

City of Long Beach, California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

**Prepared by the Department of Financial Management
Robert S. Torrez, CFO/Director**

City of Long Beach
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2003

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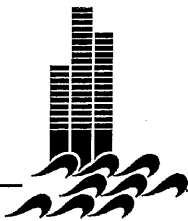
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CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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GERALD R. MILLER
CITY MANAGER

February 19, 2004

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, 2003. This report has been prepared by the Department of Financial Management in accordance with generally accepted accounting principles (GAAP) and was audited in accordance with generally accepted auditing standards and government auditing standards by the City Auditors' Office and a firm of licensed certified public accountants.

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

The City's basic financial statements have been audited jointly by the City Auditor and by KPMG LLP, an international public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2003 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, 2003 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 "Single Audit" reports are available by contacting the City's Department of Financial Management for the separately issued "Single Audit" report.

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

Profile of the Government

The City of Long Beach, incorporated in 1897, is the fifth largest City in the State of California, located within Los Angeles County in Southern California. The City occupies a land area of approximately 52 square miles and services a population of approximately 481,000.

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

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

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

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

all City employees except for classified Civil Service employees, the City Clerk, Elected Officers, and their appointees.

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

The annual budget serves as the foundation for the City's financial planning and control. The City Manager must submit a proposed budget to the Mayor on or before August 1st and the Mayor must present that proposed budget along with recommendations to the City Council on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget on or before September 30, the close of the City's fiscal year. The budget is prepared by fund and department. The City Council adopted the fiscal year 2003 budget prior to September 30, 2002 for all funds except for expendable trust funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Total expenditures of each fund may not exceed fund appropriations, and total expenditures for each department may not exceed departmental appropriations. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Long Beach in the Twenty-First Century

In 2003 the California Department of Finance estimated the City's population at over 480,000 residents, making it the 5th largest city in California and the 34th largest city in the United States. Despite facing daunting financial challenges in 2003, the residents of Long Beach began to see and experience the results of years of planning as several projects and initiatives throughout the City finally came to fruition. In spite of fiscal concerns, there is a keen sense that a true cultural and economic renaissance is taking place in the City.

Meeting Ongoing Budgetary Challenges

In response to a deficit projected to grow to \$105 million over a three-year (FY 04 to FY 06) period, staff developed the Three Year Financial Strategic Plan. The plan relies primarily on cost reductions to close the gap between revenues and expenditures in the City's General Fund and relies to lesser extent on a prudent use of reserves and new fees and taxes.

Development of the Plan was guided by the "Voice Your Choice" survey, which garnered responses from over 13,000 community members. The City intends to continue to expand and enhance both citizen and employee involvement in developing budget

solutions. There are also over 30 operational committees working diligently to optimize service delivery, including revenue resource development, libraries, arts, maintenance, fire services and vehicle and equipment uses. The first year of the Plan was implemented with the adoption of the Fiscal Year 2003-04 budget and reduced the structural deficit by close to \$40 million.

The City Council, community and City staff worked together to prioritize core services. The plan has identified over \$85 million in cost savings options over the three years. The League of California Cities recognized this exemplary budget evaluation process with its 2003 Helen Putnam Award for excellence in the category of Enhancing Public Trust, Ethics and Community Involvement.

Ongoing Economic Progress

Despite dealing with ongoing fiscal challenges, the economy of Long Beach continues its impressive expansion. Developments that have been in the planning and construction phase in past years are complete or near completion. In particular, the late 2003 opening of the Pike at Rainbow Harbor with its restaurants, theaters, amusement facilities and retail outlets completed a crucial phase of downtown redevelopment by creating a continuous zone of entertainment and commerce from the Aquarium of the Pacific to the Convention Center and Long Beach Performing Arts Center, through the popular Pine Avenue district to the recently opened CityPlace retail center.

Existing retail centers opened in recent years also include the Los Altos Marketplace, the Long Beach Towne Center, Marina Pacifica and the Los Altos Gateway. Each continues to solidify their customer bases and generate tax revenues for the City.

Also of note is the construction of over 3,000 units of upscale apartment and condominium units along Ocean Boulevard, with several of the projects completed and occupied. These residential facilities will foster a built-in audience of consumers that will actively utilize new and existing retail and entertainment venues.

Tourism

The completion of the Carnival Cruise Terminal adjacent to the City's best known icon, the Queen Mary, provided an immediate boost to tourism. This new facility is bringing in 300,000 visitors annually to the City, many of them for the first time. Carnival Cruises also announced a desire to share the facility with other cruise lines.

Other significant achievements in the tourism sector include:

- The 30th Toyota Grand Prix of Long Beach will be held in 2004 from April 16th through the 18th with an anticipated audience of 225,000 racing enthusiasts.
- The Long Beach City Marathon, cooled by ocean breezes, continues to grow in popularity and prestige. In 2003, the race attracted 10,000 participants from 40 states and 17 countries.

- The Aquarium of the Pacific was the only major non-profit aquarium to see an increase in attendance without opening a new exhibit, and realized an important and sizeable surge in memberships of 19 percent over the prior year.
- For five weeks in the summer of 2004, Long Beach will be the focus of the swimming world. The City will host the Janet Evans Invitational with over 800 swimmers, some of whom will be striving to qualify for the Olympic Trials. That will be followed by an International Synchronized Swimming Exhibition featuring teams from the United States, Canada, Russia and Spain. Other events include the FINA Women's Water Polo World League Super Final involving 8 international teams; the Men's Water Polo Super Final to include six international teams, with the United States entering a team in each competition, and all teams involved heading to Athens for the 2004 Summer Olympics; and, the U.S. Olympic Team Trials for Swimming. Outside of the Olympics, this will be the largest aquatic event in the history of North America, and is set to generate approximately 20,000 hotel room nights.

Visitors to many upcoming events in Long Beach will arrive through one of the region's most convenient and popular airports. Long Beach Airport has become a favorite in Southern California due to its designation as a hub for Jet Blue Airlines. Jet Blue has the continuing distinction of being one of the few profitable carriers in the nation.

In calendar year 2003, Long Beach Airport served a record 2,875,703 passengers, an increase of 97% over 2002. Jet Blue shares Long Beach Airport with American Airlines, America West and Alaska Airlines. The airport has reached the maximum legally allowable number of take-offs and landings. Therefore, passenger growth is expected to be moderate in future years.

Business Development

Long Beach remains the only location in California with commercial or military aircraft production. Boeing's C-17 Globemaster, manufactured in Long Beach, is one of the world's most effective military airlifters, and has proven its military and humanitarian worth during the war in Iraq. The Pentagon has recently increased its order of C-17s in fiscal year 2005 from 11 to 14.

The Boeing 717 is the world's most reliable and quiet 100-passenger short-range jetliner now in service. Recently Boeing announced plans to explore making customized versions of the 717 for corporate and private use. Boeing remains the City's largest private sector employer.

Boeing is also managing the Sea Launch program that is active in putting commercial satellites into orbit. Sea Launch is a multi-national consortium that has had eleven successful launches, including one in January 2004. They are planning on five additional launches this year.

The development of the 260-acre PacifiCenter by Boeing Realty complex adjacent to the airport is being cleared of vacant buildings, site remediation has begun and an Environmental Impact Report is being prepared.

Trade

The City's presence on the world stage is enhanced by having the second busiest container port in the Western Hemisphere. Pacific Rim trade continues to expand and the Port of Long Beach is constantly challenged to sustain its position in global trade. In addition, the challenges of homeland security, particularly as it relates to the Port and airport, are complicated and costly, with elected representatives at all levels working to keep funds flowing to ensure safety.

Accomplishments

Despite its financial challenges, the City has an optimistic view of its future. Following is a summary of significant achievements that have inspired and encouraged us to face the coming years with confidence and optimism.

- In October 2003, the Fire and Police Departments began full operational use of the new Emergency Communications and Operations Center. This state-of-the-art facility houses not only our 911 emergency services, but also several associated communication systems. All public safety personnel are now using the latest technology including integrated mapping, logging recorders, automated call distribution, all supported by comprehensive and continuous system monitoring. The building greatly increases the capability and sustainability of our public safety personnel.
- The City proudly boasts that it maintained its AAA Standard & Poor's investment portfolio rating.
- Sales and use tax grew by more than 8.8 percent over the previous year.
- Retail sales per capita grew 42 percent since 1998, and more than two million square feet of retail space has been added or refurbished throughout the City since 1995.
- Retail sales increased over 85 percent since 1994, the largest percentage increase among California's 20 largest communities.
- Transient Occupancy Tax revenues are up 5.5 percent over last year, with hotel occupancy also on the rise.
- Property values continue to grow and property tax revenues were up 9.4 percent over the previous year. Home and condominium prices continue to escalate, rising more than 19 percent in the past calendar year.
- The number of residential and commercial construction permits is up over 16 percent from last year, and permit valuation is up to approximately \$420 million, a 100 percent increase in just three years.

- A new North Police Station is under construction and will give police officers modern facilities in which to work. An extensive seismic retrofit and rehabilitation of the Police Headquarters building downtown is also underway.
- The Los Angeles Economic Development Corporation's economic forecast listed Long Beach as one of the County's hot spots for the amount of development recently completed and still underway.
- Seventy-one \$2,000 grants were awarded to small businesses this past year, part of the more than 1,000 new businesses established.
- 1,500 business people attended one-on-one counseling and business development workshops provided by the City, and over 250 businesses received financial counseling.
- The City's Water Department will start construction in early 2004 of the largest federally-authorized seawater desalination research and development project in the nation. This joint public partnership brings together the Long Beach Water Department, the Los Angeles Department of Water and Power and the United States Bureau of Reclamation to develop a 300,000 gallon-per-day prototype seawater desalination facility that promises to be more energy efficient than traditional methods. The facility should be completed by the end of 2004 and will utilize desalination processes developed by City staff.
- The Los Angeles Regional Water Quality Control Board presented its 2003 Water Quality Award to the Watershed Cleanup Project coordinated by the City's Public Works Department.
- The Broad Foundation named the Long Beach Unified School District (District) as the best large urban school district in the nation. This award is the result of many years of planning, commitment and dedication by teachers and staff members and is a testament to the leadership of the school district over the past several years. The District has reaffirmed its commitment to providing outstanding facilities for its students by constructing a new elementary school in downtown Long Beach. Approximately \$30 million in funding for the project was assembled from City contributions, Measure A bond funds, developer fees, and State of California Bonds.

Cash Management Policies and Practices

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

The City's pooled investments for fiscal year 2003 averaged \$936,598,000 and earned an annual average return of 3.20%. The City's pooled investments averaged \$970,416,000 for fiscal year 2002 and earned an annual average return of 3.94%.

The rate of return demonstrates that the City maintained a reasonable and safe return on its investments during fiscal year 2003, while employing prudent investment policies to safeguard the City's cash assets and maintaining adequate levels of liquidity. The City's Department of Financial Management presents cash and investment reports to the City Manager, Mayor and City Council each fiscal quarter. The City Auditor also performs a quarterly independent audit of City cash accounts and investments for adherence to the City Investment Policy. The City's general investment strategies are set forth in a formal Statement of Investment Policy, which has been written in accordance with State law and is reviewed and approved annually by the City Council.

Risk Management

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

Debt Administration

During fiscal year 2003, the City and its agencies issued approximately \$87.7 million in debt as follows:

Fund / Agency	Amount (millions)	Purpose
General Fund	\$ 33.0	Tax Revenue Anticipation Notes
General Fund/Public Facilities	6.9	Skylinks Municipal Golf Course Improvements
Redevelopment Agency Fund	47.8	Redevelopment Agency Projects
	<u>\$ 87.7</u>	

Tax Revenue Anticipation Notes were issued in October 2002 to meet cash flow needs of the City's General Fund. Funds from operations were accumulated prior to September 30, 2003 to pay off the notes.

More detailed information about the debt position of the City is reported in Notes 8 through 11 of the notes to the Basic Financial Statements in the accompanying Financial Section of this report, as well as in Exhibits 7 through 14 of the accompanying Statistical Section.

Pension and Other Post Employment Benefits

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

requirements are established by State statute and City ordinance. The contribution requirements to the pension plan are established and amended by CalPERS. The City's funding policy is to make contributions as determined by CalPERS. Based on the latest actuarial valuations by CalPERS, as of June 30, 2002, the City was not required to make any contributions out of its budget in fiscal year 2003. The miscellaneous employee's pension plan was funded at 107.2 percent and the safety employee's plan at 106.9 percent, according to CalPERS, compared to 127.7 percent and 123.9 percent, respectively in fiscal year 2002.

The City provides Special Status Contractors, and Seasonal and Temporary employees retirement, death and disability benefits through a Public Agency Retirement System Defined Benefit Single Employer Retirement Plan (PARS Plan). The PARS Plan is administered through a third-party administrator. The City's funding policy is to make the contribution as determined by the PARS Plan's actuary. The PARS Plan was funded at 329 percent as of June 30, 2003 and the City is not required to make any contributions according to 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, the City allows retirees, their spouses and eligible dependents to use the cash value at retirement of the employee's accumulated unused sick leave to pay for health, dental and long-term care insurance under the City's Retired Employees Health Care Program. As of September 30, 2003, there were 816 participants in this program at a cost of \$4,671,000 during the fiscal year.

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

Independent Audit

Section 803 of the City Charter requires the City Auditor, at least once in each fiscal year, to audit the financial statements of the City. Immediately upon completion of such audit, the City Auditor shall make and file with the City Clerk a written report thereof. The City Auditor contracted with an independent certified public accounting firm to join with his staff in a joint audit of the City's Basic Financial Statements for the fiscal year ended September 30, 2003. The Independent Auditors' report has been included in this report.

Awards

The California Society of Municipal Finance Officers (CSMFO) awards its Certificate of Award for Outstanding Financial Reporting to recognize those entities whose comprehensive annual financial reports are judged to conform substantially to the highest standards for preparation of state and local government financial reports. The Comprehensive Annual Financial Report (CAFR) of the City of Long Beach has been awarded this certificate by the CSMFO for the fiscal year ended September 30, 2002.

Acknowledgments

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

Respectfully submitted,



GERALD R. MILLER
City Manager



ROBERT S. TORREZ
CFO/Director of Financial Management

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of Long Beach

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

February 24, 2003



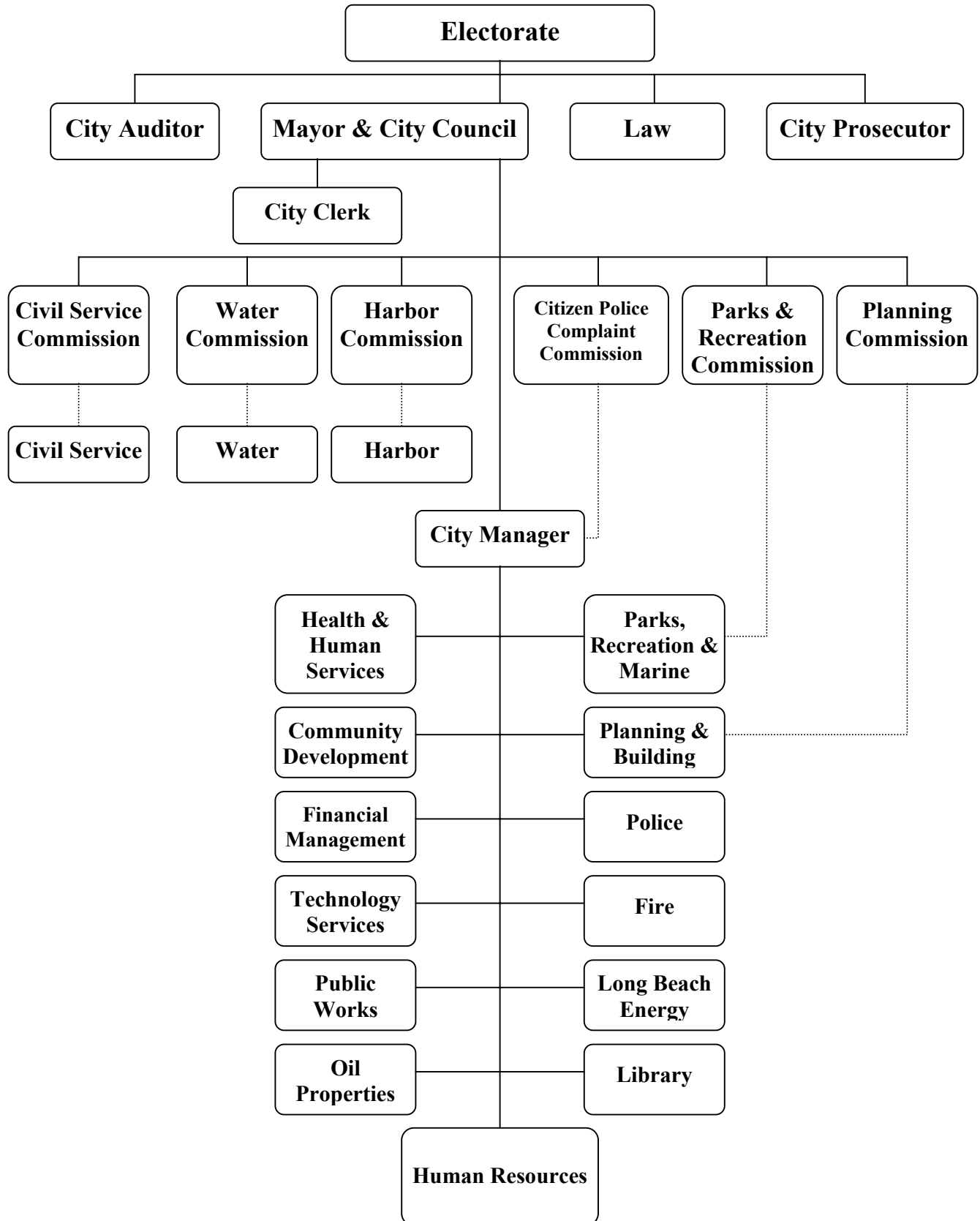
Bret M. Plimlee
Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

LONG BEACH CITY GOVERNMENT

ORGANIZATION CHART

As of September 30, 2003



Current
Directory of City Officials *

Beverly O'Neill
Mayor

Frank Colonna
Vice-Mayor
3rd District

Bonnie Lowenthal
Councilmember
1st District

Dan Baker
Councilmember
2nd District

Dennis Carroll
Councilmember
4th District

Jackie Kell
Councilwoman
5th District

Laura Richardson
Councilwoman
6th District

Tonia Reyes Uranga
Councilmember
7th District

Robert Webb
Councilmember
8th District

Val Lerch
Councilmember
9th District

Elected Department Heads

City Attorney
City Auditor
City Prosecutor

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

Appointed by Council or Commission

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

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

City Manager
Gerald R. Miller

Assistant City Manager
Christine F. Shippey

Deputy City Managers
Reginald I. Harrison
Suzanne R. Mason

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

Melanie Fallon
Robert S. Torrez
Ronald Arias
Kevin Boylan
Eleanore Schmidt
Christopher J. Garner
Phil T. Hester
Fady Mattar (Acting)
Christine Andersen
Curtis Tani
Christopher J. Garner
Terry L. Harbour
Anthony W. Batts

* City Officials as of date of printing

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355 South Grand Avenue, Suite 2000
Los Angeles, CA 90071

333 West Ocean Blvd.
Long Beach, CA 90802

Independent Auditors' Report

The Honorable Mayor and City Council
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 (City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year's comparative information has been derived from the City's 2002 financial statements and, in our report dated January 31, 2003, we expressed our unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Long Beach, California, as of September 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, the Housing Development Fund, the Community Development Grants Fund, the General Capital Projects Fund, and the Redevelopment Capital Projects Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 considering the results of our audit.

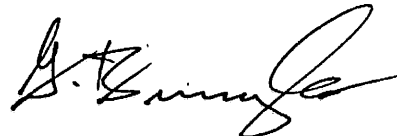
The Management's Discussion and Analysis on pages 3 through 22, and the schedules of the City's pension plan funding progress on pages 125 and 126 are not required parts of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

KPMG LLP

January 30, 2004



Gary L. Burroughs, CPA
City Auditor

Management's Discussion and Analysis

As management of the City of Long Beach (City), we present to readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-wide:

- The restricted and unrestricted assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$2.8 billion (*net assets*). Of this amount, \$310.5 million may be used to meet the government's ongoing General Fund, grant funds, capital project and business-type activity obligations to citizens and creditors. Specific expenditure restrictions apply to the grant funds and to much of the Business-type and capital project funds.
- The City's total net assets, including all funds, increased by \$72.3 million, the growth of which occurred in the Business-type activity funds.
- The City's total net long-term liabilities, including such items as bonds payable, notes and leases payable and accrued self-insured claims, decreased by \$4.8 million or 0.2 percent during the current fiscal year. The City issued the Skylinks Municipal Golf Course lease revenue bonds in the amounts of \$6.9 million and a Redevelopment Agency bond issue in the amount of \$47.8 million, which included new borrowing of \$10 million and refunded and repaid Agency debt of \$37.8 million. Also, the City issued Tax and Revenue Anticipation Notes Payable, which are due within one year, in the amount of \$33.0 million.

Fund Basis:

- As of September 30, 2003, unreserved fund balance for the General Fund was \$45.6 million, or 12.8 percent of total General Fund expenditures. This balance includes designated General Fund emergency reserves of \$32.9 million, and \$2.5 million set aside as a general purpose reserve account as allowed by the City Charter, combined totaling a \$35.4 million "Emergency Reserve". It also includes fund balance designated for the Police Athletic League and for lease payments for a police helicopter, combined totaling \$0.7 million.
- As of September 30, 2003, the City's governmental funds reported unreserved fund balance deficit of \$54.1 million. The other governmental funds, excluding the General Fund positive fund balance of \$45.6 million, reported combined ending fund balances of \$99.7 million of net unreserved deficit fund balance. This deficit fund balance consists of a combined \$151.0 million deficit in the Redevelopment Capital Projects Fund and Housing Development Fund for long-term advances due to other funds. The remaining positive balance of \$51.3 million in the special revenue grant and capital projects funds is available for spending in accordance with restrictions, where applicable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the 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 showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused employee vacation and sick leave.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, such as grant revenue (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities of the City include those related to legislative and legal, general government, public safety, public health, community and 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, certain Queen Mary assets (Repair Reserve) and the Port of Long Beach.

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

The business-type activities portion of the government-wide financial statements also include the Southeast Resource Recovery Facility, a portion of the Long Beach Bond Financing Authority, the Long Beach Capital Improvement Corporation and the Parking Authority of the City of Long Beach. Although legally separate from the City, these component units are blended with the primary government because of their close governance by, or financial relationships with the City.

Fund financial statements

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, to facilitate a comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Housing Development Fund, Community Development Grants Fund, General Capital Projects Fund, and the Redevelopment Agency Capital Projects Fund, each considered to be major funds in accordance with accounting standards. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 this budget. The budgetary comparison statements for the major governmental funds are located in the basic financial statements, while the statements for the nonmajor 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 airport, sewer utility, towing operation and land subsidence fund as nonmajor enterprise funds shown in the Additional Financial Information section of this report.

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

Because these services predominantly benefit governmental rather than business-type functions, they are incorporated into *governmental activities* in the government-wide financial statements. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for 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 specified parties and 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 assessment districts. Fiduciary funds are *not* reflected in the accompanying government-wide financial statements because the resources of those funds are *not* available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found in the Basic Financial Statements section of this report.

Notes to the Basic Financial Statements

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

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

The combining statements referred to above in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Lastly, information regarding capital assets is shown at the end of the Additional Financial Information Section of this report.

Government-Wide Financial Analysis

This is the second year that the City has presented its financial statements using the Governmental Accounting Standards Board Statement No. 34 (GASB 34) and its related statements. Since these standards significantly changed the recording and presentation of financial data, the City's CAFR for fiscal year 2002 did not provide comparative information in the MD&A. This is the first year that two years of financial data has been available in the GASB 34 format.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of changes to a government's financial position. In the case of the City, assets exceeded liabilities by almost \$2.8 billion at the close of fiscal year 2003, up \$72.3 million from fiscal year 2002.

Net Assets
September 30, 2003
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Assets:						
Current and Other Assets	\$ 693,904	\$ 688,608	\$ 1,300,340	\$ 1,355,185	\$ 1,994,244	\$ 2,043,793
Capital Assets	587,158	545,479	3,080,091	3,011,279	3,667,249	3,556,758
Total Assets	1,281,062	1,234,087	4,380,431	4,366,464	5,661,493	5,600,551
Liabilities:						
Current Liabilities	194,624	170,912	158,687	205,172	353,311	376,084
Long-Term Liabilities	633,068	609,243	1,887,269	1,899,704	2,520,337	2,508,947
Total Liabilities	827,692	780,155	2,045,956	2,104,876	2,873,648	2,885,031
Net Assets:						
Invested in Capital Assets, Net of Related Debt	226,012	197,111	1,484,399	1,399,761	1,710,411	1,596,872
Restricted	313,047	313,119	453,919	539,903	766,966	853,022
Unrestricted (Deficit)	(85,689)	(56,298)	396,157	321,924	310,468	265,626
Total Net Assets	\$ 453,370	\$ 453,932	\$ 2,334,475	\$ 2,261,588	\$ 2,787,845	\$ 2,715,520

The largest portion of the City's net assets (61.4 percent) reflects its net investment of \$1.7 billion in capital assets (for example, land, buildings, infrastructure, machinery, and equipment), net of related debt used to acquire those assets and that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves may not be used to liquidate these liabilities.

An additional portion of the City's net assets, \$767.0 million (27.5 percent) represents resources that are subject to external restrictions on how they may be used. The restricted assets consist of 22.7 percent for debt repayment, 32.3 percent for capital projects, 14.2 percent of grant funds with the balance related to various City special revenue and permanent funds, and a commitment by the Port of Long Beach's Harbor Fund for the Alameda Corridor. The remaining balance of *unrestricted net assets* in all City funds of \$310.5 million may be used to meet the government's ongoing obligations to citizens and creditors. Specific expenditure restrictions apply to the grant funds, and to much of the business-type and capital project funds.

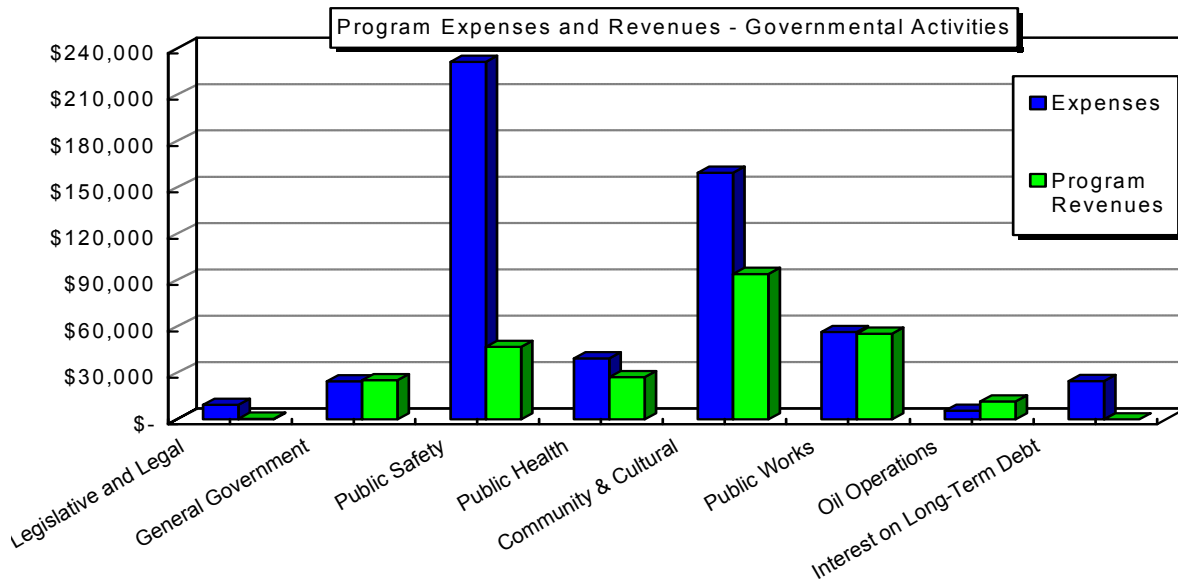
At September 30, 2003, the City reported positive balances in all three categories of net assets, for the government as a whole and business-type activities. The governmental activities unrestricted net assets deficit in the amount of \$85.7 million is mainly due to deficits in the Internal Service Funds (Note 15) and the old Police and Fire Annuity Obligation Program (Note 10). The deficit increased from fiscal year 2002 by \$29.4 million from the comparable deficit amount of \$56.3 million mainly due to debt in the Redevelopment Agency without a corresponding asset, a retired health insurance actuarial increase (Note 13) and an increase in estimated workers compensation liability (Note 14). The Redevelopment Agency debt is expected to be repaid from future property tax increment revenue.

Analysis of Changes in Net Assets

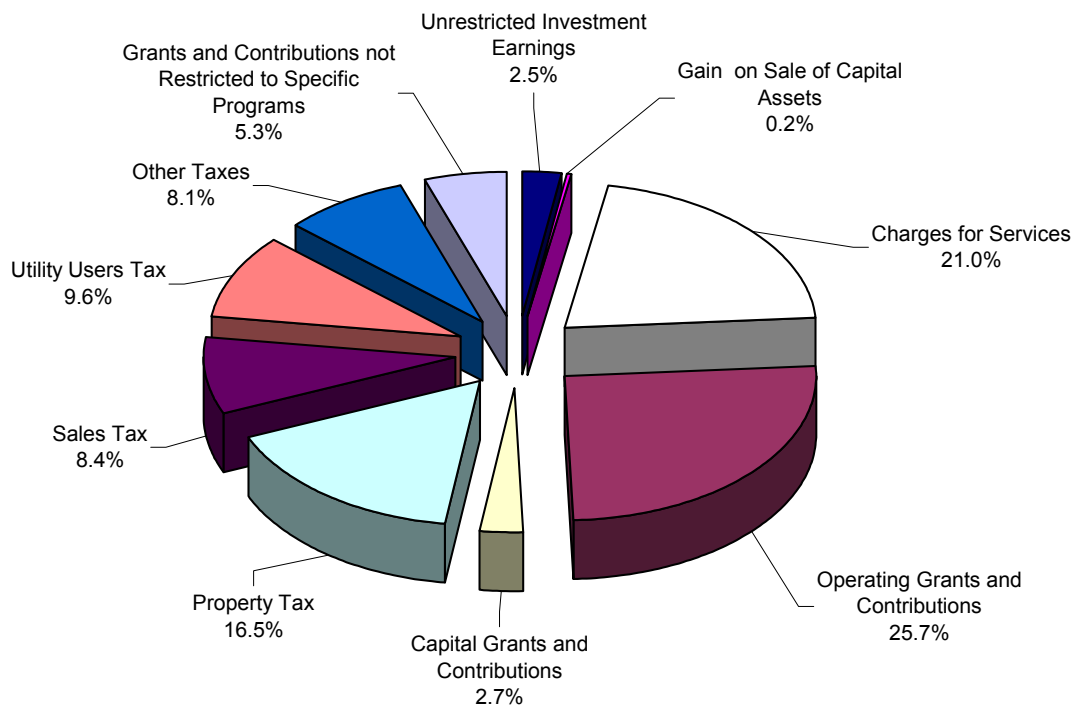
The City's net assets increased \$72.3 million during the current fiscal year. In fiscal year 2002, the City's net assets increased \$126.3 million. The increase in fiscal year 2003 is mainly due to operations in the business-type funds including the Harbor Fund for \$68.5 million and other changes explained in the governmental and business-type activities discussions below.

Changes in Net Assets September 30, 2003 (In Thousands)						
	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues						
Charges for Services	\$ 110,928	\$ 107,014	\$ 629,735	\$ 537,290	\$ 740,663	\$ 644,304
Operating Grants and Contributions	135,837	138,254	886	3,597	136,723	141,851
Capital Grants and Contributions	14,456	10,191	9,625	36,691	24,081	46,882
General Revenues						
Taxes:						
Property	87,285	79,814	-	-	87,285	79,814
Sales	44,863	41,246	-	-	44,863	41,246
Utility Users	50,883	55,838	-	-	50,883	55,838
Other	42,841	38,262	-	-	42,841	38,262
Grants and Contributions Not Restricted to Specific Programs	27,917	35,621	-	-	27,917	35,621
Unrestricted Investment Earnings	13,369	17,175	24,378	32,279	37,747	49,454
Gain (Loss) on Sale of Capital Assets	977	(42)	(12,036)	(11,393)	(11,059)	(11,435)
Other	-	7,780	-	-	-	7,780
Total Revenues	<u>529,356</u>	<u>531,153</u>	<u>652,588</u>	<u>598,464</u>	<u>1,181,944</u>	<u>1,129,617</u>
Expenses						
Legislative and Legal	9,457	10,471	-	-	9,457	10,471
General Government	24,635	28,564	-	-	24,635	28,564
Public Safety	231,514	228,214	-	-	231,514	228,214
Public Health	39,515	37,872	-	-	39,515	37,872
Community & Cultural	159,765	145,376	-	-	159,765	145,376
Public Works	56,545	54,352	-	-	56,545	54,352
Oil Operations	5,516	4,672	-	-	5,516	4,672
Interest on Long-Term Debt	24,761	23,660	-	-	24,761	23,660
Gas	-	-	68,728	55,334	68,728	55,334
Water	-	-	55,756	58,814	55,756	58,814
Sewer	-	-	8,748	7,858	8,748	7,858
Airport	-	-	18,747	18,666	18,747	18,666
Solid Waste Management	-	-	71,027	71,202	71,027	71,202
Towing	-	-	5,427	5,845	5,427	5,845
Tidelands	-	-	80,880	81,261	80,880	81,261
Tideland Oil Revenue	-	-	70,376	36,451	70,376	36,451
Subsidence	-	-	2,401	3,187	2,401	3,187
Harbor	-	-	175,821	131,500	175,821	131,500
Total Expenses	<u>551,708</u>	<u>533,181</u>	<u>557,911</u>	<u>470,118</u>	<u>1,109,619</u>	<u>1,003,299</u>
Increase (Decrease) in Net Assets before Transfers	(22,352)	(2,028)	94,677	128,346	72,325	126,318
Transfers	21,790	5,317	(21,790)	(5,317)	-	-
Change in Net Assets	(562)	3,289	72,887	123,029	72,325	126,318
Net Assets - October 1	<u>453,932</u>	<u>450,643</u>	<u>2,261,588</u>	<u>2,138,559</u>	<u>2,715,520</u>	<u>2,589,202</u>
Net Assets - September 30	<u>\$ 453,370</u>	<u>\$ 453,932</u>	<u>\$ 2,334,475</u>	<u>\$ 2,261,588</u>	<u>\$ 2,787,845</u>	<u>\$ 2,715,520</u>

Governmental Activities



Revenues By Source - Governmental Activities Year Ended September 30, 2003



The governmental activities charts on the previous page illustrate program expenses and revenues by function, and revenues by source. Public Safety is the largest function at 42.0 percent of total governmental expense, followed by Community and Cultural at 29.0 percent, Public Works at 10.2 percent and Public Health at 7.2 percent. Property, sales and other taxes are general revenues used to support overall government functions; therefore, these are not shown as program revenues. Operating grants and contributions make up 25.7 percent, charges for services 21.0 percent and property tax 16.5 percent of total revenues.

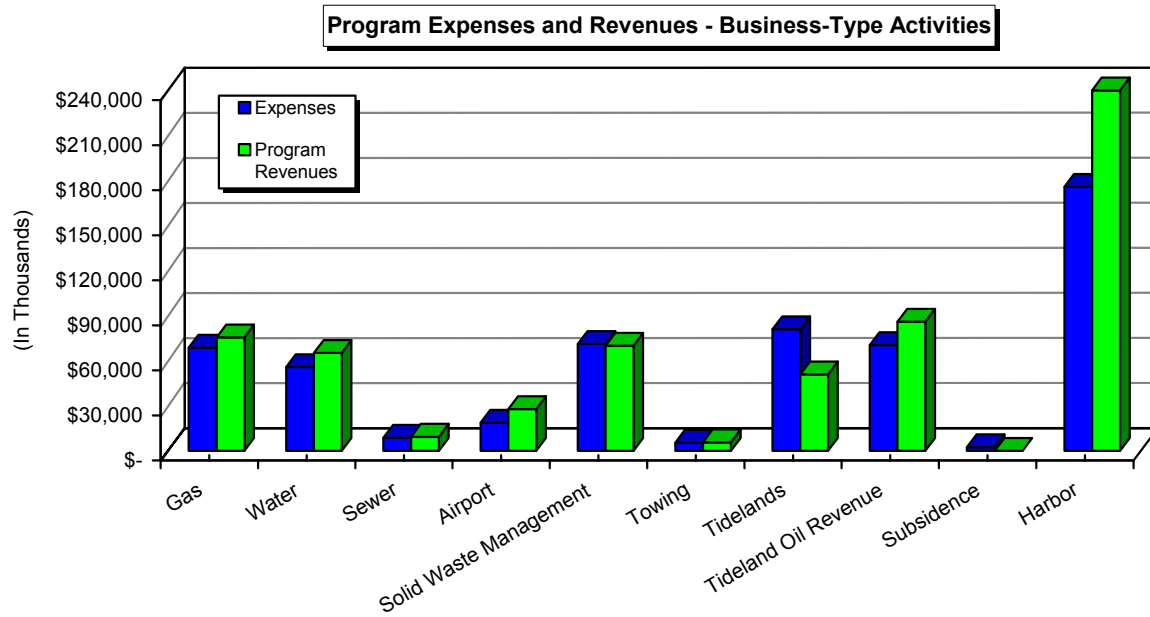
Governmental activities decreased the City's net assets by \$562,000. Key factors of this change from governmental activities include the following and is based on the government-wide statement of activities:

- Property tax revenue increased \$7.5 million, or 9.4 percent. This is mainly attributable to a \$3.5 million increase in Redevelopment Project Area tax increments due to housing sales and rising values. General Fund property tax revenue increased \$4.0 million, due to increased property assessed valuation also prompted by the extended real estate boom and low mortgage interest rates.
- Sales tax revenue increased \$3.6 million, or 8.8 percent, and is attributed to increased sales at the Towne Center, additional retail outlets at CityPlace, continued growth in a purchasing company and self-accrual on Port of Long Beach crane purchases. The utility users tax decreased \$5.0 million, or 8.9 percent, as a result of a voter mandated decrease in the tax rate. The rate decreased from 10 percent at October 1, 2000 down to 7 percent by September 30, 2003. The decrease will be 1 percent per year (each October) until the rate settles at 5 percent on October 1, 2004.
- Other taxes increased \$4.6 million, or 12.0 percent, due to a \$3.4 million increase in pipeline franchise fees resulting from increased average natural gas prices during fiscal year 2003, a \$690,000 increase in transient occupancy tax with hotel occupancy up approximately 3 percent and a \$370,000 increase in business license tax due to the discontinuation of a 15 percent early-pay incentive program which sunset in December 2002. Investment earnings decreased \$3.8 million, or 22.2 percent as interest rates and average cash balances available for investment decreased.
- Motor Vehicle in Lieu tax decreased \$4.9 million due to the State's decision to withhold three months of payments to local government ("lost-backfill") due to the State's budget difficulties. The estimated loss for July through September 2003 was \$5.5 million. The lost backfill is the difference between the reduced registration amount paid by vehicle owners. The State has promised to repay all losses to local governments by August, 2006.
- Operating grants and contributions decreased \$2.4 million in fiscal year 2003. Revenues from gasoline state sales tax (AB 2928) traffic congestion relief funds decreased in fiscal year 2003 by \$3.4 million from \$4.0 million to \$600,000. The State legislature legally suspended the transfer of sales tax on gasoline and did so in 2003 with the funds going to cover State costs. Revenues from the Transportation Equity Act for the 21st Century (TEA-21), previously referred to as Intermodal Surface Transportation Efficiency Act (ISTEA), decreased \$2.4 million because projects

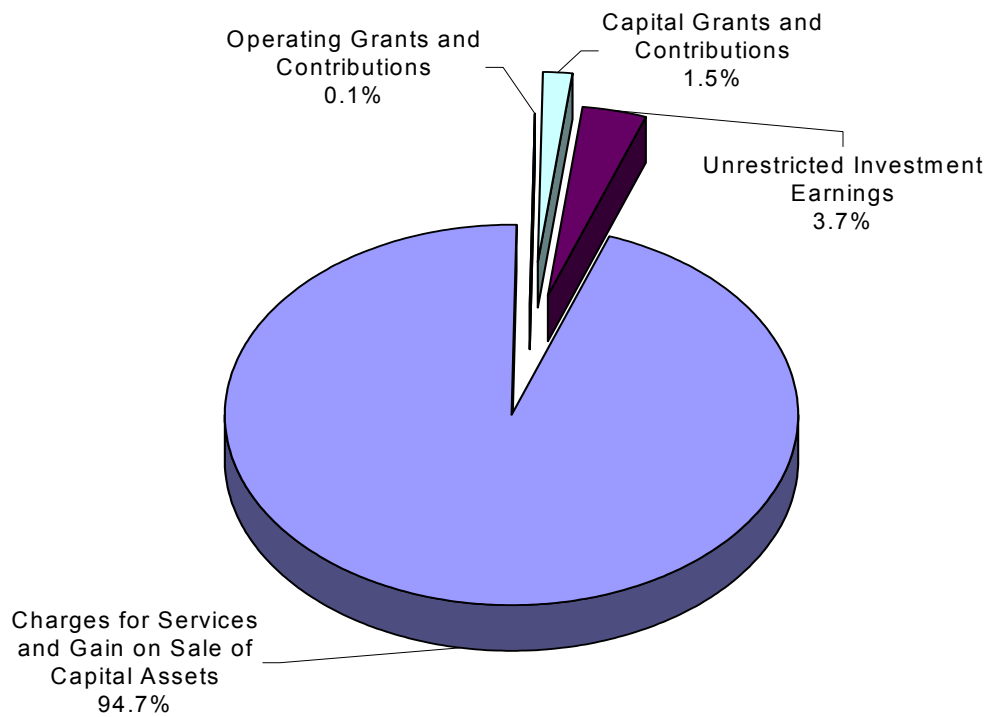
including the Lakewood Boulevard widening project were completed. The City received a Los Angeles County grant for improvements to Spring Street in the Long Beach Memorial Hospital area for approximately \$700,000. Public Health grants for various health programs also increased \$2.5 million.

- Oil operation revenue in the City's Uplands oil extraction area increased \$2.9 million from \$8.6 million to \$11.6 million as a result of increased oil prices.
- Governmental activities expenses increased \$18.5 million in fiscal year 2003. Details include:
 - Community and cultural costs increased \$14.4 million which showed the following changes:
 - Housing Assistance costs increasing \$10.4 million related to HUD Section 8 programs which provide low-income housing assistance due to rising rental rates.
 - Loss on land held for resale in the Redevelopment West Long Beach and Downtown Project areas of \$3.1 million.
 - Outlays in the North Long Beach and Downtown Redevelopment Agency Areas for \$2.2 million.
 - Less decreased expenditures of \$900,000 in parks and recreation costs due to budget restraints.
 - General government expenses decreased \$3.9 million due to savings generated by a hiring freeze and spending curtailments.
 - In fiscal year 2002, \$1.1 million is costs of issuance associated with the Public Safety Seismic bond issue and \$2.0 million in traffic mitigation expenses related to the CityPlace project were incurred.
 - Public Safety expenses increased \$3.3 million due to increased costs related to payroll and workers compensation costs.
 - Public Works expenses increased \$2.2 million mainly due to increased depreciation costs on infrastructure including streets and sidewalks. See additional detail in the governmental funds financial analysis below.
 - Interest on long-term debt increased \$1.1 million due to interest paid on leases entered into in fiscal year 2003 for a police department helicopter and equipment at the new Emergency Communications and Operations Center (ECOC).
- Operating transfers from business-type funds increased a net amount of \$16.5 million. The Gas Enterprise fund transferred an additional \$7.5 million in fiscal year 2003 from revenues earned in fiscal year 2002. The Solid Waste Management Enterprise fund transferred \$10.0 million from the Southeast Resource Recovery Facility operating surplus according to an agreement between the City and the Los Angeles County Sanitation District No 2. The Redevelopment Capital Projects fund transferred \$850,000 more to the Tidelands Fund from taxes collected in the downtown project area. (Note 6)

Business-Type Activities



Revenue by Source - Business-type Activities Year Ended September 30, 2003



The business-type charts on the previous page illustrate program expenses and revenues, and revenues by source. The Port of Long Beach is the largest business-type operation, followed by the tidelands and utilities. The utilities and the Port of Long Beach are mainly funded by fees for services provided, while the Tidelands is funded by fees along with approved transfers from the Port of Long Beach's Harbor Fund and Tideland Oil Revenue Funds.

