892,641,000 to enter into a Prepaid Natural Gas Purchase and Sale Agreement (Purchase and Sale Agreement) to purchase a fixed quantity of Natural Gas to be delivered over a term of 30 years. This payment has been recorded as a prepaid asset in the Gas Prepay fund and is amortized as used. Simultaneous to the Purchase and Sale Agreement, the LBBFA entered into a Supply Agreement with the City to sell the same fixed quantity of natural gas, as measured in one million British thermal units (MMBtu). Settlement provisions of the contract permit the City to take delivery of the gas or to pay settlement price equal to the applicable Index price for the month in which the gas delivery occurs, less \$0.83 per MMBtu. The City routinely enters into similar contracts and takes delivery of the gas. The price received by Merrill Lynch Commodities Inc. for the gas sold to the City will be hedged by a commodities price swap agreement under terms that will enable the Issuer to receive a revenue stream with respect to the sale for such gas that is fixed for the life of the Prepaid Gas Agreement.

Interest Rate Swap

Objective and Terms: As a means to lower financing costs and to reduce the risks associated with the fluctuation of market interest rates, Long Beach Bond Finance Authority (LBBFA) entered into a series of interest rate swaps in connection with the 2007 Gas Prepay Bonds, Series B (Bonds) in the amount of \$251.695 million as follows:

Maturity Date	Notional Amounts (in thousands)	Synthetic Fixed Rate	Variable Rate	Spread
11/15/2025	\$ 28,845	4.903%	4.501%	1.41%
11/15/2026	33,025	4.930%	4.530%	1.41%
11/15/2027	31,570	4.955%	4.558%	1.45%
2/15/2033	158,255	5.067%	4.608%	1.43%
	\$ 251,695	5.016% ¹	4.579% ²	1.43% ¹

¹ Percentages are Weighted Average.
² The Weighted Average Floating rate based on present value of the forward three-month LIBOR Rate Curve at 9/30/08, plus the indicative spread.

The intention of the swaps was to effectively change the variable interest rate on the bonds to a synthetic weighted average fixed-rate of 5.02 percent. The bonds and the related swap agreements mature on the dates specified above and the swap’s notional amount of \$251.695 million matches the \$251.695 million variable-rate bonds. The swap was effective at the same time the bonds were issued on October 18, 2007.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

Fair Value: The swap, with the market price quoted by MLC, had a negative fair value of \$15.5 million as of September 30, 2008.

Credit Risks: As of September 30, 2008, the swap counterparty was rated A2 by Moody's and rated A by Standard & Poor's.

Basis Risks: As of September 30, 2008, LBBFA rate was 67 percent of three-month LIBOR, plus a weighted average spread of 1.429 percent as shown in the table above, or a weighted average rate of 4.144 percent (calculated $(4.0525\% \times .67) + 1.429\% = 4.144\%$). The synthetic rate on the bonds at September 30, 2008 was a weighted average rate of 5.016 percent.

Swap Payment and Associated Debt: Using rates as of September 30, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rate remain the same for their term, were as follows:

Fiscal Year Ending September 30	Variable Rate Bonds		Net Swap Payments	Total Interest
	Principal	Interest		
2009	\$ -	\$ 12,625,477	\$ 3,430,529	\$ 16,056,006
2010	-	12,625,477	2,956,254	15,581,731
2011	-	12,625,477	1,584,056	14,209,533
2012	-	12,625,477	1,076,143	13,701,620
2013	-	12,625,477	892,276	13,517,753
2014 - 2018	-	63,127,386	2,184,963	65,312,349
2019 - 2023	-	63,127,386	1,339,685	64,467,071
2024 - 2028	93,440,000	55,215,691	1,173,761	56,389,452
2029 - 2033	98,255,000	33,726,395	865,778	34,592,173
2034 - 2038	60,000,000	760,050	-	760,050
	<u>\$ 251,695,000</u>	<u>\$ 279,084,293</u>	<u>\$ 15,503,445</u>	<u>\$ 294,587,738</u>

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

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

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Long Beach
Gas Operations Fund and Long Beach Bond Financing
Authority (LBBFA) - Gas Prepay Fund
Consolidated Statement of Net Assets
September 30, 2008
(In Thousands)

	Gas Operating	LBBFA Gas Prepay	Total Before Elimination	Eliminations Debit/(credit)	Consolidated Gas Utility Fund
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 2,814	\$ -	\$ 2,814	\$ -	\$ 2,814
Non-Pooled Cash and Cash Equivalents	6	118	124	-	124
Non Performing Investments	104	-	104	-	104
Non-Pooled Investments	650	17,139	17,789	-	17,789
Receivables:					
Accounts Receivable	6,103	3,459	9,562	(3,349)	6,213
Due from Other Funds	1,575	-	1,575	(807)	768
Allowance for Receivables	(667)	-	(667)	-	(667)
Inventory	1,534	-	1,534	-	1,534
Prepaid Gas-Current	-	29,812	29,812	-	29,812
Other Assets	46	-	46	-	46
Total Current Assets	<u>12,165</u>	<u>50,528</u>	<u>62,693</u>	<u>(4,156)</u>	<u>58,537</u>
Noncurrent Assets:					
Noncurrent Receivables:					
Advances to Other Funds	3,445	-	3,445	-	3,445
Capital Assets:					
Land and Other Assets not Being Depreciated	9,309	-	9,309	-	9,309
Property, Plant and Equipment net of Accumulated Depreciation	72,728	-	72,728	-	72,728
Prepaid Gas-Long Term	-	835,428	835,428	-	835,428
Total Noncurrent Assets	<u>85,482</u>	<u>835,428</u>	<u>920,910</u>	<u>-</u>	<u>920,910</u>
Total Assets	<u>97,647</u>	<u>885,956</u>	<u>983,603</u>	<u>(4,156)</u>	<u>979,447</u>
LIABILITIES					
Current Liabilities payable from Current Assets:					
Accounts Payable	5,300	15	5,315	3,349	1,966
Accrued Wages	513	-	513	-	513
Accrued Interest Payable	22	14,053	14,075	-	14,075
Due to Other Funds	238	807	1,045	807	238
Deferred Revenues	400	-	400	-	400
Customers Deposits	2,144	-	2,144	-	2,144
Bonds Payable Due Within One Year	940	110	1,050	-	1,050
Total Current Liabilities	<u>9,557</u>	<u>14,985</u>	<u>24,542</u>	<u>4,156</u>	<u>20,386</u>
Noncurrent Liabilities:					
Other Long Term Obligations	17,259	-	17,259	-	17,259
Bonds Payable	3,730	887,250	890,980	-	890,980
Unamortized Discount/Deferred cost	(76)	10,666	10,590	-	10,590
Total Noncurrent Liabilities	<u>20,913</u>	<u>897,916</u>	<u>918,829</u>	<u>-</u>	<u>918,829</u>
Total Liabilities	<u>30,470</u>	<u>912,901</u>	<u>943,371</u>	<u>4,156</u>	<u>939,215</u>
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	60,184	-	60,184	-	60,184
Restricted for:					
Debt Service	783	-	783	-	783
Capital Projects	243	-	243	-	243
Gas Prepay	-	-	-	-	-
Unrestricted	5,967	(26,945)	(20,978)	-	(20,978)
Total Net Assets	<u>\$ 67,177</u>	<u>\$ (26,945)</u>	<u>\$ 40,232</u>	<u>\$ -</u>	<u>\$ 40,232</u>

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Long Beach
Gas Operations Fund and Long Beach Bond Financing
Authority (LBBFA) - Gas Prepay Fund
Consolidated Statement of Revenues, Expenses and Changes in Fund Net Assets
September 30, 2008
(In Thousands)

	Gas Operating	LBBFA Gas Prepay	Total Before Elimination	Eliminations Debit/(credit)	Consolidated Gas Utility Fund
Operating Revenues:					
Charges for Services	\$ 109,134	\$ 56,473	\$ 165,607	\$ 56,473	\$ 109,134
Other	13,951	-	13,951	-	13,951
Total Revenues	<u>123,085</u>	<u>56,473</u>	<u>179,558</u>	<u>56,473</u>	<u>123,085</u>
Operating Expenses:					
Personal Services	13,817	-	13,817	-	13,817
Purchases of Gas	81,217	39,420	120,637	(56,473)	64,164
Maintenance and Other Operations	10,615	16	10,631	-	10,631
Bad Debt	503	-	503	-	503
Amortization	11	90	101	-	101
Depreciation	3,297	-	3,297	-	3,297
Total Operating Expenses	<u>109,460</u>	<u>39,526</u>	<u>148,986</u>	<u>(56,473)</u>	<u>92,513</u>
Operating Income	<u>13,625</u>	<u>16,947</u>	<u>30,572</u>	<u>-</u>	<u>30,572</u>
Non-Operating Income (Expense):					
Interest Income	147	487	634	-	634
Interest Expense	(523)	(43,569)	(44,092)	-	(44,092)
Gain on Disposition of Fixed Assets	(136)	-	(136)	-	(136)
Other Income	1,305	(810)	495	-	495
Total Non-Operating Income (Expense)	<u>793</u>	<u>(43,892)</u>	<u>(43,099)</u>	<u>-</u>	<u>(43,099)</u>
Income (Loss) Before Contributions and Transfers	14,418	(26,945)	(12,527)		(12,527)
Operating Transfers:					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	(11,711)	-	(11,711)	-	(11,711)
Change in Net Assets	2,707	(26,945)	(24,238)	-	(24,238)
Net Assets, October 1	<u>64,470</u>	<u>-</u>	<u>64,470</u>	<u>-</u>	<u>64,470</u>
Net Assets, September 30	<u>\$ 67,177</u>	<u>\$ (26,945)</u>	<u>\$ 40,232</u>	<u>\$ -</u>	<u>\$ 40,232</u>

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Long Beach
Gas Operations Fund and Long Beach Bond Financing
Authority (LBBFA) - Gas Prepay Fund
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2008
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Gas Operating	LBBFA Gas Prepay	Eliminations Increase (decrease)	Consolidated Gas Utility Fund
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 107,381	\$ 53,124	\$ (53,124)	\$ 107,381
Payments for Employee Salaries	(13,474)	-	-	(13,474)
Payments for Goods and Services	(92,429)	-	53,124	(39,305)
Other Income (Expense)	13,240	-	-	13,240
Net Cash Provided by (Used for) Operating Activities	<u>14,718</u>	<u>53,124</u>	<u>-</u>	<u>67,842</u>
Cash Flows from Non-Capital Financing Activities:				
Other Income (Expenses)	-	(113)	-	(113)
Proceeds from Issuance of Bonds	-	897,963	-	897,963
Prepay gas supply expenditures	-	(904,660)	-	(904,660)
Payments of Interest	-	(29,544)	-	(29,544)
Transfers Out	(11,711)	-	-	(11,711)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(11,711)</u>	<u>(36,354)</u>	<u>-</u>	<u>(48,065)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance Of Long-Term Obligations	2,004	-	-	2,004
Principal Received on Capital Leases from other funds	733	-	-	733
Payments for Capital Acquisitions	(12,181)	-	-	(12,181)
Payments of Principal on Bonds Payable	(925)	-	-	(925)
Payments of Interest	(522)	-	-	(522)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(10,891)</u>	<u>-</u>	<u>-</u>	<u>(10,891)</u>
Cash Flows from Investing Activities:				
Payments for Investments	-	(17,139)	-	(17,139)
Receipts of Interest	43	487	-	530
Net Cash Provided by Investing Activities	<u>43</u>	<u>(16,652)</u>	<u>-</u>	<u>(16,609)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,841)	118	-	(7,723)
Cash and Cash Equivalents - October 1	<u>10,661</u>	<u>-</u>	<u>-</u>	<u>10,661</u>
Cash and Cash Equivalents - September 30	<u>\$ 2,820</u>	<u>\$ 118</u>	<u>-</u>	<u>\$ 2,938</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	Gas Operating	LBBFA Gas Prepay	Eliminations Increase (decrease)	Consolidated Gas Utility Fund
Operating Income (Loss)	\$ 13,625	\$ 16,947	\$ -	\$ 30,572
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization Expense	3,308	90	-	3,398
Other Income (Expense)	501	(697)	-	(196)
(Increase) Decrease in Accounts Receivable, Net	(2,615)	(3,459)	3,349	(2,725)
Decrease in Amounts Due from Other Funds	-	807	-	807
(Increase) Decrease in Inventory	(408)	-	-	(408)
(Increase) Decrease in Other Operating Assets/Gas Prepay	(46)	39,420	-	39,374
Increase (Decrease) in Accounts Payable	59	16	(3,349)	(3,274)
Increase (Decrease) in Accrued Wages Payable	105	-	-	105
Increase (Decrease) in Amounts Due to Other Funds	37	-	-	37
Increase (Decrease) in Deferred Revenues	(140)	-	-	(140)
Increase (Decrease) in Collections Held in Trust	292	-	-	292
Total Adjustments	<u>1,093</u>	<u>36,177</u>	<u>-</u>	<u>37,270</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 14,718</u>	<u>\$ 53,124</u>	<u>\$ -</u>	<u>\$ 67,842</u>

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 20 – 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, 2008 is \$4,635,000 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, 2008

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, 2008
(In Thousands)

	Solid Waste Management Fund				Eliminations Debit (Credit)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub- Total	SERRF Authority		
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 26,340	\$ 41,239	\$ 67,579	\$ 236	\$ -	\$ 67,815
Non-Pooled Cash and Cash Equivalents	3	-	3	-	-	3
Non Performing Investments	61	-	61	-	-	61
Non-Pooled Investments	-	-	-	12,696	-	12,696
Receivables:						
Accounts Receivable	2,644	6,929	9,573	1,463	(1,463)	9,573
Due from Other Governments	12	269	281	-	-	281
Capital Leases Receivable-Current	-	-	-	6,860	(6,860)	-
Allowance for Receivables	(310)	(1)	(311)	-	-	(311)
Total Current Assets	28,750	48,436	77,186	21,255	(8,323)	90,118
Noncurrent Assets:						
Noncurrent Receivables:						
Capital Lease Receivable	-	-	-	87,605	(87,605)	-
Other Noncurrent Receivables	-	4,635	4,635	-	-	4,635
Capital Assets:						
Land and Other Capital Assets not being Depreciated	756	6,591	7,347	-	-	7,347
Capital Assets net of Accumulated Depreciation	39	35,034	35,073	-	-	35,073
Other Assets-Long-Term	-	671	671	813	(1,484)	-
Total Noncurrent Assets	795	46,931	47,726	88,418	(89,089)	47,055
Total Assets	29,545	95,367	124,912	109,673	(97,412)	137,173
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	642	7,280	7,922	19	1,463	6,478
Accrued Wages	317	14	331	-	-	331
Accrued Interest Payable	7	-	7	1,463	-	1,470
Due to Other Funds	147	7	154	-	-	154
Deferred Revenues	276	-	276	-	-	276
Collections Held in Trust	501	2,400	2,901	-	-	2,901
Bonds Payable Due Within One Year	-	-	-	6,860	-	6,860
Other Long-Term Obligations-Current	-	6,860	6,860	-	6,860	-
Total Current Liabilities	1,890	16,561	18,451	8,342	8,323	18,470
Noncurrent Liabilities:						
Deferred Revenues	-	4,635	4,635	-	-	4,635
Deferred Credits and Other Deferred Liabilities	-	813	813	671	1,484	-
Obligations Under Capital Leases	-	87,605	87,605	-	87,605	-
Bonds Payable	-	-	-	87,605	-	87,605
Unamortized Discount/Deferred cost	-	-	-	2,252	-	2,252
Total Noncurrent Liabilities	-	93,053	93,053	90,528	89,089	94,492
Total Liabilities	1,890	109,614	111,504	98,870	97,412	112,962
NET ASSETS (DEFICIT)						
Investment in Capital Assets, Net of Related Debt	794	(52,982)	(52,188)	-	2,110	(54,298)
Restricted for:						
Debt Service	-	-	-	12,696	-	12,696
Capital Projects	-	-	-	196	-	196
Unrestricted	26,861	38,735	65,596	(2,089)	(2,110)	65,617
Total Net Assets (Deficit)	\$ 27,655	\$ (14,247)	\$ 13,408	\$ 10,803	\$ -	\$ 24,211

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008
(In Thousands)