Business-type activities increased the City's overall net assets by \$72.9 million, accounting for all of the total growth in net assets. The fiscal year 2003 increase in business-type net assets was \$50.1 million less than the increase in fiscal year 2002. Key elements of the increase in fiscal year 2003 are:

- The net assets increase in the Port of Long Beach's Harbor Fund of \$68.5 million is mainly due to the increase in capital assets and construction in progress related to the mega-terminals project. The increase was less than the prior year by \$22.1 million. Port revenues increased in fiscal year 2003 from berths and special facilities due to restructuring of Port terminal space allocated to various tenants. The increase in revenue was offset by higher security costs, an increase in depreciation expense due to new port facilities put into service, an increase in interest expense as a result of serving higher levels of long-term debt related to the port expansion and an increased loss from port oil operations.
- Water Fund net assets increased \$10.6 million due to increased net income of \$5.5 million and \$5 million in capital contributions. Operating costs decreased approximately 7.2 percent or \$3.8 million from the prior year. The cost of purchased water declined as a result of decreased customer demand for potable water. A revenue decrease from potable water sales was offset by increased revenue in sales of water to the Water Replenishment District of Southern California for the Alamitos Seawater Intrusion Barrier. State and Federal capital grants of \$5.3 million were received for reclaimed water and desalination capital projects.
- Airport Fund net assets increased \$9.4 million due to higher revenues due to the full utilization of the legally allowable number of commercial flights and \$3.9 million in grant revenues for airport improvements.
- Solid Waste Management Fund net assets decreased \$8.1 million due to distribution of surplus funds to the Los Angeles County Sanitation District No. 2 and the City, and a reduction of \$3.0 million in debt interest expense.
- Gas Fund net assets decreased \$7.5 million due to transfers to the General Fund, as allowed by City charter, of revenues earned in fiscal year 2002.
- Tidelands Oil Revenue Fund net assets increased \$8.6 million due to revenue from higher oil prices. The Tidelands Fund decreased \$6.4 million due to operating, maintenance, depreciation, and non-operating costs of the beaches and other facilities that exceed facility income. The Tidelands Fund net asset increase declined in fiscal year 2003 as compared to fiscal year 2002 due to the one time receipt of \$32.1 million for the Pike parking garage project in fiscal year 2002. The other enterprise funds reflected minimal changes in the 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, 2003, the City's governmental funds reported a combined ending fund balance of \$288.6 million, an increase of \$6.4 million in comparison with the prior year. The increase was mainly due to Redevelopment Agency increase of \$6.3 million and which is restricted for redevelopment purposes. Of the total fund balance of \$288.6 million, the net unreserved fund balance is a \$54.1 million deficit. Advances from other funds not payable from current available resources and related to Special Revenue and Capital Projects Funds amounts to a \$151.0 million deficit. Unrestricted governmental funds ending fund balance at September 30, 2003 totaled \$96.9 million. Of this amount, the General Fund unrestricted fund balance of \$45.6 million is designated for Emergency Reserve in the amount of \$32.9, general purpose reserve in the amount of \$2.5 million, \$0.7 million designated for the Police Athletic League and police helicopter lease payment, and \$9.5 million of undesignated for subsequent year's appropriations. The Special Revenue, Capital Projects and Redevelopment Agency Capital Projects unrestricted fund balance in aggregate was a deficit of \$99.7 million.

The *reserved* fund balance classification indicates funds committed for: (a) long-term advances to other funds (\$131.2 million) that are not available to spend; (b) reserves for land held for resale (\$41.9 million) that are not available resources to spend; (c) asset seizure funds restricted by law (\$2.8 million); (d) commitments for contracts and purchase orders (\$24.0 million); (e) City Charter requirements to maintain \$1.486 million cash balance reserve; (f) future capital projects and special programs (\$96.4 million); (g) required bond reserves to pay debt service (\$42.8 million); (h) and other restricted purposes including reserve for estimated oil field abandonment costs (\$2.1 million).

Since the implementation of GASB 34 in 2002, long-term advances due from other funds have been recorded as fund balance reserved for noncurrent receivables. The long-term advances due from other funds (e.g. loan to the Redevelopment Agency) have no specified repayment date; therefore, the reserved fund balance in the amount of \$99.9 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 \$45.6 million, including emergency reserves of \$35.4 million, represents 12.8 percent of total General Fund expenditures of \$357.0 million.

The fund balance of the General Fund decreased by \$5.4 million during the current fiscal year. This compares to a \$3.6 million decrease in fiscal year 2003. Factors affecting the fiscal year 2003 decrease include the following:

- Public safety costs increased by \$6.7 million due to the purchase of two helicopters for approximately \$5.7 million, and a \$1 million increase in ECOC equipment and software. One helicopter was funded by asset seizure funds and the second helicopter and the ECOC equipment were funded by lease proceeds.
- Overall General Fund costs decreased due to a hiring freeze and reduced spending. Legislative and Legal costs decreased \$1.4 million due to reductions in staffing and spending, along with an election held in fiscal year 2002 and none in fiscal year 2003. Community and cultural costs decreased by \$1.4 million in the area of parks and recreation, library, and planning and building due to the hiring freeze and reduced spending. Public works costs decreased \$1.1 million due to \$150,000 savings from light emitting diodes installed in the traffic signals and a decrease in operations due to reduced spending and direct charges to funds receiving the services.
- General Government costs decreased a net amount of \$5.7 million. One time costs in fiscal year 2002 included: \$1.1 million in costs of issuance associated with the Public Safety Seismic bond issue, \$2 million in traffic mitigation fees related to the CityPlace project and \$1.9 million reduction in community development rehabilitation loan repayments. In fiscal year 2003 costs increased \$700,000 with full operation of the new CityPlace parking structure.
- Principal expense increased \$3.3 million mainly due to the leases for the police helicopters and ECOC equipment. Interest expense increased \$2.8 million due to interest paid for the same reasons in the amount of \$660,000, a full years interest of \$1,990,000 compared to \$330,000 on the 2002 public safety building bond issue and increased \$460,000 due to the Tax Revenue Anticipation Notes (TRANS) which principal amount increased to \$33 million at a 2.5 percent rate compared to last years TRANS of \$13.5 million at 2.75 percent.
- Proceeds from long-term debt decreased from \$24.3 million to \$3.6 million. Debt issued in fiscal year 2003 included the Skylinks golf course project bond issue for \$812,000 (reserve fund and cost of issuance) and a \$2.8 lease to purchase a new police helicopter. The golf course bond issue is funded by revenue from future greens fees and the asset seizure monies fund the helicopter lease payments. Proceeds from long-term debt issued in fiscal year 2002 included the public safety facilities improvement bond and the ECOC for \$7 million and \$17 million, respectively.
- Transfers to the General Fund from other funds increased \$21.5 million, mainly due to a transfer from the Gas Revenue Fund of \$15.4 million (increase of \$7.5 million) and from the Solid Waste Management Fund of \$10 million. (Note 6)

Enterprise Funds

The Enterprise Funds unrestricted net assets at September 30, 2003 amounted to \$406.9 million, before the Internal Service Fund Activities allocation. The total growth in net assets was \$68.2 million after the Internal Service Fund Activities allocation. Other factors concerning the finances of these funds are addressed in the discussion of the City's business-type activities.

The Gas, Water and Solid Waste Management Funds reported unrestricted net assets of \$17.8 million, \$9.9 million and \$49.7 million, respectively. The Solid Waste Management Fund reported a deficit investment in Capital Assets net of Related Debt due to the 1995 refunding bond issue that extended the repayment terms for the debt. The Tidelands, Tideland Oil Revenue and Harbor Funds reported unrestricted net assets of \$11.4 million, \$30.7 million and \$279.2 million, respectively. Other business-type funds reported unrestricted net assets of \$8.1 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 \$97.3 million. This deficit is in the Insurance and Employee Benefit Internal Service Funds, which are not fully funded for long-term liabilities. City management believes the cash position of each fund is sufficient to cover the current costs related to health insurance, worker's compensation, general liability claims and operating costs.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the Miller Trust Fund and the Mayor's Fund for the Homeless. These funds are held in trust for the benefit of the Main Library Miller room staffing and books, and for homeless program expenditures. Net assets are \$835,000 and \$182,000 for the Miller Trust and Mayor's Fund for the Homeless, respectively.

Budgetary Highlights

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

General Fund

General Fund appropriation adjustments were approved for \$20.4 million for public safety (police and fire) to cover grants in the amount of approximately \$3.2 million for fire safety equipment, \$5.7 million for two police helicopters, \$1.9 million for police safety grants and \$9.6 million for the ECOC equipment and software. An increase of \$1.6 million was approved in Community and Cultural mainly for property management services relating to development in retail and residential areas. Budgeted revenue was increased \$4.8 million for the police and fire grants and budgeted revenues from other long-term obligations was increased \$3.6 million for the helicopter lease and the Skylinks bond issue.

The General Fund reflects a net positive ending fund balance variance of \$6.1 million on the budgetary basis, which consists of a favorable revenue variance of \$2.4 million, a negative other financing sources variance of \$10.4 million and a positive total expenditure variance of \$14.1 million.

General Fund actual revenues were over budgeted revenue by \$2.4 million on the budgetary basis. Fire safety equipment grant monies were not received by year-end. These will carry over to fiscal year 2004 for the purchase of equipment according to the grants. Motor vehicle license fees received from the State of California decreased an estimated \$5.5 million between June and September 2003 due to State budget restraints. Parking garage revenues were \$1.0 million below budget for the new CityPlace garage which it had been anticipated would be fully operational when the budget was adopted. Sales taxes exceeded budget due higher than anticipated sales at such sites as the Towne Center and CityPlace. Other financing sources were below budgeted revenues by \$10.4 million due to net budgeted operating transfers deferred to future years which were permitted due to lower General Fund expenditures as a result of the hiring freeze and spending reductions. General Fund expenditures were \$14.1 million below budget due to grant expenditures not incurred in fiscal year 2003 as planned and overall savings by departments.

Special Revenue Funds

Budget adjustments were approved during the year to reflect changes to grant funding. The budget variance to actual net negative ending budgeted fund balance variance is due to multi-year grants for which costs had not yet been incurred and revenues not received. Grant budgets are established, in their entirety, at the inception of the grant, even if the grant spans multiple fiscal years. The unused portion of each grants' budget is carried over each year and reappropriated by the City Council.

Capital Projects Fund

During fiscal year 2003, the City Council approved General Capital Projects Fund appropriation adjustments in the amount of \$13.4 million for projects including Skylinks municipal golf course improvements funded by a bond issue, park development projects, family health center, Spring Street roadwork and other capital projects. Estimated revenue from other agencies was increased for grant monies related to the parks from State Proposition 12, family health center, Federal Emergency Management Administration (FEMA) grant for public safety building, County Park Bond and Los Angeles County grant for Long Beach Boulevard signal synchronization. Proceeds from long-term obligations were increased for the Skylinks 2003 bond issue. The remaining budget is for street work, public safety building retrofit, park development, sports parks, sidewalks and other projects that will be completed in future fiscal years. The Redevelopment Agency (Agency) appropriation increases resulted from the 2002 refunding issue, which refunded and repaid \$37.8 in Agency debt.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$3.7 billion (net of accumulated depreciation). This is an increase of \$110.5 million over fiscal year 2002. This investment in infrastructure capital assets includes land, buildings and related systems, improvements, machinery and

equipment, park facilities, right-of-ways, roads, highways, curbs, gutters, sidewalks, alleys and bridges.

Major capital projects in progress during the year are as follows:

- The Harbor Fund capital assets net increase was \$38.8 million due to landfill added to a pier and continuation of the port terminal expansion. These increases were offset by the sale of some container cranes to port tenants.
- The Water Fund capital assets increased \$10.5 due to improvements to transmission and distribution capabilities.
- The Tidelands Fund capital assets increase of \$16.7 million is due to ongoing construction of the Pike parking garage in the amount of \$25.7 million. This is offset by depreciation on current facilities in the Tidelands area including the marinas, aquarium and the convention center.
- The Airport Fund incurred costs of \$3.1 million for repairs and improvements to the runways and terminals.
- Construction in progress for the governmental funds increased by \$26.1 million mainly due to the ECOC state-of-the-art emergency services facility opened in fiscal year 2004 and seismic improvements to the Public Safety building.
- Governmental funds improvements increased \$4.3 million mainly for Towne Center area improvements and infrastructure increased \$12.9 million for streets and other improvements, including the Towne Center improvements and Lakewood Boulevard street widening projects.

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

Capital Assets, Net of Depreciation
September 30, 2003
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 113,812	\$ 114,382	\$ 872,708	\$ 853,088	\$ 986,520	\$ 967,470
Right-a-way	1,321	134	207,832	207,509	209,153	207,643
Construction In Progress	157,122	130,998	308,940	194,894	466,062	325,892
Building	98,523	100,163	1,132,604	1,197,392	1,231,127	1,297,555
Improvements other than Buildings	25,525	21,240	122,228	128,225	147,753	149,465
Infrastructure	141,200	128,274	423,375	418,428	564,575	546,702
Machinery and Equipment	9,577	12,473	4,832	5,103	14,409	17,576
Automotive	31,560	27,877	7,572	6,640	39,132	34,517
Other Assets	8,518	9,938	-	-	8,518	9,938
Total Net Capital Assets	<u>\$ 587,158</u>	<u>\$ 545,479</u>	<u>\$ 3,080,091</u>	<u>\$ 3,011,279</u>	<u>\$ 3,667,249</u>	<u>\$ 3,556,758</u>

Long-Term Indebtedness

At the end of the current fiscal year, the City had total net long-term obligations outstanding of \$2.6 billion. Of this amount, \$1.9 billion relates to revenue bonds, certificates of participation, notes payable, capital leases, accrued oil field abandonment costs and

other obligations of the City's business enterprises. The balance relates to revenue bonds, tax allocation bonds, notes payable, capital leases, self-insurance and employee benefit obligations for the City's governmental activities.

The City's net debt outstanding decreased by \$4.8 million during the current fiscal year (Note 8). The Redevelopment Agency issued a tax allocation bond issue in the amount of \$47.8 million, including the refund of existing Redevelopment Agency debt of \$37.8 million and \$10 million of new debt restricted for Redevelopment projects. The City issued a \$6.9 million lease revenue bond for Skylinks Municipal Golf course improvements which will be repaid from golf course greens fees. As of September 30, 2003, the City does not have general obligation debt outstanding.

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

Economic Factors and Next Year's Budget and Rates

Based on current available data, the annual unemployment rate as of September 2003 for the City of Long Beach was 6.4 percent. This compares to the State of California's unemployment rate of 6.2 percent, and the Los Angeles County rate of 6.9 percent.

During the current fiscal year, unreserved fund balance in the general fund increased from \$43.6 million to \$45.6 million. The City has appropriated approximately \$10.2 million of the \$45.6 million for spending in the 2004 fiscal year budget, leaving a balance of \$35.4 million, which is designated as emergency reserves per Council action.

The immediate challenges facing the City are the ongoing economic slump that began before September 2001, the loss in revenue resulting from the voter-approved reduction to the City's Utility Users Tax, the State budget deficit and rising pension, health care and workers compensation costs. Although the economy appears to be slowly improving, the State could take away critical revenue and force their financial burdens onto local government.

In March, 2003 the City Council formally endorsed the Three Year Financial Strategic Plan (Plan) which incorporates community input, City Council priorities and department needs into a strategy that addresses the City's structural deficit while minimizing, to the extent possible, negative impacts on core municipal services. In prescribing spending priorities each fiscal year, the upcoming annual budget should be formed by concepts laid out in the Plan. The first year of the Plan was implemented in the fiscal year 2004 adopted budget. The development of the fiscal year 2004 budget focused on cost reductions and reduces General Fund reliance on one-time resources. The State budget included losses to the local governments including over \$7 million to Long Beach.

Fiscal year 2004 budgeted General Fund revenues, before transfers, are expected to show a net increase of \$4.3 million from the ending fiscal year 2003 budget as a result of:

- A \$4.2 million increase in estimated property tax revenue, an 8 percent increase mainly due to property resale due to continued low interest rates and high demand.

- A \$1.9 million increase in estimated sales taxes, an increase of \$3.4 million in estimated other taxes including pipeline franchise fees and transient occupancy taxes, offset by a \$4.3 million decrease in utility users taxes. The estimated tax increases reflect a moderate increase in tourism and spending; and the utility users revenues decrease is due to an additional one percent reduction in the utility users tax rate (from 7 percent down to 6 percent).
- A \$2.7 million decrease in estimated use of money and property due mainly to lower interest rates.
- A \$13.2 million decrease in estimated revenue from other agencies is due to fiscal year 2003 safety grants of \$4.6 million, \$6.6 million in motor vehicle license fees restricted for health care and a \$3.2 million decrease in estimated grants from the State and the Federal government. General grants will be budgeted in a new grant fund beginning in fiscal year 2004 as new grants are received.

The fiscal year 2004 budgeted General Fund operating budget decreased by a net \$17.0 million from the final fiscal year 2003 total budget, excluding transfers. This is mainly due to the following, which includes related funds that effect the General Fund:

- Over \$7 million in cuts in general administration and management functions including the elimination of 67 positions, over 20 of which are management positions.
- \$3.4 million in anticipated savings to be realized through negotiations with employee unions.
- \$5 million in cost-saving operational and organizational changes.
- \$4 million in reduced spending for materials and supplies such as eliminating over 200 vehicles from the City fleet and extending computer replacement cycles.
- \$3.4 million from reductions to Police and Fire non-emergency support staff and reductions in Police overtime through redeployment to patrol.
- Rolling closures of branch libraries, which changes days of operation from five to four days a week at most libraries, at a savings of \$417,000.
- Reduced spending on arts and cultural programs at a savings of \$529,000 to the General Fund and savings of \$350,000 to the Special Advertising and Promotions Fund.

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

- \$500,000 in a pilot alley repair program.
- A \$200,000 increase in funding to bolster the City's graffiti abatement program.

- Increases to support the Community Development Department's Project Development Bureau in the amount of \$200,000 and the Planning and Building Department's Construction Regulation function in the amount of \$218,000.

The fiscal year 2004 budget represents a critical turning point in how the City manages its finances. Through a deliberative process made available to every employee and community member, the Plan identified strategic spending reductions across the City. Permanent spending cuts were implemented in the fiscal year 2004 budget and a hiring freeze remains in effect, along with city-wide spending reductions. The City is focused on solving its structural deficit. The City, along with many other State and local governments, continues to face difficult financial conditions. The Three-Year Financial Strategic Plan focuses on the City's financial stability and provides guidance through these economic trying times.

Requests for Information

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

City of Long Beach
Statement of Net Assets
September 30, 2003
(In Thousands)

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Long Beach Public Transpor- tation Company
	Activities	Activities		
ASSETS				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 278,004	\$ 440,314	\$ 718,318	\$ -
Non-Pooled Cash and Cash Equivalents	143,182	22,161	165,343	9,800
Interest Receivable	325	416	741	-
Property Tax Receivable, Net	5,801	-	5,801	-
Accounts and Loans Receivables, Net	9,473	88,906	98,379	701
Due from Other Governments	46,457	11,114	57,571	-
Internal Balances	(8,525)	8,525	-	-
Inventory	1,677	4,346	6,023	703
Other Assets	2,789	-	2,789	180
Land Held for Resale	41,885	-	41,885	-
Restricted Assets:				
Pooled Cash and Cash Equivalents	12,122	369,766	381,888	-
Non-Pooled Cash and Cash Equivalents	13,663	28,610	42,273	13,786
Non-Pooled Investments	-	37,594	37,594	-
Accounts and Loans Receivables, Net	2,498	-	2,498	8,848
Interest Receivable	-	754	754	-
Deposits	2,293	-	2,293	-
Noncurrent Assets:				
Other Noncurrent Receivables	53,824	15,102	68,926	-
Land and Other Capital Assets not being Depreciated	272,255	1,389,480	1,661,735	9,295
Capital Assets, net of Accumulated Depreciation	314,903	1,690,611	2,005,514	68,671
Other Assets	88,436	272,732	361,168	-
Total Assets	1,281,062	4,380,431	5,661,493	111,984
LIABILITIES				
Current Liabilities:				
Accounts Payable	33,256	51,087	84,343	1,152
Accrued Wages and Benefits Payable	33,988	4,537	38,525	994
Accrued Interest Payable	3,371	508	3,879	1,635
Tax and Revenue Anticipation Notes Payable	33,000	-	33,000	-
Deferred Revenue, Credits and Other Payables	36,926	15,379	52,305	7,244
Employee Benefits and Accrued Self-Insurance Claims	29,146	-	29,146	3,651
Bonds, Loans, Capital Leases and Other Long-Term Obligations	18,444	12,663	31,107	-
Liabilities Payable From Restricted Assets:				
Accounts Payable	1,252	1,834	3,086	-
Accrued Interest Payable	5,241	27,641	32,882	-
Deferred Revenue, Credits and Other Payables	-	-	-	15,345
Customers Deposits	-	2,636	2,636	-
Bonds and Other Long-Term Obligations	-	42,402	42,402	-
Noncurrent Liabilities:				
Deferred Revenue, Credits and Other Payables	82	33,859	33,941	-
Employee Benefits and Accrued Long-Term Obligations	183,162	270,376	453,538	390
Bonds, Loans, Capital Leases and Other Long-Term Obligations	449,824	1,583,034	2,032,858	-
Total Liabilities	827,692	2,045,956	2,873,648	30,411
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	226,012	1,484,399	1,710,411	77,966
Restricted for:				
Asset Seizure Money	2,828	-	2,828	-
Debt Service	47,700	126,029	173,729	-
Capital Projects	137,223	110,527	247,750	-
Public Health	3,462	-	3,462	-
Community and Cultural	105,080	-	105,080	-
Health Care Insurance	12,030	-	12,030	-
Alameda Corridor Transportation Authority Commitment	-	69,406	69,406	-
Other Purposes	4,724	147,957	152,681	-
Unrestricted	(85,689)	396,157	310,468	3,607
Total Net Assets	\$ 453,370	\$ 2,334,475	\$ 2,787,845	\$ 81,573

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, 2003
(In Thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative and Legal	\$ 9,457	\$ 400	\$ -	\$ -
General Government	24,635	24,893	423	-
Public Safety	231,514	34,120	12,862	-
Public Health	39,515	7,041	20,329	-
Community and Cultural	159,765	17,921	76,239	-
Public Works	56,545	14,966	25,984	14,456
Oil Operations	5,516	11,587	-	-
Interest on Long-Term Debt	24,761	-	-	-
Total Governmental Activities	<u>551,708</u>	<u>110,928</u>	<u>135,837</u>	<u>14,456</u>
Business-Type activities:				
Gas	68,728	75,610	-	-
Water	55,756	60,197	-	5,063
Sewer	8,748	9,056	-	275
Airport	18,747	23,540	368	3,787
Solid Waste Management	71,027	69,441	518	-
Towing	5,427	5,640	-	-
Tidelands	80,880	50,870	-	-
Tideland Oil Revenue	70,376	85,839	-	-
Subsidence	2,401	-	-	-
Harbor	175,821	249,542	-	500
Total Business-Type Activities	<u>557,911</u>	<u>629,735</u>	<u>886</u>	<u>9,625</u>
Total Primary Government	<u>\$ 1,109,619</u>	<u>\$ 740,663</u>	<u>\$ 136,723</u>	<u>\$ 24,081</u>
Component Unit:				
Long Beach Public Transportation Company	<u>\$ 64,182</u>	<u>\$ 13,260</u>	<u>\$ 36,932</u>	<u>\$ 25,727</u>

General Revenues

Taxes:

Property

Sales

Utility Users

Other

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Gain (Loss) on Sale of Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - October 1

Net Assets - September 30

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Long Beach Public Transpor- tation Company
\$ (9,057)	\$ -	\$ (9,057)	\$ -
681	-	681	-
(184,532)	-	(184,532)	-
(12,145)	-	(12,145)	-
(65,605)	-	(65,605)	-
(1,139)	-	(1,139)	-
6,071	-	6,071	-
(24,761)	-	(24,761)	-
(290,487)	-	(290,487)	-
-	6,882	6,882	-
-	9,504	9,504	-
-	583	583	-
-	8,948	8,948	-
-	(1,068)	(1,068)	-
-	213	213	-
-	(30,010)	(30,010)	-
-	15,463	15,463	-
-	(2,401)	(2,401)	-
-	74,221	74,221	-
-	82,335	82,335	-
(290,487)	82,335	(208,152)	-
-	-	-	11,737
87,285	-	87,285	-
44,863	-	44,863	-
50,883	-	50,883	-
42,841	-	42,841	-
27,917	-	27,917	-
13,369	24,378	37,747	381
977	(12,036)	(11,059)	-
21,790	(21,790)	-	-
289,925	(9,448)	280,477	381
(562)	72,887	72,325	12,118
453,932	2,261,588	2,715,520	69,455
\$ 453,370	\$ 2,334,475	\$ 2,787,845	\$ 81,573

City of Long Beach
Governmental Funds
Balance Sheet
September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	General	Housing Development	Community Development Grants
ASSETS			
Pooled Cash and Cash Equivalents	\$ 42,121	\$ 12,057	\$ 2,963
Non-Pooled Cash and Cash Equivalents	43,960	3,680	-
Receivables:			
Interest Receivable	21	2	-
Property Taxes	7,949	-	-
Accounts Receivable	14,117	-	-
Notes and Loans Receivable	2,413	-	-
Due from Other Governments	22,027	30	4,301
Due from Other Funds	4,269	400	-
Allowance for Receivables	(12,214)	-	-
Inventory	61	-	-
Other Assets	6	1	1,129
Advances to Other Funds	99,868	21,817	4,874
Land Held for Resale	-	1,228	1,332
Other Noncurrent Receivables	-	17,402	32,789
Total Assets	\$ 224,598	\$ 56,617	\$ 47,388
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 7,404	\$ 45	\$ 1,957
Accrued Wages Payable	5,299	19	123
Accrued Interest Payable	826	-	-
Due to Other Governments	-	-	-
Tax and Revenue Anticipation Notes Payable	33,000	-	-
Due to Other Funds	1,388	5	1,565
Deferred Revenues	12,319	17,482	33,978
Deposits and Collections Held in Trust	3,126	32	30
Advances from Other Funds	-	4,874	-
Total Liabilities	63,362	22,457	37,653
Fund Balances:			
Reserved for:			
Other Noncurrent Receivables	99,868	21,832	4,874
Asset Seizure Money	2,828	-	-
Encumbrances	1,279	99	65
Future Advances to Other Funds	1,486	-	-
Future Capital Projects and Special Programs	3,109	-	-
Housing Development	-	1,115	-
Land Held for Resale	-	1,228	1,332
Estimated Oil Field Abandonment Costs	-	-	-
Debt Service	7,074	-	-
Unreserved, Designated for:			
Subsequent Years' Appropriations	10,146	14,760	3,464
Emergency	32,946	-	-
Unreserved, Undesignated, Reported in:			
General Fund	2,500	-	-
Special Revenue Funds	-	(4,874)	-
Capital Projects Funds	-	-	-
Total Fund Balance (Deficit)	161,236	34,160	9,735
Total Liabilities and Fund balance	\$ 224,598	\$ 56,617	\$ 47,388

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

General Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Totals	
			September 30, 2003	September 30, 2002
\$ 24,160	\$ 33,525	\$ 44,240	\$ 159,066	\$ 163,433
39,131	54,816	1,595	143,182	130,909
-	302	-	325	361
-	-	-	7,949	8,161
7	481	1,986	16,591	13,580
-	-	-	2,413	2,413
8,709	-	11,299	46,366	37,542
-	7	10	4,686	6,070
-	-	(424)	(12,638)	(9,714)
-	-	-	61	65
-	2,744	34	3,914	3,577
1,858	4,741	-	133,158	125,247
-	39,325	-	41,885	42,738
-	1,018	2,615	53,824	55,411
<u>\$ 73,865</u>	<u>\$ 136,959</u>	<u>\$ 61,355</u>	<u>\$ 600,782</u>	<u>\$ 579,793</u>
\$ 3,820	\$ 1,770	\$ 12,747	\$ 27,743	\$ 29,333
74	42	572	6,129	5,364
-	-	-	826	371
-	-	-	-	633
-	-	-	33,000	13,500
21	2,412	914	6,305	19,591
4,110	5,114	5,490	78,493	74,358
1	980	2,513	6,682	6,658
-	146,145	2,000	153,019	147,831
<u>8,026</u>	<u>156,463</u>	<u>24,236</u>	<u>312,197</u>	<u>297,639</u>
1,858	2,772	-	131,204	126,128
-	-	-	2,828	5,396
16,883	300	5,399	24,025	29,668
-	-	-	1,486	1,486
34,449	35,102	22,593	95,253	93,984
-	-	-	1,115	77
-	39,325	-	41,885	42,738
-	-	2,123	2,123	1,916
-	35,502	200	42,776	44,398
12,649	13,640	6,804	61,463	58,912
-	-	-	32,946	32,946
-	-	-	2,500	2,500
-	-	-	(4,874)	(4,467)
-	(146,145)	-	(146,145)	(153,528)
<u>65,839</u>	<u>(19,504)</u>	<u>37,119</u>	<u>288,585</u>	<u>282,154</u>
<u>\$ 73,865</u>	<u>\$ 136,959</u>	<u>\$ 61,355</u>	<u>\$ 600,782</u>	<u>\$ 579,793</u>

City Of Long Beach
Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities in the Statement of Net Assets
September 30, 2003
(in Thousands)

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

Total governmental fund balance	\$ 288,585
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.	467,236
Certain property taxes receivable are not available to pay current-period expenditures and, therefore, are deferred in the funds.	1,206
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.	51,368
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)	(351,192)
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; reprographics equipment and services; 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>(3,833)</u>
Net assets of governmental activities	<u><u>\$ 453,370</u></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, 2003
With Comparative Totals for 2002
(In Thousands)

	General	Housing Development	Community Development Grants
Revenues:			
Taxes:			
Property	\$ 53,331	\$ 6,458	\$ -
Sales	42,346	-	-
Utility Users	50,883	-	-
Other Taxes	34,614	-	-
Licenses and Permits	15,734	576	6
Fines and Forfeitures	11,017	-	-
Use of Money and Property	15,952	642	772
From Other Agencies	43,351	359	23,700
Charges for Services	42,294	-	-
Other Contributions	-	-	-
Other	3,451	2,489	6,354
Total Revenues	<u>312,973</u>	<u>10,524</u>	<u>30,832</u>
Expenditures:			
Current:			
Legislative and Legal	9,588	-	-
General Government	24,072	82	340
Public Safety	235,444	-	897
Public Health	4,428	-	-
Community and Cultural	42,313	5,357	28,308
Public Works	30,710	-	-
Oil Operations	-	-	-
Total Current	<u>346,555</u>	<u>5,439</u>	<u>29,545</u>
Capital Improvements	-	-	-
Loss on Disposition of Land Held for Resale	-	-	-
Debt Service:			
Principal	4,037	-	300
Interest	6,443	-	1
Debt Administration Fees	-	-	-
Total Expenditures	<u>357,035</u>	<u>5,439</u>	<u>29,846</u>
Excess of Revenues Over (Under) Expenditures	<u>(44,062)</u>	<u>5,085</u>	<u>986</u>
Other Financing Sources (Uses):			
Other Deferred Payments	-	-	-
Proceeds from Other Long-Term Obligations	3,643	1,300	-
Payment to Refunded Bond Escrow Agent	-	-	-
Other	-	-	-
Reconveyance of Land	-	400	112
Advances-Capitalized Interest	2,432	135	-
Transfers In	49,283	1,088	3,615
Transfers Out	(16,726)	(2,690)	(1,400)
Total Other Financing Sources (Uses)	<u>38,632</u>	<u>233</u>	<u>2,327</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(5,430)</u>	<u>5,318</u>	<u>3,313</u>
Fund Balances (Deficit) - October 1	<u>166,666</u>	<u>28,842</u>	<u>6,422</u>
Fund Balances (Deficit) - September 30	<u>\$ 161,236</u>	<u>\$ 34,160</u>	<u>\$ 9,735</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, 2003	September 30, 2002
\$ -	\$ 27,475	\$ -	\$ 87,264	\$ 80,621
-	-	2,517	44,863	41,246
-	-	-	50,883	55,838
-	2,778	5,450	42,842	38,263
1,527	-	5,260	23,103	23,401
-	-	-	11,017	11,448
931	8,030	13,808	40,135	36,859
13,161	-	97,704	178,275	181,874
-	-	1,988	44,282	41,277
-	-	-	-	3,448
-	713	915	13,922	9,687
<u>15,619</u>	<u>38,996</u>	<u>127,642</u>	<u>536,586</u>	<u>523,962</u>
-	-	-	9,588	10,985
-	161	-	24,655	30,444
-	-	-	236,341	230,112
-	-	33,718	38,146	37,516
-	19,591	62,621	158,190	151,593
-	-	12,041	42,751	43,565
-	-	5,517	5,517	4,672
-	19,752	113,897	515,188	508,887
32,189	-	6,959	39,148	46,605
-	3,134	-	3,134	198
-	4,587	245	9,169	13,253
-	10,723	160	17,327	12,556
-	-	152	152	76
<u>32,189</u>	<u>38,196</u>	<u>121,413</u>	<u>584,118</u>	<u>581,575</u>
<u>(16,570)</u>	<u>800</u>	<u>6,229</u>	<u>(47,532)</u>	<u>(57,613)</u>
-	159	-	159	513
6,033	47,780	-	58,756	138,501
-	(38,295)	-	(38,295)	(23,223)
-	-	-	-	1,733
-	-	-	512	426
-	(2,567)	-	-	-
8,555	3,743	8,250	74,534	49,106
(791)	(5,294)	(14,802)	(41,703)	(36,513)
<u>13,797</u>	<u>5,526</u>	<u>(6,552)</u>	<u>53,963</u>	<u>130,543</u>
(2,773)	6,326	(323)	6,431	72,930
<u>68,612</u>	<u>(25,830)</u>	<u>37,442</u>	<u>282,154</u>	<u>209,224</u>
<u>\$ 65,839</u>	<u>\$ (19,504)</u>	<u>\$ 37,119</u>	<u>\$ 288,585</u>	<u>\$ 282,154</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, 2003
(in Thousands)

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

Excess of revenue and other sources over expenditures and other uses - total governmental funds	\$ 6,431
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.	37,143
Net effect of miscellaneous transactions involving capital assets (for example, sales, trade-ins and donations) is a decrease to net assets.	640
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	181
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.	(3,761)
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.	(9,223)
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.	965
Internal service funds are used by management to charge the cost of certain services to individual funds. The net loss of of certain activities of internal service funds is reported as governmental activities.	<u>(32,938)</u>
Change in net assets of governmental activities	<u>\$ (562)</u>

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

City of Long Beach
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary	Final Budget -
			Basis	Favorable
				(Unfavorable)
Revenues:				
Property Taxes	\$ 52,544	\$ 52,544	\$ 53,331	\$ 787
Sales Taxes	39,378	39,378	42,346	2,968
Utility Users Taxes	48,811	48,811	50,883	2,072
Other Taxes	31,381	31,381	34,614	3,233
Licenses and Permits	14,037	14,037	15,734	1,697
Fines and Forfeitures	11,490	11,490	11,017	(473)
Use of Money and Property	16,422	16,904	15,952	(952)
From Other Agencies	47,755	52,511	43,351	(9,160)
Charges for Services	40,277	40,832	42,294	1,462
Other	2,014	2,673	3,451	778
Total Revenues	304,109	310,561	312,973	2,412
Expenditures:				
Current:				
Legislative and Legal	11,261	11,240	9,597	1,643
General Government	27,198	27,534	24,671	2,863
Public Safety	219,332	239,736	235,747	3,989
Public Health	4,527	4,530	4,436	94
Community and Cultural	41,635	43,194	42,527	667
Public Works	35,144	35,201	30,856	4,345
Total Current	339,097	361,435	347,834	13,601
Debt Service:				
Principal	4,417	4,690	4,037	653
Interest	6,291	6,349	6,443	(94)
Total Expenditures	349,805	372,474	358,314	14,160
Excess of Revenues Over				
(Under) Expenditures	(45,696)	(61,913)	(45,341)	16,572
Other Financing Sources (Uses):				
Proceeds from Other				
Long-Term Obligations	-	3,647	3,643	(4)
Transfers In	57,228	57,228	49,283	(7,945)
Transfers Out	(14,462)	(14,243)	(16,726)	(2,483)
Total Other Financing Sources	42,766	46,632	36,200	(10,432)
Excess of Revenues and				
Other Sources Over				
(Under) Expenditures				
and Other Uses	(2,930)	(15,281)	(9,141)	6,140
Fund Balances - October 1, Budgetary Basis	164,808	164,808	164,808	-
Encumbrances, Beginning of the Year	1,858	1,858	1,858	-
Fund Balances - September 30, Budgetary Basis	\$ 163,736	\$ 151,385	\$ 157,525	\$ 6,140

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

City of Long Beach
Housing Development
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>with Final</u>
			<u>Basis</u>	<u>Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Property Taxes	\$ 5,694	\$ 5,694	\$ 6,458	\$ 764
Licenses and Permits	3	3	576	573
Use of Money and Property	465	465	642	177
From Other Agencies	2,739	2,739	359	(2,380)
Other - Land Sales and Contributions	975	975	-	(975)
Other	300	300	2,489	2,189
Total Revenues	<u>10,176</u>	<u>10,176</u>	<u>10,524</u>	<u>348</u>
Expenditures:				
General Government	-	-	82	(82)
Community and Cultural	<u>17,233</u>	<u>12,433</u>	<u>5,456</u>	<u>6,977</u>
Total Current	<u>17,233</u>	<u>12,433</u>	<u>5,538</u>	<u>6,895</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(7,057)</u>	<u>(2,257)</u>	<u>4,986</u>	<u>7,243</u>
Other Financing Sources (Uses):				
Proceeds from Other Long-Term Obligations	800	1,300	1,300	-
Reconveyance of Land	-	-	400	400
Advances-Capitalized Interest	-	-	135	135
Transfers In	-	-	1,088	1,088
Transfers Out	<u>-</u>	<u>(4,800)</u>	<u>(2,690)</u>	<u>2,110</u>
Total Other Financing				
Sources (Uses)	<u>800</u>	<u>(3,500)</u>	<u>233</u>	<u>3,733</u>
Excess of Revenues and Other				
Sources Over (Under) Expenditures				
and Other Uses	<u>(6,257)</u>	<u>(5,757)</u>	<u>5,219</u>	<u>10,976</u>
Fund Balances - October 1, Budgetary Basis	27,564	27,564	27,564	-
Encumbrances - Beginning of the Year	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 21,357</u>	<u>\$ 21,857</u>	<u>\$ 32,833</u>	<u>\$ 10,976</u>

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

City of Long Beach
Community Development Grants
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ -	\$ -	\$ 6	\$ 6
Use of Money and Property	631	735	772	37
From Other Agencies	70,753	63,372	23,700	(39,672)
Other	<u>4,624</u>	<u>5,224</u>	<u>6,354</u>	<u>1,130</u>
Total Revenues	<u>76,008</u>	<u>69,331</u>	<u>30,832</u>	<u>(38,499)</u>
Expenditures:				
General Government	316	316	340	(24)
Public Safety	1,451	1,451	897	554
Community and Cultural	<u>63,131</u>	<u>66,744</u>	<u>28,373</u>	<u>38,371</u>
Total Current	<u>64,898</u>	<u>68,511</u>	<u>29,610</u>	<u>38,901</u>
Debt Service:				
Principal	75	104	300	(196)
Interest	<u>322</u>	<u>242</u>	<u>1</u>	<u>241</u>
Total Expenditures	<u>65,295</u>	<u>68,857</u>	<u>29,911</u>	<u>38,946</u>
Excess of Revenues Over Expenditures	<u>10,713</u>	<u>474</u>	<u>921</u>	<u>447</u>
Other Financing Sources (Uses):				
Reconveyance of Land	-	-	112	112
Transfers In	-	-	3,615	3,615
Transfers Out	<u>(600)</u>	<u>(600)</u>	<u>(1,400)</u>	<u>(800)</u>
Total Other Financing Sources (Uses)	<u>(600)</u>	<u>(600)</u>	<u>2,327</u>	<u>2,927</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>10,113</u>	<u>(126)</u>	<u>3,248</u>	<u>3,374</u>
Fund Balances - October 1, Budgetary Basis	4,839	4,839	4,839	-
Encumbrances - Beginning of the Year	<u>251</u>	<u>251</u>	<u>251</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 15,203</u>	<u>\$ 4,964</u>	<u>\$ 8,338</u>	<u>\$ 3,374</u>

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

City of Long Beach
General Capital Projects
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ -	\$ 750	\$ 1,527	\$ 777
Use of Money and Property	885	1,777	931	(846)
From Other Agencies	39,895	44,579	13,161	(31,418)
Total Revenues	<u>40,780</u>	<u>47,106</u>	<u>15,619</u>	<u>(31,487)</u>
Expenditures:				
Capital Improvements	<u>110,934</u>	<u>124,298</u>	<u>49,072</u>	<u>75,226</u>
Excess of Revenues Over (Under) Expenditures	<u>(70,154)</u>	<u>(77,192)</u>	<u>(33,453)</u>	<u>43,739</u>
Other Financing Sources (Uses):				
Proceeds from Other Long-Term Obligations	-	6,033	6,033	-
Transfers In	7,730	8,737	8,555	(182)
Transfers Out	<u>(778)</u>	<u>(778)</u>	<u>(791)</u>	<u>(13)</u>
Total Other Financing Sources	<u>6,952</u>	<u>13,992</u>	<u>13,797</u>	<u>(195)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(63,202)</u>	<u>(63,200)</u>	<u>(19,656)</u>	<u>43,544</u>
Fund Balances - October 1, Budgetary Basis	43,048	43,048	43,048	-
Encumbrances - Beginning of the Year	<u>25,564</u>	<u>25,564</u>	<u>25,564</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 5,410</u>	<u>\$ 5,412</u>	<u>\$ 48,956</u>	<u>\$ 43,544</u>

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

City of Long Beach
Redevelopment Capital Projects
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual On</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>with Final</u>
			<u>Basis</u>	<u>Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Property Taxes	\$ 22,395	\$ 22,395	\$ 27,475	\$ 5,080
Other Taxes	3,414	3,414	2,778	(636)
Licenses and Permits	9	9	-	(9)
Use of Money and Property	4,896	4,570	8,030	3,460
From Other Agencies	-	373	-	(373)
Other - Land Sales and Contributions	2,609	377	3,991	3,614
Other	1	46	713	667
Total Revenues	<u>33,324</u>	<u>31,184</u>	<u>42,987</u>	<u>11,803</u>
Expenditures:				
General Government	202	202	161	41
Community and Cultural	<u>64,289</u>	<u>69,332</u>	<u>26,162</u>	<u>43,170</u>
Total Current	64,491	69,534	26,323	43,211
Debt Service:				
Principal	5,890	15,406	4,587	10,819
Interest	<u>10,911</u>	<u>10,911</u>	<u>10,723</u>	<u>188</u>
Total Expenditures	<u>81,292</u>	<u>95,851</u>	<u>41,633</u>	<u>54,218</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(47,968)</u>	<u>(64,667)</u>	<u>1,354</u>	<u>66,021</u>
Other Financing Sources (Uses):				
Other Deferred Payments	-	-	159	159
Proceeds from Other Long-Term Obligations	32,912	48,263	47,780	(483)
Payments to Refunded Bond Escrow Agent	-	(38,531)	(38,295)	236
Transfers In	6,469	10,547	3,743	(6,804)
Transfers Out	<u>(4,730)</u>	<u>(4,235)</u>	<u>(5,294)</u>	<u>(1,059)</u>
Total Other Financing				
Sources (Uses)	<u>34,651</u>	<u>16,044</u>	<u>8,093</u>	<u>(7,951)</u>
Excess of Revenues and Other				
Sources Over (Under) Expenditures				
and Other Uses	<u>(13,317)</u>	<u>(48,623)</u>	<u>9,447</u>	<u>58,070</u>
Fund Balances (Deficit) - October 1, Budgetary Basis	(66,055)	(66,055)	(66,055)	-
Encumbrances - Beginning of the Year	<u>46</u>	<u>46</u>	<u>46</u>	<u>-</u>
Fund Balances (Deficit) - September 30, Budgetary Basis	<u>\$ (79,326)</u>	<u>\$ (114,632)</u>	<u>\$ (56,562)</u>	<u>\$ 58,070</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
September 30, 2003
With Comparative Totals for 2002
(In Thousands)

Business-type Activities - Enterprise Funds

	<u>Gas</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	\$ 12,077	\$ 7,196	\$ 44,236	\$ 9,282	88,450
Non-Pooled Cash and Cash Equivalents	-	-	-	-	-
Receivables:					
Interest Receivable	-	-	-	103	-
Accounts Receivable	3,173	7,699	8,326	2,423	23,383
Due from Other Governments	-	-	613	1,584	387
Due from Other Funds	603	-	-	9,058	-
Capital Leases Receivable-Current	-	-	-	290	-
Allowance for Receivables	(444)	(352)	(215)	(137)	-
Inventory	1,221	2,078	-	96	-
Total Current Asset	<u>16,630</u>	<u>16,621</u>	<u>52,960</u>	<u>22,699</u>	<u>112,220</u>
Restricted Assets:					
Pooled Cash and Cash Equivalents	1,896	2,233	-	11,367	-
Non-Pooled Cash and Cash Equivalents	-	-	-	28,610	-
Non-Pooled Investments	1,068	3,599	13,105	-	-
Interest Receivable	-	-	-	250	-
Accounts Receivable	-	-	-	-	-
Deposits	-	-	-	-	-
Total Restricted Assets	<u>2,964</u>	<u>5,832</u>	<u>13,105</u>	<u>40,227</u>	<u>-</u>
Noncurrent Assets:					
Noncurrent Receivables:					
Capital Lease Receivable	-	-	-	1,583	-
Other Noncurrent Receivables	-	-	7,140	-	731
Advances to Other Funds	6,941	-	-	-	-
Capital Assets:					
Land and Other Capital Assets not being Depreciated	1,311	24,951	7,414	72,943	-
Capital Assets net of Accumulated Depreciation	54,362	198,433	56,411	313,148	-
Other Assets-Long-Term	-	594	-	4,741	179,898
Total Noncurrent Assets	<u>62,614</u>	<u>223,978</u>	<u>70,965</u>	<u>392,415</u>	<u>180,629</u>
Total Assets	<u>82,208</u>	<u>246,431</u>	<u>137,030</u>	<u>455,341</u>	<u>292,849</u>

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2003	September 30, 2002
		September 30, 2003	September 30, 2002		
\$ 265,798	\$ 13,275	\$ 440,314	\$ 398,683	\$ 118,938	\$ 136,323
22,161	-	22,161	30,111	-	-
313	-	416	418	-	-
43,132	2,737	90,873	73,108	1,128	942
7,847	683	11,114	7,580	91	5,986
-	-	9,661	21,419	2,407	2,046
-	-	290	264	-	-
(824)	(285)	(2,257)	(2,208)	(169)	(142)
886	65	4,346	4,513	1,616	1,649
339,313	16,475	576,918	533,888	124,011	146,804
214,010	140,260	369,766	425,374	12,122	9,454
-	-	28,610	51,594	13,663	22,513
12,361	7,461	37,594	38,023	-	-
-	504	754	753	-	-
-	-	-	-	2,498	-
-	-	-	-	2,293	1,768
226,371	148,225	436,724	515,744	30,576	33,735
-	-	1,583	1,873	-	-
5,648	-	13,519	14,343	-	-
27,435	-	34,376	34,980	-	-
1,261,895	20,966	1,389,480	1,255,491	35,434	25,629
1,006,204	62,053	1,690,611	1,755,788	84,488	90,397
87,499	-	272,732	281,203	87,311	91,192
2,388,681	83,019	3,402,301	3,343,678	207,233	207,218
2,954,365	247,719	4,415,943	4,393,310	361,820	387,757

(continued)

City of Long Beach
Proprietary Funds
Statement of Net Assets
September 30, 2003
With Comparative Totals for 2002
(In Thousands)
(continued)

Business-type Activities - Enterprise Funds

	<u>Gas</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	\$ 5,947	\$ 6,991	\$ 2,340	\$ 5,389	\$ 4,455
Accrued Wages	226	223	149	243	80
Accrued Interest Payable	-	-	7	240	-
Due to Other Funds	65	104	43	674	23
Deferred Revenues	127	-	-	2,141	-
Collections Held in Trust	-	-	554	145	3,946
Advances from Developers	-	25	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims - Current	-	-	-	-	-
Due to State of California	-	-	-	-	9,194
Obligations Under Capital Leases-Current	-	-	-	1,739	-
Bonds Payable Due Within One Year	-	-	-	90	-
Other Long-Term Obligations-Current	-	-	-	906	-
Total Current Liabilities	<u>6,365</u>	<u>7,343</u>	<u>3,093</u>	<u>11,567</u>	<u>17,698</u>
Current Liabilities Payable from Restricted Assets:					
Accounts Payable	-	-	61	-	-
Accrued Interest Payable	183	831	87	3,862	-
Customers Deposits	1,896	715	-	25	-
Other Long-Term Obligations	-	127	-	-	-
Bonds Payable Due Within One Year	625	1,645	4,500	2,915	-
Total Liabilities Payable from Restricted Assets	<u>2,704</u>	<u>3,318</u>	<u>4,648</u>	<u>6,802</u>	<u>-</u>
Noncurrent Liabilities:					
Advances from Other Funds	-	-	-	11,682	-
Deferred Revenues	-	-	7,140	-	-
Deferred Credits and Other Deferred Liabilities	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Accrued Self-Insurance Claims	-	-	-	-	-
Accrued Oil Field Abandonment Costs	-	-	-	-	243,726
Arbitrage Payable	-	-	-	-	-
Due to State of California	-	-	-	-	744
Obligations Under Capital Leases	-	-	-	9,484	-
Other Long-Term Obligations	-	6,500	-	12,745	-
Unamortized Discount/Deferred cost	-	(175)	-	(249)	-
Bonds Payable	8,215	36,940	120,600	190,110	-
Unamortized Discount/Deferred cost	(207)	(4,020)	(2,169)	(18,176)	-
Total Noncurrent Liabilities	<u>8,008</u>	<u>39,245</u>	<u>125,571</u>	<u>205,596</u>	<u>244,470</u>
Total Liabilities	<u>17,077</u>	<u>49,906</u>	<u>133,312</u>	<u>223,965</u>	<u>262,168</u>
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	47,040	181,535	(59,106)	186,527	-
Restricted for:				-	
Debt Service	260	5,116	13,105	20,059	-
Capital Projects	-	-	-	10,563	-
Health Care Insurance	-	-	-	-	-
Alameda Corridor Transportation Authority Commitment	-	-	-	-	-
Aquarium	-	-	-	2,803	-
Subsidence	-	-	-	-	-
Unrestricted	17,831	9,874	49,719	11,424	30,681
Total Net Assets	<u>\$ 65,131</u>	<u>\$ 196,525</u>	<u>\$ 3,718</u>	<u>\$ 231,376</u>	<u>\$ 30,681</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, 2003	September 30, 2002
		September 30, 2003	September 30, 2002		
\$ 23,180	\$ 2,785	\$ 51,087	\$ 94,450	\$ 5,513	\$ 6,242
3,394	222	4,537	4,495	27,859	27,866
56	205	508	603	2,545	5,626
9,306	64	10,279	9,792	170	152
8,035	70	10,373	13,278	142	-
8	298	4,951	5,146	4,265	9,033
-	30	55	76	-	-
-	-	-	-	5,371	4,327
-	-	-	-	23,775	20,170
-	-	9,194	12,559	-	-
-	-	1,739	1,582	2,174	2,950
-	-	90	1,517	6,140	5,675
54	680	1,640	1,541	-	-
44,033	4,354	94,453	145,039	77,954	82,041
-	1,773	1,834	2,455	1,252	790
22,678	-	27,641	26,889	-	-
-	-	2,636	2,596	-	-
-	-	127	122	-	-
32,590	-	42,275	37,863	-	-
55,268	1,773	74,513	69,925	1,252	790
-	2,833	14,515	12,396	-	-
-	1,866	9,006	7,641	-	-
24,853	-	24,853	4,458	-	-
-	-	-	-	58,944	50,068
-	-	-	-	79,170	65,671
26,650	-	270,376	267,613	-	-
-	-	-	-	-	513
-	-	744	744	-	-
-	-	9,484	11,223	2,946	3,951
60,343	11,420	91,008	85,346	-	-
-	(1,357)	(1,781)	(1,774)	-	-
1,144,570	-	1,500,435	1,542,800	174,520	180,660
7,716	-	(16,856)	(18,347)	(18,415)	(20,384)
1,264,132	14,762	1,901,784	1,912,100	297,165	280,479
1,363,433	20,889	2,070,750	2,127,064	376,371	363,310
1,056,127	72,276	1,484,399	1,399,761	53,413	49,508
86,191	1,298	126,029	123,900	10,165	7,503
99,964	-	110,527	205,409	7,129	16,248
-	-	-	-	12,030	9,194
69,406	-	69,406	63,456	-	-
-	-	2,803	4,385	-	-
-	145,154	145,154	142,753	-	-
279,244	8,102	406,875	326,582	(97,288)	(58,006)
\$ 1,590,932	\$ 226,830	2,345,193	2,266,246	\$ (14,551)	\$ 24,447
		(10,718)	(4,658)		
		\$ 2,334,475	\$ 2,261,588		

City of Long Beach
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	Business-type Activities - Enterprise Funds				
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
Operating Revenues:					
Licenses and Permits	\$ -	\$ -	\$ -	\$ 208	\$ -
Fines and Forfeitures	-	-	-	-	-
Fees, Concessions and Rentals	-	-	-	24,525	80,835
From Other Agencies	-	-	-	2,252	-
Charges for Services	75,323	58,944	69,441	23,783	4,678
Other	-	-	-	-	301
Total Revenues	75,323	58,944	69,441	50,768	85,814
Operating Expenses:					
Personal Services	9,834	10,978	8,021	13,605	3,936
Purchases of Gas and Water	44,786	17,490	-	-	-
Maintenance and Other Operations	9,559	16,128	46,901	37,866	5,788
Insurance Premiums	-	-	-	-	-
Self-Insured Losses	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Payments to Other Entities	-	-	-	-	45,660
Bad Debt	152	57	151	-	-
Amortization	-	-	-	58	-
Depreciation	3,291	7,641	4,373	14,014	-
Total Operating Expenses	67,622	52,294	59,446	65,543	55,384
Operating Income (Loss)	7,701	6,650	9,995	(14,775)	30,430
Non-Operating Income (Expense):					
Interest Income	644	576	1,495	2,806	-
Interest Expense	(549)	(2,289)	(1,758)	(13,564)	-
Gain (Loss) on Disposition of Capital Assets	(193)	(667)	154	7	-
Oil Field Abandonment Costs	-	-	-	-	(14,912)
Operating Grants	-	-	518	-	-
Other Income (Expense)	287	1,253	(8,499)	(499)	25
Total Non-Operating Income (Expense)	189	(1,127)	(8,090)	(11,250)	(14,887)
Income (Loss) Before Contributions and Transfers	7,890	5,523	1,905	(26,025)	15,543
Capital Grants and Contributions	-	5,063	-	-	-
Transfers:					
Transfers In	-	-	-	19,616	-
Transfers Out	(15,355)	-	(10,033)	-	(6,961)
Change in Net Assets	(7,465)	10,586	(8,128)	(6,409)	8,582
Net Assets - October 1	72,596	185,939	11,846	237,785	22,099
Net Assets - September 30	\$ 65,131	\$ 196,525	\$ 3,718	\$ 231,376	\$ 30,681
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, 2003	September 30, 2002
		September 30, 2003	September 30, 2002		
\$ -	\$ -	\$ 208	\$ 8	\$ -	\$ -
-	-	-	139	-	-
245,944	23,540	374,844	295,566	-	-
-	-	2,252	22,065	-	-
-	14,654	246,823	208,509	195,487	194,672
3,598	-	3,899	4,328	4,765	4,721
249,542	38,194	628,026	530,615	200,252	199,393
23,490	9,457	79,321	82,205	25,929	26,826
-	-	62,276	48,232	-	-
20,960	18,649	155,851	136,269	36,022	39,992
-	-	-	-	3,017	2,574
-	-	-	-	37,751	32,538
-	-	-	-	40,876	41,437
-	-	-	-	69,825	54,066
-	-	45,660	31,149	-	-
-	-	360	408	-	-
944	-	1,002	-	5,589	899
73,489	3,354	106,162	86,156	11,285	12,896
118,883	31,460	450,632	384,419	230,294	211,228
130,659	6,734	177,394	146,196	(30,042)	(11,835)
13,627	5,230	24,378	32,279	2,127	3,890
(51,069)	(635)	(69,864)	(61,188)	(7,893)	(9,831)
(11,337)	-	(12,036)	(11,393)	(175)	480
-	-	(14,912)	(15,511)	-	-
-	368	886	3,597	-	-
(4,814)	(2,486)	(14,733)	2,333	9,253	3,770
(53,593)	2,477	(86,281)	(49,883)	3,312	(1,691)
77,066	9,211	91,113	96,313	(26,730)	(13,526)
500	4,062	9,625	36,691	(1,228)	-
-	-	19,616	14,704	-	-
(9,058)	-	(41,407)	(20,021)	(11,040)	(7,276)
68,508	13,273	78,947	127,687	(38,998)	(20,802)
1,522,424	213,557	2,266,246	2,138,559	24,447	45,249
\$ 1,590,932	\$ 226,830	\$ 2,345,193	\$ 2,266,246	\$ (14,551)	\$ 24,447
		78,947	127,687		
		(10,718)	(4,658)		
		\$ 68,229	\$ 123,029		

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 74,561	\$ 58,660	\$ 69,157	\$ 47,852	\$ -
Receipts from Oil Companies	-	-	-	-	88,974
Receipts from Other Governments	-	-	-	1,520	-
Receipts from Other Funds	-	-	-	-	-
Payments for Employee Salaries	(9,822)	(10,951)	(8,039)	(13,578)	(3,926)
Payments for Goods and Services	(51,783)	(29,817)	(48,005)	(34,122)	(11,977)
Payments for Compensated Absences	-	-	-	-	-
Payments for Employee Benefits	-	-	-	-	-
Payments for Liability Claims	-	-	-	-	-
Payments to Other Entities	-	-	-	-	(49,025)
Payments in Lieu of Taxes	-	(1,822)	-	-	-
Other Income (Expense)	287	1,178	(7,833)	(499)	(14,887)
Net Cash Provided by Operating Activities	13,243	17,248	5,280	1,173	9,159
Cash Flows from Non-Capital Financing Activities:					
Repayment under Agency Agreement	-	-	-	-	-
Operating Grants Received from Other Governments	-	-	406	-	-
Transfers In	-	-	-	19,235	-
Receipts for Oil Well Abandonment Reserve	-	-	-	-	14,912
Transfers Out	(15,355)	-	(10,033)	-	(6,961)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(15,355)	-	(9,627)	19,235	7,951
Cash Flows from Capital and Related Financing Activities:					
Receipt of Capital Grants	-	1,661	-	480	-
Proceeds from the Sale of Capital Assets	-	35	631	14	-
Proceeds from Issuance of Long-Term Obligations	-	6,000	-	1,489	-
Receipts of Contributed Capital	-	-	-	-	-
Payments to Developers	-	-	-	-	-
Principal Received on Capital Leases	-	-	-	264	-
Principal Received on Capital Leases from other funds	578	-	-	-	-
Payments for Capital Acquisitions	(2,049)	(19,787)	(514)	(30,968)	-
Payments of Principal on Bonds Payable	(600)	(1,570)	(4,200)	(3,095)	-
Payments of Principal on Other Long-Term Obligations	-	(122)	-	(2,824)	-
Payments to Defeas Bonds	-	-	-	-	-
Payments to Redeem Commercial Paper	-	-	-	-	-
Payments of Interest	(540)	(2,086)	(2,204)	(12,328)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,611)	(15,869)	(6,287)	(46,968)	-
Cash Flows from Investing Activities:					
Proceeds from the Sale of Investments	-	-	27	-	-
Payments to Other Government Entities	-	-	-	-	-
Harbor Oil Operations Providing Cash	-	-	-	-	-
Receipts of Interest	644	576	1,495	2,799	-
Net Cash Provided by Investing Activities	644	576	1,522	2,799	-
Net Increase (Decrease) in Cash and Cash Equivalents	(4,079)	1,955	(9,112)	(23,761)	17,110
Cash and Cash Equivalents - October 1	18,052	7,474	53,348	73,020	71,340
Cash and Cash Equivalents - September 30	\$ 13,973	\$ 9,429	\$ 44,236	\$ 49,259	\$ 88,450

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2003	September 30, 2002
		September 30, 2003	September 30, 2002		
\$ 256,821	\$ 36,796	\$ 543,847	\$ 484,880	\$ 4,746	\$ 4,693
-	-	88,974	34,065	-	-
-	-	1,520	21,381	-	-
-	-	-	-	195,129	194,579
(19,002)	(9,412)	(74,730)	(74,300)	(25,883)	(26,551)
(47,583)	(14,157)	(237,444)	(212,905)	(39,260)	(43,441)
-	-	-	-	(56,374)	(53,852)
-	-	-	-	(65,149)	(53,006)
-	-	-	-	(5,249)	(2,013)
-	-	(49,025)	(26,620)	-	-
-	(4,455)	(6,277)	(6,747)	-	-
-	(98)	(21,852)	(12,264)	9,232	3,799
190,236	8,674	245,013	207,490	17,192	24,208
12,170	-	12,170	1,083	-	-
-	368	774	3,597	-	-
-	-	19,235	14,841	-	-
-	-	14,912	15,511	-	-
(8,677)	-	(41,026)	(19,658)	(11,040)	(7,276)
3,493	368	6,065	15,374	(11,040)	(7,276)
500	-	2,641	153	-	-
21,160	-	21,840	45,610	542	581
-	-	7,489	308,778	-	80,730
-	3,530	3,530	35,134	-	-
-	-	-	(16)	-	-
-	-	264	240	-	-
-	-	578	553	-	-
(174,417)	(11,649)	(239,384)	(298,283)	(17,128)	(22,083)
(30,145)	(650)	(40,260)	(26,934)	-	-
(55)	-	(3,001)	(2,940)	(4,240)	(3,824)
-	-	-	-	-	(86,602)
-	-	-	(75,000)	-	-
(62,498)	(495)	(80,151)	(69,879)	(11,020)	(10,221)
(245,455)	(9,264)	(326,454)	(82,584)	(31,846)	(41,419)
4,000	504	4,531	5,473	-	-
-	(2,900)	(2,900)	(3,934)	-	-
2,026	-	2,026	2,706	-	-
16,159	5,135	26,808	35,852	2,127	3,766
22,185	2,739	30,465	40,097	2,127	3,766
(29,541)	2,517	(44,911)	180,377	(23,567)	(20,721)
531,510	151,018	905,762	725,385	168,290	189,011
\$ 501,969	\$ 153,535	\$ 860,851	\$ 905,762	\$ 144,723	\$ 168,290

(continued)

City of Long Beach
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)
(Continued)

Business-Type Activities - Enterprise Funds

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>
Operating Income (Loss)	\$ 7,701	\$ 6,650	\$ 9,995	\$ (14,775)	\$ 30,430
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for)					
Operating Activities:					
Depreciation and Amortization Expense	3,291	7,641	4,373	14,072	-
Other Income (Expense)	287	1,178	(7,833)	(499)	(14,887)
(Increase) Decrease in Accounts Receivable, Net	(678)	(255)	(59)	(814)	3,008
(Increase) Decrease in Amounts Due from Other Governments	-	-	(70)	(732)	(3,448)
(Increase) Decrease in Amounts Due from Other Funds	-	1,275	-	-	-
(Increase) Decrease in Inventory	242	71	-	(20)	-
Decrease in Other Operating Assets	-	-	-	-	-
Increase in Other Non-Operating Assets	-	-	-	-	-
Increase (Decrease) in Accounts Payable	2,315	633	(1,063)	3,760	(6,192)
Increase (Decrease) in Accrued Wages Payable	12	28	(16)	27	10
Increase (Decrease) in Amounts Due to Other Funds	5	-	(3)	6	3
Increase in Accrued Claims Payable	-	-	-	-	-
Increase (Decrease) in Deferred Revenues	54	-	-	73	-
Decrease in Deferred Credits	-	-	(41)	-	-
Increase (Decrease) in Collections Held in Trust	14	27	(3)	75	235
Total Adjustments	5,542	10,598	(4,715)	15,948	(21,271)
Net Cash Provided by Operating Activities	<u>\$ 13,243</u>	<u>\$ 17,248</u>	<u>\$ 5,280</u>	<u>\$ 1,173</u>	<u>\$ 9,159</u>
<u>SCHEDULE OF NON-CASH ACTIVITIES:</u>					
Contributed Capital for Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
Harbor	Other Proprietary Funds	Totals Proprietary Funds		September 30, 2003	September 30, 2002
		September 30, 2003	September 30, 2002		
\$ 130,659	\$ 6,734	\$ 177,394	\$ 146,196	\$ (30,042)	\$ (11,835)
74,433	3,354	107,164	86,156	16,874	13,796
-	(98)	(21,852)	(13,226)	8,728	3,770
(14,146)	(773)	(13,717)	7,021	(7)	144
-	-	(4,250)	4,087	(25)	28
-	-	1,275	74	(352)	(267)
(118)	(8)	167	(146)	33	(272)
2,228	-	2,228	-	-	-
(1,354)	-	(1,354)	(14,469)	-	-
(906)	(111)	(1,564)	(10,760)	(269)	(617)
-	43	104	251	9,918	3,559
-	160	171	543	7	(93)
-	-	-	-	17,104	16,663
(560)	(127)	(560)	1,204	-	-
-	-	(41)	-	-	-
-	(500)	(152)	559	(4,777)	(668)
59,577	1,940	67,619	61,294	47,234	36,043
\$ 190,236	\$ 8,674	\$ 245,013	\$ 207,490	\$ 17,192	\$ 24,208
\$ -	\$ -	\$ -	\$ 2,184	\$ -	\$ -

City of Long Beach
Private Purpose Trust Funds
Balance Sheet
September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2003	September 30, 2002
ASSETS				
Restricted Pooled Cash and Cash Equivalents	<u>\$ 835</u>	<u>\$ 182</u>	<u>\$ 1,017</u>	<u>\$ 943</u>
FUND EQUITY				
Fund Balances:				
Reserved	<u>\$ 835</u>	<u>\$ 182</u>	<u>\$ 1,017</u>	<u>\$ 943</u>

Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	Miller Library	Mayor's Fund for the Homeless	Totals	
			September 30, 2003	September 30, 2002
Revenues:				
Use of Money and Property	\$ 25	\$ 5	\$ 30	\$ 52
Contributions from Citizens	-	36	36	20
Total Revenues	<u>25</u>	<u>41</u>	<u>66</u>	<u>72</u>
Expenditures:				
Current:				
Community and Cultural	<u>15</u>	<u>-</u>	<u>15</u>	<u>773</u>
Excess of Revenues Over (Under) Expenditures	10	41	51	(701)
Fund Balances - October 1	<u>825</u>	<u>141</u>	<u>966</u>	<u>1,644</u>
Fund Balances - September 30	<u>\$ 835</u>	<u>\$ 182</u>	<u>\$ 1,017</u>	<u>\$ 943</u>

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

City of Long Beach
Agency Funds
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	Balance October 1, 2002	Additions	Deletions	Balance September 30, 2003
<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	\$ 1,313	\$ 39	\$ -	\$ 1,352
LIABILITIES				
Collections Held in Trust	\$ 1,313	\$ 39	\$ -	\$ 1,352
<u>SPECIAL ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,701	\$ 3,023	\$ 2,524	\$ 2,200
Non-Pooled Cash and Cash Equivalents	11,463	4,591	6,310	9,744
Total Assets	\$ 13,164	\$ 7,614	\$ 8,834	\$ 11,944
LIABILITIES				
Due to Special Assessment Bondholders	\$ 318	\$ 2,985	\$ 2,525	\$ 778
Collections Held in Trust	12,846	24,454	26,134	11,166
Total Liabilities	\$ 13,164	\$ 27,439	\$ 28,659	\$ 11,944
<u>INTERMODAL CONTAINER TRANSFER FACILITY</u>				
<u>JOINT POWER AUTHORITY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,050	\$ 8,620	\$ 8,000	\$ 2,670
LIABILITIES				
Collections Held in Trust	\$ 2,050	\$ 8,620	\$ 8,000	\$ 2,670
<u>EARTHQUAKE ASSESSMENT DISTRICT FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,813	\$ 2,954	\$ 2,596	\$ 2,171
LIABILITIES				
Due to Special Assessment Bondholders	\$ 1,532	\$ 2,952	\$ 2,597	\$ 1,887
Collections Held in Trust	281	3	-	284
Total Liabilities	\$ 1,813	\$ 2,955	\$ 2,597	\$ 2,171

(continued)

City of Long Beach
Agency Funds
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended September 30, 2003
(In Thousands)
(continued)

	Balance October 1, 2002	Additions	Deletions	Balance September 30, 2003
<u>OTHER AGENCY FUNDS</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 668	\$ 2,244	\$ 2,075	\$ 837
Non-Pooled Cash and Cash Equivalents	38	-	38	-
Accounts Receivable	-	13	13	-
Total Assets	<u>\$ 706</u>	<u>\$ 2,257</u>	<u>\$ 2,126</u>	<u>\$ 837</u>
LIABILITIES				
Accounts Payable	\$ 1	\$ 561	\$ 561	\$ 1
Collections Held in Trust	705	2,193	2,062	836
Total Liabilities	<u>\$ 706</u>	<u>\$ 2,754</u>	<u>\$ 2,623</u>	<u>\$ 837</u>
<u>TOTAL AGENCY FUND</u>				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 7,634	\$ 16,880	\$ 15,195	\$ 9,319
Non-Pooled Cash and Cash Equivalents	11,501	4,591	6,348	9,744
Accounts Receivable	-	13	13	-
Total Assets	<u>\$ 19,135</u>	<u>\$ 21,484</u>	<u>\$ 21,556</u>	<u>\$ 19,063</u>
LIABILITIES				
Accounts Payable	\$ 90	\$ 561	\$ 561	\$ 90
Due to Special Assessment Bondholders	1,850	5,937	5,122	2,665
Collections Held in Trust	17,195	35,309	36,196	16,308
Total Liabilities	<u>\$ 19,135</u>	<u>\$ 41,807</u>	<u>\$ 41,879</u>	<u>\$ 19,063</u>

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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1 – REPORTING ENTITY

Organization

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

Financial Reporting Entity

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

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

Blended Component Entities

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

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Redevelopment Agency of the City of Long Beach (the Agency) was established by action of the City Council in 1961 under provisions of State law. The Agency is administered by a five-member governing board whose members are appointed by, and serve at the will of, the City Council. The City Council approves the Agency's annual budget and changes thereto. Additionally, the City Council approves decisions that impact the Agency's fiscal operations, such as determination of redevelopment project areas, bonding decisions and sales of property. Further, the City provides all staffing, treasury management and investment analysis, facilities and administrative services to conduct the Agency's day to day operations. Accordingly, the financial activities of the Agency are blended with those of the City in the accompanying basic financial statements and are reported as the Redevelopment Capital Projects Fund.

To accomplish its stated purpose, the Agency assists the City by acquiring land and makes 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 increasing local revenues, expanding the City's economic base and employment opportunities, and removing blighted areas. Such acquisitions are recorded as investments in land at cost, and are adjusted for estimated declines in market value, upon negotiation of a development disposition agreement.

Long Beach Housing Development Company (the Company) is a non-profit corporation formed by action of the City Council in 1987 to plan, direct, perform and assist the City in meeting its statutorily mandated responsibility to provide adequate housing to low-and moderate-income residents, senior citizens and disabled persons. Under California law, the Redevelopment Agency of the City of Long Beach is required to set aside 20% of its incremental property tax revenues to meet these needs. It is the Company's responsibility to assist the City and the Redevelopment Agency in assessing 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 Special Revenue Fund. By electing to form a non-profit corporation to carry out functions that would ordinarily revert to the City, it is the City Council's intention that a greater potential for public/private partnerships be created.

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

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Non-profit Financing Corporations and Authorities:

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

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

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

<u>Entity</u>	<u>Affected Fund Type</u>	<u>Affected Funds</u>
Long Beach Financing Authority	Governmental	Redevelopment Capital Projects Fund
Long Beach Bond Financing Authority	Governmental and Business-Type	Civic Center and Fleet Services Internal Service Funds; Tidelands Enterprise Fund
Long Beach Capital Improvement Corporation	Business-Type	Airport Enterprise Fund
Parking Authority of the City of Long Beach	Business-Type	Tidelands Enterprise Fund

Separately issued financial statements are required for the Redevelopment Agency, the Housing Development Company and some 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 the 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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

approval of the City Council, appoints residents of the community to the Board to serve overlapping four-year terms. In addition, two designees of the City Manager's Office serve as ex-officio Board members but do not have voting authority. LBT's mission is "to provide public transit services that enhance and improve the quality of life for the people in our community."

LBT's governing body does not share common membership with that of the City and its service area overlaps other communities. The financial operations of the LBT are reported as a separate column in the basic financial statements to emphasize that it is legally and operationally separate from the City. Separate financial statements can be obtained from the Executive Director of Financial Services, 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 changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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 so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City.

Major Governmental Funds

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

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

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

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

The Redevelopment Capital Projects Fund was established to account for the acquisition, relocation, demolition and sale of properties for those portions of the City of Long Beach which have been earmarked for redevelopment. Redevelopment projects are 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

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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

Major Enterprise Funds

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

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 users.

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 purpose of financial statement presentation.

The Tidelands Fund is used to account for operations, maintenance and development of the Convention Center, the Queen Mary, Aquarium of the Pacific, as well as the City's marinas and beaches. For purpose of financial statement presentation, the Parking Authority of the City of Long Beach is combined with the Tidelands Fund.

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

The Harbor Fund is used to account for the operations and development of the Tidelands area port district.

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.

Private Purpose 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 of the trusts.

Agency Funds account for assets held by the City as an agent for individuals, private organizations and other governmental units.

The City applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations. As permitted by generally accepted accounting principles, the City has also elected to apply those Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989 that may apply to the accounting and

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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 nonoperating 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 nonoperating 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 they may maintain.

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 at September 30, 2003. (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" (e.g., current portion of interfund loans) or "advances to/from other funds" (e.g., 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Capital Assets

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

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

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

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

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

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

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

Long-Term Obligations

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

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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 permanent fund trusts and endowments are reported as permanently restricted. 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 tentative City Council actions or policies that are subject to change.

Property Tax Calendar

Under the State Constitution, the property tax rate is limited to 1% of assessed value, but may be adjusted for specific voter-approved indebtedness. Property taxes are levied by the Los Angeles County (County) Tax Assessor and shared among all other local taxing authorities within the City. Accordingly, the County collects property taxes and distributes such taxes on the basis of the taxing authorities' tax rate percentages, allowing for such adjustments as may be authorized for voter-approved debt. Property taxes are levied on March 1, (the "lien date") and are due by property owners to the County in two equal installments on the following November 1 and February 1.

The City recognizes property tax revenues on the modified accrual basis of accounting based upon distributions from the County, which occur shortly after the delinquency dates. The City's fiscal year-end of September 30 differs from the June 30 year-end of the County. At year-end the City records revenue and property taxes receivable for the amounts earned from July 1 through September 30, in accordance with generally accepted accounting principles.

Revenue Recognition for Utility Funds

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

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Employee Benefits and Compensated Absences

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

Accumulated sick leave becomes vested only when an employee meets the City's minimum requirements for retirement. At the time of retirement, employees have the option of using the cash value equivalent of accumulated sick leave to continue in the City's health insurance plan or to purchase additional pension benefits from the State of California Public Employees' Retirement System (CalPERS). Accumulated sick leave is forfeited upon termination for reasons other than retirement. Through fiscal year 2003, the City also contributed up to 32 hours of accumulated sick leave each year to deferred compensation plans for active safety employees who have 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. This benefit to convert accumulated sick leave each year is not effective for fiscal year 2004.

The City makes annual contributions in varying amounts to deferred compensation plans for certain employee groups who serve in sensitive, confidential capacities (e.g., police and fire sworn personnel receive \$600 per year). All other City employees receive no such benefit. Contributions are made as of January 1 each year.

Through fiscal year 2003, 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 thirty-two hours of accumulated sick leave and excess, unused vacation, using the employees current wage rate, was deposited, pre-tax into a trust account maintained in the employees name. This benefit to deposit the value of thirty-two hours of leave is not effective for fiscal year 2004. The excess vacation is effective for fiscal year 2004.

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

Budgetary Principles

The City Council adopted the fiscal year 2003 budget prior to September 30, 2002 for all funds except for agency funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

**CITY OF LONG BEACH
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Budget information is presented in the accompanying basic financial statements for the General, Special Revenue, and Capital Projects funds on a non-GAAP budgetary basis, since appropriations represent budgeted amounts to be expended or encumbered during the period.

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

Accounting for Encumbrances

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

Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$351,192,000 difference are as follows (in thousands):

Bonds Payable (Note 9)	\$ 243,779
Plus: issuance premium (to be amortized as a reduction of interest expense)	6,151
Less: issuance discount (to be amortized as an increase of interest expense)	(44)
Notes, certificates of participation, commercial paper and other long-term obligations	63,805
Capital lease payable	37,529
Accrued interest payable	5,241
Less: deferred charge for issuance costs (to be amortized over life of debt)	<u>(5,269)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 351,192</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 \$37,143,000 difference are as follows (in thousands):

Capital outlay	\$ 55,954
Depreciation expense	<u>(18,811)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 37,143</u>

CITY OF LONG BEACH
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The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the long-term debt principal consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums/discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$9,223,000 difference are as follows (in thousands):

Debt issued or incurred:	
Issuance of revenue bonds	\$ 54,670
Plus premiums	4,304
Less discounts	(46)
Less Issuance costs	(1,709)
Issuance of notes, certificates of participation, commercial paper and other long-term obligations	1,300
Increase of notes, certificates of participation, commercial paper and other long-term obligations due to deferral of charges	159
Increase of notes, certificates of participation, commercial paper and other long-term obligations due to disallowed non-federal funds	1,088
Capital leases	2,786
Principal repayments:	
Revenue obligation debt	(3,695)
Notes, certificates of participation, commercial paper and other long-term obligations	(1,440)
Police and fire benefits paid (closed plan)	(5,865)
Capital leases	(4,034)
Payment to escrow agent for refunding	<u>(38,295)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (9,223)</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 such \$965,000 difference are as follows (in thousands):

Increase in liability for police and fire benefits	\$ 730
Accrued interest	184
Amortization of premium	276
Amortization of discount	(2)
Amortization of issuance cost	<u>(223)</u>
Net adjustment	<u>\$ 965</u>

The net revenues of certain activities of internal service funds are reported with governmental activities. The details of this \$32,938,000 difference are as follows (in thousands):

Change in net assets as reported in the internal service funds	\$ (39,000)
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>6,062</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (32,938)</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 – CASH AND INVESTMENTS

The City maintains a general cash and investment pool for the purpose of maximizing investment returns for most funds except those required to be held by outside fiscal agents. The City's cash and investments pool operates essentially as a demand deposit account for the various funds, and interest income earned on pooled cash and investments is allocated monthly to the funds based on their average daily cash balance. The portion of this pool for each fund type is displayed in the accompanying Statement of Net Assets under the caption entitled "Pooled Cash and Cash Equivalents".

In addition, several of the City's funds are required to maintain separate monies and investments that are held by independent trustees or fiscal agents. These funds are generally pledged to the payment of project costs or security of certain outstanding bonds and certificates of participation. Monies held by these parties, unless otherwise required by statute, may be invested in accordance with the provisions of the enabling ordinances, resolutions or indentures specifying the types of investments the City's trustees or fiscal agents may make. Such ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. The City's trustees invest in specified Federally backed securities, but money may also be temporarily invested in money-market securities. Trustees are not permitted to make investments that are prohibited by the City's general investment policy. Such investments are generally scheduled to mature as cash is needed to fulfill the purposes of the underlying trust agreements. At September 30, 2003, cash with fiscal agents totaled \$228,802,000.

The City's bank reported \$12,427,000 in deposits at September 30, 2003. Deposits at the bank are covered by appropriate Federal insurance, or are collateralized under the California Government Code, which requires California financial institutions to secure a City's deposits by pledging as collateral government securities with a fair value of at least 110% of the City's deposits. At September 30, 2003 the City reported deposits at a fair value of \$2,954,000 net of outstanding checks of \$13,566,000 and deposits in transit of \$4,093,000.

The City is authorized to invest in obligations issued or guaranteed by the Federal Government, its agencies and instrumentalities, as well as in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, bank certificates of deposit, the State Treasurer's Local Agency Investment Fund and shares of beneficial interest (mutual funds) issued by diversified management companies.

The City's cash deposits and investments at September 30, 2003 are categorized by maturity date and by the level of custodial credit risk assumed by the City. The risk categories are defined as follows:

Category 1: includes cash deposits which are insured or collateralized with securities held by the City or by its agent in the City's name and investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

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Category 2: includes cash deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name and uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3: includes cash deposits that are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name) and uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. At September 30, 2003, the City held no category 3 type investments.

Not required to be categorized: Investments in pools managed by other governments, mutual funds, or in guaranteed investment contracts.

At September 30, 2003, the City had \$130,204,000 deposited in the California State Treasurer's Local Agency Investment Fund (LAIF), a non-SEC registered, government-sponsored external investment pool. LAIF is a voluntary program established under Section 16429.1-3 of the California Government Code.

LAIF is part of the State of California Pooled Money Investment Account (PMIA) and has oversight provided by the Pooled Money Investment Board (PMIB) and an internal Investment Committee. The PMIB Board members are the State Treasurer, Director of Finance and the State Controller. Additionally, LAIF is subjected to oversight by the Local Investment Advisory Board (LIAB), which consists of five members, as designated by statute. The LIAB's Chairman is the State Treasurer, who appoints the other four members to two-year terms.

Component Unit

The Long Beach Transportation Company (LBT) bank deposits are either entirely covered by appropriate Federal insurance or are collateralized in accordance with provisions of the California Government Code, which requires California financial institutions to secure a public agency's deposits by pledging as collateral government securities with a market value of at least 110% of the Company's deposits.

The LBT's bank reported \$1,299,000 in deposits at June 30, 2003. The LBT report cash and cash deposits at \$72,000 with the difference representing outstanding checks.

The LBT is authorized to participate in investments in obligations issued or guaranteed by the Federal Government and its agencies and instrumentalities, high-quality commercial paper with a rating of A1 by Standard and Poor's Corporation or P1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, bank certificates of deposit, the State Treasurer's Local Agency Investment Fund and shares of beneficial interest (mutual funds) issued by diversified management companies.

LBT management has determined that the differences between fair value and the amortized cost basis of the LBT investments at June 30, 2003 are immaterial.

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In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the accompanying basic financial statements reflect the fair value of the City's investments. The fair value of the City's investments is determined annually and is based upon current market prices. Fair value may also be affected by other external factors such as changing interest rates. For example, increasing interest rates could cause fair value to decline below original cost. The fair value of the City's cash deposits and investments at September 30, 2003 are categorized by maturity date and by level of risk in the following table (in thousands):

	Primary Government					Component Unit	
	Maturity Period						
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Indeterminate	Fair Value	Fair Value
<u>Risk Category 1:</u>							
Cash In Bank	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 72
U.S. Government Securities	39,975	-	-	\$	\$	39,975	-
U.S. Government Agency Securities	148,033	387,008	191,627	-	-	726,668	-
Negotiable Certificates of Deposit	38,000	-	-	-	-	38,000	-
Medium Term Corporate Notes	24,809	41,160	6,995	-	-	72,964	-
Commercial Paper	92,824	-	-	-	-	92,824	-
Assessment Bonds	-	-	-	4,637	-	4,637	-
Municipal Bonds	-	65	-	2,823	-	2,888	-
Total Risk Category 1	343,841	428,233	198,622	7,460	-	978,156	72
<u>Risk Category 2:</u>							
Cash In Bank - Collateralized	2,754	-	-	-	-	2,754	-
Repurchase Agreement	-	-	-	-	-	-	500
Funds Held by Fiscal Agents, Consisting Primarily of Federally Backed Securities	-	-	-	-	228,802	228,802	-
Total Risk Category 2	2,754	-	-	-	228,802	231,556	500
<u>Investments Not Required to Be Categorized:</u>							
State and Local Agency Investment Pool	130,204	-	-	-	-	130,204	23,014
Guaranteed Investment Contracts	-	-	-	17,028	-	17,028	-
Total Investments Not Required to Be Categorized	130,204	-	-	17,028	-	147,232	23,014
Total Cash and Investments	\$476,799	\$428,233	\$198,622	\$24,488	\$228,802	\$1,356,944	\$23,586

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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, 2003 is as follows (in thousands):

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Pooled Cash and Cash Equivalents	\$ 278,004	\$ 440,314	\$ 9,319	\$ 727,637	\$ -
Non-Pooled Cash and Cash Equivalents	143,182	22,161	9,744	175,087	9,800
Restricted Assets:					
Pooled Cash and Cash Equivalents	12,122	369,766	-	381,888	-
Non-Pooled Cash and Cash Equivalents	13,663	28,610	1,017	43,290	13,786
Non-Pooled Investment	-	37,594	-	37,594	-
Total Deposits and Investments	<u>\$ 446,971</u>	<u>\$ 898,445</u>	<u>\$ 20,080</u>	1,365,496	23,586
Imprest Cash on Hand in Pooled Cash and Cash Equivalents				(630)	-
Adjustment for Accrued Interest Receivable included above				<u>(7,922)</u>	-
Total Cash and Cash Equivalents				<u>\$ 1,356,944</u>	<u>\$ 23,586</u>

Non-pooled cash, cash equivalents and investments are invested in accordance with the City's general investment policy and applicable debt agreements.