	Solid Waste Management Fund				Eliminations Debit (Credit)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub- Total	SERRF Authority		
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ -	\$ -	\$ 5,495	\$ 5,495	\$ -
Charges for Services	36,589	47,039	83,628	-	-	83,628
Total Operating Revenues	36,589	47,039	83,628	5,495	5,495	83,628
Operating Expenses:						
Personal Services	11,519	445	11,964	-	-	11,964
Maintenance and Other Operations	23,934	35,851	59,785	-	-	59,785
Rental Expense	-	5,495	5,495	-	(5,495)	-
Bad Debt	353	-	353	-	-	353
Depreciation	27	4,435	4,462	-	-	4,462
Total Operating Expenses	35,833	46,226	82,059	-	(5,495)	76,564
Operating Income (Loss)	756	813	1,569	5,495	-	7,064
Non-Operating Income (Expenses):						
Interest Income	718	1,589	2,307	752	-	3,059
Interest Expense	-	-	-	(4,935)	-	(4,935)
Operating Grants	953	-	953	-	-	953
Other Income (Expenses)	2,039	501	2,540	(210)	-	2,330
Total Non-Operating Income (Expenses)	3,710	2,090	5,800	(4,393)	-	1,407
Income Before Contributions and Transfers	4,466	2,903	7,369	1,102	-	8,471
Transfers:						
Transfers Out	-	(2,306)	(2,306)	-	-	(2,306)
Change in Net Assets	4,466	597	5,063	1,102	-	6,165
Net Assets (Deficit) - October 1	23,189	(14,844)	8,345	9,701	-	18,046
Net Assets (Deficit) - September 30	\$ 27,655	\$ (14,247)	\$ 13,408	\$ 10,803	\$ -	\$ 24,211

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008
(In Thousands)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Solid Waste Management Fund				Eliminations Increase (Decrease)	Consolidated Solid Waste Management Fund
	Refuse	SERRF	Sub- Total	SERRF Authority		
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 36,283	\$ 46,829	\$ 83,112	\$ -	\$ -	\$ 83,112
Receipts from Capital Lease	-	-	-	4,659	(4,659)	-
Payments for Employee Salaries	(11,431)	(436)	(11,867)	-	-	(11,867)
Payments for Goods and Services	(24,965)	(39,693)	(64,658)	-	4,659	(59,999)
Other Income (Expense)	2,041	501	2,542	(189)	-	2,353
Net Cash Provided by Operating Activities	1,928	7,201	9,129	4,470	-	13,599
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	999	-	999	-	-	999
Transfers Out	-	(2,306)	(2,306)	-	-	(2,306)
Net Cash Used for Non-Capital Financing Activities	999	(2,306)	(1,307)	-	-	(1,307)
Cash Flows from Capital and Related Financing Activities:						
Receipts/(Payment) of Contributed Capital	-	-	-	-	-	-
Payments for Capital Acquisitions	(644)	(35)	(679)	-	-	(679)
Payments of Principal on Bonds Payable	-	-	-	(6,690)	-	(6,690)
Payments of Principal on Other Long- Term Obligations	-	(6,690)	(6,690)	-	6,690	-
Payments of Interest	-	-	-	(4,722)	-	(4,722)
Net Cash Used for Capital and Related Financing Activities	(644)	(6,725)	(7,369)	(11,412)	6,690	(12,091)
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	(179)	-	(179)
Principal Received under Capital Lease	-	-	-	6,690	(6,690)	-
Payment for Investment	-	-	-	(499)	-	(499)
Receipts of Interest	656	1,589	2,245	751	-	2,996
Net Cash Provided by Investing Activities	656	1,589	2,245	6,763	(6,690)	2,318
Net Increase (Decrease) in Cash and Cash Equivalents	2,939	(241)	2,698	(179)	-	2,519
Cash and Cash Equivalents - October 1	23,404	41,480	64,884	415	-	65,299
Cash and Cash Equivalents - September 30	\$ 26,343	\$ 41,239	\$ 67,582	\$ 236	\$ -	\$ 67,818

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Solid Waste Management Fund</u>				<u>Eliminations Increase (Decrease)</u>	<u>Consolidated Solid Waste Management Fund</u>
	<u>Refuse</u>	<u>SERRF</u>	<u>Sub- Total</u>	<u>SERRF Authority</u>		
Operating Income (Loss)	\$ 756	\$ 813	\$ 1,569	\$ 5,495	\$ -	\$ 7,064
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	27	4,435	4,462	-	-	4,462
Other Income (Expense)	2,041	501	2,542	(210)	-	2,332
(Increase) Decrease in Accounts Receivable, Net	(232)	(2,793)	(3,025)	59	(59)	(3,025)
Increase in Amounts Due from						
Other Governments	-	207	207	-	-	207
Decrease (Increase) in Deferred Charges	-	895	895	-	(895)	-
Increase (Decrease) in Accounts Payable	(1,032)	838	(194)	21	59	(114)
Increase (Decrease) in Accrued Wages Payable	65	6	71	-	-	71
Increase in Amounts Due to Other Funds	23	3	26	-	-	26
Decrease in Deferred Revenues	276	-	276	-	-	276
Increase (Decrease) in Deferred Credits	-	(80)	(80)	(895)	895	(80)
Decrease in Collections Held in Trust	4	2,376	2,380	-	-	2,380
Total Adjustments	1,172	6,388	7,560	(1,025)	-	6,535
Net Cash Provided by Operating Activities	\$ 1,928	\$ 7,201	\$ 9,129	\$ 4,470	\$ -	\$ 13,599

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 21 – TIDELANDS FUND

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 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 \$1,671,000.

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 \$3,995,000 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 \$245,000 for the purchase of goods, services and construction.

Summary financial information for the consolidated Tidelands Business-type-Enterprise Fund is presented below (in thousands) as of September 30, 2008:

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Long Beach
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project
Consolidated Statement of Net Assets
September 30, 2008
(In Thousands)

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Eliminations Debit / (credit)	Consolidated Tidelands Total
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 46,502	\$ 6,991	\$ 3,646	\$ 3,148	\$ 60,287	\$ -	\$ 60,287
Non-Pooled Cash and Cash Equivalents	15,533	16	-	4,582	20,131	-	20,131
Non Performing Investments	265	16	-	7	288	-	288
Receivables:							
Interest Receivable	250	-	-	-	250	-	250
Accounts Receivable	1,840	246	43	53	2,182	-	2,182
Due from Other Governments	272	-	-	-	272	-	272
Due from Other Funds	21,093	-	-	-	21,093	(990)	20,103
Capital Leases Receivable-Current	108	-	-	-	108	-	108
Allowance for Receivables	(7)	(197)	-	(2)	(206)	-	(206)
Inventory	-	110	-	-	110	-	110
Total Current Assets	85,856	7,182	3,689	7,788	104,515	(990)	103,525
Noncurrent Assets:							
Capital Assets:							
Land and Other Assets not Being Depreciated	31,392	5,385	3	11,110	47,890	-	47,890
Property, Plant and Equipment net of Accumulated Depreciation	177,633	54,107	9,762	69,046	310,548	-	310,548
Total Noncurrent Assets	209,025	59,492	9,765	80,156	358,438	-	358,438
Total Assets	294,881	66,674	13,454	87,944	462,953	(990)	461,963
LIABILITIES							
Current Liabilities payable from Current Assets:							
Accounts Payable	1,705	105	-	568	2,378	-	2,378
Accrued Wages	400	234	-	33	667	-	667
Accrued Interest Payable	2,647	291	-	811	3,749	-	3,749
Due to Other Funds	954	108	-	1,005	2,067	990	1,077
Deferred Revenues	2,960	2,592	-	25	5,577	-	5,577
Collections Held in Trust	35	52	-	1	88	-	88
Customers Deposits	-	-	25	-	25	-	25
Obligations Under Capital Leases	672	-	-	-	672	-	672
Bonds Payable Due Within One Year	2,985	135	-	2,325	5,445	-	5,445
Other Long Term Obligation-Current	39	1,280	-	16	1,335	-	1,335
Total Current Liabilities	12,397	4,797	25	4,784	22,003	990	21,013
Noncurrent Liabilities:							
Advances from Other Funds	26,267	-	-	-	26,267	-	26,267
Obligations Under Capital Leases-Current	565	-	-	-	565	-	565
Other Long Term Obligations	856	36,193	-	570	37,619	-	37,619
Bonds Payable	120,900	-	-	44,155	165,055	-	165,055
Unamortized Discount/Deferred cost	(10,981)	-	-	(2,724)	(13,705)	-	(13,705)
Total Noncurrent Liabilities	137,607	36,193	-	42,001	215,801	-	215,801
Total Liabilities	150,004	40,990	25	46,785	237,804	990	236,814
NET ASSETS							
Investment in Capital Assets, Net of Related Debt	93,989	21,884	9,765	35,814	161,452	-	161,452
Restricted for:							
Debt Service	12,197	73	-	3,551	15,821	-	15,821
Capital Projects	1,084	(300)	3,621	526	4,931	-	4,931
General Purpose	6,205	-	-	-	6,205	-	6,205
Unrestricted	31,402	4,027	43	1,268	36,740	-	36,740
Total Net Assets	\$ 144,877	\$ 25,684	\$ 13,429	\$ 41,159	\$ 225,149	\$ -	\$ 225,149

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Long Beach
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Project
Consolidated Statement of Revenues, Expenses and Changes in Fund Net Assets
September 30, 2008
(In Thousands)

	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Total Before Elimination	Eliminations Debit / (credit)	Consolidated Tidelands Total
Operating Revenues:							
Licenses and Permits	\$ 156	\$ 11	\$ -	\$ 26	\$ 193	\$ -	\$ 193
Fines and Forfeitures	211	-	-	-	211	-	211
Fees, Concessions and Rentals	7,933	21,029	188	7,184	36,334	-	36,334
From Other Agencies	767	182	-	-	949	-	949
Charges for Services	43,672	130	-	-	43,802	-	43,802
Other	-	-	-	2	2	-	2
Total Revenues	52,739	21,352	188	7,212	81,491		81,491
Operating Expenses:							
Personal Services	24,305	8,277	-	1,025	33,607	-	33,607
Maintenance and Other Operations	44,630	5,227	-	8,714	58,571	-	58,571
Amortization	203	15	-	582	800	-	800
Depreciation	9,860	4,500	314	3,501	18,175	-	18,175
Total Operating Expenses	78,998	18,019	314	13,822	111,153	-	111,153
Operating Income	(26,259)	3,333	(126)	(6,610)	(29,662)	-	(29,662)
Non-Operating Income (Expense):							
Interest Income	3,511	164	-	210	3,885	-	3,885
Interest Expense	(7,521)	(1,776)	-	(2,009)	(11,306)	-	(11,306)
Gain on Disposition of Fixed Assets	-	30	-	-	30	-	30
Operating Grants	-	-	-	-	-	-	-
Other Income	5	15	-	-	20	-	20
Total Non-Operating Income (Expense)	(4,005)	(1,567)	-	(1,799)	(7,371)	-	(7,371)
Income (Loss) Before Contributions and Transfers	(30,264)	1,766	(126)	(8,409)	(37,033)	-	(37,033)
Capital Grants & Contributions	764	378	-	-	1,142	-	1,142
Operating Transfers:							
Operating Transfers In	47,307	-	2,200	6,565	56,072	8,765	47,307
Operating Transfers Out	(8,765)	-	-	-	(8,765)	(8,765)	-
Change in Net Assets	9,042	2,144	2,074	(1,844)	11,416	-	11,416
Net Assets, October 1	135,835	23,540	11,355	43,003	213,733	-	213,733
Net Assets, September 30	\$ 144,877	\$ 25,684	\$ 13,429	\$ 41,159	\$ 225,149	\$ -	\$ 225,149

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Long Beach
Tideland Operating, Marina, Queen Mary and Rainbow Harbor Area
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2008
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Tideland Operating	Marina	Queen Mary	Rainbow Harbor Area	Eliminations Increase (decrease)	Consolidated Tidelands Total
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 58,626	\$ 21,402	\$ 344	\$ 7,179	\$ -	\$ 87,551
Receipts from Other Governments	835	677	-	-	-	1,512
Payments for Employee Salaries	(24,220)	(8,219)	-	(1,018)	-	(33,457)
Payments for Goods and Services	(44,003)	(5,411)	-	(8,850)	-	(58,264)
Other Income (Expense)	6	15	-	-	-	21
Net Cash Provided by (Used for) Operating Activities	(8,756)	8,464	344	(2,689)	-	(2,637)
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments						
Transfers In	47,801	-	2,200	6,565	(8,765)	47,801
Transfers Out	(8,765)	-	-	-	8,765	-
Net Cash Provided by Non-Capital Financing Activities	39,036	-	2,200	6,565	-	47,801
Cash Flows from Capital and Related Financing Activities:						
Proceeds from the Sale of Capital Assets	-	30	-	-	-	30
Proceeds from Issuance Of Long-Term Obligations	-	3,359	-	-	-	3,359
Principal Received on Capital Leases	419	-	-	-	-	419
Payments for Capital Acquisitions	(1,241)	(336)	(3)	(338)	-	(1,918)
Payments of Principal on Bonds Payable	(2,870)	(3,285)	-	(2,236)	-	(8,391)
Payments of Principal on Other Long- Term Obligations	(3,271)	(1,439)	-	(15)	-	(4,725)
Payments of Interest	(6,965)	(1,753)	-	(2,052)	-	(10,770)
Net Cash Used for Capital and Related Financing Activities	(13,928)	(3,424)	(3)	(4,641)	-	(21,996)
Cash Flows from Investing Activities:						
Receipts of Interest	3,243	148	-	202	-	3,593
Net Cash Provided by Investing Activities	3,243	148	-	202	-	3,593
Net Increase (Decrease) in Cash and Cash Equivalents	19,595	5,188	2,541	(563)	-	26,761
Cash and Cash Equivalents - October 1	42,440	1,819	1,105	8,293	-	53,657
Cash and Cash Equivalents - September 30	\$ 62,035	\$ 7,007	\$ 3,646	\$ 7,730	-	\$ 80,418
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (26,259)	\$ 3,333	\$ (126)	\$ (6,610)	\$ -	\$ (29,662)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	10,063	4,515	314	4,083	-	18,975
Other Income (Expense)	5	15	-	-	-	20
(Increase) Decrease in Accounts Receivable, Net	6,688	(77)	156	(34)	-	6,733
(Increase) Decrease in Amounts Due from Other Governments	68	494	-	-	-	562
Increase (Decrease) in Accounts Payable	\$627	(206)	-	(1,125)	-	(704)
Increase (Decrease) in Accrued Wages Payable	85	58	-	7	-	150
Increase (Decrease) in Amounts Due to Other Funds	-	22	-	990	-	1,012
Increase (Decrease) in Deferred Revenues	(33)	310	-	-	-	277
Total Adjustments	17,503	5,131	470	3,921	-	27,025
Net Cash Provided by (Used for) Operating Activities	\$ (8,756)	\$ 8,464	\$ 344	\$ (2,689)	-	\$ (2,637)

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 22 – 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.

Annually, the City estimates the State's share in the costs of future abandonment and site clearance of the oil properties. At September 30, 2008, the State's total estimated abandonment cost liability is \$352,000,000 increasing \$19,100,000 from fiscal year 2007. 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. Of the \$352,000,000 estimated liability, the State has put aside and deposited \$177,108,000 into the State's Oil Trust Fund - Abandonment Reserve as of September 30, 2008 as provided for in Assembly Bill (AB) 137.

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 \$3,268,000 has been funded as of September 30, 2008 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, 2008, the reserve balance within the Subsidence Fund is \$163,072,000. 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

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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making \$5 million contributions to the State in fiscal years 2005 and 2006. At September 30, 2008, total loan to the City's General Fund amounts to \$7,114,000.

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 \$19,900,000 as of September 30, 2008. A provision for the long-term abandonment costs in the amount of \$19,900,000 and \$18,800,000 has been recorded as of September 30, 2008 and 2007, respectively, as a long-term obligation. Estimates of abandonment costs are reviewed annually, and adjusted to reflect modifications in abandonment practices, number and life of productive wells, varying abandonment expenses, general changes in the life of the oil field and changes in oil price levels.