GASB 31

Statement No. 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB No. 31), requires that certain investments and external investment pools be reported at fair value. At September 30, 2003 and 2002, the effect of valuating the City's investments at fair value did not have a material impact on its financial position.

Securities Lending

The City did not engage in any securities lending programs for the fiscal year ended September 30, 2003. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreement with the City's contract bank. This agreement limits the nature and amount of the transactions, and provides for full collateralization of each transaction.

Interest Rate Swaps

- 1) Series 2001 Aquarium of the Pacific Lease Revenue Refunding Bonds (\$129,520,000)

On February 19, 2002, the City Long Beach Bond Financing Authority (Financing Authority) entered into three interest rate "swap" transactions in connection with its \$129,520,000 Series 2001 Aquarium of the Pacific Lease Revenue Refunding Bonds. The "swaps" consisted of:

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- A) \$64,760,000 7-year fixed-receiver “swap” with a 3-year reversal (fixed payer swap)
- B) \$64,760,000 3-year “swaption” at a strike rate of 5.0% with a 15-year final maturity
- C) \$64,760,000 12-year Bond Market Association (BMA) versus London Inter-Bank Offering Rate (LIBOR) forward-starting basis “swap”

The combined transactions produced a total expected debt service savings of over \$5.1 million. A single independent financial institution serves as counterparty for all three “swaps”. The “swaps” are also fully insured.

In exchange for the expected upfront and ongoing payments generated from these “swaps”, the Financing Authority assumed exposure to higher variable interest rates in the future. These higher rates were, however, mitigated by two factors. First, the basis swap is expected to generate higher net cashflow for the Financing Authority if short-term rates rise, all else equal. Second, the 7-year / 3-year swap took advantage of the yield curve while limiting potential rate risk since the Authority has the option of reestablishing a new “swap”, in a rising interest rate environment, at a higher fixed-receiver rate at or prior to maturity.

The Authority bears risk on all three transactions in the event there is a reduction in the marginal tax rate at some future date. A tax cut would likely increase the variable rate paid by the Financing Authority under the “swaps”, which could reduce, or eliminate the expected savings generated by the “swaps”. The City believes the risk of future tax reform that severely reduces or eliminates the benefits derived by these “swaps” to be relatively low.

Swap Structure Details:

A) 7-Year / 3-Year Fixed-Receiver Swap

Notional Amount:	\$64,760,000
Effective Date:	February 21, 2002
Maturity Date:	April 15, 2009
Authority Receives:	3.705% from Effective Date to April 15, 2009
Authority Pays:	2.969% from Effective Date to April 15, 2005 BMA from April 15, 2005 to April 15, 2009
Payment Frequency:	Semi-Annual
Counterparty:	Independent Bank (Aa3 / AA- rated, plus collateral)
Fair Value:	\$1,837,300 as of September 30, 2003

The 7-Year / 3-Year swap took advantage of an extremely steep tax-exempt yield curve at the time the swap was structured in order to create a low-cost synthetic variable-rate debt. As a result of the Federal Reserve’s aggressive rate easing policy, short-term tax exempt swap rates had declined relatively more than long-term rates over the 15 month period leading up to the execution date of the swap. By receiving a longer-term fixed swap rate and paying a short-term BMA index rate, the Authority realized an immediate cashflow savings.

The Financing Authority also hedged against rising interest rates by structuring the “swap” with a short-term maturity (7-years) in addition to providing an upfront “reversal” which locked in guaranteed positive cashflow for the first three years of the swap. This

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was accomplished by executing a 3-year fixed receiver / fixed payer swap which provided the Financing Authority with a positive 0.736% spread in yield.

B) 3-Year Fixed-Payer "Swaption"

Swaption Terms

Notional Amount:	\$64,760,000
Exercise Date:	February 21, 2002
Expiration Date:	May 1, 2005
Option Seller:	Authority
Option Purchaser:	Independent Bank
Upfront Premium:	\$1,705,000 (paid to Authority)
Strike Rate:	5.00%
Strike Status:	"Swaption" not exercised as of September 30, 2003

Underlying Swap (if exercised by option purchaser)

Maturity Date:	April 15, 2017
Authority Receives:	5.00% from date option executed to April 15, 2017
Authority Pays:	BMA Index
Payment Frequency:	Semi-Annual
Counterparty:	Independent Bank (Aa3 / AA- rated, plus collateral)
Fair Value:	<\$1,248,800> as of September 30, 2003

Similar to the 7-Year / 3-Year swap, the "swaption" also took advantage of the tax-exempt yield curve in 2002. The sale of the swaption created a contingent variable-rate debt for the Authority in exchange for an initial premium payment of \$1,705,000. By establishing the strike rate at 5.00%, the Financing Authority assured that, if the option was ever exercised, the fixed rate the Authority would receive would be well above the historical BMA average (3.24% at the time the swap was executed) that the Authority would be required to pay.

C) BMA / LIBOR Forward Basis Swap

Notional Amount:	\$64,760,000
Effective Date:	April 15, 2005
Maturity Date:	April 15, 2017
Authority Receives:	74.2% of 1-Month LIBOR from Eff. Date to April 15, 2009
Authority Pays:	BMA Index
Payment Frequency:	Semi-Annual
Counterparty:	Independent Bank (Aa3 / AA- rated, plus collateral)
Fair Value:	<\$1,196,900> as of September 30, 2003

The basis "swap" produces net positive cashflow for the Authority due to the expected positive difference between the floating rate received (74.2% of the 1-month LIBOR) versus the floating rate paid (BMA index). It also acts as a natural interest rate hedge, since when rates rise the Financing Authority's net receipt would also increase. The Authority will, however, incur negative cashflow on this swap if the relationship between LIBOR and BMA converge. If a change occurs that results in the rates moving

CITY OF LONG BEACH
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to convergence, the expected savings may not be realized. This could occur if, for example, the marginal income tax rate were reduced below 25.8%.

To partially mitigate this risk, the swaption was structured with a forward delivery date in order to protect the Financing Authority in two ways. First, it avoided a short-term spike in the BMA / LIBOR ratios caused by temporary market dislocations, as was experienced after the September 11, 2001 terrorist attacks. In addition, the forward delivery date allowed the Financing Authority to lock in a higher percentage of LIBOR than it would have received on the spot market at the time the swaption was structured.

NOTE 5 – RECEIVABLES

Receivables at September 30, 2003 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows (in thousands). All receivables are expected to be collected within one year, except for delinquent property taxes.

	General	Housing Development	Community Development Grants	General Capital Projects	Redevelopment Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Governmental Activities:								
Receivables:								
Interest	\$ 21	\$ 2	\$ -	\$ -	\$ 302	\$ -	\$ -	\$ 325
Taxes	7,949	-	-	-	-	-	-	7,949
Accounts, Unrestricted	14,117	-	-	7	481	1,986	1,128	17,719
Accounts, Restricted	-	-	-	-	-	-	2,498	2,498
Notes and Loans	2,413	-	-	-	-	-	-	2,413
Due from Other								
Governments	22,027	30	4,301	8,709	-	11,299	91	46,457
Total Receivables	46,527	32	4,301	8,716	783	13,285	3,717	77,361
Less Allowance for								
Uncollectibles	(12,214)	-	-	-	-	(424)	(169)	(12,807)
Net Receivables	\$ 34,313	\$ 32	\$ 4,301	\$ 8,716	\$ 783	\$ 12,861	\$ 3,548	\$ 64,554
Business-Type Activities:								
	Gas	Water	Solid Waste Management	Tidelands	Tideland Oil Revenue	Harbor	Nonmajor Proprietary Funds	Total
Receivables:								
Interest, Unrestricted	\$ -	\$ -	\$ -	\$ 103	\$ -	\$ 313	\$ -	\$ 416
Interest, Restricted	-	-	-	250	-	-	504	754
Accounts	3,173	7,699	8,326	2,423	23,383	43,132	2,737	90,873
Capital Lease-current	-	-	-	290	-	-	-	290
Due from Other								
Governments	-	-	613	1,584	387	7,847	683	11,114
Total Receivables	3,173	7,699	8,939	4,650	23,770	51,292	3,924	103,447
Less Allowance for								
Uncollectibles	(444)	(352)	(215)	(137)	-	(824)	(285)	(2,257)
Net Receivables	\$ 2,729	\$ 7,347	\$ 8,724	\$ 4,513	\$ 23,770	\$ 50,468	\$ 3,639	\$ 101,190

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

The composition of interfund balances as of September 30, 2003 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due to / from Other Funds:</u>		
General	Community Development Grants	\$ 1,520
	Redevelopment Capital Projects	2,000
	Nonmajor Governmental Funds	749
		<u>4,269</u>
Subtotal - General Fund		
Housing Development	Redevelopment Capital Projects	400
Redevelopment Capital Projects	Internal Service Funds	7
Nonmajor Governmental Funds	Community Development Grants	10
Gas	Tidelands	603
Tidelands	Harbor	9,058
Internal Service Funds	General	1,388
	Housing Development	5
	Community Development Grants	35
	General Capital Projects	21
	Redevelopment Capital Projects	12
	Nonmajor Governmental Funds	165
	Gas	65
	Water	104
	Solid Waste Management	43
	Tidelands	71
	Tidelands Oil Revenue	23
	Harbor	248
	Nonmajor Business-type Funds	64
	Internal Service Funds	163
		<u>2,407</u>
Subtotal Internal Service Funds		
Total Due to / from Other Funds		<u>16,754</u>
<u>Advances from / to Other Funds:</u>		
General	Redevelopment Capital Projects	95,035
	Nonmajor Governmental Funds	2,000
	Nonmajor Business-type Funds	2,833
		<u>99,868</u>
Subtotal - General Fund		
Housing Development	Redevelopment Capital Projects	21,817
Community Development Grants	Housing Development	4,874
General Capital Projects	Redevelopment Capital Projects	1,858
Redevelopment Capital Projects	Tidelands	4,741
Gas	Tidelands	6,941
Harbor	Redevelopment Capital Projects	27,435
		<u>167,534</u>
Total Advances from / to Other Funds		
Total Interfund Balances Entity Wide		<u>184,288</u>
Less Amounts Eliminated in the Entity-Wide Basis Financial Statements		<u>(175,763)</u>
Entity-Wide Basis Financial Statement Internal Balances		<u>\$ 8,525</u>

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

At September 30, 2003 the Redevelopment Capital Projects Fund owed the General Fund \$2,000,000 for an advance to fund estimated Redevelopment Agency operating costs prior to receiving tax increment revenues. It is intended that this advance will be paid in the next fiscal year as tax increment revenues are received.

The General Fund has advanced cash in the amount of \$749,000 to the Special Advertising and Promotion Special Revenue Fund to cover City promotional costs incurred prior to the receipt of the transient occupancy taxes.

The General Fund has advanced cash in the amount of \$1,520,000 to the Community Development Grants Fund to cover operating costs prior to receipt of grant funds from the Federal Government Workforce Investment Act grant and Community Development Block Grant.

In fiscal year 2003, the Redevelopment Agency purchased parcels of land for the amount of \$400,000 from the Housing Development Special Revenue Fund through a no interest promissory note. The note is payable in full on the first anniversary date of the note.

The City, under authority of the City Charter Chapter XII, Section 1209(c)(4), and with the approval of the Board of Harbor Commissioners adopted a resolution to transfer 10%, or \$9,058,000, of the Harbor Fund net income for fiscal year 2003 to the City's Tidelands Fund. This amount is recorded as a due to the General Fund and due from the Harbor Fund and will be paid quarterly in fiscal year 2003.

Employee Benefits overhead costs, such as funding for health benefits and paid time off, relating to the wages and salaries accrued at September 30, 2003 are payable from various funds to the Employee Benefits Internal Service Fund in the amount of \$2,407,000 at September 30, 2003.

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 2003, the City provided the Redevelopment Agency (the Agency) with certain Federal grant monies for use on redevelopment projects. The Agency makes discretionary payments to the City annually, which in fiscal year 2003 amounted to approximately \$1,618,000. At September 30, 2003, the outstanding balances of these transfers approximated \$95,035,000, \$4,155,000 and \$1,858,000 in the General Fund, Housing Development Special Revenue Fund, and General Capital Projects Fund, respectively, with the latter being for land acquisition and planning and engineering services provided by the City. It is the intent of the City and the Agency that the Agency repay these transfers as future property tax increment revenues permit. Due to the long-term nature of repayment, the City has reserved these interfund receivables in the General Fund, Housing Development Special Revenue Fund and General Capital Projects Fund as fund balance reserved for noncurrent receivables.

CITY OF LONG BEACH
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The Agency has entered into a financing agreement with the Port of Long Beach (Harbor Fund), under which the Agency was advanced \$30,000,000 for the expansion of the Long Beach Convention and Entertainment Center. A payment of \$1,765,000 was made on the note by the Agency in November 1998. An amendment deferred payments to be made in quarterly installments of \$441,000 over 16 years, beginning in 2002. At September 30, 2003 and 2002, the balance of this advance is \$27,435,000. The note is payable solely from transient occupancy taxes levied in the Redevelopment Downtown Project area. The repayment to the Port is subordinated to a pledge to fund payments of the Aquarium of the Pacific Project 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.

Community redevelopment law in the State of California requires that 20% of annual net property tax increment revenues be set aside for low and moderate income housing. The law allows 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 \$17,662,000 have been recorded as advances to/from other funds in the Housing Development Special Revenue Fund and the Redevelopment Agency Capital Projects Fund, respectively for the Downtown Project Area. For the fiscal year 2003 all seven of the Agency's redevelopment project areas fully paid their full allocation of the years required 20% housing set aside.

In the fiscal year 2000, the Housing Development Company (Company) entered into a zero interest loan agreement for \$805,000 with the City for the acquisition of an 8-unit apartment building. The loan was modified on November 25, 2002 to increase the loan by \$250,000 to \$1,055,000. The building is being converted into a 4-unit condominium complex to be sold to low-income, first-time home buyers. The Company is required to make principal payments using one hundred percent (100%) of the proceeds from the sales of the reconfigured units. After all of the units are sold, any remaining balance of the promissory note will be forgiven. As of September 30, 2003 the City advanced the Company \$1,055,000 which has been recorded as advances to/from other funds in the City's Community Development Grants Special Revenue Fund and the Housing Development Special Revenue Fund, respectively.

In fiscal year 2001, the Company entered into a \$4,000,000 zero interest loan agreement with the City for the acquisition of twenty-six parcels of land, each containing a four-plex apartment building. Twenty-three parcels were sold to the developer during the fiscal year for the purpose of rehabilitating the properties for affordable rental housing for low and very low-income residents. The Company is required to make the principal payments to the City using 25% of the proceeds from repayments of promissory notes from the developer. Any remaining balance of the promissory note owed on April 1, 2034 shall be immediately due and payable. As of September 30, 2003 the City has advanced the Company \$3,819,000, net of a loan repayment of \$16,000, which has been recorded as advances to/from other funds in the Community Development Grants Special Revenue Fund and the Housing Development Special Revenue Fund, respectively.

CITY OF LONG BEACH
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SEPTEMBER 30, 2003

In November 1993 the City issued \$13,490,000 in Gas Utility Bonds with interest rates ranging from 2.6% to 5.125% to construct an energy plant adjacent to the Long Beach Convention and Entertainment Center. The debt, which is due in 2013, is funded by an annual payment from the Tidelands Fund in an amount necessary to cover the debt service requirements with respect to the Gas Utility Bonds. The long-term amount due at September 30, 2003 is \$6,941,000. The current amount due in fiscal year 2003 is \$603,000.

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

The Airport Enterprise Fund reimburses the General Fund for City services provided within the Airport area by the City, including police and fire services. The amount due has been recorded as a long-term advance payable in the amount of \$2,833,000 at September 30, 2003. The amount decreased \$50,000 in fiscal year 2003 due to a principal payment.

At September 30, 2003, the Redevelopment Agency Capital Projects Fund advanced \$4,741,000 to the Tidelands Fund. Such monies arose from transient occupancy taxes transferred in the amount of \$2,752,000 and \$1,924,000 in fiscal years 2003 and 2002, respectively. According to the Owner Participation Agreement by and among the Redevelopment Agency of the City of Long Beach, Long Beach Bond Finance Authority and the Aquarium of the Pacific, all Redevelopment Agency Fund transient occupancy taxes are pledged to fund the debt service payments of the Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 if needed. The Redevelopment Agency shall be reimbursed for any such advance together with interest, at a rate of interest equal to the rate earned on the City Treasurer's Investment Pool as monies are available. Interest in the amount of \$21,000 and \$44,000 has been accrued for fiscal year 2003 and 2002, respectively.

Interfund Transfers

The City regularly transfers current financial resources from one fund to another. At September 30, 2003 interfund transfers are as follows (in thousands):

Transfers Out:								
	General	Housing Development	Community Development Grants	General Capital Projects	Redevelopment Capital Projects	Nonmajor Governmental Funds	Tidelands	Total Transfers Out
Transfers In:								
General	\$ -	\$ 1,088	\$ 3,606	\$ 6,746	\$ -	\$ 5,286	\$ -	\$ 16,726
Housing Development	-	-	9	-	2,681	-	-	2,690
Community Development Grants	-	-	-	338	1,062	-	-	1,400
General Capital Projects	450	-	-	-	-	341	-	791
Redevelopment Capital Projects	-	-	-	-	-	2,021	3,273	5,294
Nonmajor Governmental	13,331	-	-	1,471	-	-	-	14,802
Gas	15,355	-	-	-	-	-	-	15,355
Solid Waste Management	10,033	-	-	-	-	-	-	10,033
Tideland Oil Revenue	-	-	-	-	-	-	6,961	6,961
Harbor	-	-	-	-	-	-	9,058	9,058
Internal Service Funds	10,114	-	-	-	-	602	324	11,040
Total Transfers In	<u>\$ 49,283</u>	<u>\$ 1,088</u>	<u>\$ 3,615</u>	<u>\$ 8,555</u>	<u>\$ 3,743</u>	<u>\$ 8,250</u>	<u>\$ 19,616</u>	<u>\$ 94,150</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
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The significant transfers include:

The General Fund transferred \$6,746,000 to the Capital Projects Fund for ongoing projects such as City street construction, ADA modifications and City building improvements, maintenance and repairs.

The General Fund transferred \$1,088,000 to the Housing Development Special Revenue Fund to repay the Housing and Urban Development (HUD) disallowed costs expended previous fiscal years on the Atlantic Homeownership zone (HOZ). The number of new homes build in the HOZ were below the required number. The amount is payable to HUD by the Housing Development Special Revenue fund over the next three years.

The General Fund transferred \$3,606,000 to the Community Development Grants Special Revenue Fund. Funds in the amount of \$2,506,000 subsidized costs related to the Workforce Investment Act grant. Funds in the amount of \$1,100,000 were transferred to the Community Development Block Grant for loan to the Redevelopment Agency Central Project Area.

The General Fund received \$5,286,000 in Motor Vehicle License fees committed to health care services under Assembly Bill 1288. These were transferred to the Health Special Revenue Fund to fund costs associated with the City's Health Department.

The Upland Oil Special Revenue Nonmajor Fund transferred \$6,999,000 to the General Fund for royalties due the City.

The Community Development Grants Special Revenue Fund transferred \$1,062,000 to the Redevelopment Agency Capital Projects Fund for the Atlantic Retail Service Center project. The Community Development Block Grant funding required a match to the EDA grant in the amount of \$400,000. The project includes construction of a two-story commercial building for a community social service office.

The Gas Tax Special Revenue Nonmajor Fund transferred \$6,309,000 to the General Fund as reimbursement for allowable street costs incurred by the City.

The Housing Development Special Revenue Fund transferred \$2,681,000 to the Redevelopment Agency Capital Projects Fund to provide funding of the Atlantic Avenue Development, which has a total budget of \$8,350,000 to acquire target properties by the Agency on behalf of the Housing Development Company to provide affordable residential units.

The Redevelopment Agency Capital Projects Fund transferred \$521,000 to the Tidelands Fund to partially fund the Convention Center energy plant and \$2,752,000 from transient occupancy taxes to partially fund the Aquarium of the Pacific debt according to an agreement with the City and the Redevelopment Agency.

The Redevelopment Agency Capital Projects Fund also transferred \$2,021,000 to the Business Assistance Special Revenue Nonmajor fund to fund a business loan program, including administrative and operating expenditures.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

The Gas Enterprise Fund transferred \$15,355,000 to the General Fund as allowed by City charter. Of this amount, \$7,344,000 resulted from revenues earned in fiscal year 2003 and \$8,011,000 reflected revenues earned in fiscal year 2002.

The Solid Waste Management Enterprise Fund transferred \$10,033,000 to the General Fund based on a Joint Power Agreement between the City and the Los Angeles County Sanitation District #2 (District). Under the agreement net remaining retained earnings over a required amount as stipulated in the agreement can be distributed equally between the District and the City.

The Harbor Fund accrued an operating transfer of \$9,058,000 due to the Tidelands Fund as allowed in the City Charter.

The Tidelands Oil Revenue Fund shares revenue from the tidelands oil operation under an optimized flood program. In fiscal year 2003, \$6,961,000 was transferred to the Tidelands Fund from the Tidelands Oil Revenue Fund under this program.

Internal Service Fund transfers also reflect cable franchise fee revenue from the General Services Internal Service Fund. The Civic Center Internal Service Fund made a one time transfer to the General Fund in the amount of \$7,685,00 and transferred \$185,000 to cover costs related to the Emergency Communications and Operations Center facility.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 7 – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2003 is as follows (in thousands):

Governmental Activities:	Balance at October 1, 2002,	Increase	Decrease	Balance at September 30, 2003
Capital Assets, not being Depreciated:				
Land	\$ 114,382	\$ -	\$ (570)	\$ 113,812
Right-of-way	134	1,187	-	1,321
Construction In Progress	130,998	59,450	(33,326)	157,122
Total Capital Assets not being Depreciated	<u>245,514</u>	<u>60,637</u>	<u>(33,896)</u>	<u>272,255</u>
Capital Assets, being Depreciated:				
Buildings	149,814	2,832	-	152,646
Improvements Other than Buildings	33,262	7,352	-	40,614
Infrastructure	269,528	23,312	(1,431)	291,409
Machinery and Equipment	49,282	2,304	(8,787)	42,799
Automotive	70,799	9,943	(4,760)	75,982
Other Assets	30,719	-	-	30,719
Total Capital Assets being Depreciated	<u>603,404</u>	<u>45,743</u>	<u>(14,978)</u>	<u>634,169</u>
Less Accumulated Depreciation for:				
Buildings	(49,651)	(4,472)	-	(54,123)
Improvements Other than Buildings	(12,022)	(3,067)	-	(15,089)
Infrastructure	(141,254)	(10,386)	1,431	(150,209)
Machinery and Equipment	(36,809)	(4,922)	8,509	(33,222)
Automotive	(42,922)	(5,829)	4,329	(44,422)
Other Assets	(20,781)	(1,420)	-	(22,201)
Total Accumulated Depreciation	<u>(303,439)</u>	<u>(30,096)</u>	<u>14,269</u>	<u>(319,266)</u>
Total Capital Assets being Depreciated, Net	<u>299,965</u>	<u>15,647</u>	<u>(709)</u>	<u>314,903</u>
Governmental Activities Capital Assets, Net	<u>\$ 545,479</u>	<u>\$ 76,284</u>	<u>\$ (34,605)</u>	<u>\$ 587,158</u>

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

Legislative and Legal	\$ 6
General Government	146
Public Safety	2,597
Public Health	243
Community and Cultural	4,302
Public Works	11,517
Capital Assets held by City's internal services funds allocated to various functions on a prorated basis based on their usage of the assets	<u>11,285</u>
	<u>\$ 30,096</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Capital Asset activity for business-type activities for the year ended September 30, 2003 is as follows (in thousands):

Business-type Activities:	Balance at October 1, 2002	Increase	Decrease	Balance at September 30, 2003
Capital Assets, not being Depreciated:				
Land	\$ 853,088	\$ 20,098	\$ (478)	\$ 872,708
Right-of-way	207,509	17,385	(17,062)	207,832
Construction In Progress	194,894	237,399	(123,353)	308,940
Total Capital Assets not being Depreciated	1,255,491	274,882	(140,893)	1,389,480
Capital Assets, being Depreciated:				
Buildings	1,755,925	35,742	(43,987)	1,747,680
Improvements other than Buildings	287,217	4,991	-	292,208
Infrastructure	855,186	31,947	(1,493)	885,640
Machinery and Equipment	19,375	1,587	(226)	20,736
Automotive	20,789	1,847	(367)	22,269
Total Capital Assets being Depreciated	2,938,492	76,114	(46,073)	2,968,533
Less Accumulated Depreciation for:				
Buildings	(558,533)	(66,055)	9,512	(615,076)
Improvements other than Buildings	(158,992)	(10,988)	-	(169,980)
Infrastructure	(436,758)	(26,375)	868	(462,265)
Machinery and Equipment	(14,272)	(1,832)	200	(15,904)
Automotive	(14,149)	(912)	364	(14,697)
Total Accumulated Depreciation	(1,182,704)	(106,162)	10,944	(1,277,922)
Total Capital Assets being Depreciated, Net	1,755,788	(30,048)	(35,129)	1,690,611
Business-type Activities Capital Assets, Net	\$ 3,011,279	\$ 244,834	\$ (176,022)	\$ 3,080,091

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

Gas	\$ 3,291
Water	7,641
Sewer	1,103
Airport	2,237
Solid Waste Management	4,373
Towing	14
Tidelands	14,014
Harbor	73,489
	<u>\$ 106,162</u>

Capitalized of Interest

The City capitalized net interest expense of \$10,425,000 and \$16,819,000 in its Harbor Enterprise Fund in fiscal years 2003 and 2002, respectively. Total interest expense incurred for the Harbor Fund was \$61,439,000 and \$54,839,000 in fiscal years 2003 and 2002, respectively.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Component Unit

Capital asset activity of the LBT for the year ended June 30, 2003 was as follows (in thousands):

	Balance at July 1, 2002	Increases	Decreases	Balance at June 30, 2003
Capital Assets, not being Depreciated:				
Land	\$ 5,525	\$ -	\$ -	\$ 5,525
Construction in Progress	2,583	1,929	(742)	3,770
Total Capital Assets not being Depreciated	8,108	1,929	(742)	9,295
Capital Assets, being Depreciated:				
Buildings and Improvements	29,821	520	-	30,341
Fleet	68,591	20,295	(7,737)	81,149
Communications Systems	2,275	2,218	(1,930)	2,563
Fare Collection System	1,660	-	-	1,660
Office, Shop and Garage Equipment	12,579	1,162	(164)	13,577
Passenger Facilities	1,402	345	(26)	1,721
Total Capital Assets being Depreciated:	116,328	24,540	(9,857)	131,011
Less Accumulated Depreciation for:				
Buildings and Improvements	(11,133)	(1,513)	-	(12,646)
Fleet	(36,435)	(8,768)	7,737	(37,466)
Communications Systems	(2,079)	(352)	1,930	(501)
Fare Collection System	(1,335)	(65)	-	(1,400)
Office, Shop and Garage Equipment	(7,105)	(2,583)	164	(9,524)
Passenger Facilities	(501)	(327)	25	(803)
Total Accumulated Depreciation	(58,588)	(13,608)	9,856	(62,340)
Total Capital Assets being Depreciated, Net	57,740	10,932	(1)	68,671
Total LBT Capital Assets, Net	\$ 65,848	\$ 12,861	\$ (743)	\$ 77,966

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 – CHANGE IN LONG – TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2003, was as follows (in thousands):

	Balance at October 1, 2002	Additions	Reductions	Balance at September 30, 2003	Due Within One Year
Governmental Activities:					
Bonds Payable					
Revenue Bonds	\$ 243,375	\$ 6,890	\$ (5,800)	\$ 244,465	\$ 6,770
Tax Allocation Bonds	174,060	47,780	(41,866)	179,974	4,681
Plus (less) deferred amounts:					
Premium	2,120	4,306	(275)	6,151	-
Discount	(2,011)	(46)	88	(1,969)	-
Refunding	(15,320)	-	1,708	(13,612)	-
Issuance Cost	(6,836)	(1,709)	398	(8,147)	-
Total Bonds Payable	395,388	57,221	(45,747)	406,862	11,451
Notes Payable	17,609	2,588	(1,440)	18,757	515
Capital Leases	45,679	4,085	(7,115)	42,649	6,478
Police and Fire	47,543	-	(6,595)	40,948	-
Arbitrage Payable	513	-	(513)	-	-
Estimated Oil Field Abandonment Costs	4,100	-	-	4,100	-
Accrued Self-Insured Claims	85,841	37,751	(20,647)	102,945	23,775
Employee Benefits	54,395	14,591	(4,671)	64,315	5,371
Governmental Activities Long-Term Liabilities	<u>\$ 651,068</u>	<u>\$ 116,236</u>	<u>\$ (86,728)</u>	<u>\$ 680,576</u>	<u>\$ 47,590</u>
Business-Type Activities:					
Bonds Payable					
Revenue Bonds	\$ 1,582,180	\$ -	\$ (39,380)	\$ 1,542,800	\$ 42,365
Plus (less) deferred amounts:					
Premium	21,725	-	(1,101)	20,624	-
Discount	(6,140)	-	331	(5,809)	-
Refunding	(18,320)	-	1,271	(17,049)	-
Issuance Cost	(15,612)	-	990	(14,622)	-
Total Bonds Payable	1,563,833	-	(37,889)	1,525,944	42,365
Certificates of Participation	17,785	-	(880)	16,905	920
Discount	(362)	-	34	(328)	-
Refunding	(922)	-	92	(830)	-
Issuance Cost	(490)	-	42	(448)	-
Total Certificates of Participation	16,011	-	(712)	15,299	920
Notes Payable	69,224	7,490	(844)	75,870	847
Issuance Cost	-	(206)	31	(175)	-
Total Notes Payable	69,224	7,284	(813)	75,695	847
Capital Lease	12,805	-	(1,582)	11,223	1,739
Due to State of California	13,303	42,295	(45,660)	9,938	9,194
Accrued Oil Field Abandonment Costs	267,613	2,763	-	270,376	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,942,789</u>	<u>\$ 52,342</u>	<u>\$ (86,656)</u>	<u>\$ 1,908,475</u>	<u>\$ 55,065</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 9 – BONDS PAYABLE

At September 30, 2003 bonded indebtedness consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates*	Authorized and Issued	Outstanding at September 30, 2003
<u>GOVERNMENTAL ACTIVITIES</u>					
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	06/30/13	5.75%	2,220	1,440
Skylinks Golf	05/01/03	05/01/29	1.57%-6.3%	6,890	6,890
Parking Plaza Bonds	06/14/01	11/01/27	4.4%-5.375%	11,500	11,500
Public Safety Facility	03/01/02	11/01/31	3.0%-5.25%	40,915	40,915
Total General City Bonds				<u>64,585</u>	<u>63,805</u>
REDEVELOPMENT BONDS					
Tax Allocation Bonds:					
1992 Multiple Series -					
Downtown Project Refunding	12/01/92	11/01/22	2.9% - 6.0%	81,020	38,520
West Long Beach Industrial TAB	12/01/92	11/01/22	2.9% - 6.0%	36,470	17,345
2002B West Beach	11/01/02	11/01/24	2.125% - 5.5%	21,860	21,860
2002B Downtown	11/01/02	11/01/24	2.125% - 5.5%	25,920	25,920
2002 West Beach	06/25/02	08/01/18	3.0%-5.375%	8,895	8,564
2002 Downtown Project	06/25/02	08/01/24	3.0%-5.375%	26,820	26,206
2002 North Long Beach	06/25/02	08/01/31	3.0%-5.375%	40,290	39,980
2002 Poly High	06/25/02	08/01/12	3.0%-5.375%	1,710	1,579
Total Redevelopment Bonds				<u>242,985</u>	<u>179,974</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	39,165
Fleet Services:					
1998 Temple and Willow Facility Series A & B	05/01/98	10/01/27	5.0%-6.0%	38,065	34,785
Employee Benefits Fund:					
Pension Obligation Refunding Bonds Series 2002	09/01/02	09/01/21	Variable	87,590	85,100
Pension Obligation Bonds Series 1995	10/01/95	09/01/11	5.90% - 7.24%	23,920	21,610
Total Employee Benefits				<u>111,510</u>	<u>106,710</u>
Total Internal Service Funds				<u>193,230</u>	<u>180,660</u>
Total Governmental Activities Bonds Payable				<u>500,800</u>	<u>424,439</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
ENTERPRISE BONDS					
Gas Fund:					
1993 Gas Utility	11/01/93	11/01/13	2.6% - 5.125%	13,490	8,840
Water Fund:					
1997A Water	10/01/97	05/01/24	4.0% - 5.75%	46,945	38,585
Solid Waste Management Fund:					
1995 SERRF	10/01/95	12/01/18	Variable	143,300	125,100
Tidelands Fund:					
Aquarium of the Pacific	05/03/01	11/01/30	3.875%-5.5%	129,520	129,520
1994 Marina Subordinate Revenue Bond	04/01/94	04/01/09	6.25%	1,310	670
1995 Marina Refunding Revenue Bond	11/01/95	01/15/08	3.85% - 5.15%	31,725	15,100
1999 Rainbow Harbor Financing Project	07/01/99	05/01/24	4.25%-5.5%	47,970	47,825
Total Tidelands Fund				<u>210,525</u>	<u>193,115</u>
Harbor Fund:					
1993 Harbor	10/01/93	05/15/18	4.5%-5.125%	166,500	127,470
1995 Harbor	11/01/95	05/15/25	5.25%-9.0%	343,420	307,860
1998 Harbor	02/01/98	05/15/19	5.25%-9.0%	206,330	178,330
2000 Harbor	05/15/01	05/15/25	5%-5.75%	275,000	268,780
2002 Harbor	06/19/02	05/15/27	Variable	300,000	294,720
Total Harbor Fund				<u>1,291,250</u>	<u>1,177,160</u>
Total Business-Type Activities Bonds Payable				<u>1,705,510</u>	<u>1,542,800</u>
Total Primary Government Bonded Indebtedness				<u>\$ 2,206,310</u>	<u>\$ 1,967,239</u>

* Interest on all bonded indebtedness is payable semi-annually except 1995 SERRF, the Long Beach Museum of Art Project, the Pension Obligation Bonds Series 2002 and 2002 Harbor Bonds which are paid monthly.

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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% to 6.30%.

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

Year-End	Principal Payments By Fund - Governmental Activities									Annual Debt Service Requirements		
	Museum of Art Project	Belmont Shore Parking Revenue	Skylinks Golf	Parking Plaza	Public Safety Facility	Redevelopment Capital Projects	Civic Center	Fleet	Employee Benefits	Principal	Interest	Total
2004	\$ -	\$ 130	\$ 260	\$ 240	\$ -	\$ 4,681	\$ 885	\$ 740	\$ 4,515	\$ 11,451	\$ 20,724	\$ 32,175
2005	-	140	140	255	-	4,608	925	770	4,940	11,778	20,390	32,168
2006	-	145	140	265	810	4,820	970	805	5,390	13,345	19,831	33,176
2007	-	155	145	280	835	5,087	1,015	835	5,925	14,277	19,183	33,460
2008	-	165	150	290	860	5,426	1,060	875	6,445	15,271	18,471	33,742
2009 - 2013	3,060	705	870	1,675	4,750	32,056	6,145	5,045	32,095	86,401	79,574	165,975
2014 - 2018	-	-	1,135	2,140	6,005	41,626	7,890	6,480	27,400	92,676	58,562	151,238
2019 - 2023	-	-	1,515	2,765	7,755	50,290	10,135	8,380	20,000	100,840	34,445	135,285
2024 - 2028	-	-	2,045	3,590	9,975	23,337	10,140	10,855	-	59,942	12,840	72,782
2029 - 2033	-	-	490	-	9,925	8,043	-	-	-	18,458	2,055	20,513
Totals	\$ 3,060	\$ 1,440	\$ 6,890	\$ 11,500	\$ 40,915	\$ 179,974	\$ 39,165	\$ 34,785	\$ 106,710	\$ 424,439	\$ 286,075	\$ 710,514

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 2003 ranged from .77% to 1.69%. For purposes of illustration a fixed rate of 1.13% has been used in the table above. The Employee Benefits Fund Pension Obligation Bonds Series 2002 interest is payable monthly at variable interest rates. Rates for fiscal year 2003 ranged from 1.09% to 1.89%. The debt service requirements to maturity for these bonds for the purpose of illustration is 3.0%. The Harbor 2002 Bonds debt service requirements to maturity for the purpose of illustration are based on 4%.

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

Year-End	Principal Payments by Fund -- Business-Type Activities					Total Annual Debt Service Requirements		
	Gas	Water	Solid Waste Management	Tidelands	Harbor	Principal	Interest	Total
2004	\$ 625	\$ 1,645	\$ 4,500	\$ 3,005	\$ 32,590	\$ 42,365	\$ 77,492	\$ 119,857
2005	655	1,110	4,800	4,515	34,995	46,075	75,239	121,314
2006	685	1,155	5,100	7,425	36,950	51,315	72,882	124,197
2007	720	1,210	5,500	7,685	38,980	54,095	70,364	124,459
2008	755	1,265	5,900	7,930	41,105	56,955	67,670	124,625
2009 - 2013	4,385	7,395	36,200	26,740	242,165	316,885	293,965	610,850
2014 - 2018	1,015	9,625	50,800	34,335	317,875	413,650	202,642	616,292
2019 - 2023	-	12,330	12,300	44,255	270,015	338,900	102,932	441,832
2024 - 2028	-	2,850	-	39,955	162,485	205,290	26,385	231,675
2029 - 2033	-	-	-	17,270	-	17,270	2,035	19,305
Totals	\$ 8,840	\$ 38,585	\$ 125,100	\$ 193,115	\$ 1,177,160	\$ 1,542,800	\$ 991,606	\$ 2,534,406

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Advance Refundings

During the fiscal year ended September 30, 2003 the City advance refunded debt issues in order to take advantage of declining interest rates, to provide additional capital for related projects and/or to extend the term of the bonds.

In November 2002, the Redevelopment Agency (Agency) of the City of Long Beach issued \$47,780,000 in Long Beach Bond Finance Authority Tax Allocation Revenue Bonds Downtown and West Long Beach Industrial Redevelopment Project Areas 2002 Series B bonds (Series B bonds). These 2002 Series B bonds were issued to current refund \$25,670,000 of the outstanding Series 1992A Downtown Bonds and West Industrial Bonds with interest rates ranging from 2.9% to 6.0%, to repay certain amounts owed by the Agency to the Port of Long Beach for costs incurred by the Harbor for the benefit of the West Industrial Project Area, 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 2.125% to 5.5%.

In addition to the above advance refunding issue, the City has previously advance refunded several outstanding bond issues. Each of these 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 the 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. These 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, 2003, the total amount of the defeased debt outstanding and removed from the City's funds and account groups aggregated \$252,430,000.

Special Assessment Debt

The City serves as the facilitating agent for a number of no-obligation special assessment debt issues. Funding from these issues has been used to improve streets and other City infrastructure, as well as assisting City residents 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 accounted for in the General Capital Projects Fund. The proceeds from special

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assessment debt issued for the Pike Public Improvements is accounted for in the Rainbow Harbor Area Segment of the Tidelands Fund. Special assessment revenues to repay the debt issues are being accounted for in Agency Funds.

At September 30, 2003, aggregate special assessment debt issued through the City consisted of seven issues, summarized as follows:

- Dates Issued: 6/1/90 – 1/29/02
- Final Maturities: 9/2/05 – 10/01/32
- Range of Interest Rates: 2.625% – 10.5%
- Amounts Authorized and Issued: \$1,396,000 – \$43,000,000
- Range of Amounts Outstanding: \$64,000 – \$43,000,000
- Aggregate Outstanding at September 30, 2003: \$80,903,000

Pike Public Improvements

In June 2002, the City of Long Beach Community Facilities District No. 6 2002 Special Tax Bonds (Pike Public Improvement Bonds) were issued in the amount of \$43,000,000 under the provisions of the Mello-Roos Community Facilities Act of 1982. The Pike Public Improvement Bonds were issued to finance a portion of the costs of the acquisition, construction, installation and equipping of various public capital improvements in the Pike Development Project in undeveloped oceanfront land adjacent to the downtown area of the City. A substantial portion of the proceeds will be applied to finance the cost of a Pike 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. (See Note 22.)

Earthquake Assessment

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

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

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

Conduit Debt

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

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

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.

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

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

Bonds have been issued for Carnival Cruises with the City's name 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 Carnival Cruises.

At September 30, 2003, the City's Conduit Debt outstanding consisted of the following (in thousands):

Description	Final Maturity	Amount Authorized	Outstanding at September 30, 2003
Multi Family Mortgage Bonds			
Housing Authority	2028	\$ 12,500	\$ 12,500
Industrial Development			
Refunding Bonds	2023	11,620	10,505
Home Mortgage Revenue Bonds	2014	22,500	245
Marina Pacifica Land			
Acquisition Revenue Bonds	2030	22,000	22,000
Carnival Bonds	2022	32,100	32,100
Grisham Housing Bonds Series A	2035	2,340	2,340
Grisham Housing Bonds Series B	2005	7,905	7,905
Total Conduit Debt		<u>\$ 110,965</u>	<u>\$ 87,595</u>

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

At September 30, 2003, the City had several notes and installments payable, certificates of participation, commercial paper notes and other long-term obligations which consisted of the following (in thousands):

Description	Date Issued	Final Maturity	Range of Interest Rates	Originally Issued	Outstanding at September 30, 2003
<u>GOVERNMENTAL ACTIVITIES</u>					
<u>NOTES PAYABLE:</u>					
General Fund:					
U.S. Department of the Navy	05/20/97	05/19/30	7.50%	\$ 11,075	\$ 10,730
Housing Development Fund:					
State of California	01/23/92	01/23/22	3%	1,016	1,016
California Housing Finance Agency	10/06/99	10/06/09	3%	1,200	1,178
California Housing Finance Agency	04/17/00	04/17/10	3%	800	800
California Housing Finance Agency	02/05/02	02/05/12	3%	600	600
California Housing Finance Agency	03/13/03	03/13/13	3%	1,300	1,300
U.S. Department of Housing and Urban Development	04/30/03	04/30/06	N/A	1,088	1,088
Total Housing Development Fund				6,004	5,982
Redevelopment Capital Projects Fund:					
Los Angeles County	01/21/92	N/A	3.75%	1,300	1,300
D. Mester	06/17/98	06/17/05	6.5%	104	104
Community Bank	07/31/01	09/01/06	7.5%	673	641
Total Redevelopment Capital Projects Fund				2,077	2,045
<u>ANNUITY OBLIGATION:</u>					
General Fund:					
Police and Fire Annuity	N/A	N/A	N/A	40,948	40,948
Governmental Activities Notes and Annuity Obligation				\$ 60,104	\$ 59,705
<u>BUSINESS-TYPE ACTIVITIES:</u>					
<u>NOTES PAYABLE:</u>					
Water Fund:					
Commercial Paper Notes	01/08/03	N/A	.95 - 1.05%	\$ 6,000	\$ 6,000
State Resources	06/30/88	06/30/08	4.0128%	2,000	627
Total Harbor Fund				8,000	6,627
Tidelands Fund:					
State of Calif DBAW/Seawalls	Var 1997	08/01/24	4.5%	1,285	1,069
State of Calif DBAW/Downtown Marina	08/01/83	08/01/11	4.5%	3,900	2,009
State of Calif DBAW/Downtown Marina	08/01/84	08/01/12	4.5%	3,500	2,185
State of Calif DBAW/Downtown Marina	08/01/85	08/01/12	4.5%	600	364
State of Calif DBAW/Shoreline Marina	08/01/82	08/01/10	4.5%	1,300	520
State of Calif DBAW/Shoreline Marina	04/17/02	08/01/32	4.5%	92	90
State of Calif DBAW/Los Cerritos Channel	08/01/81	08/01/08	4.5%	1,238	378
State of Calif DBAW/Basin 8	09/30/98	08/01/28	4.5%	241	1,574
State of Calif DBAW - Lighthouse	06/23/00	06/23/30	4.5%	700	657
Total Tidelands Fund				12,856	8,846
Harbor Fund:					
Commercial Paper Notes	03/01/94	N/A	.85 - .93%	383,500	60,150
Nassir	09/21/94	09/12/08	6%	579	207
Locke	03/22/91	03/22/06	10%	203	40
Total Harbor Fund				384,282	60,397
<u>CERTIFICATES OF PARTICIPATION:</u>					
Airport Fund:					
1993 Airport Refunding	07/01/93	06/01/16	2.7-5.35%	16,815	12,100
Tidelands Fund:					
Parking Authority/Rainbow Harbor Area	05/01/97	05/01/17	4.25-5.75%	5,855	4,805
Business-type Activities Notes and Certificates of Participation				\$ 427,808	\$ 92,775

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

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Towne Center Project

In May 1997, the City (General Fund) entered into loan agreements (Navy Notes 1997) with the Department of the Navy to purchase the former Navy hospital property for the Towne Center area improvements. In fiscal year 2001 the Navy Note 1997 Series A in the amount of \$7,808,000 at 7.5%, Series B of \$2,998,000 at 9% plus accrued interest of \$269,000 for a total of \$11,075,000 were refinanced in accordance with the loan agreements to a 7.5% note. The note is due in May 2030, payable at \$938,000, including principal and interest, per year. The balance outstanding at September 30, 2003 is \$10,730,000.

Housing Development Company Loan

The Housing Development Company loan in the amount of \$1,016,000 at September 30, 2003 is payable to the State of California in January 2022. The Housing Development Company also has authorization to borrow \$3,900,000 from the California Housing Finance Agency at an interest rate of 3%. The funds in the amount of \$2,600,000 will be used for a revolving loan program that will allow for the acquisition and rehabilitation of multiple residential buildings located in specific neighborhoods designated for revitalization. As of September 30, 2003 \$1,178,000 is payable through 2009, \$800,000 is payable through 2010 and \$600,000 is payable through 2012. Funds in the amount of \$1,300,000 will be used for the rehabilitation of rental units to assist in the restricted to lower income households. As of September 30, 2003 \$1,300,000 is payable through 2013.

The Housing Development Company entered into an agreement with the U.S. Department of Housing and Urban Development to repay \$1,088,000 in disallowed Homeownership Zone (HOZ) costs. The amount is payable without interest over three years through April 30, 2006.

Tax Increment Obligation

The Redevelopment Agency has an agreement to pay Los Angeles County 49.44% of tax increment generated by the Los Altos and Central Long Beach Project Areas, payable commencing in 2020 at a simple interest rate of 3.75%. The tax increment due to the County at September 30, 2003 totaled \$1,300,000.

West Long Beach Industrial Project Obligations

In June 1998, the Redevelopment Agency executed a promissory note payable for \$104,000 for real property purchased in the West Long Beach Industrial Project Area. Full payment for the 6.5% note is due on June 17, 2005, or when tax allocation bonds are issued for the West Long Beach Industrial Project, whichever occurs first. At September 30, 2003, the entire amount of \$104,000 was still outstanding.

Central Long Beach Project Obligation

In July 2002, the Redevelopment Agency executed a promissory note payable for \$673,000 for real property purchased for the Central Long Beach Project. The monthly payment of \$5,500 on the 7.5% note is based on a twenty-year amortization. A payment of

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approximately \$595,000 is due at the maturity date of September 2006. The balance outstanding at September 30, 2003 is \$641,000.

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
	General Fund	Housing Development Fund	Redevelopment Capital Projects Fund			
2004	\$ 133	\$ 363	\$ 19	\$ 515	\$ 805	\$ 1,320
2005	143	363	124	630	795	1,425
2006	154	362	602	1,118	784	1,902
2007	165	-	-	165	772	937
2008	178	-	-	178	760	938
2009 - 2013	1,110	3,878	-	4,988	3,579	8,567
2014 - 2018	1,593	-	-	1,593	3,096	4,689
2019 - 2023	2,287	1,016	-	3,303	2,402	5,705
2024 - 2028	3,283	-	-	3,283	1,406	4,689
2029 - 2033	1,684	-	-	1,684	192	1,876
Indeterminant	-	-	1,300	1,300	-	1,300
Totals	<u>\$ 10,730</u>	<u>\$ 5,982</u>	<u>\$ 2,045</u>	<u>\$ 18,757</u>	<u>\$ 14,591</u>	<u>\$ 33,348</u>

No payment dates have been established for the Redevelopment Capital Projects Fund notes payable for \$1,300,000; therefore, no interest has been listed in the above table.

Business-Type Activities

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

Year-end	Principal Payments By Fund			Annual Debt Service Requirements		
	Business-Type Activities			Principal	Interest	Total
	Water	Tidelands	Harbor			
2004	\$ 127	\$ 666	\$ 54	\$ 847	\$ 438	\$ 1,285
2005	132	696	54	882	402	1,284
2006	138	727	55	920	360	1,280
2007	143	760	42	945	319	1,264
2008	87	793	42	922	274	1,196
2009 - 2013	-	2,815	-	2,815	846	3,661
2014 - 2018	-	692	-	692	479	1,171
2019 - 2023	-	863	-	863	307	1,170
2024 - 2028	-	734	-	734	117	851
2029 - 2033	-	100	-	100	7	107
Indeterminant	6,000	-	60,150	66,150	-	66,150
Totals	<u>\$ 6,627</u>	<u>\$ 8,846</u>	<u>\$ 60,397</u>	<u>\$ 75,870</u>	<u>\$ 3,549</u>	<u>\$ 79,419</u>

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In January 1987, the Water Department entered into a low-interest loan contract for \$2,000,000 with the State Water Resources Control Board for the purpose of funding the Reclaimed Water System Extension Project. The loan was funded in fiscal year 1988 and is payable in annual installments ranging from \$70,450 to \$143,040, at an interest rate of 4.0128% per year through January 2008. The balance outstanding at September 30, 2003 is \$627,000.

In October 2002 the Water Department authorized the issuance and sale of \$15,000,000 of City of Long Beach Subordinate Water Revenue Commercial paper Notes Series A. Proceeds from the variable debt will be used for interim financing needs to assist with completing reclaimed system expansion projects that are partially funded with Federal and State grants and for ocean desalination research and development. On January 8, 2003, notes in the amount of \$6,000,000 were issued with interest rates ranging from .95% to 1.05%. The Water Department intends to extend the notes to periods greater than one year, therefore, the outstanding amount has been classified as long-term obligations.

The City of Long Beach, Tidelands Fund has entered into various loan agreements from August 1982 through April 2002 for construction and improvements in the marina area of the City including the Shoreline Marina, Downtown Marina, seawalls, a lighthouse with a harbormaster's office and restrooms with an aggregate authorized amount of \$12,856,000. The amount outstanding at September 30, 2003 is \$8,8846,000. Annual payments in the amount of \$1,067,000 are currently in effect at an interest rate of 4.5%.

The Harbor Department authorized the issuance of up to \$383,500,000 in Commercial Paper notes. In 1994 the Harbor Department issued \$148,000,000 of Series A Commercial Paper Notes to pay for acquisition costs of property, facilities and oil rights in the North Harbor District. The Harbor Department intends to extend the notes for a period greater than a year; therefore, the outstanding amount has been classified under long-term obligations. During fiscal year 1997 the Harbor Department redeemed \$12,850,000 of notes and \$75,000,000 in redemption took place during fiscal year 2002. The amount outstanding at September 30, 2003 is \$60,150,000 with interest rates ranging from 0.85% to 0.93%. The Harbor Department also has other notes outstanding for \$207,000 and \$40,000 at September 30, 2003.

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Certificates of Participation

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

Year-end	Principal Payments By Fund		Annual Debt Service Requirements		
	Airport	Tidelands	Principal	Interest	Total
2004	\$ 680	\$ 240	\$ 920	\$ 876	\$ 1,796
2005	710	250	960	831	1,791
2006	750	265	1,015	782	1,797
2007	785	280	1,065	730	1,795
2008	825	295	1,120	676	1,796
2009 - 2013	4,830	1,720	6,550	2,426	8,976
2014 - 2018	3,520	1,755	5,275	611	5,886
Totals	<u>\$ 12,100</u>	<u>\$ 4,805</u>	<u>\$ 16,905</u>	<u>\$ 6,932</u>	<u>\$ 23,837</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 its termination in 1945. The terminated Program covers a diminishing number of public safety retirees or their surviving spouses. At September 30, 2003, there were 131 participants in this program.

Total expenditures to this closed group of individuals amounted to \$5,865,000 for the fiscal year ended September 30, 2003. The City's accrued Program liability was \$40,948,000 at September 30, 2003.

Program benefits are funded when required to be paid. Accordingly, there are no assets of the Program. Because of the very unique nature of this program, and the fact that the program has been closed for over five decades, an accrued program liability was historically recorded in the City's General Long-Term Obligations Account Group.

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

Accrued Program Liability at October 1, 2002	\$ 47,543
Increase (Decrease) During the Year Attributable to:	
Benefits Paid	(5,865)
Estimated Change in Annualized Value of Benefits	(730)
Accrued Program Liability at September 30, 2003	<u>\$ 40,948</u>

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The number of Program participants diminishes each year. Since 1993, the number of program participants has been reduced by 117 individuals. The following table presents additional information for Police and Fire Annuity Benefit Programs (in thousands) (1996 benefits paid is for fifteen months, reflecting the City's change in its fiscal year end):

<u>Year-end</u>	<u>Number of Participants</u>	<u>Annuity Benefits Paid</u>	<u>Accrued Program Liability</u>
1994	252	\$8,134	\$77,413
1995	239	7,804	68,369
1996	218	9,367	64,073
1997	205	7,783	61,207
1998	191	7,162	56,596
1999	181	7,093	57,500
2000	167	6,913	53,668
2001	157	6,641	51,222
2002	144	6,437	47,543
2003	<u>131</u>	<u>5,865</u>	<u>40,948</u>

NOTE 11 – LEASING ARRANGEMENTS

Hyatt Long Beach Corporation Lease

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

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

The City has accounted for the lease and the sublease of the parking structure and public facilities as a capital lease payable and long-term lease receivable, respectively, in the Tidelands Fund using an interest rate of approximately 10%. At September 30, 2003, the outstanding capital lease payable and long-term lease receivable are \$11,223,000 and \$1,873,000, respectively.

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

Fiscal Year-end	Debt Service Payments			Minimum Rentals
	Principal	Interest	Total	
2004	\$ 1,739	\$ 1,116	\$ 2,855	\$ 477
2005	1,912	943	2,855	477
2006	2,102	753	2,855	477
2007	2,312	544	2,856	477
2008	2,509	346	2,855	477
2009 - 2013	649	65	714	114
Totals	<u>\$ 11,223</u>	<u>\$ 3,767</u>	<u>\$ 14,990</u>	<u>\$ 2,499</u>

Other Leases:

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

Description	Date Issued	Final Maturity	Range of Interest Rates	Original Amount	Outstanding at September 30, 2003
<u>GOVERNMENTAL ACTIVITIES</u>					
General Fund:					
Emergency Communications Center (a)	06/21/02	06/21/05	3.01%	\$ 4,000	\$ 2,706
Emergency Communications Center (a)	06/21/02	06/21/07	3.62%	4,000	3,256
Emergency Communications Center (a)	06/21/02	06/21/09	3.94%	9,125	7,969
Helicopter (b)	02/03/03	02/03/10	2.91%	2,785	2,543
Park Sports Lighting (c)	04/12/01	09/01/05	5.25%	98	60
City Light and Power (d)	05/01/96	05/01/21	8.73%	18,500	17,199
Total General Fund				<u>38,508</u>	<u>33,733</u>
Health Special Revenue Fund:					
Health Facility (e)	06/30/89	01/01/19	Variable	<u>4,866</u>	<u>3,796</u>
Internal Service Funds:					
Civic Center Fund:					
Sisco Lease (f)	07/17/96	01/17/07	6.07%	<u>6,278</u>	<u>2,474</u>
General Services Fund:					
Personal Computers (g)	05/01/03	05/01/06	6.63%	24	21
Personal Computers (g)	12/24/02	12/25/04	2.90%	2,523	1,078
Personal Computers (g)	12/27/00	12/27/03	5.03%	2,230	199
Personal Computers (g)	04/23/03	04/25/07	3.64%	1,276	1,147
IBM Processor (h)	09/01/00	08/01/05	3.8-7.45%	654	201
Total General Services Fund				<u>6,707</u>	<u>2,646</u>
Total Governmental Activities Leases				<u>\$ 56,359</u>	<u>\$ 42,649</u>

- (a) The City entered into capital lease agreements to purchase equipment for the Emergency Communications and Operations Center. The annual payment, including principal and interest, is \$3,840,000 which is paid annually through fiscal year 2009.
- (b) The City entered into a capital lease agreement to purchase a helicopter for use by the Police Department for safety enforcement. The lease is payable monthly in the amount of \$37,000 at 2.91% interest through February 2010.

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- (c) The City entered into a capital lease agreement to install lighting systems in certain parks. The lease is payable monthly in the amount of \$1,900 at 5.25% interest through September 2005.
- (d) The City entered into a capital lease agreement to improve and replace the street lighting infrastructure in the City. The lease is payable monthly; the amount varies by year, with the initial year at \$57,000 per month and the maximum amount for the sixth through twenty-fifth years at \$163,000 per month
- (e) In June 1989, the City entered into a capital lease with the California Health Facilities Financing Authority to finance the Health Department building. Interest is payable monthly at variable interest rates plus State expenses. Principal is paid annually in November.
- (f) The City entered into a capital lease to make energy conservation improvements to the Civic Center building. The monthly installments vary through January 2007 and do not exceed \$78,000 per month. The savings in energy costs resulting from the improvements are expected to be sufficient to cover the lease payments.
- (g) The City entered into capital lease agreements to finance the leasing of personal computers. The leases are payable monthly through 2007 and the aggregate monthly payments are \$169,000.
- (h) The City entered into a capital lease to finance the purchase of IBM processors and related equipment. The lease is payable monthly in installments of \$10,000.

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

Year-end	Principal Payments By Fund				Annual Debt Service Requirements		
	General	Health	Civic Center	General Services	Principal	Interest	Total
2004	\$ 4,174	\$ 130	\$ 691	\$ 1,483	\$ 6,478	\$ 2,026	\$ 8,504
2005	4,343	140	762	639	5,884	1,859	7,743
2006	3,113	150	764	331	4,358	1,712	6,070
2007	3,257	160	257	193	3,867	1,573	5,440
2008	2,488	175	-	-	2,663	1,474	4,137
2009 - 2013	6,548	1,090	-	-	7,638	5,817	13,455
2014 - 2018	7,267	1,565	-	-	8,832	2,874	11,706
2019 - 2023	2,543	386	-	-	2,929	143	3,072
Totals	<u>\$ 33,733</u>	<u>\$ 3,796</u>	<u>\$ 2,474</u>	<u>\$ 2,646</u>	<u>\$ 42,649</u>	<u>\$ 17,478</u>	<u>\$ 60,127</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 by fund (in thousands):

<u>Year-end</u>	
2003	\$ 190,403
2004	183,130
2005	181,090
2006	161,551
2007	153,979
2008-2012	650,946
2013-2017	550,695
2018-2022	504,891
2023-2027	337,403
2028-2032	26,534
2033-2037	15,848
2038-2042	11,542
2043-2047	9,946
2048-2052	4,461
Total	<u><u>\$ 2,982,419</u></u>

NOTE 12 – RETIREMENT PROGRAMS

Plan Description

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

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

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during the three consecutive highest paid years of employment for each year of credited service for second tier.

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

Funding Policy

In November 1998, the City was informed by CalPERS that all of its retirement plans were overfunded based on the actuarial valuation completed as of June 30, 1997. Accordingly, the City's employer contribution rates were reduced by CalPERS to zero for all plans effective November 13, 1998. Participants are required to contribute 7% of their earnings for all miscellaneous and 9% for all police, fire and lifeguard employees. The City continued to make these employee contributions as required by CalPERS law through July 2, 1999 at which time it was informed by CalPERS that no further contributions were required. Based on the latest actuarial valuations as of June 30, 2002, the City continues to be overfunded and is not currently required to pay CalPERS any employee or employer contributions for any of its plans. The funded normal cost rates are as follows:

Contribution Rates for Fiscal Year 2004
(June 30, 2001 Actuarial)

Employees Covered	Normal Cost	Amortization of Unfunded Liability	Total Employer Rate	Employee Rate *
Safety	19.650%	(19.650%)	-	9%
Miscellaneous	9.551%	(9.551%)	-	8% **

Contribution Rates for Fiscal Year 2003
(June 30, 2000 Actuarial)

Employees Covered	Normal Cost	Amortization of Unfunded Liability	Total Employer Rate	Employee Rate *
Safety	20.097%	(20.097%)	-	9%
Miscellaneous	7.028%	(7.028%)	-	7%

* At this time, Employee Contributions are being paid from excess assets in the City's Safety and Miscellaneous CalPERS plans.

** Miscellaneous employee rate increased to 8% from 7 % effective August 24, 2002.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. Due to recent CalPERS investment losses, the City is expecting that contribution payments to CalPERS will be required beginning October 1, 2004 for both Safety and Miscellaneous Plans at 14.208% and 6.312% respectively, plus the employee rate of 9% and 8% for Safety and Miscellaneous respectively.

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Annual Pension Cost

Since the City retirement plans are overfunded, the annual pension cost for CalPERS is effectively zero. A summary of principal assumptions and methods used to determine the annual required contribution for miscellaneous and safety employees is shown below.

	Assumptions
Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	12 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	8.25% (net of administrative expenses)
Projected Salary Increases	4.27% to 11.59% depending on age, service, and type of employment
Inflation	3.50%
Payroll Growth	3.75%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%.

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

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the excess assets to payroll. The information is presented based on the CalPERS fiscal year from July 1 through June 30.

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Three-Year Trend Information for CalPERS – Net Pension Obligation
(Unaudited)
(In thousands)

<u>June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	--	100%	--
2001	--	100%	--
2002	--	100%	--

The City's contribution rate since July 1999 to date is zero, therefore there is no annual pension cost as of June 30, 2002.

Public Agency Retirement System – Defined Benefit Plan

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

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

The City's funding policy is to contribute the contribution determined by the Plan's actuary as of September 30, 2003. The following information describes the calculation methodology:

- The Plan's annual pension cost (APC) for the fiscal year ended September 30, 2003 is based on the period from July 1, 2002 to June 30, 2003. The APC for this period was \$75,338, the same amounts contributed for this period.
- The actuarial liabilities and assets are valued as of June 30, 2003.
- 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

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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 year and future years. This allocation is made by multiplying the projected benefit by a fraction, the numerator of which is the participant's total credited years of service on the valuation date, and the denominator is the participant's total credited years of service at anticipated benefit commencement.

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level percent of expected covered payroll to determine the unfunded actuarial liability rate.

The following is a summary of the actuarial assumptions:

Interest Rate:	7.5%
Mortality:	1983 Group Annuity Mortality Table
Turnover:	T-7 Table from the Actuary's Pension Handbook in excess of mortality
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 actuarial assumptions for the Seasonal and Temporary Employees' first five years of service are the same except for the turnover assumptions, which are:

<u>Years of Service</u>	<u>Rate</u>
0	50%
1	40%
2	30%
3	20%
4	10%
5+	T-7 Table from the Actuary's Pension Handbook in excess of mortality

CITY OF LONG BEACH
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The net pension obligation information below is based on periods from July 1 through June 30.

Fiscal Year	Annual Pension Costs	Actual Contribution	Percentage Contribution	Net Pension Obligation
1995 (June 30)	\$ 42,215	\$ 42,215	100%	\$ -
1996	143,292	143,292	100%	-
1997	181,910	181,910	100%	-
1998	170,014	170,014	100%	-
1999	196,853	196,853	100%	-
2000	188,924	188,924	100%	-
2001	102,749	102,749	100%	-
2002	74,497	74,497	100%	-
2003	75,338	75,338	100%	-

NOTE 13 – POST RETIREMENT HEALTH CARE BENEFITS

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

At September 30, 2003, there were 816 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 \$23,830,000. Total premiums paid by the City under the Retired Employees Health Insurance Program during the twelve months ended September 30, 2003, were \$4,671,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The City has recorded a liability in the Employee Benefits Internal Service Fund of \$64,315,000, based on an actuarial study of current and future retiree accumulated sick leave as of September 30, 2003. Such estimate 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 5.75%; wage increases of 4% per year, and insurance premium increases of 4.5%. The current portion of such obligation of \$5,371,000, recorded in current accrued wages and benefits, has been fully funded; the long-term portion of the liability of \$58,944,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

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NOTE 14 – SELF – INSURANCE PROGRAMS

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. At September 30, 2003, the City accrued nondiscounted estimates of \$102,945,000 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 development. The City has no outstanding annuities payable. The City has recorded a current liability of \$23,775,000 and a long-term liability of \$79,170,000 in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2003 is dependent on future developments. Based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual adequately represents such losses.

A summary of the City's claims activity for the fiscal year ended September 30, 2003 and 2002 is as follows (in thousands):

	Worker's Compensation Claims	General Liability Claims	Total
Balance at October 1, 2001	\$ 46,478	\$ 22,700	\$ 69,178
Additions	27,125	5,413	32,538
Payments	(13,862)	(2,013)	(15,875)
Balance at September 30, 2002	\$ 59,741	\$ 26,100	\$ 85,841
Additions	35,002	2,749	37,751
Payments	(15,398)	(5,249)	(20,647)
Balance at September 30, 2003	<u>\$ 79,345</u>	<u>\$ 23,600</u>	<u>\$ 102,945</u>

Component Unit

Under its insurance program, the LBT retains the risk for each occurrence of worker's compensation and public liability and property damage claimed up to \$1,000,000. Claims in excess of \$1,000,000 for either worker's compensation or public liability and property damage are covered under policies in force with an independent insurer. The amount of settlements for both worker's compensation and public liability and property damage did not exceed the insurance coverage limits in fiscal year 2003.

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):

	Public Liability and Property Damage	Worker's Compensation	Total
Fiscal year 2002 beginning balance	\$ 1,208	\$ 1,943	\$ 3,151
Reserves:			
New claims	789	501	1,290
Adjustments to existing claims	300	2,977	3,277
Payouts	(981)	(2,795)	(3,776)
Fiscal year 2002 ending balance	\$ 1,316	\$ 2,626	\$ 3,942
Reserves:			
New claims	634	720	1,354
Adjustments to existing claims	523	1,943	2,466
Payouts	(1,071)	(3,040)	(4,111)
Fiscal year 2003 ending balance	<u>\$ 1,402</u>	<u>\$ 2,249</u>	<u>\$ 3,651</u>

NOTE 15 – GOVERNMENTAL ACTIVITIES FUND BALANCE

The composition of the reserved portion of the governmental activities fund balance at September 30, 2003 is as follows (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Totals
Reserved for:				
Other Noncurrent Receivables (a)	\$ 99,868	\$ 31,336	\$ -	\$ 131,204
Asset Seizure Money (b)	2,828	-	-	2,828
Encumbrances	1,279	17,347	5,399	24,025
Future Advances to Other Funds - restricted by City Charter	1,486	-	-	1,486
Transportation Projects (c)	-	-	19,424	19,424
Housing Development - restricted by State law	-	1,115	-	1,115
Future Projects	3,109	69,551	3,169	75,829
Land Held For Resale	-	41,885	-	41,885
Estimated Oil Field Abandonment Costs	-	-	2,123	2,123
Debt Service Covenants	7,074	35,502	200	42,776
Totals	<u>\$ 115,644</u>	<u>\$ 196,736</u>	<u>\$ 30,315</u>	<u>\$ 342,695</u>

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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 \$95,035,000 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, \$2,530,000 is due from the Airport Enterprise Fund for City services and \$2,000,000 is due from the Health Fund for advances to cover cash flow. Repayment from the Airport is dependant on Airport revenues from flights. There is no repayment date for the Health Fund advance.

Other major governmental fund advances to other funds consist of \$21,817,000 due to the Housing Development Special Revenue Fund from the Redevelopment Capital Projects Fund, \$4,874,000 due to the Community Development Grants Fund from the Housing Development Special Revenue Fund and \$1,858,000 due to the General Capital Projects Fund from the Redevelopment Capital Projects Fund. Repayments depend on available future tax revenue increments.

The balance of \$2,787,000 mainly represents long-term notes receivable for the Redevelopment Agency and Housing Development Special Revenue Fund, which do not provide current available resources.

- (b) The reserve for asset seizure funds accounts for monies received 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 accumulated deficits in the Insurance and Employee Benefits Internal Service Funds aggregate \$77,383,000 and \$26,306,000, respectively. The City's Management believes the cash position is sufficient to cover the current costs related to retired health insurance, worker's compensation, general liability claims and current operating costs in the Insurance and Employee Benefits Internal Service Funds. The City's Management intends to adjust billings to City departments as needed to ensure that adequate cash positions are maintained.

At September 30, 2003, the City's Redevelopment Agency had a deficit fund balance of \$19,504,000. Such deficit was created by funding redevelopment projects through the issuance of long-term indebtedness to outside entities and the City of Long Beach. The Redevelopment Agency's management believes that future property tax increments and

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property sales to developers will be sufficient to ultimately eliminate such deficit in future years. The advances from the City have no specified repayment date.

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

The following reconciles actual revenues and expenditures for governmental funds to the non-GAAP budgetary basis by fund type for the fiscal year ended September 30, 2003 (in thousands):

	General Fund	Major Governmental Funds Other than General Fund	Nonmajor Governmental Funds	Total
Beginning Fund Balance- Actual (GAAP Basis)	\$ 166,666	\$ 78,046	\$ 37,442	\$ 282,154
Cumulative Effect of Capitalization of Land Held for Resale at October 1, 2002	-	(42,739)	-	(42,739)
Beginning Fund Balance - Budgetary Basis	166,666	35,307	37,442	239,415
Actual (GAAP-Basis) Revenues	312,973	95,971	127,642	536,586
Basis Adjustments: Proceeds from Sale of Land Held for Resale	-	3,991	-	3,991
Revenues on the Budgetary Basis	312,973	99,962	127,642	540,577
Actual (GAAP-Basis) Expenditures	357,035	105,670	121,413	584,118
Basis Adjustments: Encumbrances Outstanding at September 30, 2003	1,279	17,347	5,399	24,025
Current Effect of Capitalization of Land Held for Resale	-	6,271	-	6,271
Loss on Sale of Land Held for Resale	-	(3,134)	-	(3,134)
Expenditures - Budgetary Basis	358,314	126,154	126,812	611,280
Excess of Revenues Over (Under) Expenditures - Budgetary Basis	(45,341)	(26,192)	830	(70,703)
Other Financing Sources (Uses) (GAAP-Basis)	38,632	21,883	(6,552)	53,963
Basis Adjustments: Advances to/from Other Funds	(2,432)	2,567	-	135
Other Financing Sources - Budgetary Basis	36,200	24,450	(6,552)	54,098
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis	(9,141)	(1,742)	(5,722)	(16,605)
Ending Fund Balance - Budgetary Basis	\$ 157,525	\$ 33,565	\$ 31,720	\$ 222,810

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

NOTE 17 – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES FUNDS

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

The Aquarium of the Pacific 2001 revenue bonds, issued in the amount of \$129,520,000, is 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 \$1,178,000.

The 1994 Marina Subordinate Revenue bond, 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 \$1,563,000 for the purchase of goods, services and construction.

The 1999 Rainbow Harbor Financing Project Revenue Bonds, issued in the amount of \$47,970,000, is accounted for in the Rainbow Harbor Area segment. The Rainbow Harbor Area segment is used to account for the Rainbow Harbor Area administration, the Rainbow Harbor financing and the Aquarium parking structure financing operations. The Rainbow Harbor Area segment had commitments of \$194,000 for the purchase of goods, services and construction.

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

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Summary financial information for each segment is presented below (in thousands) as of September 30, 2003:

City of Long Beach Business-Type Activities Tidelands Fund Segments Statement of Net Assets September 30, 2003 (In Thousands)			
	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 4,706	\$ 1,587	\$ 2,989
Receivables:			
Interest Receivable	-	-	103
Accounts Receivable	2,128	189	52
Notes and Loans Receivable	-	-	-
Due from Other Governments	1,572	12	-
Due from Other Funds	9,058	-	-
Capital Leases Receivable-Current	290	-	-
Allowance for Receivables	(17)	(118)	(2)
Inventory	-	96	-
Total Current Assets	<u>17,737</u>	<u>1,766</u>	<u>3,142</u>
Restricted Assets:			
Pooled Cash and Cash Equivalents	3,239	6,461	1,470
Non-Pooled Cash and Cash Equivalents	13,821	-	14,789
Interest Receivable	250	-	-
Total Restricted Assets	<u>17,310</u>	<u>6,461</u>	<u>16,259</u>
Noncurrent Assets:			
Noncurrent Receivables:			
Capital Lease Receivable	1,583	-	-
Capital Assets:			
Land and Other Capital Assets not being Depreciated	33,558	1,286	37,009
Capital Assets			
net of Accumulated Depreciation	219,595	30,358	52,768
Deferred Charges-Long-Term	4,741	-	-
Total Noncurrent Assets	<u>259,477</u>	<u>31,644</u>	<u>89,777</u>
Total Assets	<u>294,524</u>	<u>39,871</u>	<u>109,178</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Net Assets
September 30, 2003
(In Thousands)
(continued)

	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
LIABILITIES			
Current Liabilities Payable from Current Assets:			
Accounts Payable	\$ 395	\$ 389	\$ 4,605
Accrued Wages	113	118	12
Accrued Interest Payable	8	232	-
Due to Other Funds	636	34	4
Deferred Revenues	74	2,042	25
Collections Held in Trust	115	15	15
Obligations Under Capital Leases-Current	1,739	-	-
Bonds Payable Due Within One Year	-	-	90
Other Long-Term Obligations-Current	32	621	253
Total Current Liabilities	<u>3,112</u>	<u>3,451</u>	<u>5,004</u>
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	2,733	-	1,129
Bonds Payable Due Within One Year	-	2,915	-
Total Liabilities Payable from Restricted Assets	<u>2,733</u>	<u>2,915</u>	<u>1,129</u>
Noncurrent Liabilities:			
Advances from Other Funds	11,682	-	-
Obligations Under Capital Leases-Current	9,484	-	-
Other Long-Term Obligations	1,037	6,499	5,209
Unamortized Discount/Deferred cost	-	-	(249)
Bonds Payable	129,520	12,855	47,735
Unamortized Discount/Deferred cost	(14,985)	(838)	(2,353)
Total Noncurrent Liabilities	<u>136,738</u>	<u>18,516</u>	<u>50,342</u>
Total Liabilities	<u>142,583</u>	<u>24,882</u>	<u>56,475</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	126,326	9,592	39,092
Restricted for:			
Debt Service	11,774	3,546	4,739
Capital Projects	-	-	10,391
Aquarium Operations and Maintenance Reserve	2,803	-	-
Unrestricted	11,038	1,851	(1,519)
Total Net Assets	<u>\$ 151,941</u>	<u>\$ 14,989</u>	<u>\$ 52,703</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
 Business-Type Activities
 Tidelands Fund Segments
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Fiscal Year Ended September 30, 2003
 (In Thousands)

	Tideland Operating	Marina	Rainbow Harbor Area
Operating Revenues:			
Licenses and Permits	\$ 208	\$ -	\$ -
Fees, Concessions and Rentals	5,520	16,107	2,672
From Other Agencies	2,252	-	-
Charges for Services	23,719	64	-
Total Revenues	<u>31,699</u>	<u>16,171</u>	<u>2,672</u>
Operating Expenses:			
Personal Services	6,542	6,330	733
Maintenance and Other Operations	30,954	3,905	3,007
Amortization	-	58	-
Depreciation	9,831	1,773	2,143
Total Operating Expenses	<u>47,327</u>	<u>12,066</u>	<u>5,883</u>
Operating Income (Loss)	<u>(15,628)</u>	<u>4,105</u>	<u>(3,211)</u>
Non-Operating Income (Expense):			
Interest Income	1,993	211	602
Interest Expense	(9,273)	(1,306)	(2,985)
Gain (Loss) on Disposition of Fixed Assets	(7)	14	-
Other Income	102	(595)	(6)
Total Non-Operating Expense	<u>(7,185)</u>	<u>(1,676)</u>	<u>(2,389)</u>
Income (Loss) Before Contributions and Transfers	(22,813)	2,429	(5,600)
Capital Grants and Contributions	(18)	18	-
Transfers:			
Transfers In	19,966	-	4,270
Transfers Out	(4,270)	(350)	-
Change in Net Assets	(7,135)	2,097	(1,330)
Net Assets - October 1	159,076	12,892	54,033
Net Assets - September 30	<u>\$ 151,941</u>	<u>\$ 14,989</u>	<u>\$ 52,703</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
Business-Type Activities
Tidelands Major Segments
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 28,654	\$ 16,264	\$ 2,763
Receipts from Other Governments	1,520	-	-
Payments for Employee Salaries	(6,532)	(6,308)	(738)
Payments for Goods and Services	(30,700)	(4,193)	771
Other Income	102	(595)	(6)
Net Cash Provided by (Used for) Operating Activities	<u>(6,956)</u>	<u>5,168</u>	<u>2,790</u>
Cash Flows from Non-Capital Financing Activities:			
Operating Grants Received from Other Governments			
Transfers In	19,585	-	4,270
Transfers Out	<u>(4,270)</u>	<u>(350)</u>	<u>-</u>
Net Cash Provided by Non-Capital Financing Activities	<u>15,315</u>	<u>(350)</u>	<u>4,270</u>
Cash Flows from Capital and Related Financing Activities:			
Receipt of Capital Grants	-	480	-
Proceeds from the Sale of Capital Assets	-	14	-
Proceeds from Issuance Of Long-Term Obligations	-	1,489	-
Principal Received on Capital Leases	264	-	-
Payments for Capital Acquisitions	(2,870)	(1,689)	(25,709)
Payments of Principal on Bonds Payable	-	(2,785)	(310)
Payments of Principal on Other Long- Term Obligations	(2,187)	(625)	(12)
Payments of Interest	<u>(8,350)</u>	<u>(1,188)</u>	<u>(2,790)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(13,143)</u>	<u>(4,304)</u>	<u>(28,821)</u>
Cash Flows from Investing Activities:			
Receipts of Interest	<u>1,985</u>	<u>211</u>	<u>603</u>
Net Cash Provided by Investing Activities	<u>1,985</u>	<u>211</u>	<u>603</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,799)	725	(21,158)
Cash and Cash Equivalents - October 1	<u>24,565</u>	<u>7,323</u>	<u>40,406</u>
Cash and Cash Equivalents - September 30	<u>\$ 21,766</u>	<u>\$ 8,048</u>	<u>\$ 19,248</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
Business-Type Activities
Tidelands Fund Segments
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Tideland Operating</u>	<u>Marina</u>	<u>Rainbow Harbor Area</u>
Operating Income (Loss)	<u>\$ (15,628)</u>	<u>\$ 4,105</u>	<u>\$ (3,211)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization Expense	9,831	1,831	2,143
Other Income (Loss)	102	(595)	(6)
(Increase) Decrease in Accounts Receivable, Net	(843)	(23)	107
Increase in Amounts Due from Other Governments	(732)	-	-
Increase in Inventory	-	(20)	-
Increase (Decrease) in Accounts Payable	255	(275)	3,780
Increase (Decrease) in Accrued Wages Payable	10	22	(5)
Increase (Decrease) in Amounts Due to Other Funds	-	7	(1)
Increase (Decrease) in Deferred Revenues	(43)	116	-
Increaes (Decrease) in Collections Held in Trust	<u>92</u>	<u>-</u>	<u>(17)</u>
Total Adjustments	<u>8,672</u>	<u>1,063</u>	<u>6,001</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (6,956)</u>	<u>\$ 5,168</u>	<u>\$ 2,790</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

The City also conducts Business-type services that provide gas/gas transmission, water, airport, refuse collection, sewer and towing services. Segment information for the Business-type activities funds at September 30, 2003, and for the fiscal year then ended, are as follows (in thousands):

<u>Business-Type Activities Major Activities</u>	<u>Gas</u>	<u>Water</u>	<u>Solid Waste Management</u>	<u>Tidelands</u>	<u>Tideland Oil Revenue</u>	<u>Harbor</u>	<u>Total Major Funds</u>
Operating Revenues	\$ 75,323	\$ 58,944	\$ 69,441	\$ 50,768	\$ 85,814	\$ 249,542	\$ 589,832
Depreciation Expense	3,291	7,641	4,373	14,014	-	73,489	102,808
Operating Income (Loss)	7,701	6,650	9,995	(14,775)	30,430	130,659	170,660
Non-Operating Income (Expense)	189	(1,127)	(8,090)	(11,250)	(14,887)	(53,593)	(88,758)
Transfers Net	(15,355)	-	(10,033)	19,616	(6,961)	(9,058)	(21,791)
Change in Net Assets	(7,465)	10,586	(8,128)	(6,409)	8,582	68,508	65,674
Current Capital Contributions (net)	-	-	-	-	-	-	-
Capital Assets:							
Additions	(2,049)	(19,787)	(514)	(30,968)	-	(174,417)	(227,735)
Deletions	(193)	(667)	154	7	-	(11,337)	(12,036)
Net Working Capital	10,265	9,278	49,867	11,132	94,522	295,280	470,344
Total Assets	82,208	246,431	137,030	455,341	292,849	2,954,365	4,168,224
Bonds and Other Long-Term Liabilities Payable from							
Operating Revenues	8,008	39,245	125,571	205,596	244,470	1,264,132	1,887,022
Total Net Assets	<u>\$ 65,131</u>	<u>\$ 196,525</u>	<u>\$ 3,718</u>	<u>\$ 231,376</u>	<u>\$ 30,681</u>	<u>\$ 1,590,932</u>	<u>\$ 2,118,363</u>

Included in non-operating income for the Solid Waste Management Enterprise Fund are operating grants totaling \$518,000 received for the recycling program during fiscal year September 30, 2003.

<u>Business-Type Activities Minor Activities</u>	<u>Sewer</u>	<u>Airport</u>	<u>Towing</u>	<u>Subsidence</u>	<u>Total Nonmajor Activities</u>	<u>Total Business-Type Activities</u>
Operating Revenues	\$ 9,015	\$ 23,540	\$ 5,639	\$ -	\$ 38,194	\$ 628,026
Depreciation Expense	1,103	2,237	14	-	3,354	106,162
Operating Income (Loss)	595	5,875	264	-	6,734	177,394
Non-Operating Income (Expense)	265	(236)	47	2,401	2,477	(86,281)
Transfers Net	-	-	-	-	-	(21,791)
Change in Net Assets	1,135	9,426	311	2,401	13,273	78,947
Current Capital Contributions (net)	-	3,530	-	-	3,530	3,530
Capital Assets:						
Additions	(6,268)	(5,381)	-	-	(11,649)	(239,384)
Deletions	-	-	-	-	-	(12,036)
Net Working Capital	4,630	6,060	1,431	-	12,121	482,465
Total Assets	47,859	51,261	1,672	146,927	247,719	4,415,943
Bonds and Other Long-Term Liabilities Payable from						
Operating Revenues	-	14,762	-	-	14,762	1,901,784
Total Net Assets	<u>\$ 46,725</u>	<u>\$ 33,341</u>	<u>\$ 1,610</u>	<u>\$ 145,154</u>	<u>\$ 226,830</u>	<u>\$ 2,345,193</u>
Total Business Activities Net Assets						\$ 2,345,193
Internal Service Funds Consolidation						(10,718)
Net Assets of Business-Type Activities						<u>\$ 2,334,475</u>

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 18 – SOUTHEAST RESOURCE RECOVERY FACILITY

The Southeast Resource Recovery Facility (SERRF) Authority was formed as a joint powers authority between the City and Los Angeles County Sanitation District No. 2 in December, 1984. Subsequent to SERRF's formation, lease revenue bonds were issued to construct a waste-to-energy facility, and contracts for the design, construction and demonstration of a plant were executed and completed. Subsequent complex contractor litigation ensued and was settled in 1994.