NOTE 23 – INVESTMENT IN JOINT VENTURES

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (the Venturers) have entered into a joint venture agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purposes of finance and constructing an intermodal container transfer facility (Facility) to transfer cargo containers between trucks and railroad cars. The Facility has been leased to Southern Pacific Transportation Company, now merged with Union Pacific Railroad (the tenant). The Facility was developed by the tenant who has assumed operational responsibility for the Facility. The Venturers' share net income and equity distributions from ICTF equally. Audited balance sheets and statement of income and Venturers' equity (in condensed format) for the years ended June 30, 2008 and 2007 were as follows:

ICTF Condensed Balance Sheet June 30, 2008 and 2007 (In Thousands)		
	2008	2007
Current Assets	\$ 21,117	\$ 20,145
Property and Equipment	3,059	3,167
Total Assets	\$ 24,176	\$ 23,312
Current Liabilities	\$ 24	\$ 8,042
Venturers' Equity:		
Port of Long Beach Harbor Department	12,255	7,807
Port of Los Angeles	11,897	7,463
Total Venturer's Equity	24,152	15,270
Total Liabilities and Venturers' Equity	\$ 24,176	\$ 23,312

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Condensed Statement of Income and Venturers' Equity
for the Years Ended June 30, 2008 and 2007
(In Thousands)

	<u>2008</u>	<u>2007</u>
Operating Revenues	\$ 8,340	\$ 8,894
Operating Expenses	(108)	(108)
Operating Income	<u>8,232</u>	<u>8,786</u>
Interest Income	<u>650</u>	<u>368</u>
Net Income	8,882	9,154
Venturers' Equity, July 1	15,270	14,116
Cash Disbursement to Venturers	<u>-</u>	<u>(8,000)</u>
Venturers' Equity, June 30	<u>\$ 24,152</u>	<u>\$ 15,270</u>

On September 3, 2008, ICTF authorized the cash distribution of \$8,000 (in thousands) to be shared equally by the Venturers.

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.

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 24 – 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.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 25 – COMMITMENTS AND CONTINGENCIES

Commitments

At September 30, 2008, business-type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

Gas	\$ 81
Water	3,310
Solid Waste Management	68
Tideland Operating	1,671
Marina	3,995
Queen Mary	53
Rainbow Harbor	245
Tidelands Oil Revenue	34
Harbor	60,114
Non-major business-type funds	
Sewer	547
Airport	5,269
Towing	1
Total	<u>\$ 75,388</u>

At September 30, 2008, the City's commitments for Internal Service Funds activity construction projects and for the purchase of goods and services aggregated \$3,028,000.

The component unit, Long Beach Transportation Company has \$22,276,000 in commitments at June 30, 2008, mainly for the purchase of new buses.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 15 years and a maximum amount of \$112,500,000 according to the following table:

<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. It is anticipated that remediation costs will exceed the first layer of the allocation.

Additionally, the Harbor Department is required to clean up the sediments of an area known as Installation Restoration Site 7 (IR site 7) and has recognized liabilities in the amounts of \$76,869,000 and \$47,700,000 for fiscal years 2008 and 2007, respectively, for long term and short term obligations.

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 comprehensive transportation corridor between the Ports and the central Los Angeles area.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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, 2008 and 2007, total costs to the City's Harbor Department related to the rights-of-way purchase amounted to \$207,823,000.

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 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 (Notice) was transmitted to the City's Harbor Department on August 21, 2008; estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material. The projected shortfall for fiscal year 2009, 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, with interest, by ACTA. Reimbursement could begin as soon as 2018. The Harbor Department is funding a cash

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

reserve to satisfy claims to the shortfall advance potential obligation. The balance of the reserve, as of September 30, 2008 and 2007, is \$36,883,000 and \$84,040,000, respectively.

Environmental Mitigation Costs

The City's Harbor Department disbursed \$39,375,000 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. No acquisitions or utilization of credits occurred during fiscal years 2007 and 2008.

The cost incurred in the acquisition of the land has been classified as a non-current asset. As of September 30, 2008, the City's Harbor Department has completed landfills that required the utilization of \$6,493,000 of the available credits. The balance of environmental mitigation costs will 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, 2008 and 2007.

Desalination Prototype Site Restoration Cost

In FY2008, the Water Department completed construction and began fully operating a demonstration scale prototype of a subsurface seawater intake and discharge facility located at Cherry Beach along the coast of the City of Long Beach. This facility is intended to determine the feasibility of utilizing a subsurface intake and discharge system for seawater desalination as an alternative to open ocean intakes and provide data for full-scale design. Facility construction costs totaling \$4,614,315 have been capitalized and will be depreciated over a period of two years. A Coastal Development Permit granted by the California Coastal Commission in September of 2007, required the Department to restore the project site to its pre-existing condition no later than May 21, 2010. Estimated site restoration costs of \$1,000,000 have been accrued as a long-term liability and recorded to non-operating expenses. Operating costs of the facility are expensed as incurred.

In FY2007, 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 from the Los Angeles Department of Water and Power. Facility construction costs totaling \$7,871,476 have been capitalized and will be depreciated over the remaining term of the land lease, which terminates in the year 2010. The terms of the lease require the facility site to be restored to its original condition at the commencement of the lease agreement. Consequently in FY 2007, estimated site restoration costs of \$400,000 have been accrued as a long-term liability and recorded to non-operating expense. The operating and other associated costs of the facility are expensed as incurred.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

New 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 City's Harbor Department anticipates that funding of this project will come primarily from federal and state sources. To receive this funding, the Harbor Department is required to provide a matching amount.

In anticipation of the matching requirements, the Harbor Department has set aside funds to provide the expected 10 percent local match. As of September 30, 2008 and 2007, funds earmarked for this project were \$51,979,000 and \$59,831,000 respectively.

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 port's current operations and future development. Key provisions include protection of the community from the harmful impacts of port operations and employment of state-of-the-art technology to minimize environmental impacts. Air emissions from ships at berth account for over one-third of all vessel air emissions. Providing electrification reduces emissions significantly. With electrification, or "cold ironing", vessels can shut down their auxiliary engines, while at berth, and plug into dockside electric substations.

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 CAAP. 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, trucks, terminal equipment, and harbor craft – to significantly reduce health risks posed by air pollution.

The Clean Trucks Program (CTP) is a key element of CAAP. Beginning October 1, 2008, CTP banned pre-1989 trucks from entering port's shipping terminals. By January 1, 2010, only trucks built after 1993 will be allowed into the port's shipping terminals, and by January 1, 2012, all trucks must meet 2007 federal Environmental Protection Agency emission standards that make new trucks more than 80% less polluting than older trucks. In order to assist with the replacement of trucks, the port offers three options: lease to own; grants for an engine retrofit; and loan subsidy for the purchase of clean trucks. While the port does not own or operate the more than 16,000 drayage trucks that serve port terminals, CTP will greatly accelerate the reduction of air pollution and public health risks posed by dirty diesel trucks that would otherwise remain on the roadway for many years if not decades.

At the end of the fiscal years 2008 and 2007, the City's Harbor Department has set aside \$211,169,000 and \$217,300,000, respectively, to fund CAAP. Projects funded from this reserve must improve air quality, foster the use of ship-to-shore electricity at the ports, and enhance use pollution-based impact fees to improve air quality and public health.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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.

CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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

<u>June 30</u> <u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Entry Age</u> <u>Normal</u> <u>Accrued</u> <u>Liability</u> <u>(b)</u>	<u>Excess</u> <u>Funded</u> <u>(Deficit/</u> <u>Unfunded)</u> <u>Assets</u> <u>(a) - (b)</u>	<u>Funded Status</u>		<u>Annual</u> <u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>Excess</u> <u>Funded</u> <u>(Deficit/</u> <u>Unfunded)</u> <u>Assets as a %</u> <u>of Covered</u> <u>Payroll</u> <u>(a) - (b)] / (c)</u>
				<u>(AVA)</u> <u>(a) / (b)</u>	<u>Market</u> <u>Value</u>		
<u>Miscellaneous Employees</u>							
2005	1,319,615	1,382,539	(62,924)	95.4%	98.2%	186,580	(33.7)%
2006	1,394,797	1,467,655	(72,858)	95.0%	100.9%	193,944	(37.6)%
2007	1,489,681	1,558,205	(68,524)	95.6%	111.2%	204,765	(33.5)%
<u>Safety Employees</u>							
2005	1,353,870	1,314,223	39,647	103.0%	106.0%	103,583	38.3%
2006	1,424,542	1,388,324	36,218	102.6%	108.9%	110,146	32.9%
2007	1,514,813	1,479,271	35,542	102.4%	119.1%	119,753	29.7%

See accompanying independent auditors' report.

**CITY OF LONG BEACH
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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

Actuarial Valuation Date (1)	Actuarial Value of Assets	Actuarial Accrued Liabilities	Funded (Excess assets)	Funded Ratio	Annual Covered Payroll	Rate of Funded Liability to Annual Covered Payroll
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 %
2008	1,101,797	1,047,157	54,640	105%	9,178,269	0.60 %

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

Postemployment Health Care Benefits
Analysis of Funding Progress
(Unaudited)

Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a) – (b)	Funded Ratio (b) / (a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a) – (b)] / (c)
1/1/2006	\$ 86,868	\$ -	\$86,868	0%	\$284,484	30.5%

See accompanying independent auditors' report.

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 – 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)
Fiscal Year Ended September 30, 2008
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ -	\$ 1,225	\$ 1,057	\$ (168)
Use of Money and Property	1,352	747	1,746	999
From Other Agencies	28,708	38,590	6,028	(32,562)
Other	210	224	13	(211)
Total Revenues	<u>30,270</u>	<u>40,786</u>	<u>8,844</u>	<u>(31,942)</u>
Expenditures:				
Capital Improvements	<u>87,758</u>	<u>98,006</u>	<u>15,768</u>	<u>82,238</u>
Total Expenditures	<u>87,758</u>	<u>98,006</u>	<u>15,768</u>	<u>82,238</u>
Excess of Revenues Over (Under) Expenditures	<u>(57,488)</u>	<u>(57,220)</u>	<u>(6,924)</u>	<u>50,296</u>
Other Financing Sources (Uses):				
Debt Issuance	-	-	-	-
Transfers In	8,500	9,769	9,614	(155)
Transfers Out	<u>(210)</u>	<u>(210)</u>	<u>(3,322)</u>	<u>(3,112)</u>
Total Other Financing Sources	<u>8,290</u>	<u>9,559</u>	<u>6,292</u>	<u>(3,267)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(49,198)</u>	<u>(47,661)</u>	<u>(632)</u>	<u>47,029</u>
Fund Balances - October 1, Budgetary Basis	47,561	47,561	47,561	-
Encumbrances - Beginning of the Year	<u>3,413</u>	<u>3,413</u>	<u>3,413</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 1,776</u>	<u>\$ 3,313</u>	<u>\$ 50,342</u>	<u>\$ 47,029</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)
 Fiscal Year Ended September 30, 2008
 (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	\$ 69,180	\$ 69,180	\$ 77,460	\$ 8,280
Other Taxes	4,785	4,785	4,064	(721)
Licenses and Permits	-	-	156	156
Use of Money and Property	4,383	4,381	8,783	4,402
From Other Agencies	508	510	409	(101)
Other - Land Sales and Contributions	(7,203)	(7,203)	7,183	14,386
Other	(2,010)	(2,010)	1,222	3,232
Total Revenues	<u>69,643</u>	<u>69,643</u>	<u>99,277</u>	<u>29,634</u>
Expenditures:				
General Government				
Financial Management	508	508	370	138
Community and Cultural				
Community Development	143,089	153,630	97,171	56,459
Capital Improvements	-	(3,067)	-	(3,067)
Total Current Expenditures	<u>143,597</u>	<u>151,071</u>	<u>97,541</u>	<u>53,530</u>
Debt Service:				
Principal	10,837	10,837	11,164	(327)
Interest	18,333	18,333	22,317	(3,984)
Fiscal Agent Fees	225	225	304	(79)
Total Expenditures	<u>172,992</u>	<u>180,466</u>	<u>131,326</u>	<u>49,140</u>
Excess of Revenues Over (Under) Expenditures	<u>(103,349)</u>	<u>(110,823)</u>	<u>(32,049)</u>	<u>78,774</u>
Other Financing Sources (Uses):				
Debt Issuance	3,655	3,655	8,239	4,584
Advances Change in Principal	-	-	3,815	3,815
Transfers In	(19,192)	(12,981)	7,944	20,925
Transfers Out	(27,338)	(27,196)	(17,709)	9,487
Total Other Financing Sources (Uses)	<u>(42,875)</u>	<u>(36,522)</u>	<u>2,289</u>	<u>38,811</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(146,224)</u>	<u>(147,345)</u>	<u>(29,760)</u>	<u>117,585</u>
Fund Balances - October 1, Budgetary Basis	188,337	188,337	188,337	-
Encumbrances - Beginning of the Year	182	182	182	-
Fund Balances - September 30, Budgetary Basis	<u>\$ 42,295</u>	<u>\$ 41,174</u>	<u>\$ 158,759</u>	<u>\$ 117,585</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 of Long Beach (City) operations.

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

The 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 Los Angeles County (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 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 the City.

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 of the City of Long Beach 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 parkland 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 1 percent sales tax collected by the County under Proposition A (approved November 1980) and Proposition C (approved November 1990) to finance certain transportation projects.

City of Long Beach
Nonmajor Governmental Special Revenue Funds
Combining Balance Sheet
September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

	General Grants	Police and 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	\$ 4,061	\$ 1,162	\$ -	\$ 274	\$ 844	\$ 2,041	\$ 6,049
Non-Pooled Cash and Cash Equivalents	-	-	6	-	-	-	-
Non Performing Investments	-	3	-	1	1	5	-
Receivables:							
Accounts Receivable	105	25	1,054	85	111	786	2,488
Due from Other Governments	7,350	-	10,120	8	-	-	-
Allowance for Receivables	-	-	(349)	(93)	(60)	(147)	-
Other Assets-Current	-	-	1	-	-	-	-
Other Noncurrent Receivables	-	-	-	-	-	-	-
Total Assets	<u>\$ 11,516</u>	<u>\$ 1,190</u>	<u>\$ 10,832</u>	<u>\$ 275</u>	<u>\$ 896</u>	<u>\$ 2,685</u>	<u>\$ 8,537</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 1,013	\$ -	\$ 2,435	\$ 14	\$ 324	\$ 44	\$ 361
Accrued Wages	97	7	821	31	-	20	-
Due to Other Funds	4,628	3	3,739	15	-	9	-
Deferred Revenues	4,537	-	1,743	13	-	-	-
Deposits and Collections Held in Trust	1,110	-	252	78	-	21	-
Advances from Other Funds	-	-	2,000	-	-	-	-
Total Liabilities	<u>11,385</u>	<u>10</u>	<u>10,990</u>	<u>151</u>	<u>324</u>	<u>94</u>	<u>361</u>
Fund Balances:							
Reserved for:							
Encumbrances	-	-	10	-	1	59	-
Future Capital Projects/Transportation	-	-	-	-	-	-	-
Estimated Oil Field Abandonment Costs	-	-	-	-	-	-	3,268
Debt Service	-	-	-	-	-	-	-
Unreserved, Designated for:							
Subsequent Years' Appropriations							
Special Revenue Funds	131	1,180	-	124	571	2,532	4,908
Unreserved, Undesignated							
Special Revenue Funds	-	-	(168)	-	-	-	-
Total Fund Balances	<u>131</u>	<u>1,180</u>	<u>(158)</u>	<u>124</u>	<u>572</u>	<u>2,591</u>	<u>8,176</u>
Total Liabilities and Fund Balances	<u>\$ 11,516</u>	<u>\$ 1,190</u>	<u>\$ 10,832</u>	<u>\$ 275</u>	<u>\$ 896</u>	<u>\$ 2,685</u>	<u>\$ 8,537</u>

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Development Services	Business Assistance	Housing Assistance	Park and Public Safety Facility Development	Gasoline Tax	Transportation	Totals	
							September 30, 2008	September 30, 2007
\$ 636	\$ 3,932	\$ 1,234	\$ 16,311	\$ 160	\$ 6,182	\$ 39,186	\$ 82,072	\$ 79,282
39	-	-	61	-	-	-	106	386
2	9	3	-	-	14	91	129	-
-	78	-	92	-	-	3	4,827	4,338
-	-	-	628	-	1,108	150	19,364	12,876
-	(20)	-	(76)	-	-	-	(745)	(633)
-	-	7	8	-	-	-	16	11
-	-	1,476	-	-	-	-	1,476	1,732
<u>\$ 677</u>	<u>\$ 3,999</u>	<u>\$ 2,720</u>	<u>\$ 17,024</u>	<u>\$ 160</u>	<u>\$ 7,304</u>	<u>\$ 39,430</u>	<u>\$ 107,245</u>	<u>\$ 97,992</u>
\$ -	\$ 199	\$ 201	\$ 29	\$ -	\$ 425	\$ 10,243	\$ 15,288	\$ 11,023
-	282	2	128	1	-	17	1,406	1,135
-	131	1	59	1	-	8	8,594	7,524
-	1,203	1,476	298	-	436	2,459	12,165	8,876
-	1,431	2	1,198	-	16	-	4,108	3,134
-	-	-	2,900	-	-	-	4,900	4,900
-	3,246	1,682	4,612	2	877	12,727	46,461	36,592
-	32	-	4	-	606	5,399	6,111	3,578
-	-	-	-	-	5,821	21,304	27,125	30,800
-	-	-	-	-	-	-	3,268	3,051
200	-	-	-	-	-	-	200	200
477	721	1,038	12,408	158	-	-	24,248	26,671
-	-	-	-	-	-	-	(168)	(2,900)
<u>677</u>	<u>753</u>	<u>1,038</u>	<u>12,412</u>	<u>158</u>	<u>6,427</u>	<u>26,703</u>	<u>60,784</u>	<u>61,400</u>
<u>\$ 677</u>	<u>\$ 3,999</u>	<u>\$ 2,720</u>	<u>\$ 17,024</u>	<u>\$ 160</u>	<u>\$ 7,304</u>	<u>\$ 39,430</u>	<u>\$ 107,245</u>	<u>\$ 97,992</u>

City of Long Beach
Nonmajor Governmental Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances (Deficit)
For the Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

	General Grants	Police and 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	\$ -	\$ -	\$ 2,469	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	3,618	-	-	6,188	5,151	-
Licenses and Permits	-	-	4,237	1,202	-	1,155	-
Use of Money and Property	56	60	-	21	15	61	32,956
From Other Agencies	15,906	-	31,475	62	-	-	-
Charges for Services	24	-	2,041	-	-	-	-
Other	368	-	4	-	-	21	-
Total Revenues	16,354	3,678	40,226	1,285	6,203	6,388	32,956
Expenditures:							
Current:							
General Government	-	-	-	-	-	-	-
Public Safety	12,575	3,402	-	-	-	-	-
Public Health	58	-	41,187	1,326	-	-	-
Community and Cultural	3,929	-	-	-	6,139	6,379	-
Public Works	21	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	8,625
Total Current Expenditures	16,583	3,402	41,187	1,326	6,139	6,379	8,625
Capital Improvements	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	211	-	-	-	-
Interest	-	-	129	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	5
Total Expenditures	16,583	3,402	41,527	1,326	6,139	6,379	8,630
Excess of Revenues Over (Under) Expenditures	(229)	276	(1,301)	(41)	64	9	24,326
Other Financing Sources (Uses):							
Transfers In	337	-	1,024	112	-	-	-
Transfers Out	-	-	-	-	-	-	(21,525)
Total Other Financing Sources (Uses)	337	-	1,024	112	-	-	(21,525)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	108	276	(277)	71	64	9	2,801
Fund Balances (Deficit) - October 1	23	904	119	53	508	2,582	5,375
Fund Balances (Deficit) - September 30	\$ 131	\$ 1,180	\$ (158)	\$ 124	\$ 572	\$ 2,591	\$ 8,176

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Development Services	Business Assistance	Housing Assistance	Park and Public Safety Facility Development	Gasoline Tax	Transportation	Totals	
							September 30, 2008	September 30, 2007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,469	\$ 2,543
-	-	-	-	-	-	-	14,957	11,934
-	11,672	-	-	881	-	2	19,149	18,087
578	52	136	726	15	381	1,043	36,100	25,806
-	-	-	61,763	-	12,159	20,504	141,869	146,527
-	784	-	-	-	-	-	2,849	2,700
-	327	308	352	-	-	46	1,426	3,885
<u>578</u>	<u>12,835</u>	<u>444</u>	<u>62,841</u>	<u>896</u>	<u>12,540</u>	<u>21,595</u>	<u>218,819</u>	<u>211,482</u>
-	3,346	-	-	-	-	-	3,346	3,773
-	6,173	-	-	-	-	-	22,150	24,221
-	-	-	-	-	-	-	42,571	42,576
262	3,239	1,819	65,205	56	-	-	87,028	83,114
-	-	-	-	-	-	21,442	21,463	14,120
-	-	-	-	-	-	-	8,625	8,171
<u>262</u>	<u>12,758</u>	<u>1,819</u>	<u>65,205</u>	<u>56</u>	<u>-</u>	<u>21,442</u>	<u>185,183</u>	<u>175,975</u>
-	-	-	-	-	13,802	-	13,802	11,893
165	-	-	-	-	-	-	376	354
50	-	-	-	-	-	-	179	204
-	-	-	-	-	-	-	5	5
<u>477</u>	<u>12,758</u>	<u>1,819</u>	<u>65,205</u>	<u>56</u>	<u>13,802</u>	<u>21,442</u>	<u>199,545</u>	<u>188,431</u>
<u>101</u>	<u>77</u>	<u>(1,375)</u>	<u>(2,364)</u>	<u>840</u>	<u>(1,262)</u>	<u>153</u>	<u>19,274</u>	<u>23,051</u>
-	136	1,200	-	-	-	-	2,809	6,003
-	-	-	-	(1,142)	-	(32)	(22,699)	(16,055)
-	136	1,200	-	(1,142)	-	(32)	(19,890)	(10,052)
101	213	(175)	(2,364)	(302)	(1,262)	121	(616)	12,999
<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>\$ 677</u>	<u>\$ 753</u>	<u>\$ 1,038</u>	<u>\$ 12,412</u>	<u>\$ 158</u>	<u>\$ 6,427</u>	<u>\$ 26,703</u>	<u>\$ 60,784</u>	<u>\$ 61,400</u>

City of Long Beach
Nonmajor Governmental 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, 2008
(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	-	-	-	-	3,600	3,600	3,618	18
Licenses and Permits	-	-	-	-	-	-	-	-
Use of Money and Property	1	1	56	55	-	-	60	60
From Other Agencies	15,400	33,896	15,906	(17,990)	-	-	-	-
Charges for Services	61	61	24	(37)	-	-	-	-
Other	-	577	368	(209)	-	-	-	-
Total Revenues	15,462	34,535	16,354	(18,181)	3,600	3,600	3,678	78
Expenditures:								
General Government								
City Manager	-	400	-	400	-	-	-	-
Planning and Building-General Government	-	-	-	-	-	-	-	-
Public Safety								
Police	9,296	17,093	11,121	5,972	1,800	1,800	1,773	27
Fire	668	5,626	1,351	4,275	2,700	2,700	1,629	1,071
City Prosecutor	101	101	103	(2)	-	-	-	-
Public Health	11	2,349	58	2,291	-	-	-	-
Community and Cultural								
Community Development	-	-	-	-	-	-	-	-
Library	395	948	842	106	-	-	-	-
Planning and Building-Community Planning	30	172	45	127	-	-	-	-
Parks and Recreation	4,442	7,328	3,042	4,286	-	-	-	-
Public Works	349	349	21	328	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	15,292	34,366	16,583	17,783	4,500	4,500	3,402	1,098
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	15,292	34,366	16,583	17,783	4,500	4,500	3,402	1,098
Excess of Revenue Over (Under) Expenditures	170	169	(229)	(398)	(900)	(900)	276	1,176
Other Financing Sources (Uses):								
Transfers In	189	189	337	148	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	189	189	337	148	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	359	358	108	(250)	(900)	(900)	276	1,176
Fund Balances - October 1, Budgetary Basis	23	23	23	-	904	904	904	-
Encumbrances - Beginning of the Year	-	-	-	-	-	-	-	-
Fund Balances - September 30, Budgetary Basis	\$ 382	\$ 381	\$ 131	\$ (250)	\$ 4	\$ 4	\$ 1,180	\$ 1,176

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		
\$ 2,518	\$ 2,518	\$ 2,469	\$ (49)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	6,284	6,801	6,188	(613)
4,426	4,661	4,237	(424)	1,278	1,278	1,202	(76)	-	-	-	-
1	1	-	(1)	21	21	21	-	9	9	15	6
73,890	75,692	31,475	(44,217)	-	-	62	62	-	-	-	-
2,693	2,693	2,041	(652)	-	-	-	-	-	-	-	-
245	245	4	(241)	-	77	-	(77)	-	-	-	-
<u>83,773</u>	<u>85,810</u>	<u>40,226</u>	<u>(45,584)</u>	<u>1,299</u>	<u>1,376</u>	<u>1,285</u>	<u>(91)</u>	<u>6,293</u>	<u>6,810</u>	<u>6,203</u>	<u>(607)</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
85,608	87,774	41,197	46,577	1,388	1,465	1,326	139	-	-	-	-
-	-	-	-	-	-	-	-	6,936	7,203	6,140	1,063
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
85,608	87,774	41,197	46,577	1,388	1,465	1,326	139	6,936	7,203	6,140	1,063
-	-	-	-	-	-	-	-	-	-	-	-
206	206	211	(5)	-	-	-	-	-	-	-	-
143	143	129	14	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
85,957	88,123	41,537	46,586	1,388	1,465	1,326	139	6,936	7,203	6,140	1,063
(2,184)	(2,313)	(1,311)	1,002	(89)	(89)	(41)	48	(643)	(393)	63	456
894	894	1,024	130	112	112	112	-	-	-	-	-
(115)	(115)	-	115	-	-	-	-	-	-	-	-
779	779	1,024	245	112	112	112	-	-	-	-	-
(1,405)	(1,534)	(287)	1,247	23	23	71	48	(643)	(393)	63	456
94	94	93	(1)	53	53	53	-	508	508	508	-
26	26	26	-	-	-	-	-	-	-	-	-
<u>\$ (1,285)</u>	<u>\$ (1,414)</u>	<u>\$ (168)</u>	<u>\$ 1,246</u>	<u>\$ 76</u>	<u>\$ 76</u>	<u>\$ 124</u>	<u>\$ 48</u>	<u>\$ (135)</u>	<u>\$ 115</u>	<u>\$ 571</u>	<u>\$ 456</u>

(continued)

City of Long Beach
Nonmajor Governmental 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, 2008
(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	5,320	5,320	5,151	(169)	-	-	-	-
Licenses and Permits	684	684	1,155	471	-	-	-	-
Use of Money and Property	50	50	61	11	20,669	33,149	32,956	(193)
From Other Agencies	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Other	208	371	21	(350)	-	-	-	-
Total Revenues	<u>6,262</u>	<u>6,425</u>	<u>6,388</u>	<u>(37)</u>	<u>20,669</u>	<u>33,149</u>	<u>32,956</u>	<u>(193)</u>
Expenditures:								
General Government								
City Manager	-	-	-	-	-	-	-	-
Planning & Building-Genrl Gc	-	-	-	-	-	-	-	-
Public Safety								
Police	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-
City Prosecutor	-	-	-	-	-	-	-	-
Public Health	-	-	-	-	-	-	-	-
Community and Cultural								
Community Development	6,380	6,543	6,438	105	-	-	-	-
Library	-	-	-	-	-	-	-	-
Planning and Building-Communit	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	8,641	8,885	8,625	260
Total Current Expenditures:	<u>6,380</u>	<u>6,543</u>	<u>6,438</u>	<u>105</u>	<u>8,641</u>	<u>8,885</u>	<u>8,625</u>	<u>260</u>
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	5	(5)
Total Expenditures	<u>6,380</u>	<u>6,543</u>	<u>6,438</u>	<u>105</u>	<u>8,641</u>	<u>8,885</u>	<u>8,630</u>	<u>255</u>
Excess of Revenue Over (Under) Expenditures	<u>(118)</u>	<u>(118)</u>	<u>(50)</u>	<u>68</u>	<u>12,028</u>	<u>24,264</u>	<u>24,326</u>	<u>62</u>
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	100	100	-	(100)	(12,290)	(24,069)	(21,525)	2,544
Sources (Uses)	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>	<u>(12,290)</u>	<u>(24,069)</u>	<u>(21,525)</u>	<u>2,544</u>
Excess of Revenues and Other	<u>(18)</u>	<u>(18)</u>	<u>(50)</u>	<u>(32)</u>	<u>(262)</u>	<u>195</u>	<u>2,801</u>	<u>2,606</u>
Fund Balances - October 1, Budgetary E	2,527	2,527	2,527	-	5,375	5,375	5,375	-
Encumbrances - Beginning of the Year	55	55	55	-	-	-	-	-
Fund Balances - September 30, Budgetary	<u>\$ 2,564</u>	<u>\$ 2,564</u>	<u>\$ 2,532</u>	<u>\$ (32)</u>	<u>\$ 5,113</u>	<u>\$ 5,570</u>	<u>\$ 8,176</u>	<u>\$ 2,606</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		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	13,919	13,919	11,672	(2,247)	-	-	-	-
462	462	578	116	-	-	52	52	17	17	136	119
-	-	-	-	-	-	-	-	(177)	23	-	(23)
-	-	-	-	617	617	784	167	-	-	-	-
-	-	-	-	174	174	327	153	65	65	308	243
<u>462</u>	<u>462</u>	<u>578</u>	<u>116</u>	<u>14,710</u>	<u>14,710</u>	<u>12,835</u>	<u>(1,875)</u>	<u>(95)</u>	<u>105</u>	<u>444</u>	<u>339</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	4,505	4,505	3,351	1,154	-	-	-	-
-	-	-	-	7,319	7,319	6,174	1,145	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
456	456	262	194	3,258	3,258	3,265	(7)	1,433	1,633	1,819	(186)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>466</u>	<u>466</u>	<u>262</u>	<u>194</u>	<u>15,082</u>	<u>15,082</u>	<u>12,790</u>	<u>2,292</u>	<u>1,433</u>	<u>1,633</u>	<u>1,819</u>	<u>(186)</u>
-	-	-	-	-	-	-	-	-	-	-	-
145	145	165	(20)	-	-	-	-	-	-	-	-
67	67	50	17	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>668</u>	<u>668</u>	<u>477</u>	<u>191</u>	<u>15,082</u>	<u>15,082</u>	<u>12,790</u>	<u>2,292</u>	<u>1,433</u>	<u>1,633</u>	<u>1,819</u>	<u>(186)</u>
<u>(206)</u>	<u>(206)</u>	<u>101</u>	<u>307</u>	<u>(372)</u>	<u>(372)</u>	<u>45</u>	<u>417</u>	<u>(1,528)</u>	<u>(1,528)</u>	<u>(1,375)</u>	<u>153</u>
-	-	-	-	-	-	136	136	1,800	1,800	1,200	(600)
-	-	-	-	180	180	-	(180)	-	-	-	-
-	-	-	-	180	180	136	(44)	1,800	1,800	1,200	(600)
(206)	(206)	101	307	(192)	(192)	181	373	272	272	(175)	(447)
576	576	576	-	518	518	518	-	1,211	1,211	1,211	-
-	-	-	-	22	22	22	-	2	2	2	-
<u>\$ 370</u>	<u>\$ 370</u>	<u>\$ 677</u>	<u>\$ 307</u>	<u>\$ 348</u>	<u>\$ 348</u>	<u>\$ 721</u>	<u>\$ 373</u>	<u>\$ 1,485</u>	<u>\$ 1,485</u>	<u>\$ 1,038</u>	<u>\$ (447)</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, 2008
(In Thousands)
(continued)

	Housing Assistance				Park & Public Safety Facility 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	881	(119)
Use of Money and Property	70	70	726	656	20	20	15	(5)
From Other Agencies	61,865	67,002	61,763	(5,239)	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Other	36	36	352	316	-	-	-	-
Total Revenues	61,971	67,108	62,841	(4,267)	1,020	1,020	896	(124)
Expenditures:								
General Government								
City Manager	-	-	-	-	-	-	-	-
Planning and Building-General Government	-	-	-	-	-	-	-	-
Public Safety								
Police	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-
City Prosecutor	-	-	-	-	-	-	-	-
Public Health	-	-	-	-	-	-	-	-
Community and Cultural								
Community Development	62,976	68,112	65,209	2,903	-	-	-	-
Library	-	-	-	-	-	-	-	-
Planning and Building-Community Planning	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	57	57	56	1
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current Expenditures	62,976	68,112	65,209	2,903	57	57	56	1
Capital Improvements								
-	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	62,976	68,112	65,209	2,903	57	57	56	1
Excess of Revenue Over (Under) Expenditures	(1,005)	(1,004)	(2,368)	(1,364)	963	963	840	(123)
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	(1,000)	(1,000)	(1,142)	(142)
Total Other Financing Sources (Uses)	-	-	-	-	(1,000)	(1,000)	(1,142)	(142)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,005)	(1,004)	(2,368)	(1,364)	(37)	(37)	(302)	(265)
Fund Balances - October 1, Budgetary Basis	14,774	14,774	14,774	-	460	460	460	-
Encumbrances - Beginning of the Year	2	2	2	-	-	-	-	-
Fund Balances - September 30, Budgetary Basis	\$13,771	\$13,772	\$ 12,408	\$ (1,364)	\$ 423	\$ 423	\$ 158	\$ (265)