A final settlement to the contractor litigation provided that the City would receive \$6 million in cash and approximately \$10 million over a 20 year period in monthly installments which began in 1999. Additionally, a \$6 million payment from the present operator for future improvements has been accounted for as contributed capital. The long-term portion of future payments receivable from the former contractor of approximately \$10 million has been accounted for as a receivable and deferred revenue. The long-term receivable at September 30, 2003 is \$7,140,000 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 is equal to debt service payments with a maximum annual payment of \$25,000,000.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
Solid Waste Mangement Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Net Assets
September 30, 2003
(In Thousands)

	Solid Waste Mangement Fund			SERRF Authority	Eliminations Debit (Credit)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub- Total			
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 8,540	\$ 35,696	\$ 44,236	\$ -	\$ -	\$ 44,236
Receivables:						
Accounts Receivable	1,916	6,410	8,326	-	-	8,326
Due from Other Governments	201	412	613	-	-	613
Capital Leases Receivable-Current	-	-	-	4,500	(4,500)	-
Allowance for Receivables	(214)	(1)	(215)	-	-	(215)
Total Current Asset	<u>10,443</u>	<u>42,517</u>	<u>52,960</u>	<u>4,500</u>	<u>(4,500)</u>	<u>52,960</u>
Restricted Assets:						
Non-Pooled Investments	-	-	-	13,105	-	13,105
Accounts Receivable	-	-	-	148	(148)	-
Total Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,253</u>	<u>(148)</u>	<u>13,105</u>
Noncurrent Assets:						
Noncurrent Receivables:						
Capital Lease Receivable	-	-	-	120,600	(120,600)	-
Other Noncurrent Receivables	-	7,140	7,140	-	-	7,140
Capital Assets:						
Land and Other Capital Assets not being Depreciated	-	7,414	7,414	-	-	7,414
Capital Assets net of Accumulated Depreciation	190	56,221	56,411	-	-	56,411
Other Assets-Long-Term	-	5,148	5,148	618	(5,766)	-
Total Noncurrent Assets	<u>190</u>	<u>75,923</u>	<u>76,113</u>	<u>121,218</u>	<u>(126,366)</u>	<u>70,965</u>
Total Assets	<u>10,633</u>	<u>118,440</u>	<u>129,073</u>	<u>138,971</u>	<u>(131,014)</u>	<u>137,030</u>
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	1,406	1,082	2,488	-	148	2,340
Accrued Wages	142	7	149	-	-	149
Accrued Interest Payable	7	-	7	-	-	7
Due to Other Funds	41	2	43	-	-	43
Collections Held in Trust	532	22	554	-	-	554
Other Long-Term Obligations-Current	-	4,500	4,500	-	4,500	-
Total Current Liabilities	<u>2,128</u>	<u>5,613</u>	<u>7,741</u>	<u>-</u>	<u>4,648</u>	<u>3,093</u>
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	-	-	-	61	-	61
Accrued Interest Payable	-	-	-	87	-	87
Bonds Payable Due Within One Year	-	-	-	4,500	-	4,500
Total Liabilities Payable from Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,648</u>	<u>-</u>	<u>4,648</u>
Noncurrent Liabilities:						
Deferred Revenues	-	7,140	7,140	-	-	7,140
Deferred Credits and Other Deferred Liabilities	-	618	618	5,148	5,766	-
Obligations Under Capital Leases	-	120,600	120,600	-	120,600	-
Bonds Payable	-	-	-	120,600	-	120,600
Unamortized Discount/Deferred cost	-	-	-	(2,169)	-	(2,169)
Total Noncurrent Liabilities	<u>-</u>	<u>128,358</u>	<u>128,358</u>	<u>123,579</u>	<u>126,366</u>	<u>125,571</u>
Total Liabilities	<u>2,128</u>	<u>133,971</u>	<u>136,099</u>	<u>128,227</u>	<u>131,014</u>	<u>133,312</u>
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	190	(56,935)	(56,745)	-	2,361	(59,106)
Restricted for:						
Debt Service	-	-	-	13,105	-	13,105
Unrestricted	<u>8,315</u>	<u>41,404</u>	<u>49,719</u>	<u>(2,361)</u>	<u>(2,361)</u>	<u>49,719</u>
Total Net Assets	<u>\$ 8,505</u>	<u>\$ (15,531)</u>	<u>\$ (7,026)</u>	<u>\$ 10,744</u>	<u>\$ -</u>	<u>\$ 3,718</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
Solid Waste Mangement Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Condensed Statement of Revenues, Expenses and
Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	Solid Waste Mangement Fund				Eliminations Debit (Credit)	Consolidated Solid Waste Mangement Fund
	Refuse	SERRF	Sub- Total	SERRF Authority		
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ -	\$ -	\$ 2,735	\$ 2,735	\$ -
Charges for Services	29,060	40,381	69,441	-	-	69,441
Total Revenues	<u>29,060</u>	<u>40,381</u>	<u>69,441</u>	<u>2,735</u>	<u>2,735</u>	<u>69,441</u>
Operating Expenses:						
Personal Services	7,705	316	8,021	-	-	8,021
Maintenance and Other Operations	20,449	26,452	46,901	-	-	46,901
Rental Expense	-	2,735	2,735	-	(2,735)	-
Bad Debt	151	-	151	-	-	151
Depreciation	24	4,349	4,373	-	-	4,373
Total Operating Expenses	<u>28,329</u>	<u>33,852</u>	<u>62,181</u>	<u>-</u>	<u>(2,735)</u>	<u>59,446</u>
Operating Income (Loss)	<u>731</u>	<u>6,529</u>	<u>7,260</u>	<u>2,735</u>	<u>-</u>	<u>9,995</u>
Non-Operating Income (Expense):						
Interest Income	225	1,112	1,337	158	-	1,495
Interest Expense	-	-	-	(1,758)	-	(1,758)
Gain on Disposition of Capital Assets	-	154	154	-	-	154
Operating Grants	518	-	518	-	-	518
Other Income (Expense)	<u>1,700</u>	<u>(9,533)</u>	<u>(7,833)</u>	<u>(666)</u>	<u>-</u>	<u>(8,499)</u>
Total Non-Operating Income (Expense)	<u>2,443</u>	<u>(8,267)</u>	<u>(5,824)</u>	<u>(2,266)</u>	<u>-</u>	<u>(8,090)</u>
Income (Loss) Before Contributions and Transfers	<u>3,174</u>	<u>(1,738)</u>	<u>1,436</u>	<u>469</u>	<u>-</u>	<u>1,905</u>
Transfers:						
Transfers Out	<u>-</u>	<u>(10,033)</u>	<u>(10,033)</u>	<u>-</u>	<u>-</u>	<u>(10,033)</u>
Change in Net Assets	<u>3,174</u>	<u>(11,771)</u>	<u>(8,597)</u>	<u>469</u>	<u>-</u>	<u>(8,128)</u>
Net Assets - October 1	<u>5,331</u>	<u>(3,760)</u>	<u>1,571</u>	<u>10,275</u>	<u>-</u>	<u>11,846</u>
Net Assets - September 30	<u>\$ 8,505</u>	<u>\$ (15,531)</u>	<u>\$ (7,026)</u>	<u>\$ 10,744</u>	<u>\$ -</u>	<u>\$ 3,718</u>

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
Solid Waste Mangement Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Solid Waste Mangement Fund</u>			<u>SERRF Authority</u>	<u>Eliminations Increase (Decrease)</u>	<u>Consolidated Solid Waste Mangement Fund</u>
	<u>Refuse</u>	<u>SERRF</u>	<u>Sub- Total</u>			
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 28,710	\$ 40,447	\$ 69,157	\$ -	\$ -	\$ 69,157
Receipts from Capital Lease	-	-	-	2,019	(2,019)	-
Payments for Employee Salaries	(7,726)	(313)	(8,039)	-	-	(8,039)
Payments for Goods and Services	(20,085)	(29,939)	(50,024)	-	2,019	(48,005)
Other Income (Expense)	1,700	(9,533)	(7,833)	-	-	(7,833)
Net Cash Provided by Operating Activities	2,599	662	3,261	2,019	-	5,280
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	406	-	406	-	-	406
Transfers Out	-	(10,033)	(10,033)	-	-	(10,033)
Net Cash Provided by (Used for) Non-Capital Financing Activities	406	(10,033)	(9,627)	-	-	(9,627)
Cash Flows from Capital and Related Financing Activities:						
Proceeds from the Sale of Capital Assets	-	631	631	-	-	631
Payments for Capital Acquisitions	(140)	(374)	(514)	-	-	(514)
Payments of Principal on Bonds Payable	-	-	-	(4,200)	-	(4,200)
Payments of Principal on Other Long- Term Obligations	-	(4,200)	(4,200)	-	4,200	-
Payments for Debt Service	-	-	-	(788)	-	(788)
Payments of Interest	-	-	-	(1,416)	-	(1,416)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(140)	(3,943)	(4,083)	(6,404)	4,200	(6,287)
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	27	-	27
Principal Received under Capital Lease	-	-	-	4,200	(4,200)	-
Receipts of Interest	225	1,112	1,337	158	-	1,495
Net Cash Provided by (Used for) Investing Activities	225	1,112	1,337	4,385	(4,200)	1,522
Net Increase (Decrease) in Cash and Cash Equivalents	3,090	(12,202)	(9,112)	-	-	(9,112)
Cash and Cash Equivalents - October 1	5,450	47,898	53,348	-	-	53,348
Cash and Cash Equivalents - September 30	\$ 8,540	\$ 35,696	\$ 44,236	\$ -	\$ -	\$ 44,236

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

City of Long Beach
Solid Waste Mangement Fund and Southeast Resource Recovery
Facility (SERRF) Joint Powers Authority
Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
(In Thousands)
(Continued)

<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	<u>Solid Waste Mangement Fund</u>			<u>SERRF Authority</u>	<u>Eliminations Increase (Decrease)</u>	<u>Consolidated Solid Waste Mangement Fund</u>
	<u>Refuse</u>	<u>SERRF</u>	<u>Sub- Total</u>			
Operating Income	\$ 731	\$ 6,529	\$ 7,260	\$ 2,735	\$ -	\$ 9,995
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	24	4,349	4,373	-	-	4,373
Other Income (Expense)	1,700	(9,533)	(7,833)	-	-	(7,833)
(Increase) Decrease in Accounts Receivable, Net	(194)	135	(59)	179	(179)	(59)
Increase in Amounts Due from Other Governments	-	(70)	(70)	-	-	(70)
(Increase) Decrease in Deferred Charges	-	895	895	-	(895)	-
Increase (Decrease) in Accounts Payable	364	(1,606)	(1,242)	-	179	(1,063)
Increase (Decrease) in Accrued Wages Payable	(18)	2	(16)	-	-	(16)
Increase (Decrease) in Amounts Due to Other Funds	(4)	1	(3)	-	-	(3)
Increase (Decrease) in Deferred Credits	-	(41)	(41)	(895)	895	(41)
Increase (Decrease) in Collections Held in Trust	(4)	1	(3)	-	-	(3)
Total Adjustments	1,868	(5,867)	(3,999)	(716)	-	(4,715)
Net Cash Provided by Operating Activities	\$ 2,599	\$ 662	\$ 3,261	\$ 2,019	\$ -	\$ 5,280

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 19 – OIL ABANDONMENT LIABILITY

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

Tideland Oil Revenues

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

The City also withholds an amount equivalent to the State's estimated share in the costs of future abandonment and site clearance of the oil properties. This estimate is based on the number and life of productive wells, general changes in the life of the oil field, and changes in oil prices. Amounts withheld are maintained in a separate interest bearing account within the Tideland Oil Revenue Fund and are only expended for the specific purpose of oil field abandonment when ongoing operations are unable to fund such expenses. For fiscal year 2003, the cost of future abandonment or unfunded liability was calculated at \$1.457 per barrel of oil produced. This brought the total amount withheld for future abandonment to \$76,701,000 as of September 30, 2003. The remaining unfunded abandonment liability is estimated at \$179,898,000.

The City's proprietary ownership interests in the Wilmington Oil Field bear a proportionate share of oil field abandonment costs. Such share is presently estimated at \$4,186,000 of which \$2,123,000 has been funded as of September 30, 2003 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% of the interest earnings on the Reserve for Subsidence Contingencies while the other 50% accrued to the Subsidence Fund. After the expiration of the said provisions, and for a period of four years beginning January 1, 2000, 50% of the interest earnings was paid to the

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

State of California while the other 50% accrued to the Subsidence Fund. As of September 30, 2003, the reserve balance within the Subsidence Fund was \$145,154,000.

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 \$26,650,000. A provision for the long-term abandonment costs in the amount of \$26,650,000 has been recorded as of September 30, 2003 as a long-term obligation. Estimates of abandonment costs are reviewed annually, and adjusted to reflect modifications in abandonment practices, number and life of productive wells, varying abandonment expenses, general changes in the life of the oil field and changes in oil price levels.

NOTE 20 – INVESTMENT IN JOINT VENTURES

The City and its component financial reporting units are involved in several joint ventures with other governmental agencies. Most notably, these joint ventures involve the City's Harbor Department operating in conjunction with the Port of Los Angeles to maintain an intermodal transfer facility and to establish a comprehensive transportation corridor. Such joint ventures are generally established to facilitate development of facilities or projects for a common good. Financial interests in these joint ventures have been included in the accompanying basic financial statements as a business-type activity and use the equity method of accounting. Individually, and in the aggregate, the results of financial operations and investment in the aforementioned joint ventures are not material to the City and its affected component financial reporting units. Separate financial statements for these joint ventures are available from the Finance Director of the Port of Long Beach.

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The City's Harbor Department and the Port of Los Angeles (Venturers) have entered into a joint venture agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) to finance and construct a facility to transfer cargo containers between trucks and railroad cars. The facility is leased to Southern Pacific Transportation Company, now merged with Union Pacific Railroad (tenant). The facility has been fully developed by the tenant who has assumed operational responsibility for the facility. The Venturers share net income and equity distributions from ICTF equally. A condensed, audited balance sheet as of June 30, 2003 and 2002, and statement of income and venturer's equity for the year then ended are as follows:

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

ICTF
Condensed Balance Sheet
June 30, 2003 and 2002
(In Thousands)

	2003	2002
Current Assets	\$ 8,044	\$ 8,502
Property and Equipment	3,599	3,707
Total Assets	<u>\$ 11,643</u>	<u>\$ 12,209</u>
Current Liabilities	<u>\$ 2</u>	<u>\$ 2</u>
Venturer's Equity:		
Port of Long Beach Harbor Department	5,648	5,931
Port of Los Angeles	5,994	6,276
Total Venturer's Equity	<u>11,642</u>	<u>12,207</u>
Total Liabilities and Venturers' Equity	<u>\$ 11,644</u>	<u>\$ 12,209</u>

Condensed Statement of Income and Venturer's Equity
for the Years Ended June 30, 2003 and 2002
(In Thousands)

	2003	2002
Operating Revenues	\$ 7,338	\$ 8,673
Operating Expenses	(108)	(108)
Operating Income	<u>7,230</u>	<u>8,565</u>
Interest Income	<u>205</u>	<u>181</u>
Net Income	<u>7,435</u>	<u>8,746</u>
Venturers' equity, July 1	12,207	10,961
Cash Disbursement to Venturers	<u>(8,000)</u>	<u>(7,500)</u>
Venturers' Equity, June 30	<u>\$ 11,642</u>	<u>\$ 12,207</u>

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

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

**CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

certain other funds, were used by ICTF to redeem all of the Intermodal Container Transfer Facility Refunding Revenue Bonds, 1989 Series A currently outstanding.

NOTE 21 – DEFERRED COMPENSATION

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

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

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

NOTE 22 – COMMITMENTS AND CONTINGENCIES

Commitments

At September 30, 2003, business type fund commitments for construction projects and for purchases of goods and services are as follows (in thousands):

Gas	\$ 1,141
Water	4,350
Sewer	713
Airport	835
Solid Waste Management	26
Towing	9
Tidelands	2,936
Harbor	195,109
Total	<u>\$205,119</u>

At September 30, 2003 the City's commitments for governmental activity construction projects and for purchase of goods and services aggregated \$7,603,000.

The Component Unit, Long Beach Transportation Company has \$22,111,000 in purchase commitments at June 30, 2003, mainly for the purchase of new buses and an advanced communication system.

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Health Insurance

The City contracts with an insurance company to provide group health insurance to City employees. In an effort to maintain rates at acceptable levels, the City deposited with the insurance company certain securities valued at approximately \$5,000,000 to cover terminal liability claims. The securities are included in the City's pooled cash and investments and all interest earned on the securities accrues to the City. In the event of the City terminating its contract with the insurance company, the securities will be returned to the City.

Self Insurance

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

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

Environmental Remediation

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

Allocation:

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

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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

In December 1994, the Harbor Department purchased the right-of-way over property from Southern Pacific Railroad Company (SPRC). The Harbor Department intends to develop this property as part of the Alameda Corridor Project. Based on preliminary assessments, the property may contain hazardous substances requiring remediation or abatement due to pre-existing environmental conditions. The Harbor Department's liability is mitigated by a reimbursement from SPRC in the amount of \$7,500,000. The Long Beach Harbor Department's liability is also mitigated by provisions of the purchase agreement which state that a portion of the fiscal responsibility for remediation costs should be absorbed by SPRC (i.e., fifty-percent of environmental losses in excess of \$25,000,000, on a cumulative basis for all pre-existing environmental conditions).

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

Alameda Corridor Development Project

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

As of September 30, 2003 and 2002, the total cost to the City's Harbor Department related to the rights-of-way purchase amount to \$209,800,000 and \$207,500,000, respectively.

Construction of the Corridor began in 1997 and was completed in April 2002. Construction funds were provided from federal, state, and local sources, and from issuance of debt. Repayment to the City's Harbor Department for monies advanced and its initial investment in the corridor right-of-way acquired will occur once the Alameda Corridor Transportation Authority (ACTA) has generated sufficient revenues to retire all debt and provide for a maintenance reserve. The Harbor Departments management estimates that as much as \$463 million could be returned to the Port of Long Beach Harbor Department through the year 2037.

The Alameda Corridor Use and Operating Agreement executed between the Harbor Department, the Port of Los Angeles, ACTA, and the participating railroads, provides for a

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

payment of funds to be made to ACTA by the Harbor Department and the Port of Los Angeles under certain circumstances. Revenues generated by Use Fees and Container Charges, paid by the railroads, will be used to pay debt service on the corridor financing, to establish and maintain a reserve account, and to pay ACTA's reasonable administration expenses.

To the extent that such fees and charges are not sufficient to meet ACTA's obligations, the Harbor Department and the Port of Los Angeles are required to advance the funds necessary to make up the difference. This obligation begins after substantial completion of the Corridor project and is limited to a total of 40% of the total annual required amount, with the Harbor Department and the Port of Los Angeles sharing the costs equally. Any advances made by the Harbor Department and the Port of Los Angeles are reimbursable with interest after maturity of the debt. The maximum amount that the Harbor Department could be obligated for is \$80.8 million, payable from the year 2005 to 2019, in annual amounts ranging from \$692,000 to \$10.6 million. Repayment with interest of this amount to the Harbor Department may begin in 2018. The Harbor Department is funding a cash reserve to satisfy claims related to this potential obligation. The balance of this reserve as of September 30, 2003 and 2002 are \$69.4 million and \$63.5 million, respectively.

Environmental Mitigation Costs

In 1997, the Long Beach Harbor Department disbursed approximately \$39.4 million to secure environmental mitigation credits. An agreement between the Port and the Harbor Department of the City of Los Angeles, and several federal and state regulatory agencies provided for the Harbor Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. Such land was transferred to the State in return for environmental mitigation credits to allow for the construction of up to 267 acres of landfill in the City's outer Harbor Area. Costs incurred in the acquisition of the land were classified as non-current assets. During the year ended September 30, 2003, the Harbor Department completed landfills that required the utilization of \$6.5 million of the available credits. The balance of environmental mitigation costs will be adjusted as landfill credits are used for port development.

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 will be sublet to the City for the purposes of issuance of the Mello-Roos Bonds pursuant to a City sublease. According to the sublease, the City may be subject to an annual calculated lease payment up to \$1,169,000.

Southeast Resource Recovery Facility Authority Bond Issue

The Southeast Resource Recovery Facility Authority (Authority) issued \$120,235,000 in lease revenue bonds Series A and Series B in October, 2003 (Series 2003) to current refund the Authority's Lease Revenue Refunding Bonds, Series 1995A and Series 1995B (Series 1995), finance certain public improvement projects in the City, fund a reserve fund

CITY OF LONG BEACH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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 interest rates range from 2.0% to 5.325%. The Authority will current refund Series 1995 bonds on November 12, 2003 in the amount of \$125,100,000. The Series 1995 bonds were payable through December 1, 2018 with variable interest rates.

Component Unit – Long Beach Transportation Company (LBT)

In June 2000, the South Coast Air Quality Management District (SCAQMD) adopted a new ruling requiring transit operators to purchase only alternative fuel vehicles that meet certain air emissions standards. Diesel engines, which the LBT currently operates, are specifically excluded. This ruling is effective for all new buses or orders.

Storm Drain Operation

By a Memorandum of Understanding (MOU) between the City and the Water Department, the Water Department transferred ownership and responsibility for operation and maintenance of the City storm drain system to the City, effective October 1, 2003. Under the MOU, the Water Department will continue to operate, maintain and repair the system and the City will compensate the Water Department for actual costs incurred (including overhead and administrative costs), payable quarterly.

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

<u>June 30 Actuarial Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Excess Assets</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Excess Assets as a % of Covered Payroll</u>
<u>Miscellaneous Employees</u>						
2000	\$ 925,227	\$1,290,468	\$365,241	139.5%	\$157,533	231.9%
2001	1,073,565	1,371,081	297,516	127.7%	167,711	177.4%
2002	<u>1,150,365</u>	<u>1,233,612</u>	<u>83,247</u>	<u>107.2%</u>	<u>189,050</u>	<u>44.0%</u>
<u>Safety Employees</u>						
2000	\$1,055,321	\$1,362,312	\$306,991	129.1%	\$ 94,103	326.2%
2001	1,113,321	1,379,808	266,487	123.9%	100,629	264.8%
2002	<u>1,185,352</u>	<u>1,267,348</u>	<u>81,996</u>	<u>106.9%</u>	<u>102,929</u>	<u>79.7%</u>
<u>Miscellaneous Employees – 1959 Survivor Program</u>						
2000	\$ -	\$ 15	\$ (15)	-	\$ 157,533	0%
2001	-	13	(13)	-	167,711	0%
2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,050</u>	<u>0%</u>
<u>Safety Employees – 1959 Survivor Program</u>						
2000	\$ 139	\$ 4,139	\$ 3,999	N/A	\$ 94,103	4.2%
2001	165	3,838	3,673	2,325.2%	100,629	3.7%
2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>N/A</u>	<u>102,929</u>	<u>0%</u>

City of Long Beach
Required Supplementary Information

Public Agency Retirement System
Analysis of Funding Progress
(Unaudited)

Actuarial Valuation Date <u>June 30</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liabilities</u>	Funded (Excess assets)	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Rate of Funded Liability to Annual <u>Covered Payroll</u>
Special Status Contractors						
1995	\$ 41,928	\$ 31,277	\$ 10,651	134%	\$ 2,306,831 *	0.46 %
1996	185,066	137,596	47,470	134%	9,149,652	0.52 %
1997	385,993	246,938	139,055	156%	13,985,230	0.99 %
1998	628,037	493,178	134,859	127%	14,636,213	0.92 %
1999	844,349	644,922	199,427	131%	16,239,480	1.23 %
2000	1,071,241	575,446	495,795	186%	15,124,582	3.28 %
2001	1,317,055	410,609	906,446	321%	10,697,767	8.47 %
2002	1,526,586	475,029	1,051,557	321%	8,472,945	12.41 %
2003	<u>1,703,852</u>	<u>517,234</u>	<u>1,186,618</u>	<u>329%</u>	<u>8,504,901</u>	<u>13.95 %</u>

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

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

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

The Parking and Business Area Improvement Fund is used to account for the additional business license taxes and special taxes imposed by City Ordinances C-5106, C-5963, C-6646, C-24901, and C-27366 on businesses located within specified parking and business improvement areas. The revenues are to be used to provide parking facilities and generally promote the retail trade activities in the area.

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

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

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

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

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

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

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

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

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Combining Balance Sheet
September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties	Belmont Shore Parking Meter Revenue
ASSETS						
Pooled Cash and Cash Equivalents	\$ 794	\$ 317	\$ 425	\$ 324	\$ 2,697	\$ 449
Non-Pooled Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Accounts Receivable	401	58	42	581	816	-
Due from Other Governments	5,479	7	-	-	-	-
Due from Other Funds	10	-	-	-	-	-
Allowance for Receivables	(255)	(55)	(27)	(34)	-	-
Other Assets-Current	1	-	-	-	-	-
Other Noncurrent Receivables	-	-	-	-	-	-
Total Assets	<u>\$ 6,430</u>	<u>\$ 327</u>	<u>\$ 440</u>	<u>\$ 871</u>	<u>\$ 3,513</u>	<u>\$ 449</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 720	\$ -	\$ 136	\$ 27	\$ 84	\$ 16
Accrued Wages	460	10	-	6	-	-
Due to Other Funds	132	3	-	752	-	-
Deferred Revenues	1,512	25	-	-	-	-
Deposits and Collections Held in Trust	417	16	-	23	85	-
Advances from Other Funds	2,000	-	-	-	-	-
Total Liabilities	<u>5,241</u>	<u>54</u>	<u>136</u>	<u>808</u>	<u>169</u>	<u>16</u>
Fund Balances:						
Reserved for:						
Encumbrances	65	-	-	22	-	-
Future Capital Projects/Transportation	-	-	-	-	-	-
Estimated Oil Field Abandonment Costs	-	-	-	-	2,123	-
Debt Service	-	-	-	-	-	200
Unreserved, Designated for:						
Subsequent Years' Appropriations	<u>1,124</u>	<u>273</u>	<u>304</u>	<u>41</u>	<u>1,221</u>	<u>233</u>
Total Fund Balance	<u>1,189</u>	<u>273</u>	<u>304</u>	<u>63</u>	<u>3,344</u>	<u>433</u>
Total Liabilities and Fund balance	<u>\$ 6,430</u>	<u>\$ 327</u>	<u>\$ 440</u>	<u>\$ 871</u>	<u>\$ 3,513</u>	<u>\$ 449</u>

See accompanying independent auditors' report.

Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
					September 30, 2003	September 30, 2002
\$ 608	\$ 919	\$ 1,610	\$ 6,336	\$ 29,761	\$ 44,240	\$ 46,659
-	1,595	-	-	-	1,595	187
-	86	-	-	2	1,986	1,865
-	1,018	-	3,497	1,298	11,299	8,054
-	-	-	-	-	10	-
-	(53)	-	-	-	(424)	(407)
25	8	-	-	-	34	70
2,615	-	-	-	-	2,615	2,831
<u>\$ 3,248</u>	<u>\$ 3,573</u>	<u>\$ 1,610</u>	<u>\$ 9,833</u>	<u>\$ 31,061</u>	<u>\$ 61,355</u>	<u>\$ 59,309</u>
\$ 110	\$ 1	\$ -	\$ 2,051	\$ 9,602	\$ 12,747	\$ 11,445
14	66	2	-	14	572	467
4	19	-	-	4	914	882
2,640	8	-	1,305	-	5,490	4,970
2	1,954	-	16	-	2,513	2,103
-	-	-	-	-	2,000	2,000
<u>2,770</u>	<u>2,048</u>	<u>2</u>	<u>3,372</u>	<u>9,620</u>	<u>24,236</u>	<u>21,867</u>
3	-	-	3,292	2,017	5,399	1,899
-	-	-	3,169	19,424	22,593	19,193
-	-	-	-	-	2,123	1,916
-	-	-	-	-	200	150
<u>475</u>	<u>1,525</u>	<u>1,608</u>	<u>-</u>	<u>-</u>	<u>6,804</u>	<u>14,284</u>
<u>478</u>	<u>1,525</u>	<u>1,608</u>	<u>6,461</u>	<u>21,441</u>	<u>37,119</u>	<u>37,442</u>
<u>\$ 3,248</u>	<u>\$ 3,573</u>	<u>\$ 1,610</u>	<u>\$ 9,833</u>	<u>\$ 31,061</u>	<u>\$ 61,355</u>	<u>\$ 59,309</u>

City of Long Beach
Nonmajor Governmental Funds-Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	Health	Certified Unified Program Agency	Parking and Business Area Improvement	Special Advertising and Promotion	Upland Oil Properties
Revenues:					
Taxes:					
Sales	\$ 2,517	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	1,661	3,789	-
Licenses and Permits	2,556	819	-	181	-
Use of Money and Property	-	17	8	342	11,587
From Other Agencies	20,312	-	-	-	-
Charges for Services	1,988	-	-	-	-
Other	290	-	-	64	-
Total Revenues	27,663	836	1,669	4,376	11,587
Expenditures:					
Current:					
Public Health	32,975	743	-	-	-
Community and Cultural	-	-	1,672	5,292	-
Public Works	-	-	-	-	-
Oil Operations	-	-	-	-	5,517
Total Current	32,975	743	1,672	5,292	5,517
Capital Improvements	-	-	-	-	-
Debt Service:					
Principal	120	-	-	-	-
Interest	70	-	-	-	-
Debt Administration Fees	152	-	-	-	-
Total Expenditures	33,317	743	1,672	5,292	5,517
Excess of Revenues Over (Under) Expenditures	(5,654)	93	(3)	(916)	6,070
Other Financing Sources (Uses):					
Transfers In	6,229	-	-	-	-
Transfers Out	(994)	-	-	-	(6,999)
Total Other Financing Sources (Uses)	5,235	-	-	-	(6,999)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(419)	93	(3)	(916)	(929)
Fund Balances - October 1	1,608	180	307	979	4,273
Residual Equity Transfers, Net	-	-	-	-	-
Fund Balances - September 30	\$ 1,189	\$ 273	\$ 304	\$ 63	\$ 3,344

See accompanying independent auditors' report.

Belmont Shore Parking Meter Revenue	Business Assistance	Housing Assistance	Park Development	Gasoline Tax	Transportation	Totals	
						September 30, 2003	September 30, 2002
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,517	\$ 2,818
-	-	-	-	-	-	5,450	5,396
-	3	-	1,701	-	-	5,260	4,158
448	29	46	35	430	866	13,808	11,259
-	-	52,068	-	13,030	12,294	97,704	90,365
-	-	-	-	-	-	1,988	1,956
10	489	59	-	-	3	915	519
458	521	52,173	1,736	13,460	13,163	127,642	116,471
-	-	-	-	-	-	33,718	33,097
161	2,115	53,337	44	-	-	62,621	51,990
-	-	-	-	-	12,041	12,041	11,779
-	-	-	-	-	-	5,517	4,672
161	2,115	53,337	44	-	12,041	113,897	101,538
-	-	-	-	6,959	-	6,959	11,491
125	-	-	-	-	-	245	230
90	-	-	-	-	-	160	158
-	-	-	-	-	-	152	76
376	2,115	53,337	44	6,959	12,041	121,413	113,493
82	(1,594)	(1,164)	1,692	6,501	1,122	6,229	2,978
-	2,021	-	-	-	-	8,250	10,165
-	-	-	(500)	(6,309)	-	(14,802)	(11,633)
-	2,021	-	(500)	(6,309)	-	(6,552)	(1,468)
82	427	(1,164)	1,192	192	1,122	(323)	1,510
351	51	2,689	416	6,269	20,319	37,442	35,932
-	-	-	-	-	-	-	-
\$ 433	\$ 478	\$ 1,525	\$ 1,608	\$ 6,461	\$ 21,441	\$ 37,119	\$ 37,442

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, 2003
(In Thousands)

	Health				Certified Unified Program Agency			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ 2,643	\$ 2,643	\$ 2,517	\$ (126)	\$ -	\$ -	\$ -	\$ -
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	2,605	2,599	2,556	(43)	875	875	819	(56)
Use of Money and Property	1	1	-	(1)	26	26	17	(9)
From Other Agencies	37,170	45,479	20,312	(25,167)	-	-	-	-
Charges for Services	1,986	1,986	1,988	2	-	-	-	-
Other	139	139	290	151	-	-	-	-
Total Revenues	<u>44,544</u>	<u>52,847</u>	<u>27,663</u>	<u>(25,184)</u>	<u>901</u>	<u>901</u>	<u>836</u>	<u>(65)</u>
Expenditures:								
Public Health	49,175	57,443	33,040	24,403	827	827	743	84
Community and Cultural	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current	<u>49,175</u>	<u>57,443</u>	<u>33,040</u>	<u>24,403</u>	<u>827</u>	<u>827</u>	<u>743</u>	<u>84</u>
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	120	120	120	-	-	-	-	-
Interest	120	120	70	50	-	-	-	-
Debt Administration Fees	88	88	152	(64)	-	-	-	-
Total Expenditures	<u>49,503</u>	<u>57,771</u>	<u>33,382</u>	<u>24,389</u>	<u>827</u>	<u>827</u>	<u>743</u>	<u>84</u>
Excess of Revenue Over (Under) Expenditures	<u>(4,959)</u>	<u>(4,924)</u>	<u>(5,719)</u>	<u>(795)</u>	<u>74</u>	<u>74</u>	<u>93</u>	<u>19</u>
Other Financing Sources (Uses):								
Transfers In	6,899	7,501	6,229	(1,272)	-	-	-	-
Transfers Out	<u>(150)</u>	<u>(1,071)</u>	<u>(994)</u>	<u>77</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>6,749</u>	<u>6,430</u>	<u>5,235</u>	<u>(1,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,790</u>	<u>1,506</u>	<u>(484)</u>	<u>(1,990)</u>	<u>74</u>	<u>74</u>	<u>93</u>	<u>19</u>
Fund Balances - October 1, Budgetary Basis	1,599	1,599	1,599	-	170	170	170	-
Encumbrances - Beginning of the Year	<u>9</u>	<u>9</u>	<u>9</u>	<u>-</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>-</u>
Fund Balances - September 30, Budgetary Basis	<u>\$ 3,398</u>	<u>\$ 3,114</u>	<u>\$ 1,124</u>	<u>\$ (1,990)</u>	<u>\$ 254</u>	<u>\$ 254</u>	<u>\$ 273</u>	<u>\$ 19</u>

See accompanying independent auditors' report.

Parking and Business Area Improvement				Special Advertising and Promotion							Upland Oil Properties			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On GAAP Basis	Encumbrances Ending	Land Held For Resale	Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final						Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,918	1,918	1,661	(257)	3,645	3,645	3,789	-	-	3,789	144	-	-	-	-
-	-	-	-	138	138	181	-	-	181	43	-	-	-	-
8	8	8	-	305	270	342	-	-	342	72	8,970	11,384	11,587	203
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	68	68	64	-	-	64	(4)	-	-	-	-
1,926	1,926	1,669	(257)	4,156	4,121	4,376	-	-	4,376	255	8,970	11,384	11,587	203
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,835	1,835	1,672	163	5,859	5,859	5,292	22	-	5,314	545	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	4,538	5,732	5,517	215
1,835	1,835	1,672	163	5,859	5,859	5,292	22	-	5,314	545	4,538	5,732	5,517	215
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,835	1,835	1,672	163	5,859	5,859	5,292	22	-	5,314	545	4,538	5,732	5,517	215
91	91	(3)	(94)	(1,703)	(1,738)	(916)	(22)	-	(938)	800	4,432	5,652	6,070	418
-	-	-	-	1,035	1,035	-	-	-	-	(1,035)	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	(4,194)	(6,691)	(6,999)	(308)
-	-	-	-	1,035	1,035	-	-	-	-	(1,035)	(4,194)	(6,691)	(6,999)	(308)
91	91	(3)	(94)	(668)	(703)	(916)	(22)	-	(938)	(235)	238	(1,039)	(929)	110
307	307	307	-	871	871	979	-	-	871	-	4,188	4,188	4,188	-
-	-	-	-	108	108	-	-	-	108	-	85	85	85	-
\$ 398	\$ 398	\$ 304	\$ (94)	\$ 311	\$ 276	\$ 63	\$ (22)	\$ -	\$ 41	\$ (235)	\$ 4,511	\$ 3,234	\$ 3,344	\$ 110

(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, 2003
(In Thousands)
(continued)

	Belmont Shore Parking Meter Revenue				Business Assistance			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Tax	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	3	3
Use of Money and Property	431	431	448	17	347	347	29	(318)
From Other Agencies	-	-	-	-	300	300	-	(300)
Charges for Services	-	-	-	-	-	-	-	-
Other	-	-	10	10	-	-	489	489
Total Revenues	431	431	458	27	647	647	521	(126)
Expenditures:								
Public Health	-	-	-	-	-	-	-	-
Community and Cultural	261	261	161	100	2,431	2,431	2,118	313
Public Works	-	-	-	-	-	-	-	-
Oil Operations	-	-	-	-	-	-	-	-
Total Current	261	261	161	100	2,431	2,431	2,118	313
Capital Improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	125	125	125	-	-	-	-	-
Interest	90	90	90	-	-	-	-	-
Debt Administration Fees	-	-	-	-	-	-	-	-
Total Expenditures	476	476	376	100	2,431	2,431	2,118	313
Excess of Revenue Over (Under) Expenditures	(45)	(45)	82	127	(1,784)	(1,784)	(1,597)	187
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	2,000	2,000	2,021	21
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	2,000	2,000	2,021	21
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(45)	(45)	82	127	216	216	424	208
Fund Balances - October 1, Budgetary Basis	351	351	351	-	17	17	17	-
Encumbrances - Beginning of the Year	-	-	-	-	34	34	34	-
Fund Balances - September 30, Budgetary Basis	<u>\$ 306</u>	<u>\$ 306</u>	<u>\$ 433</u>	<u>\$ 127</u>	<u>\$ 267</u>	<u>\$ 267</u>	<u>\$ 475</u>	<u>\$ 208</u>

See accompanying independent auditors' report.

Housing Assistance				Park Development				Gasoline Tax			
Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
Original	Final			Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	500	500	1,701	1,201	-	-	-	-
144	144	46	(98)	15	15	35	20	261	270	430	160
43,564	52,384	52,068	(316)	-	-	-	-	20,541	21,944	13,030	(8,914)
-	-	-	-	-	-	-	-	-	-	-	-
35	35	59	24	-	-	-	-	-	-	-	-
43,743	52,563	52,173	(390)	515	515	1,736	1,221	20,802	22,214	13,460	(8,754)
-	-	-	-	-	-	-	-	-	-	-	-
43,749	52,779	53,337	(558)	45	45	44	1	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
43,749	52,779	53,337	(558)	45	45	44	1	-	-	-	-
-	-	-	-	-	-	-	-	26,095	27,507	10,251	17,256
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
43,749	52,779	53,337	(558)	45	45	44	1	26,095	27,507	10,251	17,256
(6)	(216)	(1,164)	(948)	470	470	1,692	1,222	(5,293)	(5,293)	3,209	8,502
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(500)	(500)	(500)	-	-	-	(6,309)	(6,309)
-	-	-	-	(500)	(500)	(500)	-	-	-	(6,309)	(6,309)
(6)	(216)	(1,164)	(948)	(30)	(30)	1,192	1,222	(5,293)	(5,293)	(3,100)	2,193
2,682	2,682	2,682	-	416	416	416	-	5,749	5,749	5,749	-
7	7	7	-	-	-	-	-	520	520	520	-
\$ 2,683	\$ 2,473	\$ 1,525	\$ (948)	\$ 386	\$ 386	\$ 1,608	\$ 1,222	\$ 976	\$ 976	\$ 3,169	\$ 2,193

(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, 2003
(In Thousands)
(continued)

	Transportation				Total			
	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)	Budgeted Amounts		Actual On Budgetary Basis	Variance with Final Budget - Favorable (unfavorable)
	Original	Final			Original	Final		
Revenues:								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,643	\$ 2,643	\$ 2,517	\$ (126)
Other Tax	-	-	-	-	5,563	5,563	5,450	(113)
Licenses and Permits	-	-	-	-	4,118	4,112	5,260	1,148
Use of Money and Property	580	580	866	286	11,088	13,476	13,808	332
From Other Agencies	13,296	13,296	12,294	(1,002)	114,871	133,403	97,704	(35,699)
Charges for Services	-	-	-	-	1,986	1,986	1,988	2
Other	2	2	3	1	244	244	915	671
Total Revenues	13,878	13,878	13,163	(715)	140,513	161,427	127,642	(33,785)
Expenditures:								
Public Health	-	-	-	-	50,002	58,270	33,783	24,487
Community and Cultural	-	-	-	-	54,180	63,210	62,646	564
Public Works	28,911	28,911	14,058	14,853	28,911	28,911	14,058	14,853
Oil Operations	-	-	-	-	4,538	5,732	5,517	215
Total Current	28,911	28,911	14,058	14,853	137,631	156,123	116,004	40,119
Capital Improvements	-	-	-	-	26,095	27,507	10,251	17,256
Debt Service:								
Principal	-	-	-	-	245	245	245	-
Interest	-	-	-	-	210	210	160	50
Debt Administration Fees	-	-	-	-	88	88	152	(64)
Total Expenditures	28,911	28,911	14,058	14,853	164,269	184,173	126,812	57,361
Excess of Revenue Over (Under) Expenditures	(15,033)	(15,033)	(895)	14,138	(23,756)	(22,746)	830	23,576
Other Financing Sources (Uses):								
Transfers In	-	-	-	-	9,934	10,536	8,250	(2,286)
Transfers Out	-	-	-	-	(4,844)	(8,262)	(14,802)	(6,540)
Total Other Financing Sources (Uses)	-	-	-	-	5,090	2,274	(6,552)	(8,826)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(15,033)	(15,033)	(895)	14,138	(18,666)	(20,472)	(5,722)	14,750
Fund Balances - October 1, Budgetary Basis	19,193	19,193	19,193	-	35,543	35,543	35,543	-
Encumbrances - Beginning of the Year	1,126	1,126	1,126	-	1,899	1,899	1,899	-
Fund Balances - September 30, Budgetary Basis	\$ 5,286	\$ 5,286	\$ 19,424	\$ 14,138	\$ 18,776	\$ 16,970	\$ 31,720	\$ 14,750

See accompanying independent auditors' report.

NONMAJOR ENTERPRISE FUNDS

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

The Sewer Fund is used to account for the maintenance and replacement of the City's sewer pipelines and sewage treatment 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, 2003
With Comparative Totals for 2002
(In Thousands)

					Totals	
	Sewer	Airport	Towing	Subsidence	September 30, 2003	September 30, 2002
ASSETS						
Current Assets:						
Pooled Cash and Cash Equivalents	\$ 5,285	\$ 6,594	\$ 1,396	\$ -	\$ 13,275	\$ 13,069
Receivables:						
Accounts Receivable	439	1,970	328	-	2,737	1,969
Due from Other Governments	-	683	-	-	683	425
Allowance for Receivables	(25)	(29)	(231)	-	(285)	(291)
Inventory	65	-	-	-	65	57
Total Current Assets	<u>5,764</u>	<u>9,218</u>	<u>1,493</u>	<u>-</u>	<u>16,475</u>	<u>15,229</u>
Restricted Assets:						
Pooled Cash and Cash Equivalents	-	1,298	-	138,962	140,260	137,949
Non-Pooled Investments	-	-	-	7,461	7,461	7,863
Interest Receivable	-	-	-	504	504	511
Total Restricted Assets	<u>-</u>	<u>1,298</u>	<u>-</u>	<u>146,927</u>	<u>148,225</u>	<u>146,323</u>
Noncurrent Assets:						
Capital Assets:						
Land and Other Capital Assets not Being Depreciated	10,919	10,047	-	-	20,966	10,975
Capital Assets net of Accumulated Depreciation	<u>31,176</u>	<u>30,698</u>	<u>179</u>	<u>-</u>	<u>62,053</u>	<u>63,666</u>
Total Noncurrent Assets	<u>42,095</u>	<u>40,745</u>	<u>179</u>	<u>-</u>	<u>83,019</u>	<u>74,641</u>
Total Assets	<u>47,859</u>	<u>51,261</u>	<u>1,672</u>	<u>146,927</u>	<u>247,719</u>	<u>236,193</u>
LIABILITIES						
Current Liabilities Payable from Current Assets:						
Accounts Payable	991	1,787	7	-	2,785	2,896
Accrued Wages	87	92	43	-	222	181
Accrued Interest Payable	-	205	-	-	205	215
Due to Other Funds	26	26	12	-	64	53
Deferred Revenues	-	70	-	-	70	2,063
Collections Held in Trust	-	298	-	-	298	798
Advances from Developers	30	-	-	-	30	33
Other Long-Term Obligations-Current	-	680	-	-	680	650
Total Current Liabilities	<u>1,134</u>	<u>3,158</u>	<u>62</u>	<u>-</u>	<u>4,354</u>	<u>6,889</u>
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	-	-	-	1,773	1,773	2,272
Noncurrent Liabilities:						
Advances from Other Funds	-	2,833	-	-	2,833	2,883
Deferred Revenues	-	1,866	-	-	1,866	-
Other Long-Term Obligations	-	11,420	-	-	11,420	12,100
Unamortized Discount/Deferred cost	-	(1,357)	-	-	(1,357)	(1,508)
Total Noncurrent Liabilities	<u>-</u>	<u>14,762</u>	<u>-</u>	<u>-</u>	<u>14,762</u>	<u>13,475</u>
Total Liabilities	<u>1,134</u>	<u>17,920</u>	<u>62</u>	<u>1,773</u>	<u>20,889</u>	<u>22,636</u>
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	42,095	30,002	179	-	72,276	63,399
Restricted for:						
Debt Service	-	1,298	-	-	1,298	1,298
Subsidence	-	-	-	145,154	145,154	142,753
Unrestricted	<u>4,630</u>	<u>2,041</u>	<u>1,431</u>	<u>-</u>	<u>8,102</u>	<u>6,107</u>
Total Net Assets	<u>\$ 46,725</u>	<u>\$ 33,341</u>	<u>\$ 1,610</u>	<u>\$ 145,154</u>	<u>\$ 226,830</u>	<u>\$ 213,557</u>

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)

					Totals	
	Sewer	Airport	Towing	Subsidence	September 30, 2003	September 30, 2002
Operating Revenues:						
Fees, Concessions and Rentals	\$ -	\$ 23,540	\$ -	\$ -	\$ 23,540	13,357
From Other Agencies	-	-	-	-	-	-
Charges for Services	9,015	-	5,639	-	14,654	13,498
Total Revenues	9,015	23,540	5,639	-	38,194	26,855
Operating Expenses:						
Personal Services	2,938	4,371	2,148	-	9,457	9,145
Maintenance and Other Operations	4,379	11,057	3,213	-	18,649	17,684
Bad Debt	-	-	-	-	-	21
Depreciation	1,103	2,237	14	-	3,354	3,182
Total Operating Expenses	8,420	17,665	5,375	-	31,460	30,032
Operating Income (Loss)	595	5,875	264	-	6,734	(3,177)
Non-Operating Income (Expense):						
Interest Income	223	158	47	4,802	5,230	7,154
Interest Expense	-	(635)	-	-	(635)	(820)
Loss on Disposition of Capital Assets	-	-	-	-	-	(30)
Operating Grants	-	368	-	-	368	2,424
Other Income (Expense)	42	(127)	-	(2,401)	(2,486)	(4,342)
Total Non-Operating Income (Expense)	265	(236)	47	2,401	2,477	4,386
Income Before Contributions	860	5,639	311	2,401	9,211	1,209
Capital Grants and Contributions	275	3,787	-	-	4,062	3,463
Change in Net Assets	1,135	9,426	311	2,401	13,273	4,672
Net Assets - October 1	45,590	23,915	1,299	142,753	213,557	208,885
Net Assets - September 30	\$ 46,725	\$ 33,341	\$ 1,610	\$ 145,154	\$ 226,830	\$ 213,557

See accompanying independent auditors' report.