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		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,518	2,518	\$ 2,469	\$ (49)
-	-	-	-	-	-	-	-	15,204	15,721	14,957	(764)
-	-	-	-	-	-	2	2	21,307	21,542	19,149	(2,393)
224	316	381	65	849	849	1,043	194	22,393	34,965	36,100	1,135
22,276	22,422	12,159	(10,263)	9,648	18,116	20,504	2,388	182,902	217,151	141,869	(75,282)
-	-	-	-	-	-	-	-	3,371	3,371	2,849	(522)
-	-	-	-	1	1	46	45	729	1,546	1,426	(120)
<u>22,500</u>	<u>22,738</u>	<u>12,540</u>	<u>(10,198)</u>	<u>10,498</u>	<u>18,966</u>	<u>21,595</u>	<u>2,629</u>	<u>248,424</u>	<u>296,814</u>	<u>218,819</u>	<u>(77,995)</u>
-	-	-	-	-	-	-	-	-	400	-	400
-	-	-	-	-	-	-	-	4,505	4,505	3,351	1,154
-	-	-	-	-	-	-	-	18,415	26,212	19,068	7,144
-	-	-	-	-	-	-	-	3,368	8,326	2,980	5,346
-	-	-	-	-	-	-	-	101	101	103	(2)
-	-	-	-	-	-	-	-	87,007	91,588	42,581	49,007
-	-	-	-	-	-	-	-	81,439	87,205	83,133	4,072
-	-	-	-	-	-	-	-	395	948	842	106
-	-	-	-	-	-	-	-	30	172	45	127
-	-	-	-	-	-	-	-	4,499	7,385	3,098	4,287
-	-	-	-	33,637	42,469	26,841	15,628	33,986	42,818	26,862	15,956
-	-	-	-	-	-	-	-	8,641	8,885	8,625	260
-	-	-	-	33,637	42,469	26,841	15,628	242,386	278,545	190,688	87,857
23,164	29,712	14,408	15,304	-	-	-	-	23,164	29,712	14,408	15,304
-	-	-	-	-	-	-	-	351	351	376	(25)
-	-	-	-	-	-	-	-	210	210	179	31
-	-	-	-	-	-	-	-	-	-	5	(5)
<u>23,164</u>	<u>29,712</u>	<u>14,408</u>	<u>15,304</u>	<u>33,637</u>	<u>42,469</u>	<u>26,841</u>	<u>15,628</u>	<u>266,111</u>	<u>308,818</u>	<u>205,656</u>	<u>103,162</u>
<u>(664)</u>	<u>(6,974)</u>	<u>(1,868)</u>	<u>5,106</u>	<u>(23,139)</u>	<u>(23,503)</u>	<u>(5,246)</u>	<u>18,257</u>	<u>(17,687)</u>	<u>(12,004)</u>	<u>13,163</u>	<u>25,167</u>
-	-	-	-	-	-	-	-	2,995	2,995	2,809	(186)
-	-	-	-	-	-	(32)	(32)	(13,125)	(24,904)	(22,699)	2,205
-	-	-	-	-	-	(32)	(32)	(10,130)	(21,909)	(19,890)	2,019
(664)	(6,974)	(1,868)	5,106	(23,139)	(23,503)	(5,278)	18,225	(27,817)	(33,913)	(6,727)	27,186
5,296	5,296	5,296	-	25,504	25,504	25,504	-	57,823	57,823	57,822	(1)
2,393	2,393	2,393	-	1,078	1,078	1,078	-	3,578	3,578	3,578	-
<u>\$ 7,025</u>	<u>\$ 715</u>	<u>\$ 5,821</u>	<u>\$ 5,106</u>	<u>\$ 3,443</u>	<u>\$ 3,079</u>	<u>\$ 21,304</u>	<u>\$ 18,225</u>	<u>\$ 33,584</u>	<u>\$ 27,488</u>	<u>\$ 54,673</u>	<u>\$ 27,185</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, 2008
With Summarized Financial Information for 2007
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2008	September 30, 2007
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 3,215	\$ 21,777	\$ 190	\$ 160,299	\$ 185,481	\$ 181,877
Non-Pooled Cash and Cash Equivalents	-	79	4	-	83	308
Non Performing Investments	7	51	-	373	431	-
Non-Pooled Investments	-	-	-	2,383	2,383	2,760
Receivables:						
Interest Receivable	-	-	-	17	17	27
Accounts Receivable	530	2,217	455	-	3,202	3,426
Due from Other Governments	-	1,737	-	-	1,737	2,444
Other Receivables	-	69	-	-	69	66
Allowance for Receivables	(37)	(22)	(249)	-	(308)	(334)
Inventory	60	-	-	-	60	61
Total Current Assets	3,775	25,908	400	163,072	193,155	190,635
Noncurrent Assets:						
Other Noncurrent Receivables	-	362	-	-	362	427
Advances to Other Funds	-	-	-	7,114	7,114	7,614
Capital Assets:						
Land and Other Capital Assets Not Being Depreciated	11,652	18,800	-	-	30,452	38,860
Capital Assets Net of Accumulated Depreciation	36,888	99,872	129	-	136,889	110,257
Total Noncurrent Assets	48,540	119,034	129	7,114	174,817	157,158
Total Assets	52,315	144,942	529	170,186	367,972	347,793
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	134	2,975	46	-	3,155	5,889
Accrued Wages	131	234	88	-	453	370
Accrued Interest Payable	-	140	-	-	140	155
Due to Other Funds	65	109	41	-	215	215
Deferred Revenues	-	463	-	7,114	7,577	7,962
Collections Held in Trust	-	341	-	-	341	246
Advances from Developers	55	-	-	-	55	38
Other Long-Term Obligations-Current	-	870	-	-	870	825
Total Current Liabilities	385	5,132	175	7,114	12,806	15,700
Noncurrent Liabilities:						
Deferred Revenues	-	5,952	-	-	5,952	6,093
Other Long-Term Obligations	-	15,512	-	-	15,512	9,370
Unamortized Discount / Deferred Cost	-	(867)	-	-	(867)	(1,015)
Total Noncurrent Liabilities	-	20,597	-	-	20,597	14,448
Total Liabilities	385	25,729	175	7,114	33,403	30,148
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	48,541	103,157	129	-	151,827	139,937
Restricted for:						
Debt Service	-	1,295	-	-	1,295	1,020
Capital Projects	-	3,620	-	-	3,620	3,738
Subsidence	-	-	-	163,072	163,072	157,466
Unrestricted	3,389	11,141	225	-	14,755	15,484
Total Net Assets	\$ 51,930	\$ 119,213	\$ 354	\$ 163,072	\$ 334,569	\$ 317,645

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

	Sewer	Airport	Towing	Subsidence	Totals	
					September 30, 2008	September 30, 2007
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ 30,053	\$ -	\$ -	\$ 30,053	\$ 26,837
Charges for Services	11,783	-	8,783	-	20,566	18,834
Total Operating Revenues	11,783	30,053	8,783	-	50,619	45,671
Operating Expenses:						
Personal Services	3,067	7,998	2,685	-	13,750	13,266
Maintenance and Other Operations	7,635	17,834	7,047	-	32,516	29,081
Bad Debt	24	-	-	-	24	15
Amortization	-	122	-	-	122	-
Depreciation	1,173	4,929	9	-	6,111	5,505
Total Operating Expenses	11,899	30,883	9,741	-	52,523	47,867
Operating (Loss)	(116)	(830)	(958)	-	(1,904)	(2,196)
Non-Operating Income (Expenses):						
Interest Income	172	658	49	5,106	5,985	8,571
Interest Expense	-	(535)	-	-	(535)	(681)
Operating Grants	-	288	-	-	288	-
Other Income (Expenses)	2	5,027	33	500	5,562	4,745
Total Non-Operating Income	174	5,438	82	5,606	11,300	12,635
Income (Loss) Before Contributions	58	4,608	(876)	5,606	9,396	10,439
Capital Grants and Contributions	-	7,496	-	-	7,496	12,274
Operating Transfers:						
Operating Transfers In	-	32	-	-	32	-
Change in Net Assets	58	12,136	(876)	5,606	16,924	22,713
Net Assets - October 1	51,872	107,077	1,230	157,466	317,645	294,932
Net Assets - September 30	\$ 51,930	\$ 119,213	\$ 354	\$ 163,072	\$ 334,569	\$ 317,645

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(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, 2008</u>	<u>September 30, 2007</u>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 11,719	\$ 30,624	\$ 8,783	\$ -	\$ 51,126	\$ 45,029
Payments for Employee Salaries	(3,039)	(7,954)	(2,658)	-	(13,651)	(13,231)
Payments for Goods and Services	(3,723)	(13,788)	(3,627)	-	(21,138)	(11,873)
Payments in Lieu of Taxes	(3,936)	(6,596)	(3,412)	-	(13,944)	(13,022)
Other Income	-	48	33	-	81	284
Net Cash Provided by (Used for) Operating Activities	<u>1,021</u>	<u>2,334</u>	<u>(881)</u>	<u>-</u>	<u>2,474</u>	<u>7,187</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	-	288	-	-	288	-
Transfers In	-	32	-	-	32	-
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>320</u>	<u>-</u>	<u>-</u>	<u>320</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:						
Receipt of Capital Grants	-	4,737	-	-	4,737	3,968
Proceeds from Issuance Of Long-Term Obligations	-	7,012	-	-	7,012	-
Receipts of Contributed Capital	-	8,202	-	-	8,202	12,470
Principal Received on Other Long term Receivable	-	62	-	-	62	-
Payments for Capital Acquisitions	(3,258)	(21,260)	-	-	(24,518)	(26,744)
Payments of Principal on Other Long-Term Obligations	-	(825)	-	-	(825)	(785)
Payments to Defeas Bonds	-	-	-	-	-	-
Payment of Deferred Financing Costs	-	-	-	-	-	-
Payments of Interest	-	(550)	-	-	(550)	(543)
Net Cash Used for Capital and Related Financing Activities	<u>(3,258)</u>	<u>(2,622)</u>	<u>-</u>	<u>-</u>	<u>(5,880)</u>	<u>(11,634)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	470	470	501
Proceeds from Other Government Entities	-	-	-	500	500	500
Receipts of Interest	165	632	48	4,650	5,495	8,486
Net Cash Provided by Investing Activities	<u>165</u>	<u>632</u>	<u>48</u>	<u>5,620</u>	<u>6,465</u>	<u>9,487</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,072)</u>	<u>664</u>	<u>(833)</u>	<u>5,620</u>	<u>3,379</u>	<u>5,040</u>
Cash and Cash Equivalents - October 1	<u>5,287</u>	<u>21,192</u>	<u>1,027</u>	<u>154,679</u>	<u>182,185</u>	<u>177,145</u>
Cash and Cash Equivalents - September 30	<u>\$ 3,215</u>	<u>\$ 21,856</u>	<u>\$ 194</u>	<u>\$ 160,299</u>	<u>\$ 185,564</u>	<u>\$ 182,185</u>

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

Operating Loss	\$ (116)	\$ (830)	\$ (958)	\$ -	\$ (1,904)	\$ (2,196)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization Expense	1,173	5,051	9	-	6,233	5,505
Other Income	24	48	33	-	105	299
Increase (Decrease) in Accounts Receivable, Net	(64)	504	-	-	440	(628)
Decrease in Inventory	1	-	-	-	1	6
Increase (Decrease) in Accounts Payable	(201)	(2,534)	7	-	(2,728)	4,050
Increase in Accrued Wages Payable	27	43	21	-	91	32
Increase (Decrease) in Amounts Due to Other Funds	177	(16)	7	-	168	132
(Decrease) in Deferred Revenues	-	(26)	-	-	(26)	(101)
Increase in Collections Held in Trust	-	94	-	-	94	88
Total Adjustments	<u>1,137</u>	<u>3,164</u>	<u>77</u>	<u>-</u>	<u>4,378</u>	<u>9,383</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,021</u>	<u>\$ 2,334</u>	<u>\$ (881)</u>	<u>\$ -</u>	<u>\$ 2,474</u>	<u>\$ 7,187</u>

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, 2008
With Summarized Financial Information for 2007
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2008	September 30, 2007
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 7,604	\$ 5,233	\$ 9,134	\$ 16,676	\$ 65,697	\$ 104,344	\$ 89,993
Non-Pooled Cash and Cash Equivalents	3,779	3	2,882	-	-	6,664	10,882
Non Performing Investments	18	12	21	39	153	243	-
Receivables:							
Accounts Receivable	-	1,048	239	1,500	-	2,787	7,028
Due from Other Governments	-	-	298	59	-	357	357
Due from Other Funds	-	-	-	-	8,203	8,203	6,793
Allowance for Receivables	-	-	(175)	-	-	(175)	(176)
Deposits	-	-	-	-	457	457	10,289
Inventory	-	156	1,621	-	-	1,777	1,725
Other Assets-Current	-	-	52	-	-	52	1,420
Total Current Assets	11,401	6,452	14,072	18,274	74,510	124,709	128,311
Noncurrent Assets:							
Noncurrent Receivables:							
Other Noncurrent Receivables	-	2,824	4,800	1,000	-	8,624	9,713
Capital Assets:							
Land and Other Capital Assets Not Being Depreciated	5,445	5,218	1,766	-	-	12,429	14,624
Capital Assets Net of Accumulated Depreciation	55,244	7,171	54,142	183	-	116,740	123,071
Other Assets-Long-Term	-	-	-	-	59,660	59,660	65,818
Total Noncurrent Assets	60,689	15,213	60,708	1,183	59,660	197,453	213,226
Total Assets	72,090	21,665	74,780	19,457	134,170	322,162	341,537
LIABILITIES							
Current Liabilities Payable from Current Assets:							
Accounts Payable	374	379	1,684	374	1,948	4,759	4,934
Accrued Wages and Benefits	48	473	210	347	38,781	39,859	36,348
Accrued Interest Payable	85	7	133	-	3,821	4,046	4,484
Due to Other Funds	22	511	97	161	-	791	687
Collections Held in Trust	-	-	-	-	753	753	555
Employee Benefits-Current	-	-	-	-	5,850	5,850	5,600
Accrued Self-Insurance Claims-Current	-	-	-	17,321	-	17,321	17,100
Obligations Under Capital Leases-Current	-	1,889	1,773	-	-	3,662	3,680
Bonds Payable Due Within One Year	1,110	-	945	-	6,935	8,990	8,320
Total Current Liabilities	1,639	3,259	4,842	18,203	58,088	86,031	81,708
Noncurrent Liabilities:							
Employee Benefits	-	-	-	-	72,150	72,150	66,297
Accrued Self-Insurance Claims	-	-	-	93,008	-	93,008	83,650
Obligations Under Capital Lease	-	4,153	6,986	-	-	11,139	13,898
Bonds Payable	33,200	-	30,335	-	70,340	133,875	142,865
Unamortized Discount/Deferred cost	(1,484)	-	(1,969)	-	(5,947)	(9,400)	(11,375)
Total Noncurrent Liabilities	31,716	4,153	35,352	93,008	136,543	300,772	295,335
Total Liabilities	33,355	7,412	40,194	111,211	194,631	386,803	377,043
NET ASSETS (DEFICIT)							
Investment in Capital Assets, Net of Related Debt	28,671	8,484	26,122	183	-	63,460	74,121
Restricted for:							
Debt Service	2,969	-	2,874	-	59	5,902	5,848
Health Care Insurance	-	-	-	-	11,171	11,171	15,615
Unrestricted	7,095	5,769	5,590	(91,937)	(71,691)	(145,174)	(131,090)
Total Net Assets (Deficit)	\$ 38,735	\$ 14,253	\$ 34,586	\$ (91,754)	\$ (60,461)	\$ (64,641)	\$ (35,506)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit)
Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2008	September 30, 2007
Operating Revenues:							
Billing to Other Departments	\$ 9,735	\$ 30,158	\$ 26,402	\$ 35,126	\$ 195,388	\$ 296,809	\$ 290,120
Other	416	3,308	2,006	6	-	5,736	5,414
Total Operating Revenues	10,151	33,466	28,408	35,132	195,388	302,545	295,534
Operating Expenses:							
Personal Services	1,632	14,577	7,028	7,571	3,101	33,909	31,841
Maintenance and Other Operations	8,248	13,441	13,930	6,478	3,104	45,201	40,757
Insurance Premiums	-	-	-	2,392	-	2,392	2,763
Self-Insured Losses	-	-	-	24,987	-	24,987	8,597
Compensated Absences	-	-	-	2,163	44,981	47,144	44,502
Employee Benefits	-	-	-	-	139,250	139,250	138,166
Amortization	28	-	130	-	7,874	8,032	7,398
Depreciation	2,703	2,393	8,823	128	-	14,047	13,326
Total Operating Expenses	12,611	30,411	29,911	43,719	198,310	314,962	287,350
Operating Income (Loss)	(2,460)	3,055	(1,503)	(8,587)	(2,922)	(12,417)	8,184
Non-Operating Income (Expenses):							
Interest Income	293	115	93	553	128	1,182	2,405
Interest Expense	(1,806)	(221)	(1,958)	-	(4,222)	(8,207)	(8,630)
Gain (Loss) on Disposition of Capital Assets	-	(6)	106	(6)	-	94	(23)
Other Income	39	854	709	(776)	(1,060)	(234)	4,447
Total Non-Operating Income (Expenses)	(1,474)	742	(1,050)	(229)	(5,154)	(7,165)	(1,801)
Income (Loss) Before Contributions and Transfers	(3,934)	3,797	(2,553)	(8,816)	(8,076)	(19,582)	6,383
Capital Grants and Contributions	(783)	-	-	-	-	(783)	(3,582)
Transfers:							
Transfers In	-	-	-	-	-	-	116
Transfers Out	(6,135)	(2,635)	-	-	-	(8,770)	(5,898)
Change in Net Assets	(10,852)	1,162	(2,553)	(8,816)	(8,076)	(29,135)	(2,981)
Net Assets (Deficit) - October 1	49,587	13,091	37,139	(82,938)	(52,385)	(35,506)	(32,525)
Net Assets (Deficit) - September 30	\$ 38,735	\$ 14,253	\$ 34,586	\$ (91,754)	\$ (60,461)	\$ (64,641)	\$ (35,506)