City of Long Beach
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(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, 2003</u>	<u>September 30, 2002</u>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 8,995	\$ 21,887	\$ 5,914	\$ -	\$ 36,796	\$ 27,868
Payments for Employee Salaries	(2,916)	(4,358)	(2,138)	-	(9,412)	(8,397)
Payments for Goods and Services	(4,311)	(7,091)	(2,755)	-	(14,157)	(12,248)
Payments in Lieu of Taxes	-	(3,955)	(500)	-	(4,455)	(4,971)
Other Expense	29	(127)	-	-	(98)	(1,186)
Net Cash Provided by Operating Activities	<u>1,797</u>	<u>6,356</u>	<u>521</u>	<u>-</u>	<u>8,674</u>	<u>1,066</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Grants Received from Other Governments	-	368	-	-	368	2,424
Cash Flows from Capital and Related Financing Activities:						
Receipts of Contributed Capital	-	3,530	-	-	3,530	2,992
Payments for Capital Acquisitions	(6,268)	(5,381)	-	-	(11,649)	(11,801)
Payments of Principal on Bonds Payable	-	(650)	-	-	(650)	(615)
Payments of Interest	-	(495)	-	-	(495)	(675)
Net Cash Used for Capital and Related Financing Activities	<u>(6,268)</u>	<u>(2,996)</u>	<u>-</u>	<u>-</u>	<u>(9,264)</u>	<u>(10,099)</u>
Cash Flows from Investing Activities:						
Proceeds from the Sale of Investments	-	-	-	504	504	1,321
Payments to Other Government Entities	-	-	-	(2,900)	(2,900)	(3,934)
Receipts of Interest	223	158	47	4,707	5,135	8,443
Net Cash Provided by Investing Activities	<u>223</u>	<u>158</u>	<u>47</u>	<u>2,311</u>	<u>2,739</u>	<u>5,830</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,248)</u>	<u>3,886</u>	<u>568</u>	<u>2,311</u>	<u>2,517</u>	<u>(779)</u>
Cash and Cash Equivalents - October 1	<u>9,533</u>	<u>4,006</u>	<u>828</u>	<u>136,651</u>	<u>151,018</u>	<u>151,797</u>
Cash and Cash Equivalents - September 30	<u>\$ 5,285</u>	<u>\$ 7,892</u>	<u>\$ 1,396</u>	<u>\$ 138,962</u>	<u>\$ 153,535</u>	<u>\$ 151,018</u>

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

Operating Income (Loss)	<u>\$ 595</u>	<u>\$ 5,875</u>	<u>\$ 264</u>	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ (3,177)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization Expense	1,103	2,237	14	-	3,354	3,182
Other Income (Expense)	29	(127)	-	-	(98)	(1,249)
(Increase) Decrease in Accounts Receivable, Net	(21)	(1,026)	274	-	(773)	(450)
Decrease in Amounts Due from Other Governments	-	-	-	-	-	63
(Increase) Decrease in Inventory	(8)	-	-	-	(8)	9
Increase (Decrease) in Accounts Payable	(126)	57	(42)	-	(111)	457
Increase in Accrued Wages Payable	22	13	8	-	43	66
Increase (Decrease) in Amounts Due to Other Funds	203	(46)	3	-	160	682
Increase (Decrease) in Deferred Revenues	-	(127)	-	-	(127)	1,054
Increase (Decrease) in Collections Held in Trust	-	(500)	-	-	(500)	429
Total Adjustments	<u>1,202</u>	<u>481</u>	<u>257</u>	<u>-</u>	<u>1,940</u>	<u>4,243</u>
Net Cash Provided by Operating Activities	<u>\$ 1,797</u>	<u>\$ 6,356</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 8,674</u>	<u>\$ 1,066</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

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

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

The General Services Fund is used to account for the operation, maintenance and timely replacement of the City's electronic data processing equipment and software and the cost of providing a variety of services to City departments, including electronic equipment, central telephone, central stores, central mailing and reprographics services.

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

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

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

City of Long Beach
Internal Service Funds
Combining Statement of Net Assets
September 30, 2003
With Comparative Totals for 2002
(In Thousands)

	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	Totals	
						September 30, 2003	September 30, 2002
ASSETS							
Current Assets:							
Pooled Cash and Cash Equivalents	\$ 8,617	\$ 10,668	\$ 14,970	\$ 26,423	\$ 58,260	\$ 118,938	\$ 136,323
Receivables:							
Accounts Receivable	5	879	204	40	-	1,128	6,858
Due from Other Governments	-	31	-	60	-	91	70
Due from Other Funds	-	-	-	-	2,407	2,407	2,046
Allowance for Receivables	-	-	(169)	-	-	(169)	(142)
Inventory	-	156	1,460	-	-	1,616	1,649
Total Current Assets	8,622	11,734	16,465	26,523	60,667	124,011	146,804
Restricted Assets:							
Pooled Cash and Cash Equivalents	-	-	-	-	12,122	12,122	9,454
Non-Pooled Cash and Cash Equivalents	11,181	-	2,482	-	-	13,663	22,513
Accounts Receivable	-	-	-	-	2,498	2,498	-
Deposits	-	-	-	-	2,293	2,293	1,768
Total Restricted Assets	11,181	-	2,482	-	16,913	30,576	33,735
Noncurrent Assets:							
Capital Assets:							
Land and Other Capital Assets not Being Depreciated	22,182	2,669	10,583	-	-	35,434	25,629
Capital Assets net of Accumulated Depreciation	27,343	6,096	50,932	117	-	84,488	90,397
Other Assets-Long-Term	-	-	-	-	87,311	87,311	91,192
Total Noncurrent Assets	49,525	8,765	61,515	117	87,311	207,233	207,218
Total Assets	69,328	20,499	80,462	26,640	164,891	361,820	387,757
LIABILITIES							
Current Liabilities payable from Current Assets:							
Accounts Payable	247	2,177	1,908	841	340	5,513	6,242
Accrued Wages and Benefits	34	228	116	184	27,297	27,859	27,866
Accrued Interest Payable	11	13	6	-	2,515	2,545	5,626
Due to Other Funds	10	73	34	53	-	170	152
Deferred Revenues	-	142	-	-	-	142	-
Collections Held in Trust	-	9	-	-	4,256	4,265	9,033
Employee Benefits-Current	-	-	-	-	5,371	5,371	4,327
Accrued Self-Insurance Claims-Current	-	-	-	23,775	-	23,775	20,170
Obligations Under Capital Leases-Current	691	1,483	-	-	-	2,174	2,950
Bonds Payable Due Within One Year	885	-	740	-	4,515	6,140	5,675
Total Current Liabilities	1,878	4,125	2,804	24,853	44,294	77,954	82,041
Current Liabilities Payable from Restricted Assets:							
Accounts Payable	1,252	-	-	-	-	1,252	790
Noncurrent Liabilities:							
Employee Benefits	-	-	-	-	58,944	58,944	50,068
Accrued Self-Insurance Claims	-	-	-	79,170	-	79,170	65,671
Arbitrage Payable	-	-	-	-	-	-	513
Obligations Under Capital Lease	1,783	1,163	-	-	-	2,946	3,951
Bonds Payable	38,280	-	34,045	-	102,195	174,520	180,660
Unamortized Discount/Deferred cost	(2,053)	-	(2,126)	-	(14,236)	(18,415)	(20,384)
Total Noncurrent Liabilities	38,010	1,163	31,919	79,170	146,903	297,165	280,479
Total Liabilities	41,140	5,288	34,723	104,023	191,197	376,371	363,310
NET ASSETS							
Investment in Capital Assets, Net of Related Debt	18,321	6,119	28,856	117	-	53,413	49,508
Restricted for:							
Debt Service	2,800	-	2,482	-	4,883	10,165	7,503
Capital Projects	7,129	-	-	-	-	7,129	16,248
Health Care Insurance	-	-	-	-	12,030	12,030	9,194
Unrestricted	(62)	9,092	14,401	(77,500)	(43,219)	(97,288)	(58,006)
Total Net Assets	\$ 28,188	\$ 15,211	\$ 45,739	\$ (77,383)	\$ (26,306)	\$ (14,551)	\$ 24,447

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)

						Totals	
	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	September 30, 2003	September 30, 2002
Operating Revenues:							
Billing to Other Departments	\$ 11,368	\$ 31,704	\$ 24,515	\$ 22,581	\$ 105,319	\$ 195,487	\$ 194,672
Other	381	2,507	1,867	10	-	4,765	4,721
Total Revenues	11,749	34,211	26,382	22,591	105,319	200,252	199,393
Operating Expenses:							
Personal Services	1,781	10,962	5,855	5,671	1,660	25,929	26,826
Maintenance and Other Operations	4,734	14,889	8,403	6,099	1,897	36,022	39,992
Insurance Premiums	-	-	-	3,017	-	3,017	2,574
Self-Insured Losses	-	-	-	37,751	-	37,751	32,538
Compensated Absences	-	-	-	4,617	36,259	40,876	41,437
Employee Benefits	-	-	-	-	69,825	69,825	54,066
Amortization	-	-	-	-	5,589	5,589	899
Depreciation	1,619	3,208	6,424	34	-	11,285	12,896
Total Operating Expenses	8,134	29,059	20,682	57,189	115,230	230,294	211,228
Operating Income (Loss)	3,615	5,152	5,700	(34,598)	(9,911)	(30,042)	(11,835)
Non-Operating Income (Expense):							
Interest Income	479	13	98	1,022	515	2,127	3,890
Interest Expense	(2,282)	(122)	(1,900)	-	(3,589)	(7,893)	(9,831)
Gain (Loss) on Disposition of Capital Assets	(27)	83	(231)	-	-	(175)	480
Other Income	223	732	185	418	7,695	9,253	3,770
Total Non-Operating Income (Expense)	(1,607)	706	(1,848)	1,440	4,621	3,312	(1,691)
Income (Loss) Before Contributions and Transfers	2,008	5,858	3,852	(33,158)	(5,290)	(26,730)	(13,526)
Capital Grants & Contributions	(1,228)	-	-	-	-	(1,228)	-
Transfers:							
Transfers Out	(7,870)	(2,244)	-	-	(926)	(11,040)	(7,276)
Change in Net Assets	(7,090)	3,614	3,852	(33,158)	(6,216)	(38,998)	(20,802)
Net Assets - October 1	35,278	11,597	41,887	(44,225)	(20,090)	24,447	45,249
Net Assets - September 30	\$ 28,188	\$ 15,211	\$ 45,739	\$ (77,383)	\$ (26,306)	\$ (14,551)	\$ 24,447

See accompanying independent auditors' report.

City of Long Beach
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003
With Comparative Totals for 2002
(In Thousands)

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	Civic Center	General Services	Fleet Services	Insurance	Employee Benefits	<u>Totals</u>	
						September 30, 2003	September 30 2002
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 377	\$ 2,516	\$ 1,853	\$ -	\$ -	\$ 4,746	\$ 4,693
Receipts from Other Funds	11,368	31,742	24,514	22,550	104,955	195,129	194,579
Payments for Employee Salaries	(1,779)	(10,956)	(5,818)	(5,658)	(1,672)	(25,883)	(26,551)
Payments for Goods and Services	(4,242)	(14,626)	(9,726)	(8,884)	(1,782)	(39,260)	(43,441)
Payments for Compensated Absences	-	-	-	(20,016)	(36,358)	(56,374)	(53,852)
Payments for Employee Benefits	-	-	-	-	(65,149)	(65,149)	(53,006)
Payments for Liability Claims	-	-	-	(5,249)	-	(5,249)	(2,013)
Other Income	223	711	185	418	7,695	9,232	3,799
Net Cash Provided by (Used for) Operating Activities	5,947	9,387	11,008	(16,839)	7,689	17,192	24,208
Cash Flows from Non-Capital Financing Activities:							
Transfers Out	(7,870)	(2,244)	-	-	(926)	(11,040)	(7,276)
Cash Flows from Capital and Related Financing Activities:							
Proceeds from the Sale of Capital Assets	-	343	199	-	-	542	581
Proceeds from Issuance Of Long-Term Obligations	-	-	-	-	-	-	80,730
Payments for Capital Acquisitions	(4,437)	(3,087)	(9,542)	(62)	-	(17,128)	(22,083)
Payments of Principal on Other Long- Term Obligations	(1,472)	(1,158)	(710)	-	(900)	(4,240)	(3,824)
Payments to Defeas Bonds	-	-	-	-	-	-	(86,602)
Payments of Interest	(2,661)	(122)	(2,682)	-	(5,555)	(11,020)	(10,221)
Net Cash Used for Capital and Related Financing Activities	(8,570)	(4,024)	(12,735)	(62)	(6,455)	(31,846)	(41,419)
Cash Flows from Investing Activities:							
Receipts of Interest	479	13	98	1,022	515	2,127	3,766
Net Increase (Decrease) in Cash and Cash Equivalents	(10,014)	3,132	(1,629)	(15,879)	823	(23,567)	(20,721)
Cash and Cash Equivalents - October 1	29,812	7,536	19,081	42,302	69,559	168,290	189,011
Cash and Cash Equivalents - September 30	\$ 19,798	\$ 10,668	\$ 17,452	\$ 26,423	\$ 70,382	\$ 144,723	\$ 168,290

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

Operating Income (Loss)	\$ 3,615	\$ 5,152	\$ 5,700	\$ (34,598)	\$ (9,911)	\$ (30,042)	\$ (11,835)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization Expense	1,619	3,208	6,424	34	5,589	16,874	13,796
Other Income	223	732	185	418	7,170	8,728	3,770
(Increase) Decrease in Accounts Receivable, Net	-	48	(15)	(40)	-	(7)	144
(Increase) Decrease in Amounts Due from Other Governments	(4)	(21)	-	-	-	(25)	28
(Increase) Decrease in Amounts Due from Other Funds	-	-	11	-	(363)	(352)	(267)
(Increase) Decrease in Inventory	-	-	33	-	-	33	(272)
Increase (Decrease) in Accounts Payable	491	260	(1,367)	232	115	(269)	(617)
Increase in Accrued Wages Payable	2	5	37	8	9,866	9,918	3,559
Increase (Decrease) in Amounts Due to Other Funds	1	3	-	3	-	7	(93)
Increase in Accrued Claims Payable	-	-	-	17,104	-	17,104	16,663
Decrease in Collections Held in Trust	-	-	-	-	(4,777)	(4,777)	(668)
Total Adjustments	2,332	4,235	5,308	17,759	17,600	47,234	36,043
Net Cash Provided by (Used for) Operating Activities	\$ 5,947	\$ 9,387	\$ 11,008	\$ (16,839)	\$ 7,689	\$ 17,192	\$ 24,208

See accompanying independent auditors' report.

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

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

City of Long Beach
Capital Assets Used in the Operations of Governmental Funds
Schedule by Source ¹
September 30, 2003
(In Thousands)

Governmental Funds Capital Assets:

Land	\$ 110,657
Right-a-way	1,321
Construction In Progress	124,843
Building	69,555
Improvements other than Buildings	36,877
Infrastructure	288,262
Machinery and Equipment	14,316
Automotive	6,084
Other Assets	30,719
Less Accumulated Depreciation	(215,398)
	<u>\$ 467,236</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 186,159
Special Revenue Funds	169,861
Capital Projects Funds	111,216
	<u>\$ 467,236</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, 2003
(In Thousands)

	Capital Assets not being Depreciated			Capital Assets, net of Depreciation						
	Land	Right-a-way	Construction In Progress	Building	Improvements other than Buildings	Infrastructures	Machinery and Equipment	Auto-motive	Other Assets	Total
Legislative and Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 33
General Government	1,773	-	-	-	234	-	238	-	-	2,245
Public Safety	254	-	16,316	9,026	571	-	4,629	5,565	-	36,361
Public Health	4,594	-	-	4,133	2,674	-	48	-	-	11,449
Community & Cultural	102,544	-	-	35,483	13,593	4,438	177	23	8,519	164,777
Public Works	1,492	1,321	108,527	243	6,135	134,557	96	-	-	252,371
	<u>\$ 110,657</u>	<u>\$ 1,321</u>	<u>\$ 124,843</u>	<u>\$ 48,885</u>	<u>\$ 23,207</u>	<u>\$ 138,995</u>	<u>\$ 5,221</u>	<u>\$ 5,588</u>	<u>\$ 8,519</u>	<u>\$ 467,236</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, 2003
(In Thousands)

	Balance at October 1, 2002	Increase (Decrease), net of Depreciation Expense	Decrease, net of Accumulated Depreciation	Balance at September 30, 2003
Legislative and Legal	\$ 38	\$ (5)	\$ -	\$ 33
General Government	2,356	(109)	(2)	2,245
Public Safety	21,229	15,145	(13)	36,361
Public Health	11,687	(235)	(3)	11,449
Community & Cultural	169,599	(4,252)	(570)	164,777
Public Works	224,543	59,680	(31,852)	252,371
	<u>\$ 429,452</u>	<u>\$ 70,224</u>	<u>\$ (32,440)</u>	<u>\$ 467,236</u>

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

See accompanying independent auditors' report.

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

Fiscal Year- end (1) and (4)	Legislative and Lega	General Governmen	Public Safety (3)	Public Health	Community and Cultural	Public Works	Oil Operations	Sub Total	Other Expenditures (2)	Total Expenditures (2)
1994	\$ 8,871	\$ 25,051	\$171,019	\$ 19,943	\$ 101,933	\$ 39,356	\$ 4,393	\$ 370,566	\$ 97,169	\$ 467,735
1995	8,355	15,112	177,045	20,382	115,094	40,053	4,428	380,469	53,708	434,177
1996	10,589	28,870	230,875	26,154	149,204	45,956	5,497	497,145	86,594	583,739
1997	8,014	22,713	189,783	24,516	115,354	48,303	5,034	413,717	77,177	490,894
1998	9,382	30,707	197,998	27,017	129,282	39,789	4,260	438,435	55,101	493,536
1999	8,945	26,207	197,004	26,856	121,207	36,667	3,734	420,620	47,322	467,942
2000	9,059	26,998	206,409	29,649	124,280	41,069	4,062	441,526	47,241	488,767
2001	9,313	25,140	202,512	32,648	134,759	35,569	5,795	445,736	50,613	496,349
2002	10,985	30,444	230,112	37,516	151,593	43,565	4,672	508,887	72,688	581,575
2003	9,588	24,655	236,341	38,146	158,190	42,751	5,517	515,188	68,930	584,118

Notes:

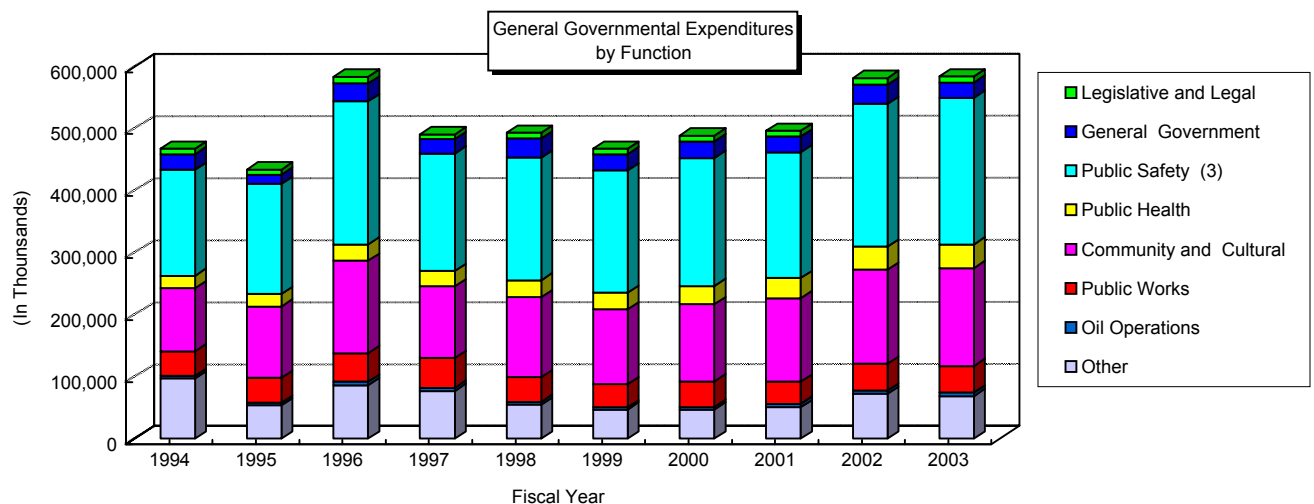
- (1) The figures include all governmental fund types (General, Special Revenue, and Capital Projects Funds), including the expenditures for the Long Beach Housing Authority and the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. Long Beach Housing Authority and Long Beach Redevelopment Agency expenditures for 1994 through 2003 are as follows (in thousands):

Fiscal Year- end (4)	General Government	Community and Cultural	Capital Improvements	Loss on Disposition of Land Held for Resale	Debt Service	Total Expenditures
1994	\$ 733	\$42,209	\$ 41,432	\$ 227	\$16,853	\$ 101,454
1995	199	46,742	9,463	488	15,081	71,973
1996	248	65,904	13,215	5,838	14,075	99,280
1997	200	50,326	9,806	1,906	15,311	77,549
1998	199	46,424	466	426	17,896	65,411
1999	198	45,333	-	3,432	14,264	63,227
2000	182	42,608	-	1,254	13,769	57,813
2001	167	48,228	-	202	13,046	61,643
2002	165	17,556	-	43,153	18,200	79,074
2003	161	72,928	-	3,134	15,310	91,533

- (2) Expenditures are on the actual (GAAP) basis. Other expenditures include capital improvements, loss on disposition of land held for resale and debt service. Redevelopment Agency and Convention Center expansion costs for fiscal year 1994 was \$22,680,000.

- (3) In 1994, the City Prosecutor's expenditures were recorded as public safety.

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



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

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

Fiscal Year-end (1) and (2)	Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	From Other Agencies	Charges for Services	Other	Total Revenues (3)
1994	\$ 164,888	\$ 8,955	\$ 6,584	\$ 28,106	\$116,239	\$ 38,980	\$ 36,865	\$400,617
1995	178,407	9,345	6,219	32,065	122,017	39,933	7,383	395,369
1996	205,825	13,505	7,954	40,561	163,235	48,995	16,018	496,093
1997	169,780	10,398	6,582	27,809	150,146	52,465	13,025	430,205
1998	176,698	12,876	7,967	29,923	148,290	42,327	15,023	433,104
1999	181,781	14,870	10,192	29,756	151,246	43,321	8,056	439,222
2000	198,971	15,703	9,867	36,428	145,467	45,409	28,891	480,736
2001	223,287	19,343	11,091	39,669	164,192	39,292	7,890	504,764
2002	215,968	23,401	11,448	36,859	181,874	41,277	13,135	523,962
2003	225,852	23,103	11,017	40,135	178,275	44,282	13,922	536,586

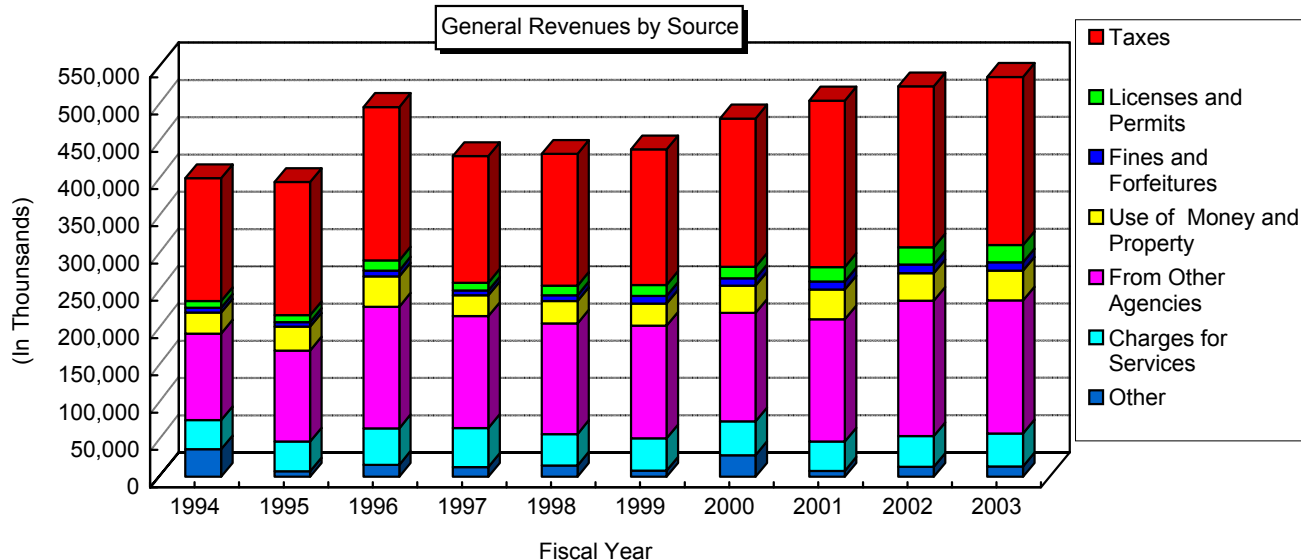
Notes:

- (1) The figures include all governmental fund types (General, Special Revenue, and Capital Projects Funds), including the revenues for the Long Beach Housing Authority and the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. Long Beach Housing Authority and Long Beach Redevelopment Agency revenues for fiscal years 1994 through 2003 are as follows (in thousands):

Fiscal Year-end (2)	Taxes	Licenses and Permits	Use of Money and Property	From Other Agencies	Other	Total Revenues
1994	\$ 16,732	\$ -	\$ 5,252	\$ 33,843	\$ 12,849	\$ 68,676
1995	15,105	392	5,197	34,008	940	55,642
1996	17,018	497	5,123	46,868	3,482	72,988
1997	15,462	-	3,962	38,967	1,005	59,396
1998	17,793	-	3,111	38,259	960	60,123
1999	16,206	5	3,020	37,281	994	57,506
2000	20,788	8	3,473	36,278	651	61,198
2001	21,749	-	3,805	36,692	848	63,094
2002	28,400	-	4,974	42,186	787	76,347
2003	30,253	-	8,076	52,068	772	91,169

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

- (3) Revenues are on the actual (GAAP) basis.



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

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

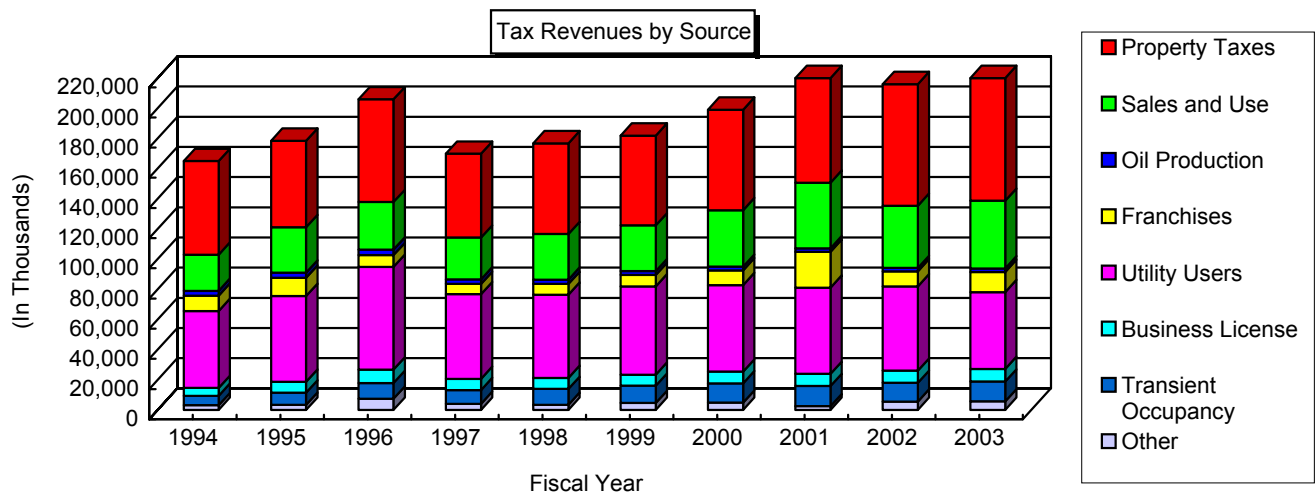
Fiscal Year-end (1) and (2)	Property Taxes	Sales and Use	Oil Production	Franchises (3)	Utility Users	Business License	Transient Occupancy	Other (4)	Totals
1994	\$ 62,028	\$23,967	\$ 3,115	\$10,215	\$ 50,963	\$ 5,193	\$ 6,246	\$3,161	\$164,888
1995	57,314	30,089	3,433	12,048	56,787	7,241	8,102	3,393	178,407
1996	68,055	31,495	3,694	7,694	68,151	8,848	10,392	7,496	205,825
1997	55,538	27,637	3,104	6,812	56,082	7,359	9,207	4,041	169,780
1998	60,136	30,140	2,937	7,033	55,170	7,316	10,475	3,491	176,698
1999	59,499	30,310	2,577	7,463	58,562	7,298	11,479	4,593	181,781
2000	66,635	37,362	2,479	9,695	57,396	7,752	12,788	4,864	198,971
2001	72,737	43,415	2,365	23,706	57,151	8,052	13,336	2,525	223,287
2002	80,621	41,246	2,257	9,976	55,838	8,067	12,447	5,516	215,968
2003	87,264	44,863	2,245	13,363	50,883	8,430	13,134	5,670	225,852

Notes:

- (1) Tax revenues by source include all Governmental Fund Types (General, Special Revenue, and Capital Projects Funds), including property tax and transient lodging tax for the Long Beach Redevelopment Agency as indicated below in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in fiscal year 1994 through 2003.

Fiscal Year-end (2)	Property Taxes (In Thousands)	Transient Occupancy/ Other (In Thousands)
1994	\$ 15,593	\$ 1,139
1995	13,561	1,544
1996	14,946	2,072
1997	13,574	1,888
1998	15,593	2,200
1999	11,229	2,337
2000	18,061	2,727
2001	18,917	2,832
2002	25,796	2,604
2003	27,475	2,778

- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (3) Starting in fiscal year 1997, cable franchise fees were not recorded in the Special Revenue Funds. The amounts are \$2,228,000, \$2,340,000, \$2,478,000, \$2,544,000 and \$2,507,000 for fiscal year 1999, 2000, 2001, 2002 and 2003, respectively.
- (4) Includes Real Property Transfer, Special Parking, Miscellaneous Taxes, and transfers from funds in lieu of taxes.



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

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

Fiscal Year-end (1) and (3)	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (2)	Collections as Percent of Levy	Outstanding Delinquent Taxes	Delinquent Tax as Percent of Current Levy
1994	\$ 63,101	\$ 56,810	90.0 %	\$ 3,733	\$ 60,543	95.9 %	\$ 6,184	9.8 %
1995	60,474	53,490	88.5	2,879	56,369	93.2	5,454	9.0
1996	58,910	54,144	91.9	2,152	56,296	95.6	4,564	7.7
1997	57,408	52,932	92.2	1,905	54,837	95.5	4,214	7.3
1998	58,522	56,504	96.6	3,185	59,689	102.0	3,755	6.4
1999	59,378	56,320	94.8	3,636	59,956	101.0	2,857	4.8
2000	66,177	63,892	96.5	2,989	66,881	101.1	2,873	4.3
2001	70,841	69,338	97.9	2,322	71,660	101.2	3,160	4.5
2002	77,731	77,587	99.8	3,682	81,269	104.6	2,536	3.3
2003 (4)	83,222	85,699	103.0	2,245	87,944	105.7	2,401	2.9

Notes:

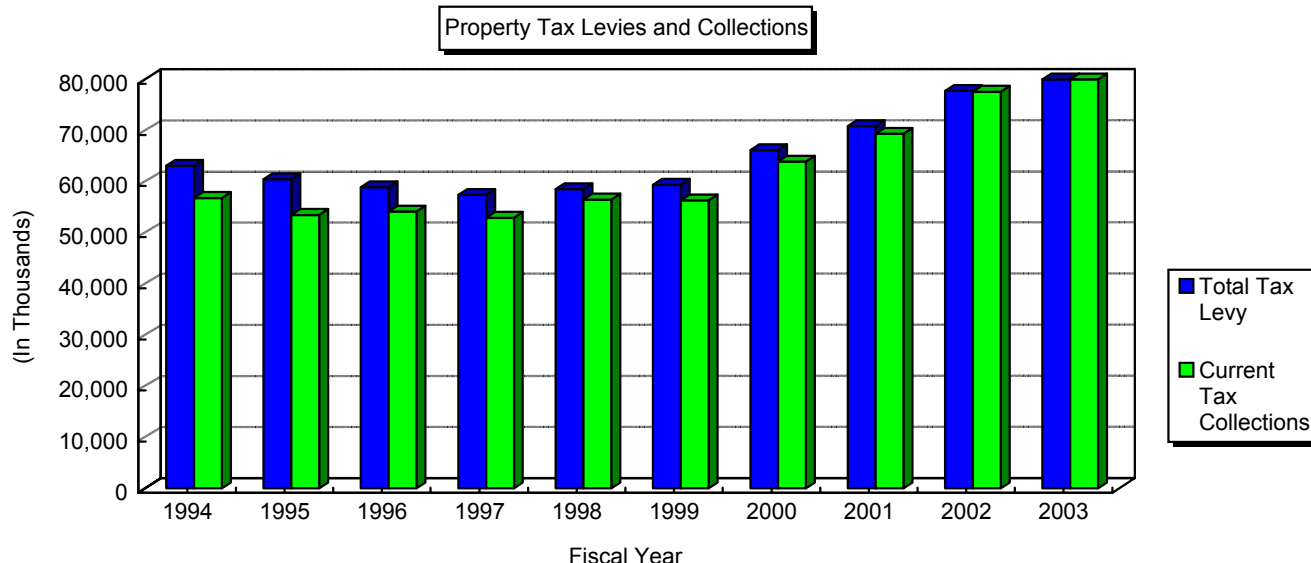
- (1) Total tax collections for fiscal years 1994 through 2003 include redevelopment tax increment collections, excluding interest and penalties, in accordance with generally accepted accounting principles as follows:

Fiscal Year-end (3)	Collections (In Thousands)
1994	\$ 15,593
1995	13,561
1996	14,946
1997	13,574
1998	15,593
1999	11,229
2000	18,061
2001	18,917
2002	25,796
2003	27,475

- (2) Excludes interest, penalties and LA County admin fees.

- (3) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Since the County of Los Angeles, which distributes the property tax, is on a June 30 fiscal year-end, the amounts for the City are for the twelve months from July 1, 1995 through June 30, 1996 for comparison purposes. Beginning with fiscal year 1997, current tax collections include tax accrued as revenue for the months of July through September, but not received in cash until after the close of the fiscal year.

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



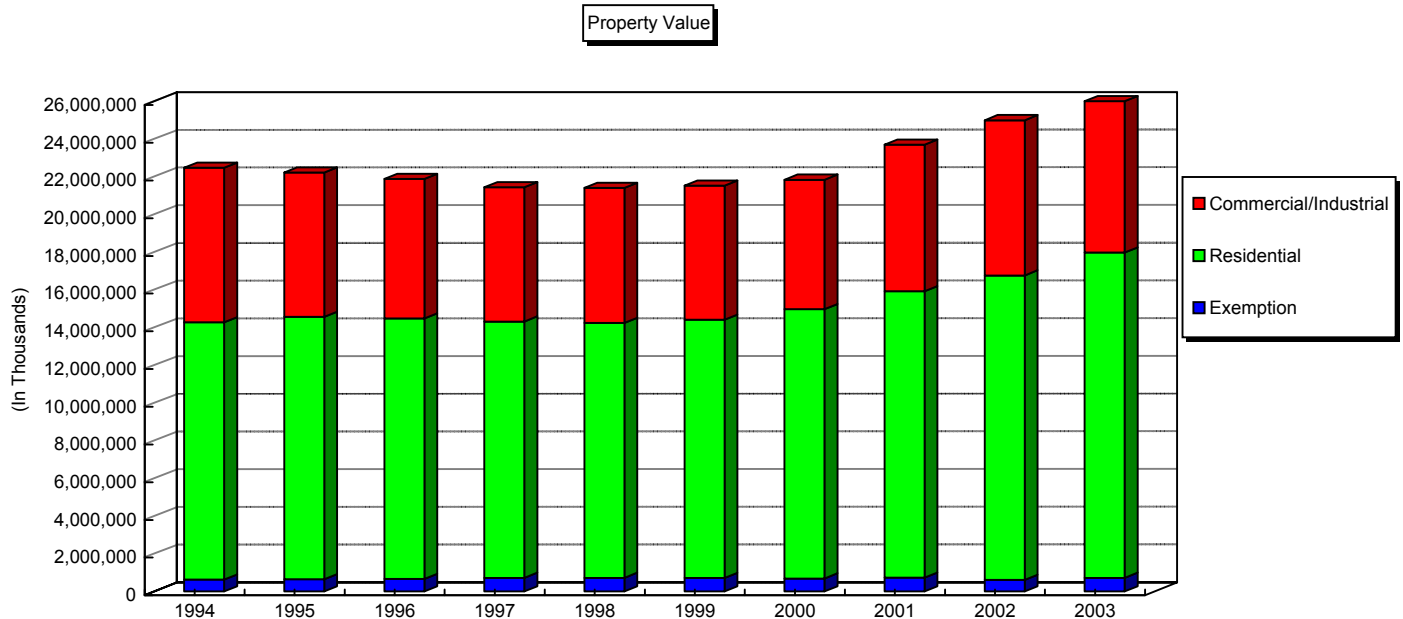
Source: City of Long Beach, Department of Financial Management.

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

Fiscal Year-end	Assessed Value (1)				Property Value			
	Land	Improvements	Personal Property	Total	Commercial/ Industrial	Residential	Exemption	Total
1994	\$ 9,600,261	\$ 11,400,389	\$ 1,473,074	\$ 22,473,724	\$ 8,204,043	\$ 13,643,224	\$ 626,457	\$ 22,473,724
1995	9,351,454	11,327,795	1,541,125	22,220,374	7,659,078	13,922,438	638,858	22,220,374
1996	9,497,846	10,971,486	1,408,258	21,877,590	7,396,839	13,817,142	663,609	21,877,590
1997	9,520,895	10,527,383	1,379,679	21,427,957	7,112,998	13,594,231	720,728	21,427,957
1998	9,544,327	10,376,690	1,482,025	21,403,042	7,161,264	13,521,115	720,663	21,403,042
1999	9,513,719	10,422,267	1,579,619	21,515,605	7,113,133	13,684,447	718,025	21,515,605
2000	9,530,997	10,853,314	1,448,289	21,832,600	6,867,889	14,275,847	688,864	21,832,600
2001	10,463,320	11,828,763	1,396,288	23,688,371	7,768,092	15,195,079	725,200	23,688,371
2002	11,332,200	12,365,006	1,292,787	24,989,993	8,232,188	16,149,319	608,486	24,989,993
2003	11,925,024	12,839,549	1,689,844	26,454,417	8,483,488	17,248,508	722,421	26,454,417

Notes:

(1) Assessed value is 100% of market value for all fiscal years.



Source: Los Angeles County Office of the Assessor.

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

<u>Fiscal Year-end</u>	<u>County (A)</u>	<u>Special Districts (A)</u>	<u>Total</u>
1994	\$ 1.0017	\$ 0.0131	\$ 1.0148
1995	1.0020	0.0149	1.0169
1996	1.0018	0.0099	1.0117
1997	1.0016	0.0109	1.0125
1998	1.0016	0.0111	1.0127
1999	1.0014	0.0109	1.0123
2000	1.0014	0.0183	1.0197
2001	1.0013	0.0263	1.0276
2002	1.0011	0.0376	1.0387
2003	1.0010	0.0428	1.0438

Note: ⁽¹⁾

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

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

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

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

Sources:

- (1) Taxpayers Guide compiled under the supervision of the Los Angeles County Auditor-Controller.
- (A) "02-03 SEC Tax Rates and Ratios Report" provided by the Los Angeles County Auditor-Controller.

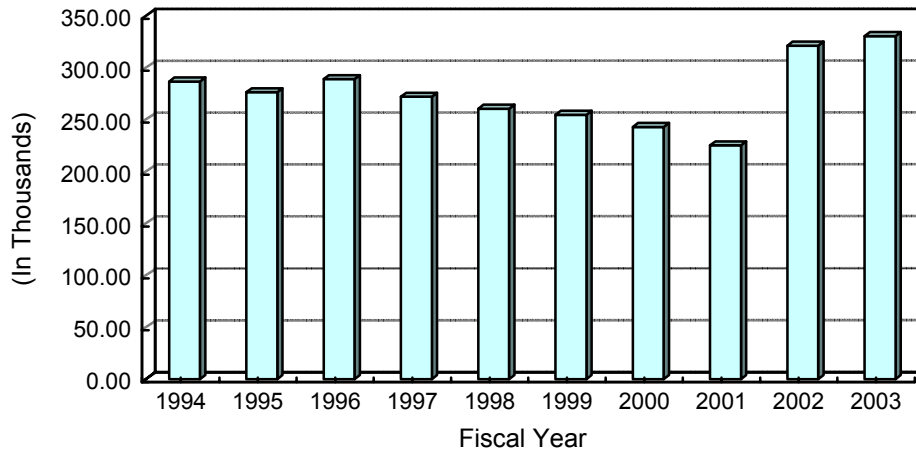
Ratio of Net General and Redevelopment Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita -
Last Ten Fiscal Years
(In Thousands Except Estimated Population)

Fiscal Year-end (2)	Estimated Population (A)	Assessed Value (B)	Gross Bonded Debt (1)	Ratio of Gross Bonded Debt to Assessed Value	Less Debt Service Reserve (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1994	436,776	\$ 22,473,724	\$ 142,975	0.64 %	\$ 17,700	\$ 125,275	0.56 %	\$ 286.82
1995	442,106	22,220,374	140,310	0.63	18,081	122,229	0.55	276.47
1996	425,807	21,877,590	137,535	0.63	14,451	123,084	0.56	289.06
1997	441,718	21,427,957	134,640	0.63	14,427	120,213	0.56	272.15
1998	446,227	21,403,042	134,925	0.63	18,635	116,290	0.54	260.61
1999	452,905	21,515,605	132,115	0.61	16,756	115,359	0.54	254.71
2000	457,608	21,832,600	129,160	0.59	17,925	111,235	0.51	243.08
2001	461,522	23,688,371	121,480	0.51	17,522	103,958	0.44	225.25
2002	473,131	24,989,993	174,060	0.70	22,016	152,044	0.61	321.36
2003	480,973	26,454,417	179,974	0.68	20,989	158,984	0.60	330.55

Notes:

- (1) Includes Redevelopment bonds issued during fiscal years 1987, 1993, 1998 and 2003.
- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.