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2008	September 30, 2007
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 417	\$ 3,308	\$ 1,973	\$ -	\$ -	\$ 5,698	\$ 6,085
Receipts from Other Funds	9,735	30,110	26,402	39,451	193,979	299,677	291,109
Payments for Employee Salaries	(1,618)	(14,472)	(6,990)	(7,403)	(2,683)	(33,166)	(31,714)
Payments for Goods and Services	(8,409)	(13,926)	(13,501)	(9,319)	(2,661)	(47,816)	(41,961)
Payments for Compensated Absences	-	-	-	(15,125)	(43,061)	(58,186)	(53,742)
Payments for Employee Benefits	-	-	-	-	(120,799)	(120,799)	(141,292)
Payments for Liability Claims	-	-	-	(2,446)	-	(2,446)	(1,472)
Other Income	39	854	708	(776)	(1,060)	(235)	4,784
Net Cash Provided by Operating Activities	<u>164</u>	<u>5,874</u>	<u>8,592</u>	<u>4,382</u>	<u>23,715</u>	<u>42,727</u>	<u>31,797</u>
Cash Flows from Non-Capital Financing Activities:							
Operating Grants Received from Other Governments	-	-	-	-	-	-	116
Operating Subsidies Received from Other Funds	-	-	-	-	-	-	-
Transfers Out	(6,135)	(2,635)	-	-	-	(8,770)	(5,897)
Net Cash (Used for) Non-Capital Financing Activities	<u>(6,135)</u>	<u>(2,635)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,770)</u>	<u>(5,781)</u>
Cash Flows from Capital and Related Financing Activities:							
Proceeds from the Sale of Capital Assets	-	-	645	-	-	645	276
Proceeds from Issuance Of Long-Term Obligations	-	1,300	-	-	-	1,300	1,727
Receipts of Contributed Capital	188	-	-	-	-	188	181
Proceeds from Capital Acquisitions	2,250	(2,548)	(5,651)	(6)	-	(5,955)	(20,737)
Payments of Principal on Other Long-Term Obligations	(1,060)	(2,200)	(2,778)	-	(6,360)	(12,398)	(9,642)
Payments of Interest	(1,759)	(214)	(2,030)	-	(4,542)	(8,545)	(8,657)
Net Cash Used for Capital and Related Financing Activities	<u>(381)</u>	<u>(3,662)</u>	<u>(9,814)</u>	<u>(6)</u>	<u>(10,902)</u>	<u>(24,765)</u>	<u>(36,852)</u>
Cash Flows from Investing Activities:							
Receipts of (Payments for) Interest	275	103	72	516	(25)	941	2,405
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(6,077)</u>	<u>(320)</u>	<u>(1,150)</u>	<u>4,892</u>	<u>12,788</u>	<u>10,133</u>	<u>(8,431)</u>
Cash and Cash Equivalents - October 1	<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>
Cash and Cash Equivalents - September 30	<u>\$ 11,383</u>	<u>\$ 5,236</u>	<u>\$ 12,016</u>	<u>\$ 16,676</u>	<u>\$ 65,697</u>	<u>\$ 111,008</u>	<u>\$ 100,875</u>

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

Operating Income (Loss)	\$ (2,460)	\$ 3,055	\$ (1,503)	\$ (8,587)	\$ (2,922)	\$ (12,417)	\$ 8,184
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Depreciation and Amortization Expense	2,731	2,393	8,953	128	7,874	22,079	20,724
Other Income	39	854	709	(776)	28	854	1,716
Other Income (Expense)	-	(49)	(33)	4,319	-	4,237	1,917
Other Income (Expense)	-	-	-	-	-	-	-
Other Governments	2	-	-	-	-	2	345
Increase (Decrease) in Amounts Due from Other Funds	-	-	12	-	(1,409)	(1,397)	(312)
(Increase) Decrease in Inventory	-	-	(104)	-	-	(104)	11
Increase (Decrease) in Other Operating Assets	-	-	-	-	1,420	1,420	(1,420)
Increase (Decrease) in Accounts Payable	(166)	(522)	521	(450)	444	(173)	1,536
Increase in Accrued Wages Payable	13	105	37	120	18,082	18,357	3,010
Increase in Amounts Due to Other Funds	5	38	-	49	-	92	59
Increase (Decrease) in Accrued Claims Payable	-	-	-	9,579	-	9,579	(4,039)
Increase in Collections Held in Trust	-	-	-	-	198	198	66
Total Adjustments	<u>2,624</u>	<u>2,819</u>	<u>10,095</u>	<u>12,969</u>	<u>26,637</u>	<u>55,144</u>	<u>23,613</u>
Net Cash Provided by Operating Activities	<u>\$ 164</u>	<u>\$ 5,874</u>	<u>\$ 8,592</u>	<u>\$ 4,382</u>	<u>\$ 23,715</u>	<u>\$ 42,727</u>	<u>\$ 31,797</u>

See accompanying independent auditors' report.

FIDUCIARY FUNDS

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

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

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

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

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

City of Long Beach
Fiduciary Funds
Private Purpose Trust Funds
Combining Statement of Net Assets
September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Total September 30, 2008
ASSETS			
Pooled Cash and Cash Equivalents	\$ 894	\$ 134	\$ 1,028
Non Performing Investments	2	-	2
Total Assets	\$ 896	\$ 134	\$ 1,030
 NET ASSETS			
Held in Trust for Private Purpose Trust Funds	\$ 896	\$ 134	\$ 1,030

City of Long Beach
Fiduciary Funds
Private Purpose Trust Funds
Combining Statement of Changes in Net Assets
Fiscal Year Ended September 30, 2008
With Summarized Financial Information for 2007
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Total September 30, 2008
Additions:			
Use of Money and Property	\$ 29	\$ 4	\$ 33
Contributions from Citizens	-	29	29
Total Additions	29	33	62
 Deductions:			
Community and Cultural	19	5	24
Change in Net Assets	10	28	38
Net Assets, October 1	886	106	992
Net Assets, September 30	\$ 896	\$ 134	\$ 1,030

See accompanying independent auditors' report.

City of Long Beach
 Fiduciary Funds - Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Fiscal Year Ended September 30, 2008
 (In Thousands)

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
<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	\$ 1,543	\$ 65	\$ 19	\$ 1,589
Pooled Investments	-	4	-	4
	<u>\$ 1,543</u>	<u>\$ 69</u>	<u>\$ 19</u>	<u>\$ 1,593</u>
LIABILITIES				
Collections Held in Trust	\$ 1,543	\$ 65	\$ 15	\$ 1,593
<u>SPECIAL ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,658	\$ 14,129	\$ 13,574	\$ 3,213
Non Performing Investments	-	7	-	7
Non-Pooled Cash and Cash Equivalents	21,953	8,732	13,426	17,259
Total Assets	<u>\$ 24,611</u>	<u>\$ 22,868</u>	<u>\$ 27,000</u>	<u>\$ 20,479</u>
LIABILITIES				
Accounts Payable	\$ 22	\$ -	\$ 22	\$ -
Due to Special Assessment Bondholders	16,769	15,069	19,715	12,123
Collections Held in Trust	7,820	5,174	4,638	8,356
Total Liabilities	<u>\$ 24,611</u>	<u>\$ 20,243</u>	<u>\$ 24,375</u>	<u>\$ 20,479</u>
<u>INTERMODAL CONTAINER TRANSFER FACILITY</u>				
<u>JOINT POWER AUTHORITY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 11,196	\$ 9,309	\$ 16,103	\$ 4,402
Non Performing Investments	-	10	-	10
Total Assets	<u>\$ 11,196</u>	<u>\$ 9,319</u>	<u>\$ 16,103</u>	<u>\$ 4,412</u>
LIABILITIES				
Collections Held in Trust	\$ 11,196	\$ 9,308	\$ 16,092	\$ 4,412
<u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,558	\$ 610	\$ 571	\$ 1,597
Non Performing Investments	-	4	-	4
Total Assets	<u>\$ 1,558</u>	<u>\$ 614</u>	<u>\$ 571</u>	<u>\$ 1,601</u>
LIABILITIES				
Due to Special Assessment Bondholders	\$ 1,261	\$ 700	\$ 661	\$ 1,300
Collections Held in Trust	297	5	1	301
Total Liabilities	<u>\$ 1,558</u>	<u>\$ 705</u>	<u>\$ 662</u>	<u>\$ 1,601</u>

(continued)

City of Long Beach
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities
Fiscal Year Ended September 30, 2008
(In Thousands)

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
<u>LOS CERRITOS WETLANDS AUTHORITY</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ -	\$ 25	\$ 25	\$ -
Non-Pooled Cash and Cash Equivalents	34	-	17	17
Accounts Receivable	-	25	-	25
Land	11,000	-	-	11,000
Total Assets	<u>\$ 11,034</u>	<u>\$ 50</u>	<u>\$ 42</u>	<u>\$ 11,042</u>
LIABILITIES				
Due to Special Assessment Bondholders	\$ -	\$ -	\$ -	\$ -
Collections Held in Trust	11,034	25	17	11,042
Total Liabilities	<u>\$ 11,034</u>	<u>\$ 25</u>	<u>\$ 17</u>	<u>\$ 11,042</u>
<u>OTHER AGENCY FUNDS</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,140	\$ 1,901	\$ 1,361	\$ 1,680
Non Performing Investments	-	-	-	-
Non-Pooled Cash and Cash Equivalents	-	2	-	2
Accounts Receivable	-	21	21	-
Total Assets	<u>\$ 1,140</u>	<u>\$ 1,924</u>	<u>\$ 1,382</u>	<u>\$ 1,682</u>
LIABILITIES				
Accounts Payable	\$ 10	\$ 678	\$ 626	\$ 62
Collections Held in Trust	1,130	1,884	1,394	1,620
Total Liabilities	<u>\$ 1,140</u>	<u>\$ 2,562</u>	<u>\$ 2,020</u>	<u>\$ 1,682</u>
<u>TOTAL AGENCY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 18,184	\$ 26,039	\$ 31,653	\$ 12,570
Non Performing Investments	-	25	-	25
Non-Pooled Cash and Cash Equivalents	21,987	8,734	13,443	17,278
Accounts Receivable	-	46	21	25
Land	11,000	-	-	11,000
Total Assets	<u>\$ 51,171</u>	<u>\$ 34,844</u>	<u>\$ 45,117</u>	<u>\$ 40,898</u>
LIABILITIES				
Accounts Payable	\$ 121	\$ 678	\$ 648	\$ 151
Due to Special Assessment Bondholders	18,030	15,769	20,376	13,423
Collections Held in Trust	33,020	16,461	22,157	27,324
Total Liabilities	<u>\$ 51,171</u>	<u>\$ 32,908</u>	<u>\$ 43,181</u>	<u>\$ 40,898</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 of Changes by Function ¹
 September 30, 2008
 (In Thousands)

	Balance at October 1, 2007	Increase (Decrease), net of Depreciation Expense	Decrease, net of Accumulated Depreciation	Balance at September 30, 2008
Legislative and Legal	\$ 961	\$ (253)	\$ (8)	\$ 700
General Government	394	1,227	-	1,621
Public Safety	54,419	(2,960)	(9)	51,450
Public Health	13,614	658	-	14,272
Community & Cultural	181,766	12,242	(35)	193,973
Public Works	351,210	38,835	(51,488)	338,557
	<u>\$ 602,364</u>	<u>\$ 49,749</u>	<u>\$ (51,540)</u>	<u>\$ 600,573</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, 2008
 (In Thousands)

	Capital Assets Not Being Depreciated			Capital Assets, Net of Depreciation						Total
	Land	Right-of-way	Construction In Progress	Building	Improvements other than Buildings	Infrastructure	Machinery and Equipment	Auto-motive	Other Assets	
Legislative and Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700	\$ -	\$ -	\$ 700
General Government	58	-	-	-	119	-	1,444	-	-	1,621
Public Safety	2,765	-	40	41,666	799	-	5,747	433	-	51,450
Public Health	4,651	-	-	6,370	2,880	-	371	-	-	14,272
Community and Cultural	123,578	-	-	42,900	22,342	3,267	465	2	1,419	193,973
Public Works	4,744	81,334	45,909	16,216	8,732	176,675	95	4,852	-	338,557
	<u>\$ 135,796</u>	<u>\$ 81,334</u>	<u>\$ 45,949</u>	<u>\$ 107,152</u>	<u>\$ 34,872</u>	<u>\$ 179,942</u>	<u>\$ 8,822</u>	<u>\$ 5,287</u>	<u>\$ 1,419</u>	<u>\$ 600,573</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, 2008
(In Thousands)

	Balance at October 1, 2007	Increase (Decrease), net of Depreciation Expense	Decrease, net of Accumulated Depreciation	Balance at September 30, 2008
Legislative and Legal	\$ 961	\$ (253)	\$ (8)	\$ 700
General Government	394	1,227	-	1,621
Public Safety	54,419	(2,960)	(9)	51,450
Public Health	13,614	658	-	14,272
Community & Cultural	181,766	12,242	(35)	193,973
Public Works	351,210	38,835	(51,488)	338,557
	<u>\$ 602,364</u>	<u>\$ 49,749</u>	<u>\$ (51,540)</u>	<u>\$ 600,573</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 Seven Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
Invested in capital assets, net of related debt	\$ 197,111	\$ 233,912	\$ 261,014	\$ 99,122	\$ 209,230	\$ 215,097	\$ 217,866
Restricted	313,119	313,047	286,745	474,313	496,094	291,468	285,937
Unrestricted	(56,298)	(85,689)	(78,179)	(118,328)	(106,380)	157,870	182,007
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>	<u>\$ 685,810</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	\$ 1,875,911
Restricted	539,903	453,919	498,341	505,875	523,769	366,018	359,364
Unrestricted	321,924	396,157	446,833	586,327	733,495	969,574	964,333
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>	<u>\$ 3,199,608</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	\$ 2,093,777
Restricted	853,022	766,966	785,086	980,188	1,019,863	657,486	645,301
Unrestricted	265,626	310,468	368,654	467,999	627,115	1,127,444	1,146,340
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>	<u>\$ 3,885,418</u>

The City of Long Beach implemented GASB Statement No. 34 for the fiscal year ended September 30, 2002.

Information prior to the implementation of GASB Statement No. 34 is not available.

See accompanying independent auditors' report.