Net Bonded Debt per Capita



Sources:

- (A) California Department of Finance for fiscal years 1994 through 2003. In 1996 the City of Long Beach Planning and Building Department calculated the city population based on redistricting to be 425,807. The estimated population per the California Department of Finance for fiscal year 1996 was 437,708.
- (B) "SV-13 G Report FY 02-03 Assessed Valuations" compiled under the supervision of the Los Angeles County Auditor-Controller.

City of Long Beach
 Computation of Legal Debt Margin
 September 30, 2003
 (In Thousands)

Net Assessed Valuation		\$ 25,731,996
Plus Exempt Property		<u>722,421</u>
Total Assessed Valuation (1)		<u><u>\$ 26,454,417</u></u>
Debt Limit - 15 Percent of Total Assessed Valuation (1)		\$ 3,968,163
Amount of Debt Applicable to Debt Limit:		
Redevelopment Bonded Debt	\$ 179,974	
Less:		
Assets in Redevelopment Debt Service Fund, Available for Payment of Principal	<u>20,989</u>	
Total Amount of Debt Applicable to Debt Limit		<u>158,984</u>
Legal Debt Margin (1)		<u><u>\$ 3,809,178</u></u>

Note:

- (1) The fiscal year 2003 debt limit is based on assessed valuation of 100% of market value, and reflects valuation for the property in redevelopment project areas.

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

"SV-13 G Report FY 02-03 Assessed Valuations" compiled under the supervision of the Los Angeles County Auditor-Controller.

City of Long Beach
Schedule of Direct and Overlapping Debt
September 30, 2003
(In Thousands)

<u>DIRECT DEBT:</u>		<u>Outstanding</u>	<u>Exclusions</u>	<u>Outstanding</u>
City of Long Beach				
Lease Revenue Bonds (2)		\$ 274,455	\$ (125,100)	\$ 149,355
Marks-Roos Bonds (3)		34,785	-	34,785
Certificates of Participation		4,805	-	4,805
Pension Obligations		106,710	-	106,710
Total Direct Debt		<u>420,755</u>	<u>(125,100)</u>	<u>295,655</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>		
Los Angeles County	3.899 %	30,225	(29,047)	1,178
Los Angeles Community College District	0.059	673,615	(673,218)	397
Compton Community College District	2.683	10,000	(9,732)	268
Long Beach Community College District	88.341	40,000	(4,664)	35,336
Compton Unified School District	0.034	40,000	(39,986)	14
ABC Unified School District	1.488	56,925	(56,078)	847
Long Beach Unified School District	88.344	210,125	(24,492)	185,633
Los Angeles Unified School District	0.073	4,328,210	(4,325,050)	3,160
Paramount Unified School District	10.338	33,625	(30,149)	3,476
Los Angeles County Flood Control District	3.866	153,550	(147,614)	5,936
Metropolitan Water District	2.028	444,295	(435,285)	9,010
Total Overlapping Tax And Assessment Debt (1)		<u>6,020,570</u>	<u>(5,775,315)</u>	<u>245,255</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>				
Los Angeles County General Fund Obligations	3.899 %	1,539,701	(1,479,668)	60,033
Los Angeles County Pension Obligations	3.899	1,552,952	(1,492,402)	60,550
Los Angeles County Superintendent of Schools Certificates of Participation	3.899	25,754	(24,750)	1,004
Cerritos Community College District Certificates of Participation	0.397	15,910	(15,847)	63
Long Beach Community College District Certificates of Participation	88.341	34,300	(3,999)	30,301
Los Angeles Unified School District Certificates of Participation	0.073	804,580	(803,993)	587
Long Beach Unified School District Certificates of Participation	88.344	68,505	(7,985)	60,520
Compton Unified School District Certificates of Participation	0.034	20,200	(20,193)	7
Paramount Unified School District Certificates of Participation	10.338	30,640	(27,472)	3,168
County Sanitation District No. 1 Certificates of Participation	1.258	29,270	(28,902)	368
County Sanitation District No. 2 Certificates of Participation	0.189	45,195	(45,109)	86
County Sanitation District No. 3 Certificates of Participation	84.180	34,341	(5,433)	28,908
County Sanitation District No. 8 Certificates of Participation	2.325	17,838	(17,423)	415
County Sanitation District No. 19 Certificates of Participation	38.413	8,140	(5,013)	3,127
Total Gross Overlapping General Fund Obligation Debt		<u>4,227,326</u>	<u>(3,978,189)</u>	<u>249,137</u>
Total Gross Overlapping Combined Debt		10,247,896	(9,753,504)	494,392
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		<u>(69,655)</u>	<u>(66,940)</u>	<u>(2,715)</u>
Total Net Overlapping Combined Debt		<u>10,178,241</u>	<u>(9,686,564)</u>	<u>491,677</u>
Total Net Direct And Overlapping Combined Debt (1)		<u>\$ 10,598,996</u>	<u>\$ (9,811,664)</u>	<u>\$ 787,332</u>

Notes:

- (1) Excludes 1915 Act and Mello-Roos Act bonds.
- (2) The lease revenue bonds amount is net of the Civic Center Project 1997 Series A \$850,000 principal payment paid to the trustee on September 15, 2003 as required by the bond resolution for principal due to bondholders on October 1, 2003.
- (3) The Marks-Roos Bonds amount is net of the Temple and Willow Facility 1998 Series A & B Bonds \$710,000 principal payment paid to the trustee on September 15, 2003 as required by the bond resolution for principal due to bondholders on October 1, 2003.

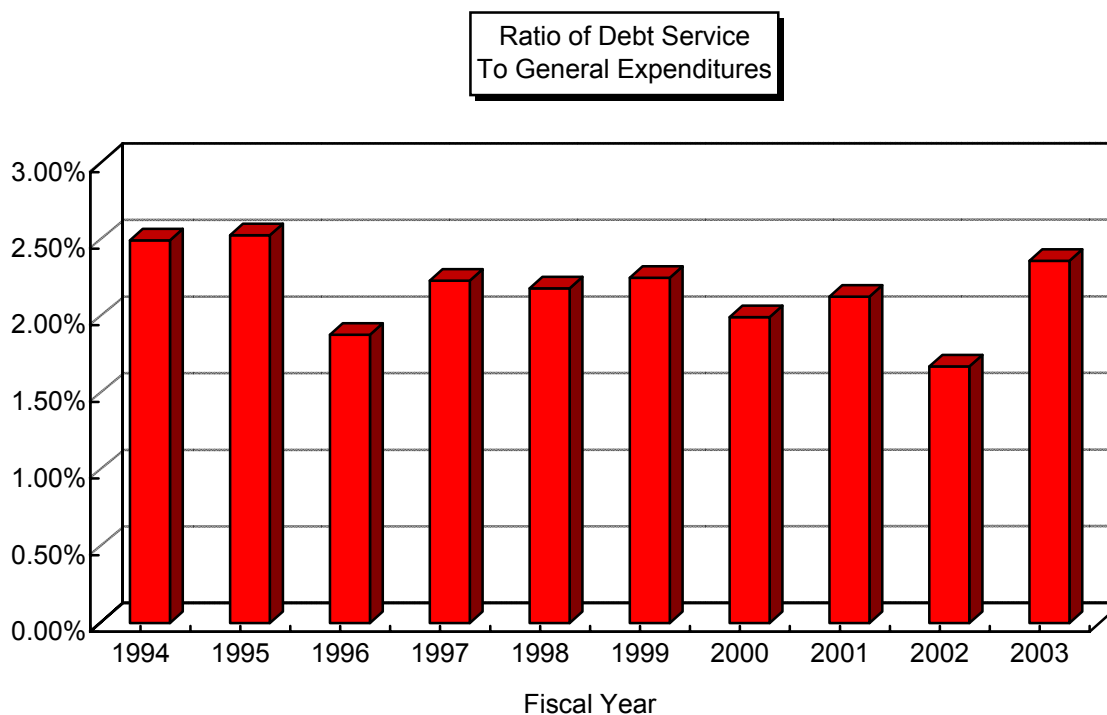
Source: California Municipal Statistics, Inc.

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

Fiscal Year-end (1) and (2)	Principal	Interest	Total Debt Service	Total General Expenditures (3)	Ratio of Debt Service to General Expenditures
1994	\$ 3,250	\$ 8,432	\$ 11,682	\$ 467,735	2.50%
1995	2,665	8,328	10,993	434,177	2.53%
1996	2,775	8,213	10,988	583,739	1.88%
1997	2,895	8,081	10,976	490,894	2.24%
1998	3,035	7,746	10,781	493,536	2.18%
1999	2,810	7,738	10,548	467,942	2.25%
2000	2,955	6,809	9,764	488,767	2.00%
2001	3,155	7,422	10,577	496,349	2.13%
2002	2,740	7,000	9,740	581,575	1.67%
2003	3,570	10,238	13,808	584,118	2.36%

Notes:

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



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

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

Fiscal Year-end (1) and (3)	Operating Revenue	Operating Expenses (1)	Net Operating Income	Non- Operating Income (1)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1994	\$ 74,824	\$ 53,580	\$ 21,244	\$ 1,676	\$ 22,920	\$ 415	\$ 333	\$ 748	30.6
1995	70,941	41,233	29,708	3,910	33,618	450	609	1,059	31.7
1996	80,526	45,736	34,790	2,208	36,998	465	596	1,061	34.9
1997	66,455	46,975	19,480	1,969	21,449	475	580	1,055	20.3
1998	69,511	49,492	20,019	2,251	22,270	495	563	1,058	21.0
1999	75,654	47,757	27,897	2,004	29,901	510	545	1,055	28.3
2000	70,874	56,478	14,396	1,511	15,907	530	524	1,054	15.1
2001	124,691	118,667	6,024	1,855	7,879	550	502	1,052	7.5
2002	62,301	51,289	11,012	1,004	12,016	575	478	1,053	11.4
2003	75,323	64,331	10,992	738	11,730	600	452	1,052	11.2

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

1994	\$ 45,600	\$ 39,951	\$ 5,649	\$ 2,401	\$ 8,050	\$ 285	\$ 283	\$ 568	14.2
1995	49,965	41,303	8,662	4,506	13,168	1,270	2,489	3,759	3.5
1996	70,784	56,027	14,757	4,022	18,779	985	2,669	3,654	5.1
1997	60,247	45,122	15,125	3,095	18,220	1,045	2,627	3,672	5.0
1998	56,395	42,932	13,463	3,130	16,593	1,125	2,539	3,664	4.5
1999	57,619	43,854	13,765	6,043	19,808	1,325	2,247	3,572	5.5
2000	60,252	46,508	13,744	1,066	14,810	1,385	2,194	3,579	4.1
2001	57,773	46,526	11,247	4,554	15,801	1,450	2,138	3,588	4.4
2002	58,969	48,324	10,645	1,616	12,261	1,505	2,080	3,585	3.4
2003	58,944	44,653	14,291	1,162	15,453	1,570	2,019	3,589	4.3

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

1994	\$ 61,483	\$ 45,701	\$ 15,782	\$ 8,845	\$ 24,627	\$ 4,525	\$ 13,054	\$ 17,579	1.4
1995	67,162	45,937	21,225	2,947	24,172	4,950	12,641	17,591	1.4
1996	88,480	58,215	30,265	3,145	33,410	-	11,023	11,023	3.0
1997	73,745	49,418	24,327	4,882	29,209	-	9,623	9,623	3.0
1998	75,034	49,056	25,978	5,043	31,021	-	9,623	9,623	3.2
1999	66,486	49,643	16,843	2,886	19,729	3,000	9,623	12,623	1.6
2000	65,005	52,409	12,596	5,004	17,600	3,400	9,307	12,707	1.4
2001	71,188	59,387	11,801	6,219	18,020	3,700	9,069	12,769	1.4
2002	67,931	58,441	9,490	5,376	14,866	3,900	8,814	12,714	1.2
2003	69,441	55,073	14,368	(6,332)	8,036	4,200	5,088	9,288	0.9

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

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

Schedule of Revenue Bond Coverage for Proprietary Funds

Civic Center Fund
Civic Center Revenue Bond Coverage
Last Ten Fiscal Years (2)
(In Thousands)

Fiscal Year-end (3)	Operating Revenue (2)	Operating Expenses (1) and (2)	Net Operating Income	Non- Operating Income (Loss) (1) and (2)	Net Revenue or Funds Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1994	\$ 10,357	\$ 5,942	\$ 4,415	\$ 414	\$ 4,829	\$ 1,460	\$ 1,501	\$ 2,961	1.6
1995	10,094	5,766	4,328	554	4,882	1,560	1,400	2,960	1.6
1996	12,782	7,103	5,679	948	6,627	2,865	1,937	4,802	1.4
1997	10,313	5,142	5,171	826	5,997	1,560	1,176	2,736	2.2
1998	10,272	5,807	4,465	6,510	10,975	720	1,808	2,528	4.3
1999	10,207	5,859	4,348	424	4,772	795	2,091	2,886	1.7
2000	10,178	6,549	3,629	2,047	5,676	875	2,087	2,962	1.9
2001	10,314	5,988	4,326	1,877	6,203	915	2,048	2,963	2.1
2002	11,805	7,509	4,296	1,203	5,499	950	2,008	2,958	1.9
2003	11,749	6,515	5,234	675	5,909	850	1,965	2,815	2.1

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

1998	\$ 19,666	\$ 14,256	\$ 5,410	\$ (58)	\$ 5,352	\$ -	\$ 784	\$ 784	6.8
1999	21,644	13,818	7,826	1,642	9,468	605	1,882	2,487	3.8
2000	22,891	15,019	7,872	1,288	9,160	630	1,858	2,488	3.7
2001	24,560	15,181	9,379	2,168	11,547	655	1,832	2,487	4.6
2002	27,101	14,942	12,159	674	12,833	680	1,806	2,486	5.2
2003	26,382	14,258	12,124	52	12,176	710	1,778	2,488	4.9

Notes:

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

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

City of Long Beach

Schedule of Revenue Bond Coverage for Proprietary Funds

Tideland Operating Segment
Revenue Bond Coverage
Last Three Fiscal Years (2)
(In Thousands)

Fiscal Year-end (4)	Beginning Unreserved Fund Balance	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non - Operating Income (Loss) (1)	Net Amount Available for Debt Service	Debt Service Requirements			Times Coverage
							Principal	Interest	Total	
2001	N/A	\$ 19,240	\$ 20,746	\$ (1,506)	\$ 2,952	\$ 1,446	\$ 1,000	\$ 2,761	\$ 3,761	-
2002	N/A	27,783	37,623	(9,840)	5,724	(4,116)	-	6,558	6,558	-
2003	N/A	31,699	37,496	(5,797)	2,088	(3,709)	-	6,558	6,558	-

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

1994	\$ 19,164	\$ 13,941	\$ 10,602	\$ 3,339	\$ 640	\$ 23,143	\$ 1,655	\$ 2,528	\$ 4,183	5.5
1995	9,076	13,557	10,282	3,275	832	13,183	1,835	2,479	4,314	3.1
1996	5,012	16,321	13,731	2,590	943	8,545	60	2,238	2,298	3.7
1997	3,279	13,056	10,716	2,340	294	5,913	2,150	1,500	3,650	1.6
1998	1,338	13,975	11,171	2,804	(83)	4,059	2,240	1,411	3,651	1.1
1999	821	13,940	10,617	3,323	358	4,502	2,335	1,316	3,651	1.2
2000	3,310	14,055	11,017	3,038	1,830	8,178	2,435	1,214	3,649	2.2
2001	1,014	14,995	10,727	4,268	(79)	5,203	2,545	1,107	3,652	1.4
2002	974	15,564	10,812	4,752	470	6,196	2,660	991	3,651	1.7
2003	1,412	16,171	10,293	5,878	(370)	6,920	2,785	867	3,652	1.9

Notes:

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

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

City of Long Beach

Schedule of Revenue Bond Coverage for Proprietary Funds

Rainbow Harbor Area Segment
Revenue Bond Coverage
Last Five Fiscal Years (3)
(In Thousands)

Fiscal Year-end (2)	Operating Revenue	Operating Expenses (1)	Net Operating Income (Loss)	Non- Operating Income (1) (Loss)	Net Revenue Available for Debt Service	Debt Service Requirements			Times Coverage
						Principal	Interest	Total	
1999	\$ 3,779	\$ 3,589	\$ 190	\$ 501	\$ 691	\$ -	\$ -	\$ -	-
2000	2,036	3,572	(1,536)	429	(1,107)	-	-	-	-
2001	2,170	3,808	(1,638)	372	(1,266)	-	2,440	2,440	-
2002	2,486	3,799	(1,313)	384	(929)	65	2,440	2,505	-
2003	2,672	3,740	(1,068)	596	(472)	80	4,969	5,049	-

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

1994	\$ 134,593	\$ 36,518	\$ 98,075	\$ 18,487	\$ 116,562	\$ 9,760	\$ 26,610	\$ 36,370	3.2
1995	151,512	34,786	116,726	(7,466)	109,260	10,375	29,086	39,461	2.8
1996	218,650	52,479	166,171	4,698	170,869	15,175	39,128	54,303	3.1
1997	177,230	36,874	140,356	15,189	155,545	16,620	47,384	64,004	2.4
1998	188,587	38,238	150,349	16,635	166,984	18,690	42,371	61,061	2.7
1999	198,483	39,952	158,531	5,220	163,751	22,680	44,637	67,317	2.4
2000	225,504	45,286	180,218	3,436	183,654	26,715	39,806	66,521	2.8
2001	228,079	50,573	177,506	14,080	191,586	28,290	46,165	74,455	2.6
2002	223,999	40,085	183,914	6,386	190,300	17,960	51,239	69,199	2.8
2003	249,542	45,394	204,148	(2,524)	201,624	30,145	60,757	90,902	2.2

Notes:

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

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

City of Long Beach
Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year-end</u>	<u>Estimated Population (A)</u>	<u>Median Age (B)</u>	<u>Personal Income per Capita (C)</u>	<u>Public School Enrollment (D)</u>	<u>Unemployment Rate (E)</u>
1994	436,776	30.4	\$ 18,109	83,490	9.3 %
1995	442,106	30.0	18,603	84,721	8.0
1996	425,807	29.8	N/A	88,530	8.2
1997	441,718	29.0	N/A	91,932	6.6
1998	446,227	28.9	N/A	89,408	6.2
1999	452,905	29.0	N/A	91,465	5.6
2000	457,608	29.0	N/A	94,527	5.5
2001	461,522	30.8	N/A	95,193	5.7
2002	473,131	31.0	N/A	97,369	6.3
2003	480,973	N/A	N/A	97,370	6.4

Sources:

- (A) California Department of Finance. In 1996 the City of Long Beach Planning and Building Department calculated the city population based on the redistricting to be 425,807. The estimated population per the California Department of Finance for fiscal year 1996 was 437,708.
- (B) The Los Angeles County Health Department population projections are used for fiscal years 1994 and 1995. The City of Long Beach, Department of Planning and Building Advance Planning Division's estimate is used for fiscal years 1996 through 2002. As of fiscal year 2003, Advanced Planning no longer compiles this estimate.
- (C) The data for fiscal years 1996 through 2003 is not available. The City of Long Beach, Department of Planning and Building and "1990 Census" from U.S. Bureau of Census for persons age 15 years and over for fiscal years 1994 through 1995.
- (D) Annual school census from Long Beach Unified School District for preschool, grades Kindergarten through 12.
- (E) Average annual rate for Los Angeles County reported by California Employment Development Department (EDD). The labor force data used by EDD for fiscal year 1994 reflects changes in the population base used in the Current Population Survey conducted by the Bureau of Labor Statistics and Census Bureau.

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

Fiscal Year-end (2)	Construction (A)								Bank Deposits (000's) (B)
	Industrial		Commercial & Office		Residential		All Others		
	Number of Permits	Valuation (000's)	Number of Permits	Valuation (000's)	Number of Permits	Valuation (000's)	Number of Permits	Valuation (000's) (1)	
1994	6	\$ 10,906	16	\$ 1,808	23	\$ 2,927	5,812	\$ 79,818	\$ 5,067,000
1995	10	4,247	34	6,479	57	19,303	5,484	91,640	4,672,000
1996	10	2,233	42	24,610	87	13,340	7,291	191,743	4,658,000
1997	8	1,942	21	20,614	61	13,071	5,748	112,171	3,983,000
1998	5	9,471	53	66,847	110	19,344	6,022	130,303	4,142,000
1999	2	6,627	39	48,232	61	20,697	6,470	123,666	4,084,000
2000	6	16,528	33	17,425	133	25,145	6,465	133,232	4,193,201
2001	16	12,486	37	57,391	119	113,972	6,744	166,041	4,352,495
2002	6	9,500	42	78,737	105	78,512	7,350	184,706	4,741,291
2003	35	5,000	32	59,229	63	120,566	8,581	235,922	5,271,266

Notes:

- (1) The all others valuation for fiscal year 1996 includes permits for the Los Altos and Marina Pacifica shopping center improvements, Long Beach Aquarium of the Pacific and Boeing SeaLaunch projects; fiscal year 2001 includes permits for the Camden development and pier improvements at the Port of Long Beach; and fiscal year 2003 includes permits for earthquake retrofit of the Public Safety building, construction of a 130,000 square-foot wharf, wharf upgrade and conveyor system at Pier G, construction of a one-story police station, tenant development of a 14-screen cinema and Gameworks, and tenant improvements for the Carnival Cruise Terminal and Boeing Building 54.
- (2) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.

Sources:

- (A) City of Long Beach, Department of Planning and Building.
- (B) Fiscal years 1994 and 1995 is from the State Superintendent of Banks. The data for the fiscal years 1996 through 2003 is from the Federal Deposit Insurance Corporation as of June 30.

City of Long Beach
Principal Taxpayers
September 30, 2003
(In Thousands)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002-2003 Assessed Valuation</u>	<u>Percent of Total Net Assessed Valuation</u>
Boeing	Industrial	\$ 573,102	2.41 %
AES Alamitos LLC	Power Plant	504,546	2.12
Arco Terminal Services Corp	Industrial	103,555	0.44
Stevens Creek Associates	Office Building	81,789	0.34
Pacific Towers Associates	Office Building	65,522	0.28
Hughes Aircraft Co.	Industrial	62,265	0.26
Trizechahn Centers LLC	Office Building	59,545	0.25
Alamitos Bay Partnership	Hotel	56,252	0.24
Atlantic Richfield Company	Industrial	49,846	0.21
Bixby Land Co.	Commercial Properties	<u>46,599</u>	<u>0.20</u>
	Total	<u>\$ 1,603,021</u>	<u>6.75 %</u>

Note:

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

Source: California Municipal Statistics, Inc.

City of Long Beach

Miscellaneous Utility Statistics

Gas Utility
Last Ten Fiscal Years
(In Thousands)

Fiscal Year-end (1)	Consumption in Sales Dollars				Consumption in Cubic Feet				Average Rate per MCF (3)	Average No. of Customers
	Residential	Commercial Industrial	Others (2)	Total	Residential	Commercial Industrial	Others (2)	Total		
1994	\$ 38,687	\$ 23,731	\$ 7,765	\$ 70,183	6,055,870	6,099,135	18,017,439	30,172,444	\$ 2.33	139
1995	42,522	22,468	831	65,821	6,183,632	6,082,775	1,783,410	14,049,817	4.68	138
1996	48,249	24,720	30	72,999	6,403,666	7,040,942	8,323	13,452,931	5.43	138
1997	43,097	18,144	65	61,306	5,783,834	5,571,864	30,913	11,386,611	5.38	138
1998	46,133	18,706	30	64,869	6,270,643	6,362,973	22,828	12,656,444	5.13	139
1999	52,352	18,462	34	70,848	6,844,493	6,481,684	23,780	13,349,957	5.31	140
2000	47,083	18,122	14	65,219	6,016,099	6,174,824	15,237	12,206,160	5.31	140
2001	87,404	32,083	25	119,512	6,036,334	5,414,312	16,657	11,467,303	10.42	140
2002	42,400	13,886	81	56,367	6,049,213	4,848,943	39,049	10,937,205	5.15	144
2003	49,888	18,354	1,350	69,592	5,651,109	4,287,971	640,659	10,579,739	6.58	145

Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Since August 1994, Southern California Edison is no longer a utility electric generation customer.
- (3) MCF = thousand cubic feet

Ten Largest Gas Users
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	Consumption	
	In Dollar Sales	In Cubic Feet
Montenay Pacific Power Corporation	\$1,405	243,771
Memorial Hospital	510	86,492
Long Beach Aquarium Cogeneration	490	81,729
Edington Oil	237	966,228
Long Beach Convention Center	232	37,838
National Gypsum	220	752,469
American Textile	217	34,505
International Garment & Finish	207	32,976
ARCO	159	27,132
THUMS Cogeneration	152	528,540
Total	<u>\$3,829</u>	<u>2,791,680</u>

Other Gas Utility Miscellaneous Statistics:

Number of gas meters	151,210	
Average daily consumption	28,986	MCF
Gas mains	919.8	miles

Source: City of Long Beach, Long Beach Energy Department.

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

Fiscal Year-end (1)	Consumption		Source of Supply			Total Available Supply
	Daily Average Demand	Annual Demand	Total Pumped	Total Purchased	Total Reclaimed	
1994	61,245	22,357,718	3,598,698	18,755,658	968,429	23,322,785
1995	59,977	21,894,940	5,788,743	16,102,905	974,946	22,866,594
1996	64,281	29,252,458	7,733,422	21,514,638	1,993,882	31,241,942
1997	63,374	23,134,900	7,479,258	15,652,253	1,647,829	24,779,340
1998	59,561	21,743,070	7,700,837	14,038,964	1,370,203	23,110,004
1999	60,615	22,127,958	7,703,443	14,421,188	1,494,353	23,618,984
2000	63,619	23,220,794	8,076,869	15,143,925	1,691,167	24,911,961
2001	61,226	22,347,490	7,971,945	14,375,569	1,363,361	23,710,875
2002	62,259	22,724,523	8,478,643	14,245,880	1,789,900	24,514,423
2003	60,308	22,012,177	7,445,369	14,567,169	1,670,638	23,683,176

Note:

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

Ten Largest Water Users
For the Fiscal Year Ended September 30, 2003
(In Thousands)

	Consumption	
	In Dollar Sales	In Gallons
City of Long Beach	\$ 2,712	1,186,619
Long Beach Unified School District	609	232,975
Montenay Pacific Power Corporation	480	234,589
AES Southland LLC	424	206,682
California State University, Long Beach	297	135,407
L.A. County Community Development	235	91,367
Los Angeles Dept. of Water & Power	209	96,863
U.S. Veterans Hospital	210	99,741
Memorial Medical Center	188	86,992
State of California Dept. of Transportation	188	80,171
Total	\$ 5,552	2,451,406

Other Water Utility Miscellaneous Statistics:

Number of water services	89,139
Number of fire hydrants	6,421
Water mains	915 miles

Source: City of Long Beach, Water Department.

City of Long Beach

Miscellaneous Statistics
Public Works Department
Airport
Last Ten Fiscal Years

Fiscal Year-end (1)	Commercial Passengers		Air Cargo (Pounds) (000's)		Number of Aircraft Landings & Take Offs				Fuel Flowage (Gallons) (000's)
	Enplaned	Deplaned			Air Carrier	Air Taxi	General Aviation		
			Enplaned	Deplaned			Military		
1994	281,374	278,542	39,090	18,711	11,596	787	447,459	1,679	11,576
1995	211,206	208,685	34,382	19,177	7,588	1,438	475,823	3,075	10,950
1996	291,559	288,770	49,524	24,241	9,908	6,053	597,873	2,268	14,794
1997	274,029	268,283	44,551	21,485	9,035	4,678	433,958	1,596	14,555
1998	303,979	308,303	50,457	26,858	9,727	6,278	433,826	1,279	16,366
1999	461,411	451,064	55,486	34,066	15,518	6,535	480,538	2,033	20,163
2000 (2)	318,580	340,875	62,539	37,405	12,623	5,416	392,130	1,385	19,768
2001	280,528	277,590	67,705	46,571	9,913	6,400	344,937	764	17,104
2002 (3)	515,634	503,360	64,858	47,477	11,973	8,906	328,952	83	24,701
2003 (4)	1,386,078	1,371,173	66,498	48,805	27,702	7,501	303,238	929	42,929

Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30 from a June 30 fiscal year-end. The amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Commercial passenger count decreased due to cessation of service by Winair Airlines. General Aviation take offs and landings reflect modification of FAA Air Traffic Control Tower counting methodology which no longer includes aircraft transiting Long Beach Airport airspace.
- (3) In fiscal year 2002 the total number of daily flights for Jet Blue, American, and Horizon airlines increased from eleven to thirty two.
- (4) In fiscal year 2003, the total number of daily flights for Jetblue, American and America West Airlines increased from thirty two to thirty five. Horizon started operations in October 2002 with three commuter flights.

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

City of Long Beach
Miscellaneous Statistics
Last Ten Fiscal Years

Fiscal Year-end (2)	Public Service Bureau		Environmental Services Bureau				Energy Recovery Bureau	
	Trees Trimmed		Refuse Collected		Curbs & Alleys Swept		Tons of Refuse Received	Power Produced In Megawatt- Hours (1)
	Number of Trees	Cost Per Tree Trimmed	Tons Collected	Work Hours Per Ton Collected	Miles	Work Hours Per Mile Swept		
1994	21,508	\$ 107	200,832	1.34	167,616	0.25	463,267	245,559
1995	20,106	90	198,054	1.31	169,177	0.25	465,391	260,250
1996	21,500	126	251,907	1.18	207,406	0.20	589,042	322,756
1997	18,274	115	203,803	1.14	173,518	0.23	489,581	264,040
1998	23,169	98	209,262	1.14	190,018	0.22	464,324	258,735
1999	22,891	97	204,902	N/A	198,041	N/A	494,275	259,552
2000	23,427	106	211,051	N/A	189,953	N/A	480,515	267,580
2001	21,499	111	218,570	N/A	196,295	N/A	494,464	264,143
2002	21,807	120	224,776	N/A	195,778	N/A	504,626	272,239
2003	19,758	111	233,787	N/A	176,112	N/A	495,542	265,079

Notes:

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

<u>Fiscal Year (2)</u>	<u>Megawatt-Hours</u>
1994	203,652
1995	228,163
1996	280,832
1997	230,681
1998	225,985
1999	226,699
2000	233,714
2001	230,712
2002	236,730
2003	230,619

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

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

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

<u>Fiscal Year-end (1)</u>	<u>Container Movements (2)</u>	<u>Cargo (3)</u>	<u>Number of Ship Calls</u>
1994	2,335,292	83,344	5,272
1995	2,739,516	89,783	5,063
1996	3,769,935	121,546	5,834
1997	3,386,118	103,940	4,726
1998	3,972,378	107,959	4,673
1999	4,301,770	117,449	5,028
2000	4,564,529	126,785	5,428
2001	4,491,690	124,078	5,501
2002	4,694,432	125,620	5,036
2003	4,388,815	118,236	4,937

Notes:

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

(2) Twenty-foot equivalent units (TEU).

(3) Thousands of metric revenue tons.

Source: City of Long Beach, Harbor Department.

City of Long Beach
Summary of Major Employers
September 30, 2003

Employer	Number of Employees
Long Beach Unified School District	11,096
Boeing	10,500
City of Long Beach	6,542
California State University, Long Beach	5,609
Long Beach Memorial Medical Center	4,400
Veterans Affairs Medical Center	3,000
Long Beach City College	2,000
St. Mary's Medical Center	1,900
U.S. Postal Service	1,900
CSU Long Beach Foundation	1,600
Verizon	1,025
Pacific Hospital of Long Beach	868
Gulfstream Aerospace Corporation	823
The Bragg Companies	800
Long Beach Transit	720
Epson America, Inc.	650
RMS Foundation, dba Queen Mary Seaport	600
SCAN Health Plan	575
Target Stores	557
California State University Chancellor's Office	550
Forty Niner Shops	500
Hyatt Regency	500

Source: City of Long Beach, Department of Community Development, Long Beach Major Employer Directory-current listing. City of Long Beach Employees as of September 30, 2003 for permanent and part-time employees.

City of Long Beach
Other Miscellaneous Statistics
September 30, 2003

Date of incorporation	December 13, 1897	
Form of government	Mayor/Council-Manager	
Area	50 square miles	
Streets	815 miles	
Number of street lights	27,281	
Storm drain lines	180 miles	
	Fiscal Year	Fiscal Year
	2003	2002
Fire Protection (adopted budget):		
Number of firefighters and officers	500	523
Other non-safety personnel	56	59
Total Fire Personnel	<u>556</u>	<u>582</u>
Number of stations	24	24
Police Protection (adopted budget):		
Number of police officers and other sworn personnel	950	913
Civilian personnel	548	547
Total Police Personnel	<u>1,498</u>	<u>1,460</u>
Number of stations	1	1
Number of substations (full facility) (1)	2	3
Number of storefronts	4	4
Education (Elementary and Secondary):	2003	2002
Attendance Centers	89	95
Number of classrooms	N/A	4,258
Number of teachers	4,524	5,080
Number of students	97,370	97,369
Sewers:		
Sanitary sewers		765 miles
Manholes		15,595
Sanitary sewer pump stations		27
Storm drains pump stations		23
Recreation and culture:		
Number of parks (acres includes golf courses)		103 with 2,814 acres
Number of libraries		12
Number of library holdings (books, videos, tapes)		997,509
Number of library circulations		1,721,269
Employees:		
Permanent, classified service		4,114
Permanent, unclassified service		826
Part-time, temporary and seasonal		<u>1,602</u>
Total Employees		<u>6,542</u>

(1) In fiscal year 2003, the number of substations was reduced from three to two since the North Substation was under construction for most of fiscal year 2003.

City of Long Beach
Infrastructure Maintenance and Improvements
September 30, 2003

Public Works Department						
Fiscal Year-end (1)	City Streets Resurfaced and Striped (In Miles)	Red Curbs Repainted (In Linear Feet)	Traffic Signs Replaced	Burned-Out Street Lights Replaced	Sidewalk Repaired (In Square Feet)	Graffiti Removed (Number of Sites)
1994	89	468,680	4,784	4,764	52,605	42,709
1995	78	390,500	5,100	5,928	54,516	24,474
1996	80	780,000	5,460	7,220	67,650	34,222
1997	90	399,945	3,697	6,001	56,835	23,242
1998	69	150,025	3,514	3,997	52,862	21,806
1999	73	117,000	3,610	2,038	53,000	19,207
2000	67	171,061	5,549	2,395	546,000	29,431
2001	11	147,840	3,743	2,482	480,558	39,998
2002	81	128,000	4,949	4,379	540,615	59,708
2003	52	66,000	3,569	7,774	372,104	60,137

Water Department							
Fiscal Year-end (1)	Cast Iron Water Mains Replaced (In Feet)	Fire Hydrants Repaired	Water Meters Repaired	Sewer Mains & Laterals Repaired (3)	Sewer Mains Cleaned (In Miles)	Sewer Manholes Chemically Treated	Storm Drain Catch Basins Cleaned (2)
1994	28,510	1,549	12,075	10,305	366	5,455	3,390
1995	24,233	1,018	12,908	16,873	349	3,711	4,460
1996	58,946	1,111	17,351	26,283	588	11,909	5,900
1997	68,148	1,165	14,238	7,186	453	10,142	4,950
1998	70,583	185	12,200	1,600	405	7,959	4,990
1999	75,244	475	18,674	2,232	318	7,184	6,436
2000	75,005	183	17,561	4,524	257	4,843	5,070
2001	61,765	358	10,713	384	291	3,501	6,865
2002	85,297	732	2,960	147	396	5,000	6,269
2003	71,000	395	2,900	97	341	3,000	8,614

Long Beach Energy Department			
Fiscal Year-end (1)	Gas Mains Replaced/Relocated (In Feet)	Gas Mains Installed (In Feet)	Gas Meters Installed/Removed/Replaced
1995	7,445	6,411	4,800
1996	9,728	4,754	7,749
1997	10,588	8,097	5,786
1998	8,230	6,698	7,537
1999	42,525	32,397	6,707
2000	10,932	4,892	6,707
2001	19,612	4,347	4,162
2002	28,324	10,102	5,697
2003	51,444	19,306	4,846

Notes:

- (1) Effective July 1, 1995, the City changed its fiscal year-end to September 30, from a June 30 fiscal year end. Consequently, the amounts for the 1996 fiscal period are for the fifteen months from July 1, 1995 through September 30, 1996.
- (2) Effective October 1, 1998, the Water Department maintains the storm drain operations.
- (3) For fiscal years 1994 through 2000, the Water Department tracked repairs by the number of feet. Beginning in fiscal year 2001, repairs are tracked according to the number of jobs.

Source: City of Long Beach

City of Long Beach
Schedule of Insurance in Force
as of September 30, 2003

LIABILITY¹

<u>Program</u>	<u>Expiration</u>	<u>Company/Policy Number</u>	<u>Kind of Insurance</u>	<u>Amount/limits by carrier</u>	<u>Limit by program</u>
Excess Municipal Liability	07-01-04	Insurance Co. of the State of PA/ 4203-4857	Third party liability; public officials errors and omissions; unfair employment practices	\$10,000,000 excess of \$3,000,000 self-insured retention	\$15 million over a \$3 million self-insured retention
	07-01-04	Evanston Insurance Company /TBD	Third party liability; public officials errors and omissions, unfair employment practices	\$5,000,000 excess of \$13,000,000	
Airport Liability	06-30-04	ACE Property & Casualty Insurance Company /AAPN00056431	General liability, products liability, hangarkeepers legal liability	\$100,000,000 per occurrence (no deductible) subject to \$50,000,000 sublimits each for personal injury, malpractice, excess auto, terrorism, and excess EMP	
	06-30-04	Underwriters at Lloyds/ LPP00354	Excess general liability, excess products liability, excess hangarkeepers legal liability		
Aircraft Liability	06-30-04	ACE Property & Casualty Insurance Company /TBD	Aircraft liability and hull coverage for two EC-130 police helicopters.	\$50,000,000 per occurrence (no deductible) for third party liability;hull physical damage coverage subject to hull ded. of \$1,000 for rotors not in motion and 5% for rotors in motion	

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

MISCELLANEOUS COVERAGES

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
Bonds	07-01-04	Great American Insurance Company /GVT124377402	Employee dishonesty with faithful performance. Covers all officials and employees. Computer and electronic fraud coverage is included.	\$5,000,000 (\$25,000 deductible)
	Various	Hartford Insurance Company	Vehicle Verifier Bonds covering various employees	\$5,000 per bond
Excess Workers Compensation	06-30-04	CSAC Excess Insurance Authority (reinsured by American Re-Insurance Co.)/ 005671-IN (TBD)	Excess workers' compensation and employer's liability over a \$5,000,000 self-insured retention	\$45,000,000 work comp; \$5,000,000 employers' liability and Jones Act coverage \$10,000,000 terrorist acts
Travel Accident	10-15-04	AIG Life Insurance Company /GTP8038087	Accidental death and dismemberment coverage for officials and employees injured on business travel and for guests in City helicopters	\$500,000 per person, \$5,000,000 aggregate
Special Events				
<u>Primary layer</u>	01-01-04	General Star Indemnity/ IYG325268C	Liability coverage available for persons or entities seeking a special event permit from the City. The City of Long Beach is an additional insured on these policies.	\$1,000,000
<u>Excess layer</u>	0-01-04	Genesis Indemnity/ ZXB300176F	Liability coverage available for persons or entities seeking a special event permit from the City. The City of Long Beach is an additional insured on these policies.	\$1,500,000

City of Long Beach
Schedule of Insurance in Force
as of September 30, 2003
(Continued)

OTHER LIABILITY INSURANCE POLICIES

Entities purchasing under the direction of Risk Management that are directly related to the City of Long Beach are listed below.

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
Redevelopment Agency of the City of Long Beach	09-29-04	Evanston Insurance Company /TBD	General liability, errors and omissions liability, non-owned auto liability, employment practices liability	\$5,000,000 (\$0 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)
Housing Authority of the City of Long Beach	09-29-04	Evanston Insurance Company /TBD	General liability, errors and omissions liability, non-owned auto liability, employment practices liability	\$5,000,000 (\$1,000 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)
Greater Long Beach Workforce Development Board	09-29-04	Evanston Insurance Company /TBD	General liability, directors and officers liability, non-owned auto liability, employment practices liability	\$5,000,000 (\$0 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)
Long Beach K-9 Officers' Association	09-29-04	Evanston Insurance Company /TBD	Liability protection (dogs off-duty)	\$1,000,000 per occurrence (\$500 deductible)
Long Beach Housing Development Company	09-29-04	Evanston Insurance Company /TBD	General liability, directors and officers liability, non-owned auto liability	\$5,000,000 (\$1,000 deductible); \$2,000,000 sublimit for employment practices (\$10,000 deductible)

The other Long Beach-based entities assisted by Risk Management include the Community Hospital of Long Beach, Rancho Los Cerritos Foundation, Partners of Parks, Long Beach Museum of Art Foundation, Long Beach Public Library Foundation, Friends of the Long Beach Public Library Foundation, Long Beach Aquarium of the Pacific, RMS Foundation (Queen Mary), and the Spring Street Corridor JPA.

PROPERTY

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount by carrier</u>	<u>Limit by program</u>
General Property Primary Layer A	07-01-04	Lexington/ RKM103900343	All Risk Property	\$10,000,000	\$750 million of All Risk property coverage for the full replacement value of City-owned property, including the Queen Mary properties
Excess Layer B	07-01-04	Allied World Assurace / RKM103900343C	All Risk Property	\$48,000,000	
Excess Layer B	07-01-04	Great Lakes/ RKM103900343B	All Risk Property	\$36,000,000	
Excess Layer B	07-01-04	Lloyds/ RKM103900343A	All Risk Property	\$24,000,000	
Excess Layer B	07-01-04	Axis UK/ RKM103900343A	All Risk Property	\$12,000,000	
Excess Layer C	07-01-04	Commonwealth/ US 4474	All Risk Property	\$18,000,000	
Excess Layer C	07-01-04	Axis Speciality/ ALF 102265	All Risk Property	\$13,500,000	
Excess Layer C	07-01-04	Essex / EPEP 10032	All Risk Property	\$9,000,000	
Excess Layer C	07-01-04	Great American Assurance Company/ CP 5663413	All Risk Property	\$4,500,000	
Excess Layer D	07-01-04	Commonwealth/ US 4474	All Risk Property	\$37,500,000	

City of Long Beach
Schedule of Insurance in Force
as of September 30, 2003
(Continued)

PROPERTY (Continued)

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount by carrier</u>	<u>Limit by program</u>
Excess Layer D	07-01-04	Royal Surplus/ K2HD 407823	All Risk Property	\$37,500,000	\$750 million of All Risk property coverage for the full replacement value of City-owned property, including the Queen Mary properties
Excess Layer E	07-01-04	Lloyd's/ RKM103900343A	All Risk Property	\$106,250,000	
Excess Layer E	07-01-04	Axis UK/ RKM103900343A	All Risk Property	\$18,750,000	
Excess Layer F	07-01-04	Royal Surplus/ TBD	All Risk Property	\$125,000,000	
Excess Layer G	07-01-04	Insurance Co. of the West	All Risk Property	\$250,000,000	

BOILER AND MACHINERY

<u>Program</u>	<u>Expiration</u>	<u>Company</u>	<u>Kind of Insurance</u>	<u>Amount/Limit by carrier</u>
	07-01-04	Continental Casualty Company /BM077609612	Property damage and business interruption on City-owned properties, except SERRF	\$50,000,000 (various deductibles ranging from \$2,500 to \$375,000 based on size and power)