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Legislative and Legal	\$ 10,471	\$ 9,457	\$ 9,721	\$ 10,313	\$ 12,003	\$ 12,911	\$ 13,210
General Government	28,564	24,635	23,179	25,808	13,988	13,376	16,871
Public Safety	228,214	231,514	227,601	280,415	255,188	276,391	294,916
Public Health	37,872	39,515	42,184	43,874	44,024	47,189	48,330
Community and Cultural	145,376	159,765	164,982	177,210	186,528	207,566	227,274
Public Works	54,352	56,545	67,425	58,783	55,009	67,794	83,232
Oil Operations	4,672	5,516	6,215	6,367	7,192	8,175	8,630
Interest on Long-Term Debt	23,660	24,761	22,652	30,831	34,554	36,187	38,418
Total Governmental Activities Expenses	533,181	551,708	563,959	633,601	608,486	669,589	730,881
Business-type Activities:							
Gas	\$ 55,334	\$ 68,728	\$ 76,408	\$ 89,463	\$ 99,656	\$ 89,021	\$ 137,263
Water	58,814	55,756	57,849	62,075	62,480	68,704	70,571
Sewer	7,858	8,748	7,787	7,337	7,612	11,486	11,989
Airport	18,666	18,747	19,476	22,465	24,816	27,994	31,698
Solid Waste Management	71,202	71,027	70,658	70,493	73,679	78,305	82,590
Towing	5,845	5,427	6,762	6,858	8,520	8,838	9,863
Tidelands	81,261	80,880	83,501	94,033	105,671	111,156	123,258
Tideland Oil Revenue	36,451	70,376	102,098	188,250	264,355	199,542	486,759
Subsidence	3,187	2,401	441	4,054	4,061	-	-
Harbor	131,500	175,821	198,084	207,689	214,349	247,860	242,822
Total Business-Type Activities Expenses	470,118	557,911	623,064	752,717	865,199	842,906	1,196,813
Total Primary Government Expenses	\$ 1,003,299	\$ 1,109,619	\$ 1,187,023	\$ 1,386,318	\$ 1,473,685	\$ 1,512,495	\$ 1,927,694
Program Revenues:							
Governmental Activities:							
Charges for services:							
Legislative and Legal	\$ 524	\$ 400	\$ 415	\$ 98	\$ 1,256	\$ 119	\$ 801
General Government	23,572	24,893	26,952	27,289	20,174	13,406	14,049
Public Safety	32,742	34,120	36,678	39,768	36,694	40,326	42,516
Public Health	6,859	7,041	7,397	7,557	6,565	7,099	7,599
Community and Cultural	17,636	17,921	18,292	23,649	23,291	26,131	28,905
Public Works	17,035	14,966	15,179	16,878	17,840	17,722	19,382
Oil Operations	8,646	11,587	13,274	17,253	21,481	22,612	32,956
Interest on Long-Term Debt	-	-	-	-	-	-	-
Operating Grants and Contributions	138,254	135,837	143,818	142,011	166,426	169,190	172,478
Capital Grants and Contributions	10,191	14,456	13,285	11,489	13,726	16,908	7,424
Total Governmental Activities Program Revenues	\$ 255,459	\$ 261,221	\$ 275,290	\$ 285,992	\$ 307,453	\$ 313,513	\$ 326,110

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

(continued)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Business-Type activities:							
Charges for Services:							
Gas	\$ 62,642	\$ 75,610	\$ 88,717	\$ 104,450	\$ 113,053	\$ 100,421	\$ 123,580
Water	60,453	60,197	64,984	65,813	67,198	70,258	72,527
Sewer	8,050	9,056	9,283	9,729	9,245	10,812	11,785
Airport	13,357	23,540	27,905	29,121	29,086	30,985	35,080
Solid Waste Management	69,500	69,441	71,198	70,128	80,015	83,865	85,958
Towing	5,448	5,640	6,770	7,622	7,846	8,126	8,816
Tidelands	46,860	50,870	53,887	55,436	73,013	83,085	81,511
Tideland Oil Revenue	44,521	85,839	131,035	208,488	266,992	214,157	522,956
Subsidence	-	-	-	-	-	500	500
Harbor	226,459	249,542	280,782	338,167	354,125	370,832	382,119
Operating Grants and Contributions	3,597	886	1,066	2,520	1,184	2,116	1,241
Capital Grants and Contributions	36,691	9,625	23,500	25,787	8,947	24,580	14,984
Total Business-Type Activities							
Program Revenues	\$ 577,578	\$ 640,246	\$ 759,127	\$ 917,261	\$ 1,010,704	\$ 999,737	\$ 1,341,057
Total Primary Government							
Program Revenues	\$ 833,037	\$ 901,467	\$ 1,034,417	\$ 1,203,253	\$ 1,318,157	\$ 1,313,250	\$ 1,667,167
Net Revenues (expenses):							
Governmental Activities	\$ (277,722)	\$ (290,487)	\$ (288,669)	\$ (347,609)	\$ (301,033)	\$ (356,076)	\$ (404,771)
Business-Type Activities	107,460	82,335	136,063	164,544	145,505	156,831	144,244
Total Net Revenues (expenses)	\$ (170,262)	\$ (208,152)	\$ (152,606)	\$ (183,065)	\$ (155,528)	\$ (199,245)	\$ (260,527)
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Taxes:							
Property	\$ 79,814	\$ 87,285	\$ 107,796	\$ 123,924	\$ 141,335	\$ 162,342	\$ 173,184
Sales	41,246	44,863	42,383	48,216	51,557	55,848	55,261
Utility Users	55,838	50,883	45,339	39,216	40,637	41,694	41,028
Other	38,262	42,841	46,616	51,238	58,291	65,206	73,715
Grants and Contributions not							
Restricted to Specific Programs	35,621	27,917	28,693	39,205	115,668	44,086	46,330
Unrestricted Investment Earnings	17,175	13,369	12,325	16,213	23,520	23,374	24,357
Gain (Loss) on Sales of Capital Assets	(42)	977	317	810	806	649	(49)
Capital Asset Transfers	7,780	21,790	926	-	-	(257)	(1,142)
Transfers	5,317	-	12,584	14,314	13,056	28,625	13,462
Total Governmental Activities	\$ 281,011	\$ 289,925	\$ 296,979	\$ 333,136	\$ 444,870	\$ 421,567	\$ 426,146
Business-type Activities:							
Unrestricted Investment Earnings	\$ 32,279	\$ 24,378	\$ 25,280	\$ 27,599	\$ 42,021	\$ 62,329	\$ 47,512
Loss on Sales of Capital Assets	(11,393)	(12,036)	(2,539)	(665)	(2,041)	-	-
Capital Asset Transfers	-	(21,790)	(926)	19	-	257	1,142
Transfers	(5,317)	-	(12,584)	(14,314)	(13,056)	(28,625)	(13,462)
Total Business-type Activities	\$ 15,569	\$ (9,448)	\$ 9,231	\$ 12,639	\$ 26,924	\$ 33,961	\$ 35,192
Total Primary Government	\$ 296,580	\$ 280,477	\$ 306,210	\$ 345,775	\$ 471,794	\$ 455,528	\$ 461,338
Change in Net Assets							
Government activities	\$ 3,289	\$ (562)	\$ 8,310	\$ (14,473)	\$ 143,837	\$ 65,491	\$ 21,375
Business-type Activities	123,029	72,887	145,294	177,183	172,429	190,792	179,436
Total Primary Government	\$ 126,318	\$ 72,325	\$ 153,604	\$ 162,710	\$ 316,266	\$ 256,283	\$ 200,811

The City of Long Beach implemented GASB Statement No. 34 for the fiscal year ended September 30, 2002.

Information prior to the implementation of GASB Statement No. 34 is not available.

See accompanying independent auditors' report.

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Fund:							
Reserved	\$ 123,104	\$ 115,644	\$ 114,006	\$ 111,825	\$ 111,959	\$ 114,254	\$ 115,088
Unreserved	43,562	45,592	47,516	38,404	35,478	29,960	46,042
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>	<u>\$ 161,130</u>
All Other Governmental Funds:							
Reserved	\$ 222,687	\$ 227,051	\$ 196,602	\$ 377,560	\$ 358,094	\$ 389,518	\$ 390,061
Unreserved, Reported in:							
Special Revenue Funds	20,446	20,154	18,227	30,346	40,843	57,974	56,166
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>	<u>(90,741)</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>	<u>\$ 355,486</u>

The City of Long Beach has elected to show only seven years of data for this schedule due to a fund balance restatement for long-term advancements that occurred in 2002. This was necessary to produce financial statements in compliance with GASB Statement No. 34.

See accompanying independent auditors' report.

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

	Fiscal Years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Taxes:										
Property	\$ 59,499	\$ 72,737	\$ 66,635	\$ 80,621	\$ 87,264	\$ 107,825	\$ 124,463	\$ 141,081	\$ 162,449	\$ 172,741
Sales	30,310	43,415	37,362	41,246	44,863	42,383	48,216	51,557	55,848	55,261
Utility Users	58,562	57,151	57,396	55,838	50,883	45,339	39,216	40,637	41,694	41,028
Other Taxes	33,410	49,984	37,578	38,263	42,842	46,616	51,237	58,292	65,205	73,715
Licenses and Permits	14,870	19,343	15,703	23,401	23,103	22,878	26,269	30,008	32,240	33,899
Fines and Forfeitures	10,192	11,091	9,867	11,448	11,017	13,581	14,744	16,387	17,644	18,509
Use of Money and Property	29,756	39,669	36,428	36,859	40,135	36,856	48,849	57,964	59,516	71,586
From Other Agencies	151,246	164,192	145,467	181,874	178,275	186,426	192,722	219,946	230,838	228,427
Charges for Services	43,321	39,292	45,409	41,277	44,282	45,948	46,633	29,071	26,168	27,609
Other Land Proceeds	8,056	7,890	28,891	3,448	-	-	-	716	-	-
Other				9,687	13,922	13,106	15,987	13,892	13,711	17,587
Total Revenues	439,222	504,764	480,736	523,962	536,586	560,958	608,336	659,551	705,313	740,362
Expenditures:										
Current:										
Legislative and Legal	8,945	9,313	9,059	10,985	9,588	10,359	10,037	12,464	13,602	12,481
General Government	26,207	25,140	26,998	30,444	24,655	23,407	25,209	15,123	15,765	16,081
Public Safety	197,004	202,512	206,409	230,112	236,341	227,176	257,869	266,057	279,382	285,366
Public Health	26,856	32,648	29,649	37,516	38,146	41,927	41,651	44,734	47,409	47,383
Community and Cultural	121,207	134,759	124,280	151,593	158,190	177,114	179,859	199,777	209,946	253,432
Public Works	36,667	35,569	41,069	43,565	42,751	43,589	42,885	42,647	42,586	50,221
Oil Operations	3,734	5,795	4,062	4,672	5,517	5,512	6,164	7,089	8,171	8,625
Total Current Expenditures	420,620	445,736	441,526	508,887	515,188	529,084	563,674	587,891	616,861	673,589
Capital Improvements	26,922	30,877	27,104	46,605	39,148	55,565	30,106	39,062	40,790	25,328
Loss on Disposition of Land Held for Resale	3,432	3,212	2,815	198	3,134	12	4,090	-	9,184	4,459
Debt Service:										
Principal	6,972	4,646	6,896	13,253	9,169	11,001	11,942	14,822	15,451	15,819
Interest	9,940	11,796	10,364	12,556	17,327	16,282	20,806	25,289	27,349	30,477
Debt Administration Fees	56	82	62	76	152	247	320	147	81	397
Total Expenditures	467,942	496,349	488,767	581,575	584,118	612,191	630,938	667,211	709,716	750,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,720)	8,415	(8,031)	(57,613)	(47,532)	(51,233)	(22,602)	(7,660)	(4,403)	(9,707)
Other Financing Sources (Uses):										
Other Deferred Payments	998	1,527	239	513	159	229	221	220	291	-
Proceeds from other Long- Term Obligations	2,678	17,726	4,705	-	-	-	-	-	-	0
Debt Issuance	-	-	-	-	58,756	17,360	188,344	40,402	25,748	280
Discount on Debt Issuance	-	-	-	138,501	-	-	-	-	(122)	-
Payment to Refunded Bond Escrow Agent	-	(4,711)	-	(23,223)	(38,295)	(10,729)	(3,526)	(36,135)	-	-
Reconveyance of Land	-	-	-	1,733	-	-	-	-	-	(13,296)
Advances-Capitalized Interest	-	-	-	426	512	13	491	-	-	-
Transfers In	67,230	47,414	44,610	49,106	74,534	73,563	52,782	55,900	91,967	84,353
Transfers Out	(32,683)	(38,039)	(34,643)	(36,513)	(41,703)	(50,729)	(33,960)	(40,349)	(57,560)	(62,122)
Total Other Financing Sources (Uses)	38,223	23,917	14,911	130,543	53,963	29,707	204,352	20,038	60,324	9,215
Net Change in Fund Balances	\$ 9,503	\$ 32,332	\$ 6,880	\$ 72,930	\$ 6,431	\$ (21,526)	\$ 181,750	\$ 12,378	\$ 55,921	\$ (492)
Debt Service as a Percentage of Noncapital Expenditures										
	3.8%	3.5%	3.8%	4.8%	4.9%	4.9%	5.5%	6.4%	6.4%	6.4%

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)

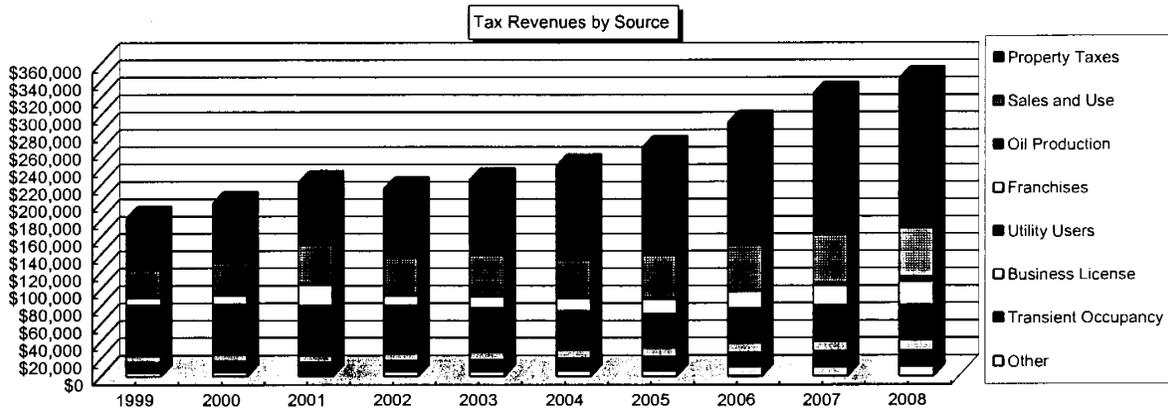
Fiscal Year-end (1)	Property Taxes	Sales and Use	Oil Production	Franchises	Utility Users	Business License	Transient Occupancy	Other (2)	Totals
1999	\$ 59,499	\$30,310	\$2,577	\$7,463	\$58,562	\$7,298	\$11,479	\$4,593	\$181,781
2000	66,635	37,362	2,479	9,695	57,396	7,752	12,788	4,864	198,971
2001	72,737	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	162,449	55,848	3,123	22,340	41,694	10,909	18,309	10,524	325,196
2008	172,741	55,261	5,767	27,147	41,028	11,681	18,324	10,796	342,745

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 1999 through 2008.

Fiscal Year-end	Property Taxes (In Thousands)	Transient Occupancy / Other (In Thousands)
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
2008	77,460	4,064

(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
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%
2008	40,310,054	3,035,367	(1,072,806)	42,272,615	1.00%

Assessed value and estimated actual value of taxable property for fiscal years 1999 through 2008 include redevelopment taxable property.

Redevelopment Agency

Fiscal Year-end	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
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%
2008	14,050,322	1,823,366	(794,893)	15,078,795	1.00%

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of one percent 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 two percent). 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	
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
2008	1.000000	-	0.123342	0.008794	0.004500	1.136636

Note:

In 1978, a State Constitutional Amendment (Proposition 13) provided that the tax rate be limited to one percent 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 Ten Fiscal Years Ago
(In Thousands)

Taxpayer	Fiscal Year 2008		Fiscal Year 1999	
	Assessed Valuation	Percent of Total Net Assessed Valuation	Assessed Valuation	Percent of Total Net Assessed Valuation
The Boeing Company	\$ 390,364	0.99 %	\$ 704,716	3.68 %
AES Alamitos LLC	256,100	0.65	-	-
Camden Realty Inc.	133,719	0.34	-	-
GREIT One World Trade Center LP	120,116	0.31	-	-
Trizechahn Colony Square GP LLC	109,900	0.28	-	-
200 Oceangate LLC	94,100	0.24	-	-
GRE Shoreline Square LP	90,931	0.23	-	-
Arco Terminal Services Corp	85,359	0.22	49,237	0.26
Noble Utah Long Beach LLC	83,640	0.21	-	-
Advanced Group 05-86	78,653	0.20	-	-
City Place Long Beach LLC	74,529	0.19	-	-
EQR Bay Hill LLC/EQR California LLC	66,025	0.17	-	-
HEI Long Beach LLC	64,525	0.16	-	-
Alamitos Bay Partnership	58,435	0.15	-	-
Sunstone Ocean LLC	57,365	0.15	-	-
Viewcor Long Beach I LP	48,455	0.12	-	-
ASN City Place LLC	47,317	0.12	-	-
California Drive In Theatres Inc.	46,360	0.12	-	-
Danari Broadway, and Pacific LLC	45,466	0.12	-	-
Pacific Castle	45,101	0.11	-	-
Bixby Land Company	-	-	67,108	0.35
Landmark Square Associates LP	-	-	60,460	0.32
Hughes Aircraft Company	-	-	50,616	0.26
Pacific Towers Associates	-	-	45,222	0.24
Arden Realty Corporation	-	-	40,975	0.21
Bixby Ranch Company	-	-	39,789	0.21
Carlyle Real Estate	-	-	37,079	0.19
Atlantic Richfield Company	-	-	36,248	0.19
	<u>\$1,996,460</u>	<u>5.08 %</u>	<u>\$1,131,450</u>	<u>5.91 %</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
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%
2008	174,002	157,865	90.7%	14,877	172,742	99.3%	5,757	3.3%

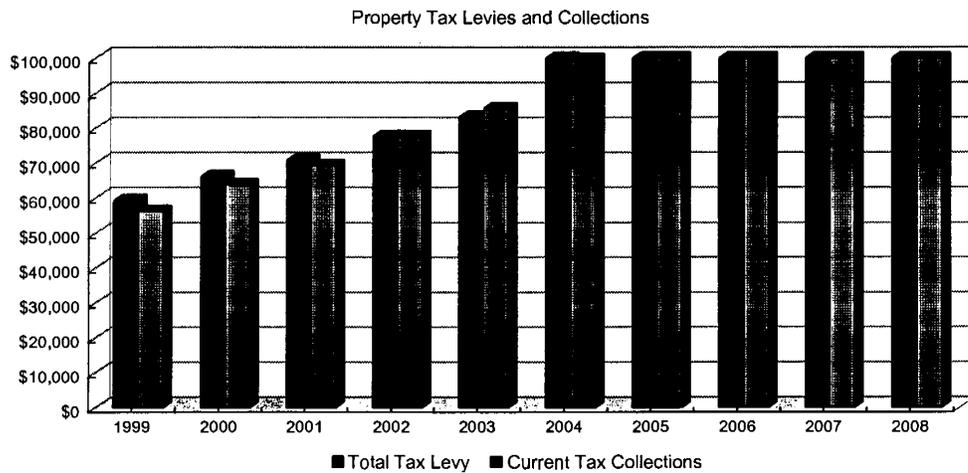
Notes:

(1) Total tax collections for fiscal years 1999 through 2008 include redevelopment tax increment collections, excluding interest and penalties, in accordance with generally accepted accounting principles as follows:

Fiscal Year-end	Collections (in thousands)
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
2008	77,460

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

(3) Fiscal year 2003 current tax collections include 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 1999 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
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
2008	236,535	332,562	8,888	32,992	29,875	640,852

Business-type Activities						
Fiscal Year-end	Revenue Bonds	Certificates of Participation	Notes Payable (1)	Capital Leases	Other (3)	Total Business-type Activities
1999	\$ 977,230	\$ 20,195	\$ 177,257	\$ 17,416	\$ 32,786	\$ 1,224,884
2000	941,860	19,425	145,794	15,851	177,373	1,300,303
2001	1,308,845	18,620	147,810	14,244	266,100	1,755,619
2002	1,582,180	17,785	82,527	12,805	267,613	1,962,910
2003	1,542,800	16,905	85,808	11,223	270,376	1,927,112
2004	1,491,930	15,985	89,581	9,484	316,100	1,923,080
2005	1,409,610	15,025	188,150	7,572	328,700	1,949,057
2006	1,367,640	9,960	104,958	6,119	343,100	1,831,777
2007	1,312,585	9,175	119,641	3,767	399,800	1,844,968
2008	2,012,545	8,350	132,395	1,237	450,170	2,604,697

Fiscal Year-end	Total Primary Government	Percentage of Personal Income (2),(4)	Per Capita (2)
1999	\$ 1,661,289	1.920%	\$ 3,668
2000	1,731,522	1.854%	3,752
2001	2,185,087	2.230%	4,678
2002	2,495,789	2.484%	5,279
2003	2,457,492	2.342%	5,119
2004	2,440,013	2.183%	5,023
2005	2,629,076	2.312%	5,383
2006	2,493,146	1.927%	5,091
2007	2,515,028	1.867%	5,145
2008	3,245,549	N/A	6,625

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

- (1) Notes payable in fiscal year 2005 included \$97,354,000 abandonment reserve payable to the California State Lands Commission.
- (2) See Schedule of Demographic and Economic Statistics for personal income and population data. Restated prior years due to the data's annual revision.
- (3) Includes Estimated Oil Field Abandonment Costs and starting with 2007 environmental remediation and site restoration are also included in this category.
- (4) Personal income is not available for 2008.

See accompanying independent auditors' report.

City of Long Beach
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year-end	Outstanding General Bonded Debt			Ratio of Net Bonded Debt to Assessed Value (2)	Per Capita (3)
	Tax Allocation Bonds	Less: Amounts Restricted for Debt Service (1)	Net Bonded Debt (1)		
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	321.61
2003	179,974	20,989	158,985	0.60	331.14
2004	175,292	26,258	149,034	0.50	306.78
2005	355,444	39,059	316,385	0.99	647.84
2006	348,626	36,936	311,690	0.88	636.53
2007	340,813	42,945	297,868	0.75	609.33
2008	332,562	45,796	286,766	0.72	585.40

(1) Includes Redevelopment bonds issued during fiscal years 1993, 2002, 2003, 2005, and 2006.

(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 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, 2008
(In Thousands)

<u>DIRECT DEBT</u>	<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach			
Lease Revenue Bonds (1)	\$ 257,270	\$ (94,465)	\$ 162,805
Marks-Roos Bonds (2)	31,280	-	31,280
Certificates of Participation	-	-	-
Pension Obligations	77,275	-	77,275
Total Direct Debt	<u>365,825</u>	<u>(94,465)</u>	<u>271,360</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>		
Los Angeles County (3)	0.000 %	-	-
Los Angeles Community College District	0.041	1,983,605	(1,982,792) 813
Cerritos Community College District	0.439	58,511	(58,254) 257
Compton Community College District	1.712	36,390	(35,767) 623
Long Beach Community College District	87.778	210,509	(25,728) 184,781
Compton Unified School District	0.022	73,685	(73,669) 16
ABC Unified School District	1.738	52,210	(51,303) 907
Long Beach Unified School District	87.775	263,761	(32,245) 231,516
Los Angeles Unified School District	0.049	7,096,220	(7,092,743) 3,477
Paramount Unified School District	6.740	61,785	(57,621) 4,164
Los Angeles County Flood Control District	3.703	99,210	(95,536) 3,674
Metropolitan Water District	1.842	327,215	(321,188) 6,027
Total Overlapping Tax And Assessment Debt (4)		<u>10,263,101</u>	<u>(9,826,846)</u> 436,255
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Los Angeles County General Fund Obligations	3.698	983,326	(946,963) 36,363
Los Angeles County Pension Obligations	3.698	352,255	(339,229) 13,026
Los Angeles County Superintendent of Schools Certificates of Participation	3.698	15,904	(15,316) 588
Los Angeles Unified School District Certificates of Participation	0.049	510,867	(510,617) 250
Long Beach Unified School District Certificates of Participation	87.775	50,825	(6,213) 44,612
Compton Unified School District Certificates of Participation	0.022	52,000	(51,989) 11
Paramount Unified School District Certificates of Participation	6.740	27,890	(26,010) 1,880
County Sanitation District No. 1 Certificates of Participation	0.852	24,714	(24,503) 211
County Sanitation District No. 2 Certificates of Participation	0.128	38,160	(38,111) 49
County Sanitation District No. 3 Certificates of Participation	83.965	28,996	(4,650) 24,346
County Sanitation District No. 8 Certificates of Participation	2.162	15,099	(14,773) 326
County Sanitation District No. 19 Certificates of Participation	37.969	6,873	(4,263) 2,610
Total Overlapping General Fund Obligation Debt		<u>2,106,909</u>	<u>(1,982,637)</u> 124,272
Total Gross Overlapping Combined Debt		12,370,010	(11,809,483) 560,527
Less: Los Angeles Unified School District (self-supporting Qualified Zone Academic Bonds)		<u>(32,202)</u>	<u>(32,186)</u> (16)
Total Net Overlapping Combined Debt		<u>12,337,808</u>	<u>(11,777,297)</u> 560,511
Total Net Direct And Overlapping Combined Debt (4) (5)		<u>\$ 12,703,633</u>	<u>\$ (11,871,762)</u> \$ 831,871

Notes:

- (1) The lease revenue bonds amount is net of the Civic Center Project 1997 Series A \$1,060,000 principal payment paid to the trustee on September 15, 2008 as required by the bond resolution for principal due to bondholders on October 1, 2008.
- (2) The Marks-Roos Bonds amount is net of the Temple and Willow Facility 1998 Series B Bonds \$680,000 principal payment paid to the trustee on September 15, 2008 as required by the bond resolution for principal due to bondholders on October 1, 2008. 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				
	1999	2000	2001	2002	2003
Assessed valuation	\$21,515,605	\$21,832,600	\$23,688,371	\$24,989,993	\$26,454,417
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	5,378,901	5,458,150	5,922,093	6,247,498	6,613,604
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	806,835	818,723	888,314	937,125	992,041
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 806,835</u>	<u>\$ 818,723</u>	<u>\$ 888,314</u>	<u>\$ 937,125</u>	<u>\$ 992,041</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

	Fiscal Year				
	2004	2005	2006	2007	2008
Assessed valuation	\$29,613,229	\$32,069,711	\$35,519,905	\$39,877,469	\$43,345,421
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	7,403,307	8,017,428	8,879,976	9,969,367	10,836,355
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	1,110,496	1,202,614	1,331,996	1,495,405	1,625,453
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 1,110,496</u>	<u>\$ 1,202,614</u>	<u>\$ 1,331,996</u>	<u>\$ 1,495,405</u>	<u>\$ 1,625,453</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15 percent of gross assessed valuation. This provision was enacted when assessed valuation was based on 25 percent of market value. Effective with fiscal year 1982, each parcel is assessed at 100 percent of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 percent level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Long Beach, Department of Financial Management.
County of Los Angeles, Department of Auditor-Controller.

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Coverage
Gas Fund Revenue Bond Coverage
Last Ten Fiscal Years
(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	
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
2008	123,085	89,216	33,869	993	34,862	925	153	1,078	32.3

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

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
2008	71,604	57,239	14,365	1,417	15,782	1,265	1,731	2,996	5.3

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

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
2008	83,628	72,102	11,526	6,342	17,868	6,690	4,478	11,168	1.6

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	Operating Expenses (1)	Net Operating Income	Non- Operating Income (Loss) (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
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
2008	10,151	9,908	243	332	575	1,060	1,760	2,820	0.2

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

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
2008	28,408	21,088	7,320	908	8,228	900	1,534	2,434	3.4

Notes:

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

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 Eight 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	-
2008	N/A	52,739	69,138	(16,399)	3,516	(12,883)	-	6,393	6,393	-

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

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
2008	(4,360)	21,352	13,519	7,833	209	3,682	3,285	97	3,382	1.1

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, which matured on January 15, 2008.

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

See accompanying independent auditors' report.

City of Long Beach
Pledged Revenue Coverage
Rainbow Harbor Area Segment
Revenue Bond Coverage
Last Ten Fiscal Years (2)
(In Thousands)

Fiscal Year-end	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non- Operating Income (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	-
2008	7,212	10,321	(3,109)	210	(2,899)	2,235	2,025	4,260	-

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

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
2008	359,345	116,166	243,179	55,866	299,045	40,090	49,432	89,522	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)
1999	452,905	\$ 8,651	\$ 19,160	89,214	5.6 %
2000	461,522	9,338	20,234	91,465	6.0
2001	467,072	9,797	20,975	93,694	6.3
2002	472,763	10,048	21,254	96,488	7.5
2003	480,114	10,493	21,855	97,212	7.7
2004	485,797	11,178	23,009	97,560	7.2
2005	488,367	11,370	23,266	96,319	5.9
2006	489,673	12,936	26,417	93,589	5.3
2007	488,848	13,468	27,551	90,663	5.6
2008	489,864	N/A	N/A	88,186	8.3

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 through 2008 is noted not adjusted, not preliminary.
- (5) Personal income and per capita personal income are not available for 2008.
- (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 2008		Fiscal Year 1999	
	Number of Employees (1)	Percentage of Total City Employment (2)	Number of Employees (1)	Percentage of Total City Employment (2)
Long Beach Unified School District	8,335	3.59%	11,400	5.44%
The Boeing Co	8,200	3.53%	13,781	6.58%
California State University Long Beach	6,367	2.74%	2,755	1.32%
City of Long Beach	5,812	2.50%	6,000	2.86%
Long Beach Memorial Medical Center	5,800	2.50%	3,928	1.88%
Veterans Affairs Medical Center	2,500	1.08%	2,278	1.09%
Verizon	2,500	1.08%	N/A	N/A
Long Beach City College	2,300	0.99%	1,518	0.72%
U.S. Postal Service	1,700	0.73%	N/A	N/A
St. Mary Medical Center	1,480	0.64%	1,779	0.85%
GTE	N/A	N/A	1,700	0.81%
RMS Foundation, Inc., dba Queen Mary Seaport	N/A	N/A	1,000	0.48%

Sources:

(1) Economic Research Group, Department of Community Development

(2) U.S. Census Bureau Labor Force as of 2005.

See accompanying independent auditors' report.

City of Long Beach
City Employees
Last Three Fiscal Years

Function	Fiscal Year		
	2006	2007	2008
Legislative and Legal	143	148	144
General Government	447	451	522
Public Safety	2,143	2,127	2,120
Public Health	399	405	390
Community and Cultural	1,100	1,194	1,219
Public Works	373	373	298
Gas	178	181	185
Water	217	229	212
Airport	90	98	88
Solid Waste Management	143	135	184
Towing	38	42	38
Tideland Oil Revenue	34	35	34
Harbor	337	345	378
	<u>5,642</u>	<u>5,763</u>	<u>5,812</u>

Source: City of Long Beach, Department of Financial Management
as of September 30, 2008.

See accompanying independent auditors' report.

City of Long Beach
Operating Indicators by Function
Current Fiscal Year

Function	Fiscal Year 2008
Public Safety:	
Police priority one calls response time in minutes	4.4
Violent crime rate - per 1,000 residents	6.53
Fire on-scene arrival for emergency calls within six minutes	71.6%
Public Health:	
Percentage of beach days that are safe for swimming in summer	87%
Homeless population ratio vs. total population (1)	0.80%
Community and Cultural	
Public library computer session log-ons	437,211
Parks, recreation programs - youth and teen attendance	726,812
Public Works:	
Number of trees trimmed	25,682
Curbs and alleys swept in miles	163,298
Sidewalk repaired in square feet	260,742
Storm drain catch basins cleaned	5,800
Gas:	
Gas consumption in sales dollars-total	\$ 101,834,000
Gas consumption in cubic feet	10,122,000
Average daily gas consumption (MCF)	27,655
Gas mains replace/relocated in feet	88,000
Gas mains installed in feet	74,500
Gas meters installed/removed/replaced	7,416
Water:	
Water daily demand in thousand gallons	55,302
Water annual demand in thousand gallons	20,185,133
Available supply total in thousand gallons	22,346,927
Sewer:	
Sewer mains cleaned in miles	365
Sewer mains and laterals repaired in number of jobs	278
Airport:	
Number of commercial passengers enplanned	1,439,598
Number of commercial passengers deplanned	1,438,407
Number of aircraft landings and take offs	354,727
Solid Waste Management:	
Number of refuse tons collected	201,816
Number of recycling tons collected	195,291
SERRF tons of refuse received	485,207
SERRF energy sold to So Cal Edison megawatt-hours	229,664
Harbor:	
Number of container movements in twenty-foot equivalent units	6,736,756
Cargo in thousands of metric revenue tons	162,910
Number of ship calls	5,140

Sources: City Departments.

(1) The homeless population count is biannual.

See accompanying independent auditors' report.

City of Long Beach
 Capital Asset Statistics by Function
 Current Fiscal Year

Function	Fiscal Year 2008
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	150
Parks and golf courses in acres	3,061
Number of libraries	12
Number of library holdings (books, videos, tapes)	977,197
Number of library circulations	1,695,540
Public Works:	
Street in miles	815
Storm drain lines in miles	181
Number of street lights	34,000
Gas:	
Gas mains in miles	920
Water:	
Water mains in miles	904
Number of fire hydrants	6,507
Number of water services	95,432
Sewer:	
Sanitary sewers in miles	711
Number of manholes	16,078
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.